

**Commission on Strategic Development
Committee on Economic Development and
Economic Cooperation with the Mainland**

Hong Kong as a Hub for Talents

Purpose

The paper outlines the current situation of Hong Kong as a hub for talents, and invites members to discuss the direction and strategies in attracting talents to Hong Kong.

Background

(a) *Who are talents?*

2. Talents generally refer to individuals who possess the knowledge, competences and other skills of unusual innate ability in some fields or activities. There is no internationally agreed definition of talents. For the purpose of this paper, talents are used in a broad sense referring to those individuals who possess skills or qualities that Hong Kong requires, or who could expand the capability of the society, increase its cultural diversity and promote its economic growth. Talents are not restricted only to highly skilled individuals who have attained tertiary level of education, professional qualification, or earn a relatively high income. They also include those who create new ideas, new technology and new creative contents. Others who could make significant contribution to the society in cultural, music, arts, design, sports, entertainment, etc. fields are also regarded as talents.

(b) *Why talents are important to Hong Kong?*

3. Like other developed economies, Hong Kong is moving towards a high-value added, creative, and knowledge-based economy leaving more labour-intensive and low-value added activities to developing nations / regions through globalization and international division of labour. At the same time, we encounter a shortage of highly skilled people and a mismatch of skills in the labour market as a result of structural change in the economy. Experiences show that a vibrant economy would generate

more jobs for the lower-skilled workers. The local ageing population and extremely low fertility rate further aggravate the need for quality population in Hong Kong. A larger pool of talents will sustain our competitiveness and turn Hong Kong into an even more vibrant society. Over the long term, cities need to keep on adapting to the changing global economic landscape, particularly in the new age of globalisation. The ability of a city to keep on re-inventing itself to cope with such challenges depends to a very large extent on its ability to attract talents.

International Experience

(a) General

4. Talents who possess advanced knowledge, technical know-how and skills, or could stimulate innovation capacity are much sought after by the advanced economies. They are highly mobile and may not stay permanently at a location. Their move is mostly in response to opportunities abroad that are better than those available at home as well as in response to the migration policies in destination countries¹. Different economies have therefore adopted a variety of approaches depending on their objectives² to attract talents. They include :

- (i) to respond to labour market shortages : the most commonly adopted approach is to introduce temporary admission of foreign workers with requisite experience and qualifications;
- (ii) to increase the stock of human capital : the widely used approach is through immigration schemes to admit migrants as permanent residents, or to attract foreign students to stay on the country after their studies;
- (iii) to encourage business and entrepreneurs : the common approach is to facilitate the entry or permanent stay of investors, executives and managers, including their family members; and
- (iv) to encourage advancement of knowledge and innovation : this is less a stated policy, but countries like the USA have been very successful in tapping into this rich pool of

¹ Organisation for Economic Co-operation and Development (OECD), Policy Brief - International Mobility of the Highly Skilled, 2002.

² Manolo Abella, "Global competition for skilled workers and consequences", in Competing for Global Talent, edited by Christine Kuptsch and Pang Eng Fong, International Labour Office, 2006.

self-selected talents of foreign students who have completed doctorate degrees in the States.

5. **Annex 1** shows the increasing magnitude of admission of skilled immigrants and temporary skilled individuals in selected countries in recent years. The proportion of skilled workers immigrants to all immigrants has increased considerably in Australia, Canada, New Zealand and the United Kingdom over the period of 1991 - 2001, whilst USA has experienced some decline in 2001 perhaps due to the after-effect of the “911- attack”.

6. Depending on their objectives, countries have developed their policies for temporary or permanent migration schemes based on skills and competence criteria combined with greater selectivity. The general direction is shifting away from simply easing immigration restriction (i.e. introducing facilitation measures) to offering incentives to lure the talents to stay in their countries (e.g. lower income tax); to do away with labour market tests or certification and leaving the policy to be driven by employers; and to give the spouses of skilled workers equal access to jobs market.

(b) *Selected countries experience*

7. Canada and Australia are two of the most successful countries in attracting quality migrants, including highly skilled individuals, using a point-based framework for attracting talents that could contribute most to their socio-economic development. In 2002, the United Kingdom introduced the Highly Skilled Migrant Programme which was the first time in 30 years to allow immigrants from outside the European countries without a prearranged job to enter the country in search for employment. They have also adopted a point-based system to select the applicants. Recently, the application procedures for the Programme have been further streamlined to expedite admission of the highly skilled individuals to the country. The USA has a tradition of immigration mainly through family reunion and allowing a variety of top talents, entrepreneurs and business people to work and stay in the country. USA is still the most successful country that attracts the top notch scientists, technologists and other talents throughout the world. This has contributed significantly to the overall competitiveness of the country. A summary of the measures of selected countries to attract quality migrants and the lessons for Hong Kong is at **Annex 2**.

8. Other smaller economies like Ireland and Singapore are also very proactive in attracting foreign skilled and highly skilled individuals to their countries. To sustain its progress and dynamic economy, Ireland continues to attract immigrants, in particular the highly skilled to the country to raise its labour supply. Its efforts to draw on its large Diaspora talent community and to become one of the three European Union (EU) countries to have opened its doors to the new EU members are noteworthy. Since 2000, the above two measures have added around 1% to the working-age population of Ireland each year³. Its work permit system has been guided by a clear proactive immigration policy to facilitate the genuine needs of employers with flexibility. Specific measures include fast track work authorisation / working visa to serve the employment market where skill shortage is acute and to facilitate intra-company transfer of employees without a quota for a maximum of 4 years and no other criteria are required. Moreover, spouses of migrated talent individuals could also apply for a work permit⁴.

