



Hong Kong General Chamber of Commerce
香港總商會 1861

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21 February 2014

Mrs Carrie Lam, GBS, JP
Chief Secretary for Administration
Chairman, Steering Committee on Population Policy
Secretariat of the Steering Committee on Population Policy
26/F, Central Government Offices
2 Tim Mei Avenue, Tamar,
Hong Kong

Dear Chief Secretary,

Public Engagement Exercise on Population Policy

We are pleased to present our views, as attached, on the possibilities available to Hong Kong in addressing the anticipated effects of population challenges on our workforce.

In formulating our paper, we note the need for a fundamental rethink of our current beliefs and perspectives on the issues of ageing, female participation, imported labour, and youth employment. The predominance of archaic models, narrow conceptions and ingrained prejudice are some of the hurdles that we would have to overcome if we are to realize the objective of a sustainable population in Hong Kong.

The Chamber is supportive of the Administration's efforts to discuss and promote a better understanding of the elements of good public policy in this area and is prepared to contribute to policy-building measures that are in Hong Kong's interest over the longer term

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C K Chow'.

C K Chow
Chairman

Att.

Population Policy Submission by the Hong Kong General Chamber of Commerce

I. Introduction

1.1 As stated in the consultation document, population policy is a wide-ranging subject and is heavily entwined with many aspects of public policies. Accordingly, the Chamber would focus our discussion on the following topics: leadership, manpower quality and extending working lives, female labour participation and fertility, and new sources of talent.

II. Leadership

2.1. Notwithstanding the exemplary work done by the Steering Committee on Population Policy, we strongly believe that **a dedicated agency should be created within the Administration with the overarching responsibility of championing Hong Kong's future human capital needs**. Other than cradle-to-grave issues, this agency should be vested with cross-departmental authority to monitor, assess, and coordinate policies aimed at nurturing and developing the appropriate skills and capabilities that can be adapted to changes in the information economy. It should also possess a forward-looking mindset in anticipating market needs and to translate these into policies that are supportive of and conducive to Hong Kong's ongoing record of success, including the crafting of an immigration policy to address long and short-term labour requirements.

2.2. We also hope that this new entity's remit will include the deliberation of constructive ways to strike a desirable balance between the provision of safety net programmes and maintaining a robust rate of labour force participation (and also productivity) in the SAR. As had been pointed out by our members, the complex and often overlapping nature in which welfare is currently provided creates a disincentive to work.

2.3 Last but not least, the proposed agency should also consider whether or not we have the capabilities and resources to support a larger population.

III. Manpower Quality and Extending Working Lives

Nurturing the right talent

3.1 The quality and employability of our workforce is a direct function of our education system. Despite the tremendous outlay of government expenditure on education, the investment in human capital does not appear to provide a proportionate positive return. Frequent changes in curriculum have made life difficult for schools, teachers, parents and students. While the conversion of polytechnics and a few other tertiary educational institutions in the 1990s have created the illusion of significantly more university places, the actual capacity of

tertiary education in Hong Kong has not expanded since the opening of HKUST. The introduction of Associate Degrees has further reinforced the perception that the Government encourages university education. We do not disagree, but worry that those school-leavers, unable to take up higher education, are unsuited for our job market and this trend will have harmful long-term consequences.

3.2 On a more fundamental level, the lack of trust in the public school system, which drives many local families to ESF and international schools, tells us that English as a medium of instruction is the most desirable. This Chamber agrees, and urges the **cultivation of a quality English-based educational alternative at affordable cost** as a basic characteristic of a world-class city.

3.3 The issue of youth unemployment in the SAR is also an issue of ongoing concern that needs to be given priority in government policies especially as younger workers are experiencing higher levels of unemployment despite the virtually full employment rate enjoyed by the city since 2010. Our young people seem to think the only career worth having is in finance, leaving an insufficient supply of talent in the engineering, IT and trades professions. This mismatch of graduates' aspirations and a market abundance of job openings that require specific trade and service skills has created a phenomenon of under/unemployed university graduates on the one hand and acute manpower shortage for trades and services jobs on the other.

3.4 It is therefore important that Government help **promote the popularity of and awareness on the future prospects offered in vocational occupations so as to increase young people's exposure and receptiveness to careers in these professions.** In this regard, the CE's recent Policy Address announcement of a pilot apprenticeship system with participating industries for enhancing the skills of school-leavers represents a positive development in the right direction. To augment this, we also suggest that **consideration be given to Singapore's Enhanced Productivity Innovation Credit under which funding or significant tax deduction is given to companies that invest in innovation and productivity improvement, such as training. As well, vocational training and retraining must be integral to any efforts to equip younger workers with the requisite capabilities that are aligned with market demand.** There should also be an adequate **provision of continuing education opportunities, with appropriate incentives,** in which trade practitioners can pursue part-time studies to gain further qualification in the discipline that they practise.

