

# HONG KONG 2020 - THE BIG PICTURE :

## HUMAN CAPITAL



**Business and Professionals  
Federation of Hong Kong**  
香港工商專業聯會

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## **ACKNOWLEDGEMENTS**

We gratefully acknowledge the support given to this report by the following individuals:

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## EXECUTIVE SUMMARY

### Background

1. Hong Kong has always been a place for people to realise their dreams. From the turn of the 20th century with the arrival of the Europeans, to the post-war immigration flood of poor refugees and the arrival of foreigners from many countries seeking their fortunes, Hong Kong has been a city of immigration, change and entrepreneurial energy. People are Hong Kong's only asset.
2. Hong Kong has benefited too as the "gateway" to Mainland China; in that respect its strengths are:
  - i) An open society.
  - ii) Multi-ethnic business and social environment.
  - iii) A strong middle class of professionals from many countries.
  - iv) Rule of law and high integrity.
  - v) A strong and stable governance.
3. As China becomes more open internationally in its own right, Hong Kong's traditional "gateway" role is diminishing. Furthermore, Hong Kong faces its own internal challenges:
  - i) An ageing population.
  - ii) A growing inward-looking and protectionist mindset.
  - iii) Increasing competition from the rise of entrepreneurialism in the Mainland.
  - iv) An excellent education system that nonetheless does not produce the soft and language skills required by today's international business conditions.
  - v) Lack of Government leadership in human capital management.
4. Hong Kong therefore needs to recognise that its role in the world has changed and position itself for the future. At the heart of the needed changes are – as always – its people. This study makes recommendations to build on and adapt Hong Kong's strengths so as to ensure its people will continue to have the chance to realise their dreams in 2020 and beyond.
5. We make recommendations in three broad areas:
  - i) Human capital leadership.
  - ii) People development strategies.
  - iii) Maintaining an open society.

## Human Capital Leadership

6. The current administrative structure for people is fragmented and involves several government departments (Immigration, Education, Labour for example) each with different aims: there is no single body overseeing human capital strategies.
7. We recommend appointing (or designating) a **Minister of Human Capital** to champion and lead the development and implementation of comprehensive human capital strategies for Hong Kong. The Minister's roles would be to develop long-term strategies, align society behind such strategies, continuously monitor their implementation, and ensure coordination among government units and non-government organisations.

## People Development Strategies

### Education reform

8. Building on its strong foundation and tradition, Hong Kong's education system must continue to reform and encourage the development of **"soft" skills**, such as communication skills, interpersonal relationships, international adaptation, character building and values formation.
9. Secondly, our students need more **international exposure**. This can be achieved by more foreign students studying in Hong Kong universities, exchange programmes with high schools in the Mainland, and subsidised opportunities for qualified local students to study abroad. English and Putonghua language capabilities are essential and must be continually promoted.
10. Thirdly, we need more diversity in our tertiary education, specifically by private universities, that can help Hong Kong fill the gap between its graduate population and that of other world cities.

### Vocational training

11. There should be more **collaboration between the public and private sectors** in the provision of vocational training. The current engagement of the private sector as advisors in various government appointed committees can be deepened with more formalised exchanges at the working staff level. To encourage more training investment, a territory-wide undertaking agreement for training (along the lines of Training Boards) may be introduced.

### Life long learning

12. A sound human capital strategy must **be comprehensive** in its scope and **cohesively coordinated** among different life-cycle stages and various stakeholders. For example, the importance of proper parenthood can only be addressed with government resources as well as community and employer support. Adults' continuing education cannot be possible without the recognition and support of employers. Also, better grounds for collaboration between academics and private sectors as well as within the private sectors would help to reduce the competence gaps of our graduates.

## **Maintaining an Open society**

### Most preferred city to live

13. Hong Kong must strive to be the most preferred city to live in the eyes of a broad range of population segments in order to attract, retain and raise the productivity of its population. Hong Kong has an advantage with its advanced development, and it must maintain its strengths and focus on the priorities:
  - i) Opportunities with its strategic position in China.
  - ii) Integrity of its institutional infrastructure.
  - iii) Unique Hong Kong multi-ethnic culture and lifestyle: a fun, safe and clean place to live and work.
14. For benchmarking purposes, the Government can frequently conduct and publish surveys on various segments of the population to measure our city's performance and identify areas for improvement.

### Culture and mindset

15. We need to continue renewing and strengthening our culture and mindset: in particular, the values of Commitment, Community, Contribution, Confidence and Creativity - the five C's - should be emphasised.
16. Hong Kong should allocate more resources to promote values in our culture with more positive thinking. For example, with the support of the business sectors, academics may research on Hong Kong's own values, culture and **successful role models** to demonstrate these virtues.
17. As a society, a lot can be done to elevate Hong Kong's media industry and we propose strategies for achieving and promoting a long-term **sustainable professionalism of the media** as a very important pillar to promote Hong Kong's virtues.

### Education hub

18. By building on its current talent and educational capacities, development of Hong Kong as an education hub is an effective way to **encourage high-quality talent flow** to Hong Kong. In addition, there are direct economic benefits, such as the development of research and development capabilities, particularly for those applying proven technology to actual situations that would support Hong Kong's development into a more diversified economy. The business of educational services could become a new economic sector to generate new revenues and employment.

## Comprehensive Immigration Policies

19. Hong Kong needs the formation of a set of comprehensive and forward-looking immigration policies to minimise the overall ageing population problem and enhance the quality of Hong Kong's population profile.
20. The current population growth via family-dependent migrants from the Mainland must be rebalanced, significant efforts must be placed on global talent attraction through an overhaul of the investor immigration scheme to attract businessmen and entrepreneurs.
21. As the current challenges are more to attract quality migrants than to defend our borders, administration of all talents and economic immigration schemes should be administered pro-actively by either the Development Bureau or the Commerce and Economic Development Bureau.

## INTRODUCTION

22. This paper focuses on Hong Kong's human capital issue.
23. Firstly, we analyse the role of human capital in contributing to Hong Kong's successful history, in which we have identified several prevailing and repeated key success factors.
24. Against the backdrop of these strong fundamentals and traditions, we look at Hong Kong's current situation, and highlight some of the key structural challenges recently faced by Hong Kong. In the vision statement, we articulate the basic desirable qualities of Hong Kong's human capital.
25. In the last section of the main text, we offer several specific recommendations on how to realise the vision. In the Appendices, there are details of the various specific development strategies.

