



12 February 2025

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 2025-26 Budget Public Consultation
Empower Workforce to Meet Emerging Needs

Hong Kong Institute of Human Resource Management (HKIHRM) would like to offer the following recommendations for your consideration in formulating the 2025-26 Budget. Our proposals are focused on the following key areas:

- 1. Reform the Continuing Education Fund (CEF) to Meet Emerging Needs of Workforce and Employers**
- 2. Redistribute Economic Benefits from Inbound Talents to Local Talent Development for Sustainable Growth**
- 3. Use of AI and Technology to Upskill Workforce and Improve Government Efficiency**
- 4. Bridging Industries to Develop Mutual Recognition of Qualifications to Bring in Technical Professionals and Talents**
- 5. Invest in Traineeship and Career Coaching to Encourage Employment Seeking Behaviour Among Youth**
- 6. Invest in Family-Friendly Measures to Increase Labour Participation Rate**

1. Reform the Continuing Education Fund (CEF) to Meet Emerging Needs of Workforce and Employers

1.1 There have been concerns over the limited utility of the Continuing Education Fund, the Government will consider the need to review the existing arrangements as appropriate.¹ We recommend the Government to reform the fund to cover more micro-credentials courses, which would enable both employers and employees to benefit from tailored educational opportunities that align with specific industry demands and expedite the supply of manpower.

1.2 As the largest employer, the HKSAR should recognise micro-credentials as mini-qualifications for jobs in emerging fields such as artificial intelligence and big data technology. We believe that by making the fund more flexible and accessible, we can encourage greater participation among employees in continuous learning initiatives.

¹ As at end of October 2024, there are about 932,000 accounts under the CEF, among which about 5,700 account holders had used up the subsidy of \$25,000, representing less than 1 % of the total number of accounts under the CEF. Meanwhile, 90 % of the accounts under the CEF have an unused balance of \$15,000 or above.
<https://www.info.gov.hk/gia/general/202412/04/P2024120400280.htm>



2. Redistribute Economic Benefits from Inbound Talents to Local Talent Development for Sustainable Growth

2.1 With more than 180,000 overseas talents and their families relocated to Hong Kong since 2022, the Government projects an impressive HK\$34 billion injection to Hong Kong's economy annually, accounting for approximately 1.2 per cent of GDP.² We recommend that the Government strategically utilise the economic benefits for on-the-job training initiatives to upskill the existing workforce.

2.2 Proposed Funding Mechanisms

- 2.2.1 **Collaboration with Professional Bodies** - incentives to encourage partnerships between employers and professional organisations to develop customised training programmes that address specific industry requirements.
- 2.2.2 **Incentives for Participation** - subsidies for companies that actively engage in employee training, such as tax allowance or rebate, or additional funding support based on the number of employees trained or the skills acquired.
- 2.2.3 **Focus on Digital Literacy and Emerging Technologies** - Fully reimbursed funding can be considered for trainings in priority areas such as AI and data analytics.

3. Use of AI to Upskill Workforce and Improve Government Efficiency

3.1 To maximise AI's potential in Government operations, the Digital Policy Office should establish a central task force to oversee the development and implementation of AI solutions across departments. This task force, supported by department-level initiatives, would focus on high-impact use cases such as fraud detection, predictive maintenance, and citizen service automation.

3.2 Drawing inspiration from Canada's AI Strategy for the Federal Public Service, the task force should prioritise inclusivity, robust infrastructure, and public trust while fostering collaborations with academia and industry. By addressing challenges such as workforce resistance and data privacy concerns, the Hong Kong Government can unlock the transformative potential of AI, achieving measurable cost savings and enhanced service delivery.

3.3 Singapore's AI Playbook for Public Sector underscores the importance of building technical capabilities through training programmes and workshops, empowering public servants to identify opportunities for AI adoption. Ethical frameworks and audits ensure compliance and public confidence, while AI should augment, not replace, human capabilities.

3.4 Strategic investments in infrastructure, talent, and pilot projects can deliver measurable benefits. According to studies by McKinsey and Deloitte, investment in AI can easily be recuperated, as it would in general achieve 10-15 per cent cost-savings. For example, a 2024 Deloitte report said Generative AI (GenAI) could enable medtech companies achieve cost efficiencies of six to 12 per cent of their total revenue within two to three years.³

² Legislative Council Paper, LC Paper No. CB (1)998/2024(01)

³ "Is Generative AI changing the game for medtech?" Deloitte, 2024



4. Bridging Industries to Develop Mutual Recognition of Qualifications to Bring in Technical Professionals and Talents

4.1 A critical factor driving high operating costs in Hong Kong is the persistent shortage of manpower, particularly in technical industries. For instance, based on the Government latest manpower projection report, the aviation sector is projected to face a shortfall of 18,000 to 23,000 workers by 2028, including cabin crew, customer service officers, pilots, and aircraft engineers/technicians.