Mature workers

3.5 Hong Kong's economy has undergone considerable changes during the past few decades. While such changes present some challenges for older workers, they also open up a number of opportunities. The increase in the number of jobs available in non-manual sectors means the new economy is based on less physically-demanding forms of labour, which may better suit older workers. In addition, our fast-paced economy, with fewer long-term jobs and more short-term work opportunities, encourages the development of a more flexible and self-directed work environment which may particularly suit people in later life, giving them more control of their

working lives, and helping them to combine work with leisure or caring responsibilities. There are also increasing signs that older people's existing skills are more highly valued by employers. As the economy becomes more service-oriented, firms are more customer-focused, which creates opportunities for older workers whose experience and skills in this area are highly recognized. In addition, as a growing number of companies report concerns over finding sufficiently skilled employees among younger workers, older experienced workers with existing skills become more valuable not just as employees, but also mentors of the next generation workers.

3.6 The ability to better retain older workers can be pursued by the Government through a combination of push and pull strategies or regulatory and incentive policies. In the area of regulatory policies, the use of retirement schemes as a means to motivate mature workers to remain actively engaged in the workplace can be further explored. A frequently implemented regulatory policy has been to raise the retirement age, as in Japan, where the retirement age will rise from 60 to 65 by 2030, and the United States, where the official retirement age will rise to 67 by 2027. Although there is no mandatory retirement age, the general practice in Hong Kong is to retire at 60. On the other hand, access to MPF savings is only possible on reaching 65. **We suggest therefore that retirement policies in both the public and private sectors, whether official or otherwise, be re-calibrated to 65 so as to align with MPF rules.**

3.7 Other regulatory measures include targeting early retirement systems, which are particularly relevant to the civil service. In addition to raising the retirement age, the **Government should also give serious thought to withdrawing the option of early retirement or impose stringent requirements on or the rationing of such an uptake** as in the case of Denmark, Finland and Germany.

3.8 Incentives can also be considered to encourage older workers to remain in employment longer. **Employers can offer flexible working arrangements through such means as part-time working, job sharing, working from home, seasonal employment (for the busiest periods of the year) and flexible retirement.** The opportunity to work fewer or less regular hours allows older employees to wind down gradually to full retirement. Thereafter, they could be encouraged to stay in touch with their organizations and offer their services on a part-time or consultancy basis. This has the benefit of removing the so-called 'cliff-edge' where employees stop work abruptly one day and fall into retirement the next but sometimes without being eligible for MPF for several years as is typical of current employment arrangements.

3.9 **There should also be measures to improve working conditions or the training of older workers to promote sustainable employment.** This can range from ergonomic improvements whereby the workplace is adapted to the needs of elderly workers, to changes in responsibilities (reassignment from more strenuous tasks to back office duties that are less physically demanding), to providing appropriate retraining to help older staff adapt to new work environs.

3.10 A further incentive policy worthy of exploring is the principle of “mutual obligations”: older unemployed workers are obliged to actively seek work and in return the Government provides them with employment services and career guidance. Australia, Canada and the Czech Republic have experimented with pilot schemes to increase older people’s access to employment services, whereas Japan and the Republic of Korea have set up specialist agencies to help older workers back into employment. In the United Kingdom, the government programme, 50 Plus Works, provides individual counselors and mentoring services to unemployed workers primarily aged 50 years or older who subscribe to the programme.

3.11 To facilitate and encourage the participation of mature workers in the workforce, institutional or social barriers that impede hiring practices will have to be revised or eliminated completely. Systemic discouragement of older workers from staying in the workforce such as prohibitive premiums on employee compensation insurance for workers aged 60 and older, and age-limited licensing as in the case of security guards are patently at odds with plans to address the demographic of an ageing workforce.

IV.

Female Labour Participation and Fertility

4.1 Based on the latest data, Hong Kong has the dubious honour of having the lowest female labour force participation rate (“FLFPR”) within the Greater China Area. Last year, our FLFPR was 49.6% compared to China’s 64% and Taiwan’s 50.19%, with the latter improving from 46.59% ten years ago. According to the World Bank, Macao’s FLFPR in 2012 was 66%.

4.2 As with many places around the world, in Hong Kong, the main reason of a low FLFPR can be ascribed to the challenge of combining employment and caring for a family. The presence of children (and to an increasing extent, the elderly) has a direct bearing on female home makers’ preference/decision on whether or not to rejoin the labour market and therefore the right social policies directed at providing relief and reducing the costs of children by increasing the availability, quality and affordability of childcare can help bolster participation rates. In addition, childcare availability has also been established as having important effects on fertility. Indeed, OECD studies have found a positive correlation between childcare and female employment, as well as the fertility rate.