## HUMAN CAPITAL IN HONG KONG'S SUCCESSFUL HISTORY

26. Hong Kong's population has gone through numerous changes over the past century. Starting off as a fishing village, it became a colony where Chinese and Europeans learnt to live and work together during the second half of the 19<sup>th</sup> Century.
27. After the turbulent times of the Second World War and then the civil war in China, there were several decades of major upheavals in its population. These included:
  - i) Being a haven for Chinese refugees (1950s and 1960s) who risked their lives for a better life.
  - ii) The rise of the locally educated middle-class professionals who realised a rapid localisation in both public administration and private sectors (1970s to 1990s).
  - iii) The increasing multi-ethnic and multi-cultural mix of Hong Kong's population with the arrival of the Americans, Japanese, and people from other countries.
  - iv) During the latter part of the 20<sup>th</sup> century, Hong Kong suffered its own "brain drain" due to the imminent change of sovereignty.
28. All along, international residents have always had a significant presence in Hong Kong, who come here to pursue their business and cultural interests in China. This has given Hong Kong the name as the "Gateway to China".
29. The profile and demography of ethnic Chinese who constitute the majority of the population, have also gone through rapid and significant changes with the ageing of baby boomers born between 1950s and 1970s and the substitution of Chinese refugees with the new migrants who are dependents of Hong Kong men. The latest major new era started from the return of sovereignty to China in 1997, where the presence of more residents from the Mainland has added more colour to Hong Kong's population.
30. Hong Kong has thrived during many periods of mega-changes. One theme has always stood out: **Hong Kong has always been the place for its population to realise their dreams and potential.** When analysing this theme in more detail, there have been several key success factors:
  - i) **Open Society**
    - a. Quantitatively, this can be measured by the presence of international companies and organisations and the number of goods, visitors, and cross-border vehicles that pass through Hong Kong; and qualitatively, this can be demonstrated by the population's connection with the outside world either through relatives living in Mainland China or overseas, employment with foreign companies, education abroad, etc.

- b. Furthermore, this openness has resulted in some long-held traditions such as freedom of speech and protest, unrestricted capital movement, overseas travel, and an open media. This is reinforced in everyone's daily life with regard to consumption choices, career decisions and lifestyles. By all means, Hong Kong has been one of the most open societies in the world.
- c. The importance of this openness is not restricted to economic activities with the outside world, but rather, it is the mindset and culture of the Hong Kong people in terms of cultural inclusiveness and the ability to adapt to external changes.
- d. With this openness, Hong Kong has been able to go beyond its very small physical territory to engage in numerous borderless connections with the entire world, and its population has been able to tap into, explore and profit from new opportunities and trends in the world. This phenomenon is clearly evident in all commercial sectors including trade, manufacturing, commercial activities, financial and service industries.

## **ii) Multi-Ethnic Entrepreneurs**

- a. There has always been a constant flow of expatriates, who bring their talents, energies and ambitions to this unique land. While they are here, they show their values through contributions to the developments in commerce and public services. In return, they are rewarded handsomely by being able to realise their dreams and ambitions.
- b. This is even truer in the case of the Chinese refugees who risked their lives to cross the borders illegally for the sole purpose of finding a better place to live and work. They became the labour supply needed to kick-start Hong Kong's industrialisation and infrastructural build-up (since 1960s), and later on their return to home towns in South China (since 1980s) triggered the industrial boom that helped China become "factory of the world".

## **iii) Middle-Class Professionals**

- a. Hong Kong's "baby boomers" grew up during the 1960s to the 1980s and become the current majority in our population. Having seen their parents' humble lives, they studied extremely hard in the western-style advanced education system that was installed for the first time in Hong Kong under the British regime. Many went abroad to continue their studies and others obtained world-class professional qualifications.
- b. In their careers, they have also demonstrated one of the highest work ethics in the world. Coupled with plenty of opportunities from a rapid localisation and a booming economy, they quickly established their careers and many became professionals and senior managers. They have been handsomely rewarded with stable employment and rising enumeration, as well as personal wealth from owning homes and stocks during the booming decades. They have fully realised the dreams of the middle class.

#### **iv) Institutional Infrastructure of Highest Integrity**

- a. These middle-class professionals provide Hong Kong with a reliable institutional infrastructure, which is governed under a sound legal system and supported by world-class commercial practices.
- b. These institutions comprise the entire range of key elements required for a successful business environment in a metropolitan city, such as company laws, banking, investment and securities regulations, accountancy, medicines, engineering, architecture, etc.
- c. The high integrity of these institutions has been one of the major reasons for businesses and communities to continue to flourish. This integrity is well guarded by the loyal locals and their trade and professional associations, which are monitored under the regulators' supervision.

#### **v) Stable and Strong Leadership and Governance**

- a. During the several turbulent decades since the Second World War, the relatively stable governance in Hong Kong contributed largely to its success as the place for business in East Asia. This stability facilitated the concentration of entrepreneurs and businessmen, as well as the development of the middle-class professionals.
- b. For a long period of time under strong leadership, the Hong Kong Government implemented many fundamentally correct measures at the right time, including the development of the New Territories, massive housing and health programmes, investment in education, build-up of physical infrastructure, enforcement of public security and anti-corruption policies.
- c. Its governance philosophies, such as non-intervention in business, free capital flow, low and simple taxation, and absolute upholding of law and order, etc., have been suitable for the local situation in directing and promoting commercial development as the theme for Hong Kong's continuous peace and success.

## HONG KONG'S CURRENT CHALLENGES

31. Since the 1990s, growth in Hong Kong has slowed, while its neighbouring cities have grown much faster and become stronger, many traditionally strong local industries and businesses have been gradually losing its edge to those in major Mainland cities. In addition, foreign corporations are no longer automatically coming to establish offices in Hong Kong: some of them choose to go directly to Mainland cities.
32. In general, the local population has become more inward-looking. Most are reluctant to venture to work in Mainland China (or elsewhere in the world) but would rather keep a comfortable life at home. Some have become protectionists due to job insecurity.
33. Furthermore, many feel that academic standards are deteriorating: English and Putonghua language proficiency is low and soft skills is generally poor. For the first time in its history, Hong Kong's population appears to be losing its edge.