4.2 Similarly, the transportation and logistics industry, is expected to experience a shortage of over 10,000 workers, including drivers, seamen, warehouse operators, and mechanical/technical specialists. Meanwhile, skilled technicians across industries are projected to account for over one-third of the total labour shortage by 2028, with critical gaps in fields like construction, logistics, and engineering.

4.3 Specific roles in demand include electricians, mechanical repair technicians, and other specialised workers, which include elevator maintenance technicians. Those roles are highly technical and characterised by demanding working conditions. Foreign workers often find it unattractive to work in Hong Kong due to the lengthy and complex process required to obtain local qualifications, which can take up to 12 to 18 months. This exacerbates recruitment challenges and operational inefficiencies, leaving employers struggling to fill critical roles.

4.4 To address these issues, the Government should foster stronger collaboration with industries of Hong Kong and the Greater Bay Area (GBA) under different frameworks such as CEPA (Closer Economic Partnership Arrangement). Establishing mutual recognition of professional qualifications would significantly streamline the certification process for foreign workers, enabling them to join the workforce more quickly.

4.5 For example, Singapore's mutual recognition agreements with ASEAN countries have reduced qualification processing times by 50 per cent, providing a successful model for Hong Kong to emulate. Such measures would alleviate labour shortages, reduce operating costs for employers, and strengthen Hong Kong's competitiveness as a business hub, without negatively affecting local employment. Notably, surveys indicate that fewer than 10 per cent of young people in Hong Kong express interest in entering these "hardship" industries, underscoring the need for external manpower solutions.

4.6 Additionally, the Government has announced plans to attract more technical professionals to Hong Kong. To ensure the success of these initiatives, assessment methods for technical professionals should be made more inclusive. Instead of focusing solely on academic qualifications, relevant practical experience and on-the-job training should be equally emphasised. Expediting the qualification recognition process is essential to enable skilled workers to promptly fill critical roles and contribute meaningfully to the economy.

4.7 Collaboration with industries is a critical step to expanding the mutual recognition of professional qualifications for technical talents. Industry associations could work with the



Government to identify priority qualifications for mutual recognition and develop streamlined certification pathways.

4.8 By implementing these recommendations, the Government can mitigate manpower shortages, enhance operational efficiency in key sectors, and improve the overall skillset of Hong Kong's workforce. This will ensure sustainable economic growth and maintain Hong Kong's competitiveness in the global market.

5. Invest in Traineeship and Career Coaching to Encourage Employment Seeking Behaviour Among Youth

5.1 We fully support initiatives aimed at facilitating upward mobility for youth and call on the Government to collaborate with businesses, non-governmental organisations, and professional bodies to launch programmes that create employment opportunities. This collaborative approach will not only enhance employment prospects for young people but also contribute to overall social development, and stimulate economic growth.

5.2 HKIHRM is actively seeking partnerships to provide career coaching and source traineeship opportunities for youth. Additionally, we aim to offer training for employers and other professionals, such as social workers and case managers, to effectively develop these traineeship projects. By investing in our youth, we can foster a skilled workforce that meets the demands of the future.

6. Invest in Family-Friendly Measures to Increase Labour Participation Rate

6.1 HKIHRM has been a strong advocate for family-friendly workplaces to increase Hong Kong's labour participation rate, which stood at 56.9 per cent only in late 2024, a figure low compared with other advanced countries.⁴ The Government should continue to promote family-friendly policies that encourage childbirth and support family development. HKIHRM proposes enhancing support measures for working families in childcare. For example, the Government can consider increasing quota and expanding after-school care services for school-age children.

6.2 To support families with newborn babies and promote fertility, we recommend considering practices from other regions, such as extending statutory maternity leave to 16 weeks and paternity leave to 14 days. In particular, the Government can draw inspiration from Singapore's recent initiatives, which will implement enhanced maternity leave policies in April 2025.⁵ The Labour Department has implemented the Reimbursement of Maternity Leave Pay Scheme since

⁴ OECD employment and labour force participation (LFP) rates remained broadly stable at 70.3% and 74 % in the third quarter of 2024, marking the highest levels recorded since the start of the series in 2005 and 2008, respectively.

<https://www.oecd.org/content/dam/oecd/en/data/insights/statistical-releases/2025/1/labour-market-situation-oecd-01-2025.pdf>

⁵ <https://www.msf.gov.sg/media-room/article/amendments-to-child-development-co-savings-act-enhanced-paternity-leave-and-new-shared-parental-leave-scheme-from-1-april-2025-to-strengthen-support-for-working-parents>



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1 April 2021. We urge the Government to review this scheme to extend maternity leave coverage, further supporting working families in Hong Kong. Expanding the workforce can enhance productivity and foster a more inclusive job market.

We hope you will find our recommendations valuable to you. Wishing you and your team a prosperous Year of the Snake!

Yours sincerely,

Lawrence Hung
President
Hong Kong Institute of Human Resource Management

cc. Budget Consultation Support Team