4.3 The Chamber recognizes that the responsibility of promoting FLFPR should be shared between the Government and employers. Furthermore, we believe that other than the goal of enhancing FLFPR to address labour and skill shortages, there should also be active measures to encourage women to explore job opportunities in traditionally male industries. In that respect, we suggest that employers should, to the best of their abilities:

- Consider implementing family-friendly policies, part-time and flexible work arrangements and communicating these in job advertisements;

- **Redesign vacant jobs, especially those difficult to fill, to appeal to women by splitting responsibilities in a cost-effective and productive manner among part-time employees using, for example, flexible working or home working; and**
- **Facilitate eventual transition from part-time to full-time employment as and when such opportunities arise.**

4.4 On the part of the Government, we recommend that the following measures to encourage more women to (re-)join the workforce that may involve the taking up of employment in industrial sectors where they are under-represented:-

- **Provide quality, reliable and affordable childcare;**
- **Educate the working public, especially women, on the opportunities beyond the traditionally gender-specific occupational areas;**
- **Fund training for those who wish to undertake a career change; and**
- **Assist SMEs, which are too small to have dedicated human resource professionals, to manage aforementioned changes.**

4.5 In addition to the development of support networks such as the provision of childcare services, the **Government should also help encourage entrepreneurship among women by providing better access to finance and training schemes.**

V. New Sources of Talent

5.1 The issue of talent shortage is not unique to Hong Kong as there is serious regional competition to attract the very best. The fact is that our neighbouring jurisdictions who are also experiencing problems with an ageing population such as Singapore, Taiwan and China have already overtaken us in proactively luring both skilled emigrants and foreign talent that are sought after in fulfilling their national strategic goals. As Hong Kong aspires to become more of a knowledge-based economy, there is a pressing need to better capitalize on the growing 'transnationalism' of migrant workers, especially among the Chinese Diaspora.

5.2 We believe that effective policies that promote circular migration, which has the advantage of offering a steady supply of needed workers in both skilled and unskilled occupations, without the requirements of long-term integration, are best suited to the Hong Kong context.

5.3 The massive relocation of highly educated professionals away from Hong Kong prior to 1997 has created a significant overseas manpower resource that we could consider optimizing. We agree with the Government's views that Hong Kong should continue to nurture and build on the immigration pattern among permanent migrants who divide time between Hong Kong and their adopted countries often out of practical considerations – the former for better economic conditions/employment prospects and the latter for quality of life and/or children education. The trend of circular/return migration characterized by 'astronaut parents' are increasingly being replaced by the '1.5 generation' - younger immigrants - and second-generation

immigrants. For example, it is estimated that there are over 295,000 Canadian returnees in Hong Kong according to a 2011 study for the Asia Pacific Foundation of Canada.

5.4 To support this virtuous cycle, **we suggest the setting up of networks and databases designed to actively connect expatriates with projects, jobs, and other opportunities in Hong Kong.** It is useful to note that governments such as those of Korea and Taiwan have established networks and maintained a database designed to help those studying abroad find public or private employment at home and to help domestic employers identify highly educated nationals abroad.

5.5 In addition, the Chamber has been calling for the **removal of professional barriers, such as onerous licensing requirements,** as an inducement for overseas trained workers to work in the SAR. This is especially the case for medical practitioners, whom are expected to be increasingly in demand as the elderly population in Hong Kong grows.

5.6 However, Hong Kong's appeal to the highly skilled and well-financed members of the Diaspora and foreign professionals as a place to work may amount to nothing if they do not find local living conditions to be satisfactory. As such, **active measures should be taken urgently to address the issue of chronic shortages with international school places, as well as the ongoing problem of pollution.**

5.7 Over the longer term, a carefully considered and crafted Immigration Policy that lends itself to the sustainable development of socioeconomic conditions in Hong Kong is needed. In the meantime, efforts should be directed towards optimizing the Immigration Arrangements for non-local graduates, as well as the **quota for international students,** which despite the doubling of the limit to a 20% utilization rate has remained static at around 10%, primarily because of insufficient land to construct student hostels. In that respect, **we suggest expediting the Land Grant Scheme to facilitate universities' ability to better respond and cater to such demands.**

5.8 In the near term and to provide immediate relief to Hong Kong's labour shortage problem, **the Government should take a more proactive stance on labour importation.** Existing programmes are not meeting the economy's needs, as evidenced by the lack of a comprehensive examination on the 17 year-old Supplementary Labour Scheme ("SLS"). **It is time for a review and to make adjustments to the implementation structure.**

- Under the current arrangements, 26 job types are taken out of SLS. The Chamber strongly recommends the Government to **take a balanced and objective look at the scheme,** with all relevant facts and data, **to explore the feasibility of importing labour for specific sectors suffering from acute shortages.**

- On the approval arrangement of the scheme, the present arrangement of having an equal number of employer and employee representatives to vet applications does not work. In many cases, the votes are tied, resulting in inaction. In other jurisdictions, such as Singapore and Macau, the application and approval process is commonly handled within the Government.
- While we agree that it is imperative that local workers be given priority in hiring, the persistently wide gap between supply and demand, and between skill availability and skill requirements, points directly to imported labour as the obvious solution. **The Government should take the lead by importing workers on a project-defined basis. This will free up workers to take up employment in the private sector.** We have ample experience in setting clearly defined boundaries and conditions under which companies may import workers, and so there is no practical reason for delay. The construction industry, in particular, is facing a rapidly aging workforce and mounting unfilled vacancies. Despite offering higher and higher wages, the industry struggles to attract young blood. We recognize that there are political challenges, but persistent labour shortage creates health and safety risks. Elderly care is another example of an extremely difficult situation, as are the retail and food services sectors.