### i) Ageing Population

- a. Many studies have shown that Hong Kong's population is ageing, as is commonly seen in developed countries. The causes include better health services, higher hygiene standards and lower birth rates. The major cause is the fact that Hong Kong's population is growing at less than 1% per year<sup>1</sup>.
- b. But as a city (as opposed to a country), Hong Kong is doing much worse than other major cities such as New York and London<sup>2</sup>, and even Beijing and Shanghai, because since the end of the influx of the Chinese refugees and illegal immigrants, Hong Kong has been unable to draw quality population flow from a large hinterland.
- c. In the case of other major capitals of the world, the younger and more aggressive population would migrate to their major cities in pursuit of their careers and ventures, whereas many of the elderly or families for economic reasons would move away from the cities to the rural areas for better quality of living at lower costs. Unfortunately, this is not applicable in the case of Hong Kong with its clear border.

### ii) Immigration Policies for Quality Population Growth

- a. Since the end of the influx of Chinese refugees, a majority of Hong Kong's new immigrants, which also account for the majority of its population growth, have been the family dependents of Hong Kong men<sup>3</sup> from cross-border marriages.

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<sup>1</sup> Per statistics from the Immigration Department, the population in Hong Kong was 6,544,000 in 1998 and 6,994,500 in 2006. The annual rate of increase was always less than 1% p.a. with the sole exception of 1.2% in 2004.

<sup>2</sup> In comparing 1990 vs. 2000, the distribution of population age for New York and London remained the same, with the majority in the 20 – 44 age group, but Hong Kong has shown an obvious shift to an older age bracket.

<sup>3</sup> Current quota is 150 per day or 54,750 per year. During 2008, there were 41,460 immigration approvals for dependents from the Mainland.

- b. In contrast to the Chinese refugees who became Hong Kong's economic engine at that time, these dependents are less educated than their average Hong Kong counterparts. Most of them end up working in low-end jobs and some even become dependent on social welfare. Social support is evidently inadequate given the government's piecemeal attempts to help and failure to formulate a comprehensive and positive approach to assimilate them.
- c. In some worse cases, the husbands were structurally unemployed, families were split, and their wives from the Mainland were stricken with isolation and home-sickness. When the problems finally erupted, these unfortunate immigrants became a drain to government resources and exhausted societal goodwill.
- d. Only since 2003 has the Government begun to slowly introduce other immigration schemes to attract Mainland talents<sup>4</sup>, foreign students (mostly from Mainland) graduating from Hong Kong universities<sup>5</sup>, and talents around the world<sup>6</sup>. As shown by the actual figures, these talent immigrant programmes were only introduced recently and the results were low in numbers. So far, their impact on Hong Kong has been minimal.
- e. The weakest link is probably the lack of entrepreneurs or the so-called "economic migrants". Paradoxically, Hong Kong's only investor immigration scheme<sup>7</sup> requires minimum capital investment but does not permit the running of businesses in Hong Kong.
- f. Other than the family-dependent immigrants, the next largest class of new residents to Hong Kong is the expatriates who are only granted residence visas based on confirmed employment<sup>8</sup>. Their numbers fluctuate with economic cycles, and most of them typically leave Hong Kong after their employment.
- g. This on-going stream of new expatriate residents continues to contribute significantly to our society and seldom cause any social burden. However the long term sustainability of this population flow is becoming uncertain as Hong Kong loses its desirability as a second-home, given that expatriate wives must apply before they are allowed to work in

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<sup>4</sup> Introduced since 2003, the Mainland Talents and Professionals scheme had 7,576 approvals in 2008. Confirmed employment is required before application.

<sup>5</sup> Started in mid-2008, the Immigration for Non-Local Graduates granted 2,758 cases the right to work in Hong Kong between May 2008 and January 2009. Confirmed employment was not required for application and temporary visas were also issued to facilitate job seeking. Most were students from Mainland.

<sup>6</sup> The Quality Migrant Admission Scheme was introduced in mid-2006, but the approvals were only 322 between 2006 and 2007, and another 404 in 2008. Employment confirmation is not necessary.

<sup>7</sup> The Capital Investment Entrant Scheme was also introduced in 2003 for persons who invest a minimum of HK\$6.5 million in Hong Kong but would not be engaged to run any business here.

<sup>8</sup> During 2007 and 2008, there were 26,384 and 26,466 approved working visas under the General Employment Policy. And during 2008, there were another 19,043 dependents of nationalities other than from Mainland granted residence visas to stay in Hong Kong.

Hong Kong<sup>9</sup>, the scarcity of good international schools when demand is high, the continually worsening pollution, and the fact that businesses are shifting their focus away to the Mainland; relocating regional headquarters and expatriates from Hong Kong in the process.

- h. Currently all immigration schemes are administered by the Immigration Department which is a disciplined force under the Secretary for Security. In the past, when the primary objective was to turn away unwelcome illegal immigrants, that was a sensible approach. But in today's world where there is strong competition for talents, Hong Kong's current needs are to attract talents and entrepreneurs, instead of defending its borders from illegal immigrants.
- i. Given its lack of engagement in activities that identify desirable immigrants or promote Hong Kong, the Immigration Department should not be surprised by the very mediocre response to the talents immigration schemes.

### **iii) Culture and Mindset for Open Society**

- a. Since the 1990s, as the "baby boomers" have grown up, a larger portion of the Hong Kong population is local-grown and received their education in Hong Kong or overseas. Unlike most of their parents who migrated to Hong Kong from the Mainland, the current adult generation grew up with limited direct connections with the Mainland, unless they work in the Mainland.
- b. Fast urbanisation, busy professional career lives, and the immense pressure to cope with the inflationary living standards (mainly due to the high property prices) have led these locals to become more inward-looking and turn protectionists. Hong Kong's relative success during the 1960s to the 1980s was in extreme contrast to the Mainland's backwardness during the same period. This led to the development of a sense of complacency and superiority of Hong Kong over the Mainland among many Hong Kong locals.
- c. Discrimination has further increased over the years as a result of media's report on some bad cases of "Mainland new migrants" and the fact that many of the migrants are economically lower class, less educated and from the rural areas.
- d. The apparent lack of consensus about Hong Kong's population policies has generated doubts about Hong Kong's ability to attract competitive talent and labour during a time of structural change within Hong Kong and external competition from other Mainland cities.

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<sup>9</sup> Stated in the paragraph 46 of the published "Immigration Guidelines for Entry to the Hong Kong SAR", "dependants of persons who have been admitted into Hong Kong to study are prohibited from taking up employment in Hong Kong unless they have obtained permission from the Director of Immigration. Dependants of persons who have been admitted to take up employment (as professionals, investors or for training) or as capital investment entrants may apply to the Immigration Department for cancellation of the condition of stay that employment is not permitted if such condition has been imposed on them."