9. The Singapore government is very proactive in attracting foreign talents and students to work or study in the country and hoping that they will settle down. This is mainly due to the insufficient indigenous skilled workers pool and the very slow population growth of the country to support their national development towards higher value-added activities. Notable efforts include cooperating with international renowned institutions for research development⁵, e.g. the Joint International Medical Centre with Johns Hopkins University to offer clinical education programs and degrees at the National University of Singapore. In 2004, an estimate of about 35,000 foreign students was in the Singapore's education system and 1 in 5 students in the three government-funded universities was a non-citizen⁶. Also, the Singapore government sets up the "Contact Singapore" offices in Australia, North America, Europe, India with a primary role to attract foreign talents and overseas Singaporeans to work and stay in Singapore. Even during the difficult economic condition in 2003, it has been estimated that there were still about 90 000 to 120 000 skilled foreign talents working

³ OECD, Policy Brief of Economic Survey of Ireland 2006, March 2006.

⁴ G McLaughlan & J Salt, Migration Policies Towards Highly Skilled Foreign Workers, Report to the Home Office, UK, March 2002.

⁵ Examples are MIT, Johns Hopkins University and University of Chicago Graduate School of Business of USA, INSEAD of France and Waseda University of Japan. They have an academic presence in Singapore from franchise operations and partnerships to fully fledged independent campuses, Source : The Independent Online Edition, 23 March 2006.

⁶ Nirmala M and W L Soh, "Foreign talent : A new class act," Strait Times, 24 April quoted by Pang Eng Fong, "Foreign talent and development in Singapore", in Competing for Global Talent, edited by Christine Kuptsch and Pang Eng Fong, International Labour Office, 2006.

in Singapore⁷. However, evidence seems to suggest that many of the talents are moving to Singapore mainly for working purposes instead of seeking permanent residency. Whilst these talents have contributed a lot to Singapore's economy and society, the Singaporean government is considering ways to have more migrants who wish to stay in the country more permanently.

(c) *Selected major cities experience*

10. At city level, vibrant cities like New York, Tokyo and London have avoided an ageing population by attracting younger migrants eager to look for all sorts of opportunities, whilst the older population moves out for less exciting and less costly life styles. This continuous circulation and flow of population keeps the cities economically vibrant⁸. For instance, Tokyo has the lowest birth rate in Japan, if immigrants to the city are discounted, the Tokyoites shrank by 687 people in 2005. However, the population of Tokyo grew for the tenth straight year in 2005, owing to an influx of immigrants from elsewhere in Japan and overseas. Nearly 73 000 people moved to Tokyo last year. There were also some 365 000 registered foreigners, an all-time high record⁹.

11. This flow and circulation of people also appear in the Mainland major cities like Beijing, Shanghai, Guangzhou and Shenzhen. The municipal governments of the cities are very proactive and flexible in attracting domestic talents from other parts of the Mainland and foreign-trained Chinese students. Preferential treatments such as offering residential status, financial incentives, etc. are offered to attract those talents required by the market, in particular the foreign-trained Chinese returnees. A special department or bureau is responsible for the policy formulation and implementation of measures to attract the talents required. However, the municipal authorities are very cautious in attracting foreign talents whose admission is a matter of national policy. Beijing and Shanghai are the most attractive cities for talents in the Mainland, followed by Shenzhen and Guangzhou¹⁰.

⁷ Pang Eng Fong, "Foreign talent and development in Singapore", in *Competing for Global Talent*, edited by Christine Kuptsch and Pang Eng Fong, International Labour Office, 2006.

⁸ Helen Siu, Richard Wong, David Faure, *Rethinking Hong Kong's human resources and competitiveness : A Pre-Policy Study (Interim Report)*, October 2005, p.5.

⁹ Economist, Economist.com : Tokyo Briefing, March 2006.

¹⁰ Ni Peng-fei, "The comparison of urban talents competitiveness", in Pan chen-guang(ed), *Blue Book of Chinese Talents – The Report on the Development of Chinese Talents (Chinese)*, 2004, p.241.

Hong Kong Experience

12. The Government fully recognizes the importance of human capital in supporting Hong Kong's development into a knowledge-based economy. The following summarises the major government efforts in nourishing local talents and admission of skilled workers.

(a) *Nourishing talents and skills of local population*

13. A key priority of the Government is to invest in education to uplift the overall quality of our local human capital in the long term. The recurrent government expenditure on education accounts for about 24% of the total recurrent government expenditure in the 2006-07 financial year. We have already achieved the target of making provision for 60% of our senior secondary school leavers to receive post-secondary level of education in the 2005/06 academic year, five years ahead of the original target year of 2010. The proportion of people with post-secondary education has currently amounted to around 30% of our workforce thanks to our efforts in increasing university places and self-financed sub-degree programmes.