- e. These tensions have been fuelled by a political system that produces elected representatives with little hope to govern so they turn themselves into opposition to the Government in order to get re-elected. Some media have added to the issue with unfair coverage and exaggeration of problems to attract audience/readership. Many failures of the Government's leadership during crises did not help to instil public confidence but added further to the vicious cycle. These factors have produced a somewhat negative culture that endorses blaming.

#### **iv) Entrepreneurship to Meet Competition**

- a. While faced with new competition from Mainland cities, Hong Kong's entrepreneurship ranks lower in comparison with major cities in Mainland China<sup>10</sup>. In addition to its correlation with high GDP per capita, this can be attributed to several causes:
- Ending of the influx of Mainland refugee immigrants.
  - Lack of effective immigration policies to attract entrepreneurs
  - Absence of institutional and corporate entrepreneurship due to the absence of major research and development centres in big corporations.
  - The rise of a dominating middle-class of professionals who are educated to conform rather than to challenge and prefer stable employment over risky ventures.
  - Complacency within Hong Kong's society and the government after decades of prosperity.
  - Entrepreneurship is about aptitude and character. These unique qualities are present in only a very small portion of the population. During the turbulent years, the Mainland refugees provided Hong Kong with a disproportionate number of "necessary entrepreneurs" who started their own businesses due to the lack of other alternatives.
- b. In today's mature society, the "opportunity entrepreneurs" who do this out of personal character are very rare, especially as we are a small city where there is no quality population flow from a large hinterland or proactive immigration policy.

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<sup>10</sup> According to the Global Entrepreneurship Monitor Hong Kong 2007 report, Hong Kong has relatively high levels of nascent and new business entrepreneurship which combine to give the SAR a relatively high rate of early-stage entrepreneurial activity. Compared with China, however, the SAR looks far less entrepreneurial. Note, however, that Hong Kong is a developed economy while China is a developing economy, there is a parabolic relationship between GDP per capita (purchasing power parity basis) and early-stage entrepreneurial activity. Lack of employment opportunities in low income countries, the ability of middle income economies to successfully use existing technologies, and the role of innovation to spur the development of leading economies may account for this persistently parabolic shape. Among the high income economies of the world, only Iceland appears more entrepreneurial than Hong Kong.

## v) Education Reforms to Address Changes

- a. The amount of public funding spent on Hong Kong's education has continually increased and resulted in improved examination results and more graduates. However, many parts of the education system has failed to cope with the rapidly changing environment surrounding Hong Kong.
- b. For example, the curriculum remains heavily focused on academic subjects and test scores and places less effort on the development of soft skills such as communication, collaboration, interpersonal relationships and entrepreneurship. There has been a lack of international exposure and diversity, as reflected by the limited number of foreign students in our universities<sup>11</sup>, scarce supply of international or independent schools, and diminishing English language skills together with the reluctance in using Putonghua. The majority of schools are publicly funded which make them subject to the bureaucracy of the Education Bureau. In addition, there is little competition from private schools, apart from those overseas institutions that attract away quality students. This is not intended to downplay the significant achievements of the Government, teachers and schools, academics and various advisory committees. Since universal secondary education became mandatory in 1970's, Hong Kong's education system has provided a broad education network to serve the overall population and fulfilled many quantitative goals to satisfy Hong Kong's system-wide education needs.
- c. However, this approach frequently downplays quality issues such as individual creativity, development of soft skills, attention to special learning needs, and nurturing of the gifted, of the attention they deserve.

## vi) Government Leadership in Human Capital

- a. It has been well recognised within society that Hong Kong's long-term future is directly related to the quality of its population<sup>12</sup>. Human capital development is a part of many public policies and government administrative areas including education, immigration, family planning, vocational training and employer - employee relationships. There are many different stakeholders and contributors in the entire system, who are involved during different stages of a typical life-span, including parents, teaching professionals (primary, secondary and tertiary schools), academics, employers, and associations for the trade and professionals.

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<sup>11</sup> At the tertiary level, the current overall percentage of foreign students is shown in the table below. Majority of these students are from the Mainland. The Government targets to increase the foreign students percentage to a total of 20%.

	Undergraduate	Graduate Research	Overall
2005/2006	4%	46%	6%
2006/2007	6%	51%	9%
2007/2008	7%	55%	10%

<sup>12</sup> The Commission on Strategic Development identified the importance of population quality in its report issued in February 2002.

- b. To do this right, sound human capital development must be built on clearly laid-out long-term strategies and short-term objectives, and building public consensus on many of these issues and processes is vital for its success. As it takes years to yield results, it is critical to have strong leadership that persistently follows a set of long-term strategies.
- c. However, the current government's administration on human capital remains piecemeal, which is organised under the traditional administrative silos<sup>13</sup>. There is no senior official who is responsible for overseeing Hong Kong's human capital development on an on-going basis and co-ordinates with various Ministers who are accountable for this area.
- d. At times, various ad-hoc committees are formed and although they made many good and valid recommendations, the follow-up actions have been piecemeal and re-directed back to various government silos without a clear overall agenda or structure for coordination.

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<sup>13</sup> Currently there are several bureaux and departments involved in the process: Education Bureau, Immigration Department, Labour and Welfare Bureau and to some extent the Civil Service Bureau as the Government is the largest employer. In addition, there are many standing committees and agencies involved in education and vocational training such as University Grant Committees, Student Financial Assistance Agency, Vocational Training Council, Employee Retraining Board, and Construction Industry Council Training Academy.

## **2020 VISION FOR HONG KONG'S HUMAN CAPITAL**

34. Based on a combination of Hong Kong's successful traditions and its current challenges, a well articulated vision would help to define Hong Kong's human capital development strategy, facilitate the community's discussion and eventual alignment on the way forward. Our views are that:
- i) Human capital is Hong Kong's only resource, we must maintain its top quality, competitiveness and openness.
  - ii) Hong Kong must strive to remain the most preferred city to live and for people to raise their children, supported by its foundation of multi-ethnic traditions and reliable institutions.
  - iii) Hong Kong must attract and maintain a high flow of talents including entrepreneurs and businessmen. To achieve this, Hong Kong locals must be able to embrace internationalisation and acquire the soft skills required for integration with the fast changing world.
  - iv) Hong Kong should continue to be a vibrant and harmonious society, sustained by the inclusive attitude of its people and the support of its institutional integrity and relentlessly guarded by its values which include the rule of law, liberty, equal opportunities and fair competition, where everyone has a fair chance and the freedom to realise his/her potential.

## RECOMMENDATIONS

35. To achieve the 2020 vision for Hong Kong's human capital development, we recommend a three-prong strategy:
- i) The first step is to establish leadership for overseeing this vital issue, coordinating all stakeholders and organising the implementation of various strategies. Leadership is needed to highlight the importance of human capital as Hong Kong's only resource, focus and align various segments of the community on the topic, and ensure synergy and efficiency in the deployment of public and private resources.
  - ii) Secondly, there must be comprehensive development strategies for Hong Kong's population, including life-long learning from childhood, formal schooling to continuing adult development.
  - iii) Thirdly, Hong Kong must continue its good tradition of an open society with a constant flow of quality population, which values new ideas and trends, attract entrepreneurs and businessmen, and address the supply gap in our workforce.

### **Establish Leadership for Human Capital Development**

36. Overall leadership is needed to put more focus on this very important issue, pool resources and align our society behind clearly defined objectives, development strategies and implementation measures.

#### **i) Definition of Hong Kong's Human Capital**

- a. Hong Kong's human capital includes current permanent residents, new and potential migrants, expatriates and visitors. This is the first step to developing an open mindset. With this comprehensive view, appropriate long-term human capital development strategies can be determined along with the corresponding allocation of resources to support the desirable population policies.

#### **ii) Long-term Population Policies**

- a. Hong Kong's future will rely on our ability to grow our own quality population and balance that with the ability to attract talents from the Mainland and overseas, so as to ultimately build a community with diverse and competent human capital.
- b. A set of well-articulated long-term population policies will spell out those desirable objectives, point to the direction and lay down the paths forward. The process of setting long-term population policies will facilitate consensus building within Hong Kong's society and help focus on the right issues. A better understanding of Hong Kong's long-term needs as well as threats would help to dispel discrimination and promote open and inclusive mindsets and attitudes.
- c. Furthermore, setting goals for the long-term policies are necessary to facilitate planning

by both the public and private sectors to ensure adequate services and infrastructural development.

### **iii) Minister of Human Capital**

- a. Government leadership plays a critical role in strengthening human capital as Hong Kong's competitive edge, as well as monitoring and facilitating the implementation of strategies through allocation of resources and coordination with stakeholders.
- b. Immediately, under the current structure, there should be at least a very senior official who would act as the "champion" to coordinate various departments in their respective implementation of the strategies, follow through on various recommendations on a collective basis, and monitor measures implemented by different departments on an on-going basis.
- c. In the long term, it is recommended that the Government have a Minister for Human Capital, who should be as senior as the Chief Secretary and the Financial Secretary. To avoid duplications and overlapping, all current policies under different ministers should be reshuffled and consolidated under this position, such as education, immigration, labour, and optionally the civil service (due to the implication of government human resource practices set an example to the market).
- d. The Minister's roles are to develop long-term strategies, continuously monitor the implementation, and ensure coordination among government units and NGOs. The Minister must possess the authority (under a fair degree of check-and-balance) to reallocate resources for greater efficiency in achieving the goals. For example, a review of the current large pool of fragmented resources is needed to ensure efficiency and that the resource allocation is in line with the priorities of objectives.
- e. Equally important is the Minister's role in the process of building consensus within society and facilitating tough decision making whenever appropriate. He/She must be flexible to respond to the public in adjusting the previous strategies and/or implementation measures.

## **Comprehensive Development**

37. Rapid changes has always been a reality, the more so for Hong Kong as an external economy and an open society. It is necessary to ensure that Hong Kong people are continuously developing under a set of comprehensive programmes throughout their lives.

### **i) Vocational Training**

- a. Current efforts by the private sectors in human resources development can be coordinated to yield synergies and better results. Firstly, there should be closer collaboration between the private sectors, educators, the trade or professional associations and the government. The current engagement of the private sector in the

form of advisors in various government appointed committees can be deepened with more formalised exchanges at the working staff level. To encourage more training investment, a system-wide undertaking agreement for training may be introduced.

- b. Vocational training is better organised along the lines of trade and professions, which are managed by the respective trade and professional associations instead of system-wide government committees and public institutes.
- c. Formalised certification for qualifications along professionals or trade lines would facilitate life-long development and raise standards of our population. Better understanding of market needs can be achieved via better interaction and exchange of information.

## **ii) Life-long Learning**

- a. Human capital development is about life-long learning, starting with character building and values formation during childhood, learning academic subjects and professional skills during formal schooling, as well as vocational training and self-learning during adulthood.
- b. Throughout this life-long process, there are many stakeholders. A sound human capital strategy must be comprehensive and cohesively coordinated among different life-cycle stages and various stakeholders. For example, the importance of proper parenthood can only be addressed with government resources and support from the community and employers. Adults' continuing education cannot be possible without the recognition and support of employers. Also, better collaboration between academics and the private sectors as well as within the private sectors themselves would help to reduce the competence gaps of our graduates.
- c. Every person has different potential and means to realise it. Social norms are critical in promoting life-long learning. To develop more diversity in Hong Kong's economy such as creativity and scientific research, Hong Kong society needs to be more open-minded towards a wider range of career choices. If the objectives for education are more than just career orientated, Hong Kong people needs to understand life-long actualisation through continuous self-learning.

## **Maintain an Open Society**

38. In order to continue to benefit from its long tradition of an open society, Hong Kong must continue to do all it can to encourage and attract quality population flow. This has to start with the culture and mindset of Hong Kong residents, quality of life and activities in the community, and pro-active measures to attract quality migrants.

### **i) Culture & Mindset**

- a. To revitalise the "Hong Kong spirit", we recommend the adoption of the "5 C's" into our

culture and mindset: Commitment, Community, Contribution, Confidence and Creativity.