14. The \$400 million Skills Upgrading Scheme was launched by the Government in 2001 to provide targeted skills upgrading training to help employees with low skills and education to adapt to the changing working environment. A total of 23 industries have been included in the Scheme. In 2002, the Government also established the \$5-billion Continuing Education Fund, which subsidises adults with learning aspirations to pursue continuing education and training courses in specific economic sectors and skill domains. Eligible applicants will be reimbursed 80% of the fee, subject to a maximum sum of \$10,000, on the successful completion of an approved course. As at end of February 2006, over 260 000 applications have been received. Moreover, the Government provides an annual subvention to the Employees Retraining Board which offers over 100,000 retraining places annually to eligible workers to assist them to take on new or enhanced skills so that they can adjust to changes in the economic environment and have their employability enhanced. The subvention amount for the year 2006-07 is over \$350 million. In October 2000, the Government also established the Project Yi Jin (PYJ) to provide an alternative progression pathway for secondary school leavers who do not do well in conventional schooling, and mature students who do not have the opportunity to complete their secondary education. Over 25,000 students have been benefited from PYJ since the inception of the programme.

15. At tertiary education level, more Mainland and overseas students are encouraged to study in Hong Kong. Notably, the quota for admitting non-local students to University Grants Committee (UGC)-funded programmes at undergraduate and taught postgraduate levels has been raised significantly from 4% in the 2004/05 academic year to 10% with effect from the 2005/06 academic year. Furthermore, students from the Mainland are also allowed to enter Hong Kong for full-time accredited post-secondary programmes at degree and above levels, both within and outside the UGC sector. For the first time, non-local students may also enroll on our part-time taught post-graduate studies. Our another objective is to attract more undergraduates from outside Hong Kong to study in the local tertiary institutions on exchange programmes. Such exchange programmes will create a multicultural environment on campus to broaden our younger generation's outlook on life. In addition, a total of 1 800 additional hostel places at a total cost of roughly \$350 million would be provided. This will help nourish all-round tertiary students through hostel life and increase our institutions' attractiveness as centres for exchange activities.

16. To turn Hong Kong into a lifelong learning society, our education and qualification systems must provide multiple progression pathways and articulation of academic and vocational qualifications. With this objective in mind, we are in the process of developing a Qualifications Framework (QF), which is a seven-level hierarchy that orders and supports academic, vocational and continuing education qualifications. Each level is identified by a set of generic level descriptors to assure uniformity and coherence of qualifications at different levels in the framework.

17. To ensure the relevance of qualifications and related training in the vocational sector, Industry Training Advisory Committees (ITACs) have been set up to develop industry-specific competency standards under the QF. They will become the basis for curriculum design of related training courses. So far, ITACs have been formed for ten industries, namely, Printing & Publishing, Watch & Clock, Chinese Catering, Hairdressing, Property Management, Electrical & Mechanical Services, Jewellery, Information & Communications Technology, Automotive and Beauty. More ITACs will be established in order to cover the bulk of our workforce.

18. With well-defined standards of qualifications and clear indication of the articulation ladders between them, the QF enables learners to set clear goals and direction for obtaining quality-assured qualifications. In the long run, the QF promotes lifelong learning, hence enhancing the capability and competitiveness of our human capital.

(b) To admit foreign and Mainland talents and skilled workers

19. Hong Kong has an established policy towards entry for employment. Professionals from overseas or the Mainland who possess skills, knowledge or experience of value to and not readily available in Hong Kong, or who are in a position to make substantial contributions to the economy may apply to work here under the General Employment Policy (GEP) or Admission Scheme for Mainland Talents and Professionals (ASMTP). Successful applicants may bring along their spouses and unmarried dependent children under the age of 18 to Hong Kong. Each year, some 20 000 to 25 000 professionals from overseas and the Mainland are admitted into Hong Kong (**Annex 3**).

20. Responses to the entry for employment schemes are generally favorable. From its introduction in July 2003 to the end of February 2006, a total of over 11 600 applications have been received under the ASMTP, out of which over 9 700 were approved. Based on the feedback from the employers of ASMTP entrants, on average the engagement of each entrant led to the creation of 1.5 new local posts. If we discount those on short-term employment and focus specifically on ASMTP entrants with terms of employment of 12 months or longer, employers feedback is that such ASMTP entrant helped create an average of 4.8 local jobs in their enterprises. Many of the responding employers considered that the scheme had helped foster collaboration between the Mainland and Hong Kong, broaden their companies' business profile and increase efficiency and productivity.

21. Apart from the above two schemes, Mainland students who have graduated from tertiary institutions with degree level or above may apply to stay in Hong Kong for employment purposes. Over 600 Mainland students have been approved to stay in Hong Kong under this arrangement since its implementation in August 2001.

22. To complement existing admission for employment policies, the Government will introduce the Quality Migrant Admission Scheme (QMAS) in June this year to attract quality personnel from all over the world to develop their career or business in Hong Kong. There is no need

for applicants to secure a job offer beforehand under this new scheme. An initial annual quota of 1 000 will be set. Talents from the Mainland and overseas are welcomed to apply under the new scheme. A summary of the major features of the new scheme is at **Annex 4**. The Government will review the scheme one year after its operation and decide whether the scheme should continue or suitable improvements should be made.

23. On attracting investment-related migration, the Capital Investment Entrant Scheme has been introduced since October 2003 to attract investors (excluding Mainlanders) to bring their capital to Hong Kong for investment. Although the scheme is currently not open for application from Mainland residents due to foreign exchange control implemented in the Mainland, the majority of applicants are persons of the Chinese race who have acquired foreign nationality or permanent resident status overseas. Over 640 applicants have been granted approval (**Annex 3**) bringing over HK\$4.6 billion investment to Hong Kong. Another about 180 applicants have been granted approval-in-principle to come to Hong Kong to make the requisite investment (not less than HK\$6.5 million).