- b. It must begin with good parenting for child development and then reinforced by formal schooling. It is continuously influenced by social norms, promulgated by the media and shaped by various role models in our society.
- c. Hong Kong should allocate more resources to promote the right values in our culture, they should be formally incorporated to the school curriculum and can also be integrated into corporations and organisations, by promoting abstract values through systematic tools and training kits. Academics may research on Hong Kong's own values, culture and successful role models in demonstrating these virtues. At the same time, role models amongst business, public administration, and community leaders can be engaged to exemplify these virtues. Success stories from different sectors of society should be captured and a platform set up to promote them.
- d. School activities should become one of the requirements of receiving an academic diploma so students can have the opportunity to learn from sports, music, community services and summer internships. Our youngsters can also benefit from further exposure to the outside world; knowledge of more advanced cities may humble their minds whilst witnessing the less developed world would remind them of their blessings.
- e. As a society, a lot can be done to elevate Hong Kong's media industry and we propose strategies for achieving and promoting long-term sustainable professionalism of the media as a very important pillar to promote Hong Kong's virtues. For instance, additional media channels may be employed to promote the positive cultural characteristics of Hong Kong.

## **ii) Most Preferred City to Live**

- a. Hong Kong must strive to be the most preferred city to live in the eyes of a broad range of population segments in order to retain and raise productivity of its population. In addition to the key elements including infrastructure, public safety, and a clean environment, we should also have good schooling, culture and arts, leisure activities and great commercial services.
- b. Hong Kong has an advantage with its advanced development, and it must maintain its strengths and focus on the priorities:
  - Opportunities with its strategic position in China.
  - Integrity of its institutional infrastructure.
  - Unique Hong Kong multi-ethnic culture and lifestyle: a fun, safe and clean place to live and work.
- c. For benchmarking purposes, the Government can frequently conduct and publish

surveys on various segments of the population to measure our city's performance and identify areas for improvement.

### iii) Education Hub

- a. Development of Hong Kong into an education hub is an effective way to encourage high-quality talent flow to Hong Kong. In addition, there are direct economic benefits, such as the development of research and development capabilities (particularly for those applying new technology to actual situations) that would support Hong Kong's development into a more diversified economy. Educational services could become a new economic sector to generate new revenues and employment.
- b. For the education hub to become a new service industry for Hong Kong, a larger degree of private ownership and management is necessary to generate greater creativity and lesser levels of bureaucracy. Another important element is private endowment that supports specific targeted researches or student scholarships.
- c. Faced with fierce competition, Hong Kong can start off by building on its current strengths, such as its financial and professional service sectors, but in the long term, there should not be any set boundaries.
- d. For long-term development, interdisciplinary researches can be done in clearly defined niche areas in which Hong Kong has both the strengths and proven track records. For example,
  - World-class research in China business practices such as Chinese family-owned enterprises, personalised services with East Asian characteristics.
  - Chinese medicine combined with western medical technology.
  - Creative industries and services with Chinese cultural elements (e.g. Kung Fu movies, Cantonese soap opera, etc).
  - Leadership in public administration such as anti-corruption laws and practices, implementation of the "One-country two-systems", and the urban planning of large Chinese cities.
- e. To retain elite foreign students, scholarships may be granted based on an agreement with conditions to accept the offer, e.g. promises to conduct research for Hong Kong's interests, commitment to work for Hong Kong after graduation, etc.
- f. To attract attention, Hong Kong may broaden its long-term appeal to talents around the world through the use of creative, eye-catching tactics such as organising internships for bright and elite foreign students, the establishment of joint ventures with famous overseas institutions to set up branches in Hong Kong, the convention of world renowned academic events, pro-active engagement with developments in Mainland

China and the like.

- g. To reach out and promote themselves, Hong Kong universities should set up branches or joint venture programmes in selected locations in Mainland China and/or overseas. In addition, summer programmes can be organised to provide foreign students with the opportunity to experience Hong Kong as a vibrant city.

#### **iv) Comprehensive Immigration Policies**

- a. One of the most desirable outcomes of the long-term population policies would be the formation of a set of comprehensive immigration policies to minimise the overall ageing population problem and enhance the quality of Hong Kong's population profile.
- b. With a very low population growth rate of less than 1% per annum, the adjustment of Hong Kong's immigration policies is crucial. The current population growth via family-dependent migrants from Mainland must be rebalanced, significant efforts must be made to attract more talents and changes to the investor immigration policies should be made in order to attract businessmen and entrepreneurs. To attract international talent, all "quality migrant" programmes must be proactively promoted and spearheaded by an appropriate agency whose mission is to promote immigration instead of defending the borders. The current administration of all immigration programmes, irrespective of their nature and purpose, under a disciplined force of security is not serving this desired purpose. Specifically, it is recommended that the implementation of all talents and economic migrant programmes should be administered by a pro-active and creative department, under either the Development Bureau or the Commerce and Economic Development Bureau, whereas the safeguarding of our borders should still remain within the Immigration Department of the Security Bureau.
- c. Measures should be introduced to ensure better assimilation of family-dependent migrants with the local society. As the young children living in Mainland China will eventually relocate to Hong Kong, their Hong Kong style education should begin even before their arrival. If conditions are ready (e.g. primary school places are available), these young children should be brought into the Hong Kong system as early as possible without imposing rigid quota restrictions.
- d. Upon arrival, better social support services should be employed to monitor each and every case with regard to the assimilation process, instead of providing services only after problems arise. If inadequate social service resources cause a lack of care, then perhaps we should only allow the quantity of migrants that the system can service and support into Hong Kong. In addition, Hong Kong must exert a reasonable level of control, for humanity reasons, over the entrants in order to consider the circumstances of each case. For example, each family's economic independence and living conditions should be assessed as part of the migrant process.

## **Conclusion**

39. It is not easy to implement these recommendations. Many of these measures would not produce results until after a long period of persistent implementation. Furthermore, a lot depends on attitude changes in many and at many different levels. This takes time and patience. The Government, the educators, media, businesses and families all have a part to play.
40. But at this juncture, Hong Kong must act to reach consensus on the right long-term population policies and implement the right measures to address this vital issue of human capital development. Failure to do so will lead to steady but inevitable decline.

~ End ~

## Appendix A: Hong Kong immigration programmes

Categories	Immigration Schemes	Criteria	Remarks	Statistics
Employment as Professionals	Immigration Arrangements for Non-local Graduates	Entry visas for those who have obtained a degree or higher qualification in a full-time and locally accredited programme in Hong Kong.	Quota-free and non-sector specific. Confirmed employment is not required for 12 months limit.	From May 2008 to Jan 2009, 2,758 non-local graduates were granted with the right to stay in HK for work by the Immigration Department, of which most are from the Mainland
	General Employment Policy	Entry visas for those who are not graduates from Hong Kong, but possess special skills, knowledge or experience of value to and not readily available in the HKSAR. Applicants must have a confirmed offer of employment.	Quota-free and non-sector specific, applicable to overseas applicants and Chinese Nationals with overseas residence.	In 2007, 26,384 overseas professionals were admitted under the General Employment Policy (GEP). In 2008, 26,466 applications were approved.
	Admission Scheme for Mainland Talents and Professionals	Entry visas for Chinese residents of the Mainland who are not non-local graduates but possess special skills, knowledge or experience of value to and not readily available in the HKSAR. Confirmed employment is required.	Quota-free and non-sector specific. Specifically for Mainland Chinese residents.	This scheme was implemented on 15 July 2003, up until the end of 2007, 20,230 Mainland talents and professionals were admitted under this scheme. In 2007, 6,648 applications were approved and 7,570 applications were approved in 2008.
Investment	Capital Investment Entrant Scheme	For persons who make capital investment of not less than HK\$6.5 million in Hong Kong but would not be engaged in the running of any business here.	Applicable to overseas applicants, Macao SAR residents, Taiwan residents, Overseas Chinese Nationals and stateless persons (Both Overseas Chinese and stateless persons have to have permanent resident status in a foreign country).	This scheme was implemented on 27 October 2003, up until the end of 2008, 6,503 applications were received, of which 3,347 applications were approved. The amount of investments totalled HK\$23.84 billion. Out of the total, 2318 were Chinese nationals with permanent residents overseas.
Talents	Quality Migrant Admission Scheme	Quota-based. Points-based selection process. To attract highly skilled or talented persons to settle in Hong Kong in order to enhance Hong Kong's economic competitiveness in the global market. Confirmed employment is not required.	Open for overseas applicants as well as Chinese Mainland residents	This scheme was implemented on 28 June 2006, up until the end of 2007, a total of 322 applicants were allocated quotas. In 2008, 404 applications were allocated quotas (up from 187 in 2007)
Entry for Residence as Dependence	-	Spouse/unmarried dependent children under the age of 18 and parents above 60 of a sponsor who is a Hong Kong permanent resident or a resident who is not subject to a limit of stay may apply	a) One-way permits are issued to Chinese nationals who are spouses, children and other qualified dependents of HK residents. Issuance is by Mainland authorities under the Mainland laws, policies and regulations. b) Other nationals are processed by the Immigration Department as dependents of residents or people with valid entry visas to work or study in HK.	In 2008, 41,610 Chinese Mainland applications were approved, which took up 74% of the population growth. For other nationals, 18,692 applications were approved in 2007 and 19,043 applications were approved in 2008

Sources: <http://www.gov.hk/en/about/abouthk/factsheets/docs/immigration.pdf> [http://www.immd.gov.hk/ehhtml/hkvisas\\_13\\_19.htm](http://www.immd.gov.hk/ehhtml/hkvisas_13_19.htm)  
<http://hk.news.yahoo.com/article/090119/4/aamp.html> [http://www.immd.gov.hk/ehhtml/facts\\_3\\_3.htm](http://www.immd.gov.hk/ehhtml/facts_3_3.htm)  
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## Appendix B: Foreign students studying in Hong Kong universities

Institutions	Levels	2005/06				2006/07				2007/08			
		Mainland China	Other Places in Asia	The Rest of the World	Total	Mainland China	Other Places in Asia	The Rest of the World	Total	Mainland China	Other Places in Asia	The Rest of the World	Total
City University of Hong Kong	Ug	2.9%	*	*	3.0%	3.9%	*	*	4.0%	5.8%	*	*	6.0%
	TPg	1.5%	0.6%	0.9%	3.0%	5.0%	2.0%	2.0%	9.0%	1.3%	2.7%	8.0%	12.0%
	RPg	53.3%	2.3%	1.5%	57.0%	59.3%	2.4%	1.2%	63.0%	63.3%	2.6%	1.2%	67.0%
	Sub-total	3.7%	*	*	4.0%	5.7%	*	*	6.0%	8.6%	*	*	9.0%
Hong Kong Baptist University	Ug	3.0%	*	nil	3.0%	5.0%	*	*	5.0%	6.9%	*	*	7.0%
	TPg	nil	*	nil	*	nil	nil	nil	nil	*	nil	nil	*
	RPg	45.0%	0.5%	0.5%	46.0%	50.5%	1.0%	0.5%	52.0%	51.7%	0.5%	0.9%	53.0%
	Sub-total	3.9%	*	*	4.0%	6.9%	*	*	7.0%	7.9%	*	*	8.0%
Lingnan University	Ug	2.0%	nil	nil	2.0%	2.7%	*	*	3.0%	4.3%	*	*	5.0%
	RPg	49.0%	nil	nil	49.0%	48.0%	nil	nil	48.0%	40.8%	nil	nil	41.0%
	Sub-total	3.0%	nil	nil	3.0%	3.7%	*	*	4.0%	5.3%	*	*	6.0%
The Chinese University of Hong Kong	Ug	6.6%	*	*	7.0%	8.2%	0.7%	*	9.0%	7.0%	0.8%	*	8.0%
	TPg	*	nil	nil	*	*	nil	nil	*	*	nil	nil	*
	RPg	37.9%	1.1%	1.1%	40.0%	45.9%	1.1%	1.0%	48.0%	51.9%	1.3%	0.8%	54.0%
	Sub-total	9.4%	*	*	10.0%	11.2%	0.6%	*	12.0%	12.0%	0.8%	*	13.0%
Hong Kong Institution of Education	Ug	1.0%	nil	*	1.0%	2.0%	nil	nil	2.0%	5.0%	nil	nil	5.0%
	TPg	1.0%	nil	nil	1.0%	1.0%	nil	nil	1.0%	3.0%	nil	nil	3.0%
	Sub-total	1.0%	nil	*	1.0%	1.0%	nil	nil	1.0%	3.0%	nil	nil	3.0%
The Hong Kong Polytechnic University	Ug	2.7%	*	*	3.0%	4.6%	*	*	5.0%	6.6%	*	*	7.0%
	TPg	*	nil	nil	*	*	nil	nil	*	*	nil	nil	*
	RPg	36.9%	2.8%	2.2%	42.0%	43.1%	3.2%	1.7%	48.0%	53.7%	2.8%	1.5%	58.0%
	Sub-total	2.7%	*	*	3.0%	4.6%	*	*	5.0%	5.6%	*	*	6.0%
Hong Kong University of Science & Technology	Ug	5.6%	*	*	6.0%	7.4%	*	*	8.0%	8.0%	0.6%	*	9.0%
	TPg	7.5%	0.5%	nil	8.0%	14.9%	2.1%	nil	17.0%	26.1%	4.3%	nil	30.0%
	RPg	54.3%	1.6%	1.1%	57.0%	58.2%	1.0%	0.8%	60.0%	63.1%	1.2%	0.7%	65.0%
	Sub-total	12.3%	*	*	13.0%	15.2%	0.5%	*	16.0%	15.8%	0.7%	*	17.0%
The University of Hong Kong	Ug	4.6%	*	*	5.0%	6.4%	*	*	7.0%	8.1%	0.5%	*	9.0%
	TPg	1.7%	1.5%	1.8%	5.0%	1.6%	1.1%	1.3%	4.0%	1.3%	1.2%	0.5%	3.0%
	RPg	36.9%	3.5%	2.6%	43.0%	40.8%	2.8%	2.5%	46.0%	42.4%	2.4%	2.2%	47.0%
	Sub-total	8.5%	0.8%	0.7%	10.0%	11.5%	0.8%	0.7%	13.0%	5.0%	0.8%	0.7%	14.0%
<b>Total</b>	<b>Ug</b>	<b>3.7%</b>	<b>*</b>	<b>*</b>	<b>4.0%</b>	<b>5.6%</b>	<b>*</b>	<b>*</b>	<b>6.0%</b>	<b>6.4%</b>	<b>*</b>	<b>*</b>	<b>7.0%</b>
	<b>TPg</b>	<b>1.0%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>2.0%</b>	<b>1.2%</b>	<b>*</b>	<b>*</b>	<b>2.0%</b>	<b>1.3%</b>	<b>*</b>	<b>*</b>	<b>2.0%</b>
	<b>RPg</b>	<b>42.1%</b>	<b>2.2%</b>	<b>1.7%</b>	<b>46.0%</b>	<b>47.5%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>51.0%</b>	<b>51.8%</b>	<b>1.9%</b>	<b>1.3%</b>	<b>55.0%</b>
	<b>Total</b>	<b>5.5%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>6.0%</b>	<b>8.3%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>9.0%</b>	<b>9.3%</b>	<b>0.5%</b>	<b>0.3%</b>	<b>10.0%</b>