A Broad Review of Hong Kong's Efforts

24. No doubt, through our major investment in education, skill upgrading and retraining, our work force is becoming more educated and better equipped to meet the changing economic needs. The proportion of our population (aged 15 and above) that have attained a university degree increased from 5.9% in 1991 to 12.7% in 2001¹¹. Nevertheless, a considerable proportion of our labour force, both young and middle-aged, which are low skill and low education are still vulnerable to the structural economic change in Hong Kong.

25. The existing admission schemes for skilled individuals have been successful in providing the much needed skilled individuals to meet the market demand. They have also brought about wider spin-off benefits such as generating more local employment, increasing productivity, broadening the companies' business profile, etc. In general, the schemes are largely acceptable to the community. The labour market-test criterion to give preference for local employment first and the gradual approach of trying out the admission schemes are the important reasons for the success.

¹¹ Census and Statistics Department (C&SD), HK SAR Government, Hong Kong Population Censuses 1991 and 2001. The proportion of university degree holders of our labour force aged 15 and above have also increased from 10.1% in 1995 to 19.1% in 2005 (C&SD's General Household Surveys).

26. So far, there is only a small number of Mainland students staying in Hong Kong for employment after their graduation. This is partly due to the limited quota for admission of the Mainland students before 2004/05 academic year and partly due to personal choices of the students. With the recent relaxation of the admission quota, more Mainland graduates are expected to stay and work locally. They could become our valuable human capital. After all, considerable public resources have been given to these Mainland students through the UGC-funded tertiary institutions.

Strengths and Challenges

27. There are little systematic international comparative studies to assess the attractiveness of Hong Kong to talents and highly skilled individuals. However, indirect sources of information and studies could help to shed some light on this subject. At a global and regional scale, based on the International Institute for Management Development (IMD) international comparative study, Hong Kong ranked the second most competitive economy in the world and the most competitive in Asia in 2005. On specific attributes related to labour, the “attraction of the business environment of Hong Kong’s economy to foreign high-skilled people” is strong. According to the IMD, Hong Kong ranked 5th and 4th globally on this count in 2004 and 2005 respectively and 2nd in Asia in both 2004 and 2005¹². Other labour-related attributes like “readily available finance skills” and “international experience of senior manager” also ranked 7th and 1st globally and 1st in Asia in both counts in 2005.

28. The above rankings generally reflect our strength and attraction to talents and highly skilled individuals related to servicing economic activities, in particular in banking and finance, and related services. It has been estimated that about 180 000 people are working in the local banking and financial sector of which about 20 000 to 30 000, largely foreign highly skilled workers, are working in the investment banking, private banking, derivatives, etc high-end and quality banking services¹³. This shows that Hong Kong as one of the world financial centres creates a critical mass which further attracts more talents and multi-national financial corporations and other related firms and services coming to Hong Kong.

¹² International Institute for Management Development (IMD), World Competitiveness Yearbooks 2004 and 2005.

¹³ Hong Kong Economic Times, report on Hong Kong as a financial centre, 22 March 2006.

29. However, technology is less of our strength. Hong Kong ranked beyond 25th in the Technological Index of the Global Competitiveness Report 2005-2006¹⁴, and in the lower-middle global range for the technology-related labour attributes such as “availability of engineers” in the IMD Report 2005. One can infer that Hong Kong may not be a high priority choice of world-wide talents for IT, science and technology, and computing from a scientific innovation perspective. Nevertheless, in recent years the Government has been actively promoting R&D through various organisations and funding schemes, such as the Research Grant Council and the Innovation and Technology Fund.

30. To sustain our competitiveness as a hub for talents, it is necessary to keep a constant alert in removing unnecessary barriers to various types of talents coming to Hong Kong. It is widely recognized that the highly-skilled individuals are very mobile and sensitive to where opportunities are located. In addition, they prefer to concentrate in cities and regions that could provide them a high quality of living and physical environment, and with adequate supply of international schools for their kids.

31. On the quality of life, Hong Kong’s cosmopolitan and vibrant city provides a high quality urban living and attractive recreational and entertainment, etc. facilities comparable to other world cities. Our diversity as a meeting place of the Chinese and the western cultures is also unmatched in other places. Different comparative cross-country surveys have produced different assessment of the attractiveness of Hong Kong’s quality of life¹⁵. It can generally infer that although Hong Kong is an interesting place with attractive qualities of urban living, there are rooms for improvement.

32. Although Hong Kong is a small place, our unique physical environment is charming to people around the world, including our beautiful harbour, the large area of country park within easy reach from the urban area, etc. However, deterioration of Hong Kong’s air quality has become a major concern, both in the local and expatriate communities. It has also been reported that this is becoming a deterrent for tourists visiting

¹⁴ World Economic Forum, Global Competitiveness Report 2005-2006, 2005.

¹⁵ For example, the Foreign Direct Investment, a part of the Financial Times business group, in its Asian Cities & Regions of the Future 2005/06 ranked Hong Kong as the Asian city of the future with the best transport, best IT & telecommunications, best quality of life and the best foreign development potential. Whereas, the Economist Intelligent Unit in its “The World in 2005” ranked Hong Kong’s quality of life at the 18th position behind Australia, Singapore, New Zealand, and Japan (quoted by the Hong Kong Arts Development Council, Hong Kong, Culture and Creativity, 2006, pp.16-18).

Hong Kong. This issue, if not resolved timely, would seriously undermine Hong Kong's competitiveness and constitutes a major hurdle for attracting the best talents in the world to work and live in Hong Kong. With that in mind, the Government is working proactively both within Hong Kong and with the Guangdong Provincial Government to combat the air pollution problem¹⁶.

33. Availability of adequate quality international school places at affordable price is also an important factor that might affect the decision of highly skilled individuals to work and stay in Hong Kong. It is necessary to maintain a healthy stock of international school places to meet the needs. There are 56 international schools in Hong Kong running a wide range of curricula. They provide about 37,000 primary and secondary school places. The Government conducts annual surveys on the provision of international school places and their actual enrolment. Actions are being undertaken to respond to the growing demand¹⁷.

Strategic Issues for Discussion

(a) *Whether existing measures of nourishing our local talents are sufficient and what further initiatives could be taken by other stakeholders in the community?*

34. The Government has given a major priority in building our human capital capacity through education, training and retraining. It is of fundamental importance to build up a competitive local talent stock that could support the long term growth of Hong Kong. Members may comment on the current efforts of the Government as discussed above (paras. 13-18) and what further initiatives of other stakeholders should be taken.

(b) *What key actions and improvement should be taken to enhance our tertiary institutions' attractiveness to non-local students and as centres for exchange activities?*

35. The Government encourages local tertiary institutions to arrange foreign students exchange programmes to create a multicultural

¹⁶ It has been estimated that on the total air emissions, Hong Kong accounts for about 5% to 20% of regional air pollution while the Pearl River Delta area accounts for 80% - 95% (LegCo Paper No. CB(1) 725/05-06(03), Panel on Environmental Affairs meeting on 23 Jan 2006.

¹⁷ EMB is planning to allocate suitable school buildings to be vacated in the local school sector for use by international schools. Two such premises will be open for application by mid-2006. A few popular international schools are pursuing in-site expansion.

environment on campus. In this regard, there would be further provision for additional hostel places to benefit both our local students and exchange students by meeting their accommodations needs. Members may comment on how to further enhance our attractiveness as centres for exchange activities.

(c) ***Should more proactive strategic actions be initiated to provide an adequate pool of talents to sustain Hong Kong's long term growth?***

36. Hong Kong is moving towards an ageing society. By 2033, 1 in 4 people will be aged 65 and above. Our labour force is expected to decline from 2014 (3.77 million) to 2023 (3.64 million). The overall dependency ratio¹⁸ will increase from 348 to 449 over the same period of time and will surpass other Asian countries¹⁹ (**Annex 5**). The number of local students will likely be reduced due to our very low fertility rate. At the same time, the majority of the new arrivals through the One-way Permit scheme will also likely continue to be less educated.

37. Moreover, our human capital stock is lagging behind that of other major world cities. A relatively low proportion of Hong Kong population has attained tertiary level of education. Hong Kong ranked 15th globally and 5th in Asia in terms of “percentage of population that has attained at least tertiary education for persons aged 25-34”²⁰. According to another recent study, in 2001 only 12.3% of our total population with aged 25 or above have attained the university degree²¹ which is considerably lower than New York (30.2%) and London (22.9%)²² (**Annex 6**). Assuming the HK's immigration existing policy remains unchanged and other things being equal, it has been projected that the percentage of degree holders out of the total population would increase only from about 8.7% in 2001 to 15.5% in 2031. Such level would be still much lower than the current corresponding percentage of New York in 2000²³.

¹⁸ Overall dependency ratio refers to the number of persons aged under 15 and those aged 65 and over per 1000 persons aged between 15 and 64.

¹⁹ International Monetary Fund, People's Republic of China – Hong Kong Special Administrative Region, Staff Report for the 2005 Article IV Consultation Discussions, January 2006, p.12.

²⁰ IMD, World Competitiveness Yearbook 2005.

²¹ According to the General Household Survey of the Census & Statistics Department, the proportion of our workforce in 2005 with university degree was 19.3% for those aged 25 or above.

²² Helen Siu, Richard Wong, David Faure, Rethinking Hong Kong's Human Resources and Competitiveness : A Pre-Policy Study (Interim Report) , October 2005, p.6 – for New York and Hong Kong comparison, the New York figures refer to percentage of total population with aged 25 and above in 2000. For London and Hong Kong comparison, it refers to percentage of total working age population, the former was 22.9% and latter was 14.6% in 2001.

²³ Richard Wong and Wong Ka-fu, “The importance of migration flow to Hong Kong”, research supported by the University Grants Committee of the HKSAR, Nov 2005.

38. The above raises a strategic issue of whether the current efforts of nourishing local talents through education and retraining, and a limited admission of non-local talents and skilled individuals are adequate to cope with our long term development need. This is particularly relevant in the light of international competition of talents and highly skilled individuals. Smaller economies like Ireland and Singapore, and major cities in the Mainland are very proactive in attracting talents to strengthen their human capital for economic development.

(d) What further strategic initiatives should be considered to broaden the talent pool in Hong Kong?

39. It is possible to raise our target for training university students so as to increase the potential supply of highly skilled workers. This option poses a major question of whether more public resource should be injected to education.