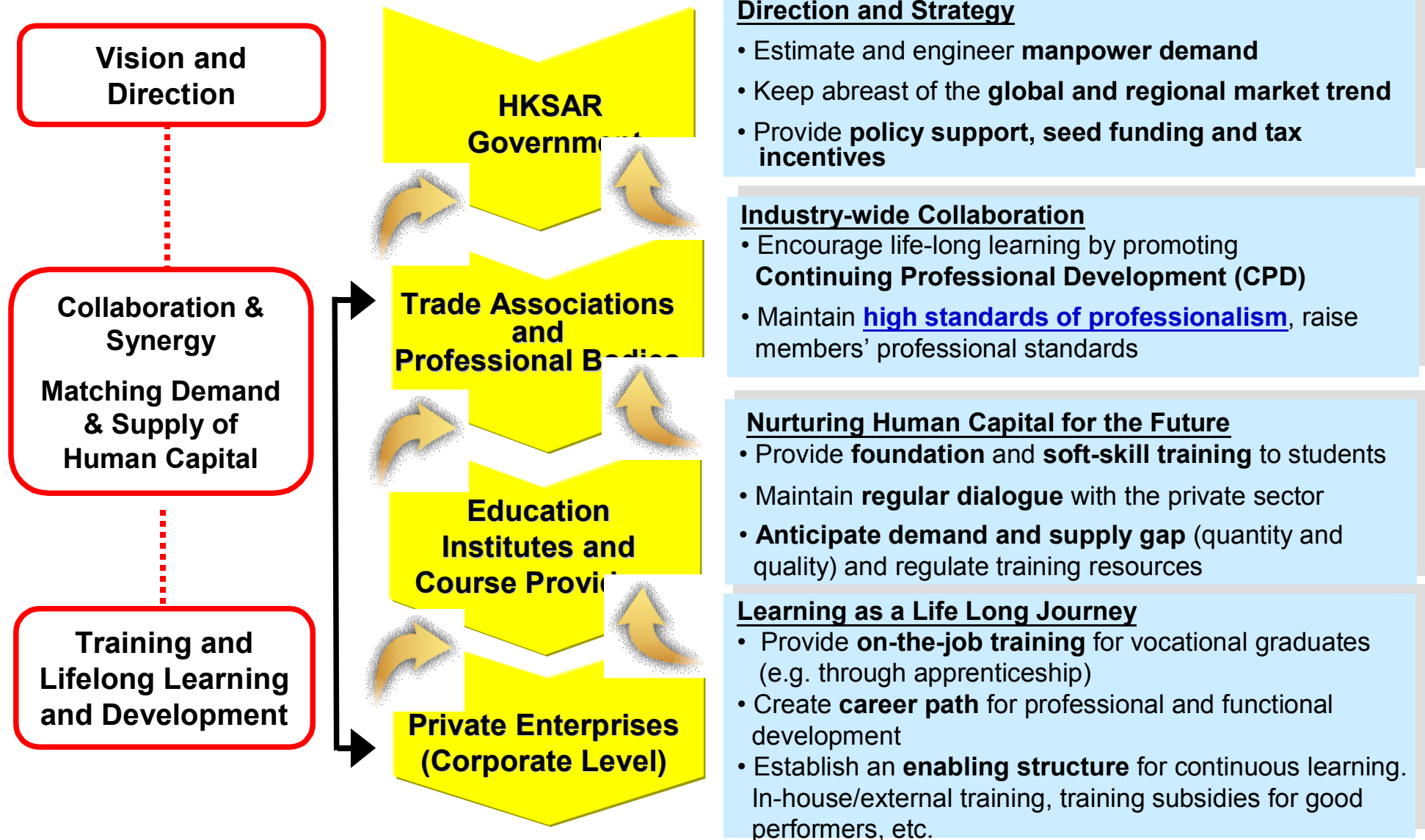
### Notes:

1. Research Postgraduate figures include only students who are counted within the formal time limit and funded by UGC
2. Figures may not add up to the corresponding totals owing to rounding
3. The Origins refer to the nationality of the non-local students
4. "\*" denotes less than 0.5%
5. Ug - Undergraduate, TPg - Taught postgraduate, RPg - Research postgraduate

### Sources:

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