40. Another possibility is to increase the in-take of non-local students to local tertiary education institutions hoping that many of the students would stay behind. By allowing the non-local students to seek local employment after graduation would strengthen our human capital and add vitality to the ageing population in the long run. Other economies like Australia and Singapore have adopted this approach both as exporting of education services and/or building their potential human capital stock. This option clearly has major attraction to Hong Kong particularly if it runs on a full-fee paying basis without crowding out the learning opportunities of the local students.

41. It is worth noting that major cities like New York and London that have a much higher proportion of university graduates work force than Hong Kong is partly due to the free flow of talents and highly skilled workers within their country attracted to stay and work in the major cities. However, Hong Kong's restrictive boundary control over in-flow of the Mainlanders due to various reasons limits the potential supply of the Mainland talents and highly skilled people to Hong Kong. In this respect, some has proposed to review our in-flow boundary control to make it easier for the Mainland highly skilled individuals to work in Hong Kong, or a managed porous boundary between Hong Kong and the Mainland²⁴. This proposal will have major implications that might require thorough

²⁴ Richard Wong and Wong Ka-fu, "The importance of migration flow to Hong Kong", research supported by the University Grants Committee of the HKSAR, Nov 2005.

consideration in a much broader context. Alternatively, it could simply expand the latest proposed Quality Migrant Admission Scheme upon review after its implementation.

(e) What further facilitation measures could be made to attract talents?

42. Talents such as highly skilled people will go where there are opportunities. They tend to cluster around cities and regions that are most competitive, creative and culturally diversified. In a market economy like Hong Kong, the role of the Government is to provide an environment supportive to the talents to live and work as they wish. For instance, the Government has recently decided to remove the requirement that dependants of those persons admitted into Hong Kong for employment as professional or as capital investment entrants must apply for permission to work. Also, the Government is working proactively on improving Hong Kong's air quality including in collaboration with Guangdong to tackle the air pollution problem which is posing an increasingly negative impact on Hong Kong as a hub for talents.

43. The following are other commonly quoted factors that would affect Hong Kong's attractiveness to the talents to work or stay :

- availability of a rich and diversified cultural life;
- availability of attractive outdoor sports, recreation and entertainment facilities;
- acceptance of social tolerance and cultural diversity;
- high quality physical and urban environment;
- proficiency in English and Chinese language standards;
- availability of social support network to new migrants;
- availability of adequate international school places; and
- responsiveness of immigration rules to attract talents.

44. Members may comment on the above and other factors that could enhance Hong Kong as a hub for talents.

(f) How to secure a broad community consensus should a more proactive admission of talents be initiated?

45. So far, the community at-large has generally accepted the existing admission schemes for skilled professionals given that admission is largely employment based. Although the new QMAS is not employment based, it is subject to a small annual quota. There is no immediate threat of taking away local job opportunity. The Government's labour market-test criterion,

giving preference for local employment first, and gradual implementation approach are also along the right track.

46. Taking account of international and local experiences, any large scale admission of workers, irrespective of talents or not, would likely be controversial, in particular when the employment market is poor. It will inevitably touch upon the sensitive issues of balancing the need for local employment and economic development, and social integration of the new migrants with the mainstream community. A community consensus building process including the younger work force is necessary to facilitate further expansion of non-employment based admission scheme for talents such as QMAS.

(g) *Should a targeted approach of attracting talents be adopted?*

47. Neither existing admission for employment policies nor the QMAS targets skilled personnel from specific sectors or occupations. While the admission policies are market based, top-notch personnel to be admitted under the QMAS are expected to establish a career or business most suited to their abilities in the light of available local opportunities. The current market driven approach may be more efficient in filling up the talent gap of our dynamic economy. A targeted approach in picking up specific groups of talents implies that the government has a firm grasp on the ever-changing market conditions or has a clear vision about where Hong Kong should go.

48. Members may also comment whether priority be given to specific target groups of talents, e.g. creative talents in arts, sports, culture, etc; self-employed and entrepreneurs that could generate new employment types and economic capability for Hong Kong, etc.

49. There is also a view that the Government should be more proactive to target those Hong Kong people being educated overseas²⁵, Chinese students studied overseas, and other overseas Chinese to return or come to Hong Kong to live and work. This group of talents with international horizon, higher level of education and language proficiency, and with a similar cultural background to Hong Kong could be valuable to our society. A number of countries such as Singapore, Ireland and other Mainland major cities also adopt such approach in targeting their Diaspora community of talents.

²⁵ According to the Census and Statistics Department, Thematic Household Survey Report No. 21 – Pattern of study in higher education, October, 2005, there were about 72 800 persons aged 15 and over studying higher education outside Hong Kong in 2004.

Summary of Issues for Consideration

- (a) Whether existing measures of nourishing our local talents are sufficient and what further initiatives could be taken by other stakeholders in the community?
- (b) What key actions and improvement should be taken to enhance our tertiary institutions' attractiveness to non-local students and as centres for exchange activities?
- (c) Should more proactive strategic actions be initiated to provide an adequate pool of talents to sustain Hong Kong's long term growth?
- (d) What further strategic initiatives should be considered to broaden the talent pool in Hong Kong?
- (e) What further facilitation measures could be made to attract talents?
- (f) How to secure a broad community consensus should a more proactive admission of talents be initiated?
- (g) Should a targeted approach of attracting talents be adopted?

Secretariat to the Commission on Strategic Development
April 2006

Annex 1A: Admission of skilled immigrants in selected countries, 1991, 1999 and 2001

Country	Number (thousands)			Share of all immigrants (percentage)		
	1991	1999	2001 ^a	1991	1999	2001
Australia ^b	41	35	54	37	42	60
Canada ^c	41	81	137	18	47	55
New Zealand	-	13	36	-	47	68
United States ^d	12	57	175	18	22	17
Sweden	0	3	4	6	8	10
United Kingdom	4	32	40	7	33	32

^a Data for the United States referring to 2002.

^b Skilled category including family members with certain tested professional qualifications and linguistic aptitudes.

^c Skilled workers category including assisted relatives who are not point tested.

^d Employment-based preferences category including family members of skilled workers.

Source: See Table II.12 in UN Department of Economic & Social Affairs, **World Economic and Social Survey 2004 International Migration**, New York, which cites OECD's SOPEMI as source.

Annex 1B: Temporary workers admitted under skill-based categories, selected countries, 1992-2000

Country	Thousands				
	1992	1997	1998	1999	2000
Australia	41	82	93	100	116
Canada	70	75	80	85	94
New Zealand	-	27	30	39	48
United States*	143	-	343	423	505
France	5	5	4	6	8
United Kingdom	54	80	89	98	124

* Number of admissions under H-1B visas, not the number of persons.

Source: Table II.13 in UN Department of Economic & Social Affairs, **World Economic and Social Survey 2004 International Migration**, New York. The UN cited as source OECD's SOPEMI report *Trends in International Migration, Annual Report 1992-2001* and 2003 Editions and US Department of Homeland Security, Office of Immigration Statistics (2003).

[Note : The above tables are extracted from Manolo Abella, "Global competition for skilled workers and consequences", in *Competing for Global Talent*, edited by Christine Kuptsch and Pang Eng Fong, International Labour Office, 2006.]

Annex 2: A Summary of Measures for Attracting Talents in Five Selected Countries and Hong Kong

	Canada	Australia	USA	UK	Singapore	Hong Kong
Immigration Policy Features	High immigration; High proportion of talents	High immigration; High proportion of talents	High immigration; Small proportion of talents	Focus on stopping illegals, asylum seekers; Talent immigration new.	Emphasis on talent immigration	Slow permanent residency
Types of Measures for Admitting Talents	Points-based migration program (Economic class immigrants)	Point-based migration program; Also used for SAS* immigration	Employment-based working visa; IT and science & engineering workers emphasized.	Point-based working permit for talents without prearranged job (HSMP program)**	Temporary Employment Pass	Employment-based working visa for foreign and Mainland talent
Students	Numerous foreign students Highly subsidized education	Very successful full-fee overseas student program	Both fee-paying and subsidized education Highly successful in attracting and retaining foreign students	Foreign students may stay & work after study	Attractive to overseas students as the medium of instruction is English	Foreign students are few; Mostly Mainlanders in highly-subsidized UGC places
Entrepreneur	Entrepreneur Class visa	Business Migration (Business Owner or Senior Executive class)	Limited program for entrepreneurs, includes strong requirements for financial strength and job creation	Limited program for entrepreneurs	EntrePass - renewable if company viable	GEP*** investors to set up a business
Investors	Investor Class visa	Business Migration (Investor class)	Limited program with very high requirements	Investor program	Investment deposit scheme for permanent residence	Capital Investment Entrant Scheme
Lessons for Hong Kong	Flexibility of policies; Points system for assessing skills; Good investor, entrepreneur models	Points system; Favor young adult and student talents; Good model on student immigration	Good model on bringing immigrants to Silicon Valley; Facilitate “brain circulation.”	Copied from Canada and Australia	Outreach to own citizens abroad	Current programs are successful; English & Putonghua skills important

* SAS – Skilled Australian Sponsored

** HSMP – Highly Skilled Migrant Program

*** GEP – General Employment Policy

Annex 3 : The Existing Admission Schemes for Talents and Skilled Workers in Hong Kong Jan 2001 – Feb 2006

Year	General Employment Policy-approved applications (applications received)	*Admission Scheme for Mainland Talents & Professionals – Approved Applications (applications received)	#Capital Investment Entrant Scheme – Approved Applications (applications received)	Mainland Students Graduated from UGC – funded institutions-approved application to stay for employment (applications received)
2001	18520 (21198)	NA	NA	21 (27)
2002	16929 (19149)	NA	NA	97 (107)
2003	15774 (17789)	1350 (1762)	19 (150)	113 (120)
2004	19155 (21098)	3745 (4470)	272 (465)	157 (182)
2005	21119 (23393)	4029 (4659)	307 (495)	236 (262)
2006 (Jan-Feb)	3147 (3506)	641 (732)	46 (91)	22 (15)

* Implemented on 15 July 2003.

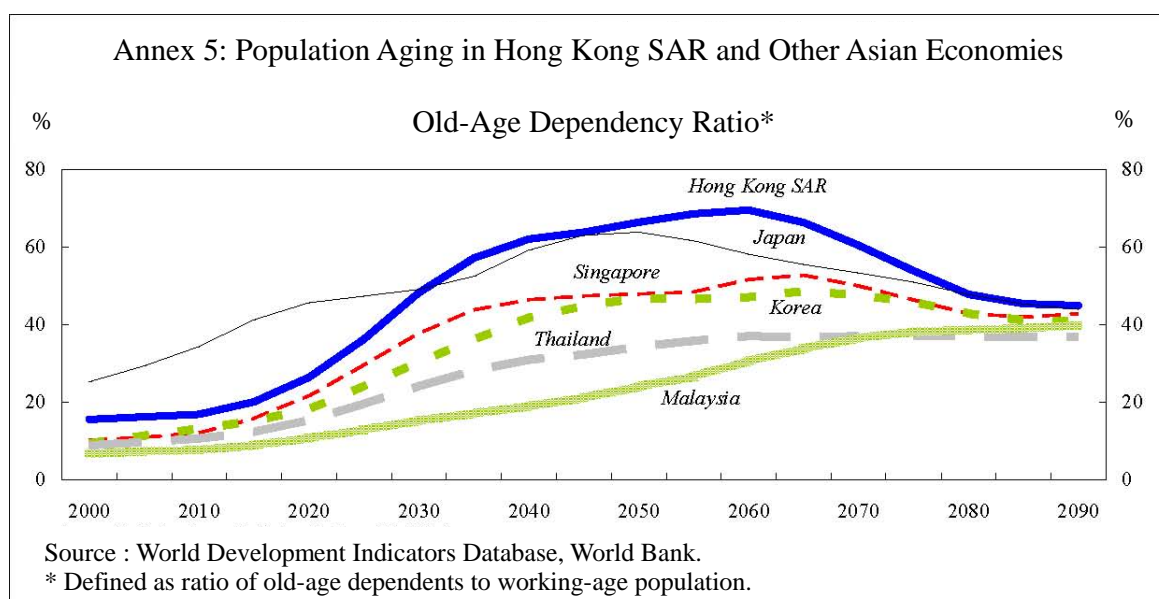
Implemented on 27 October 2003.

Source : Immigration Department, March 2006.

A Summary of the Proposed Quality Migrant Admission Scheme

1. To complement existing admission for employment policies, the Government will introduce the Quality Migrant Admission Scheme (QMAS) in June this year to attract quality personnel from all over the world to develop their career or business in Hong Kong. There is no need for applicants to secure a job offer beforehand under this new scheme. An initial annual quota of 1 000 will be set. Talent from the Mainland and overseas are welcomed to apply under the new scheme.
2. Applicants are required to fulfill a set of “must-meet” requirements which include age, financial requirement (i.e. ability to support and accommodate themselves and their dependants (if any) without relying on public assistance), good character (i.e. absence of criminal or adverse immigration record in Hong Kong and elsewhere), proficiency in Chinese or English and good education background (normally a first degree)/good technical qualification /proven professional abilities/experience /achievements.
3. Having met the “must-meet” requirements, applicants will be assessed based on a points system which takes into account factors including age, academic/professional qualifications, working experience, language proficiency, family connections in Hong Kong (i.e. spouse, parents, siblings or children), spouse’s achievement, number of dependent children, achievement in a particular field, etc. A minimum passing mark will be set.
4. High scoring applicants will be shortlisted to enter a selection pool for further comparison and assessment by an Advisory Committee appointed by the Chief Executive. The Advisory Committee will advise the Director of Immigration (D of Imm) on the selection of the most meritorious applicants.
5. QMAS immigrants may be permitted to bring in their dependants (i.e. spouse and unmarried dependent children under 18 years of age) provided that they are capable of supporting and accommodating their dependants on their own without relying on public assistance in Hong Kong.

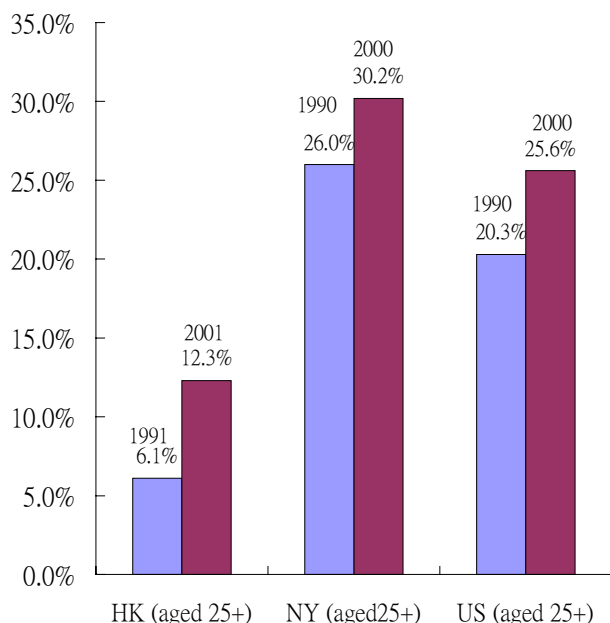
6. QMAS entrants and their dependants will be allowed an initial stay of one year. The extension of stay pattern will be 2 years + 2 years + 3 years. At the end of the first year (first 12-month period), the QMAS entrants may be granted an extension of stay of 2 years if they are able to demonstrate to the satisfaction of D of Imm that they have taken steps to settle in Hong Kong, i.e. they have taken up residence here and have secured gainful employment or established a business. If the QMAS entrant cannot demonstrate the taking of any such steps at the end of the first 12 months, a one-year extension may be granted by D of Imm if he deems this appropriate. If the person is still not able to demonstrate the taking of the steps required by the end of the second year (first 24-month period), further extensions of stay will normally not be given and the person will be required to leave Hong Kong. At the end of the third year (first 36-month period), the QMAS entrants must be able to demonstrate to the satisfaction of D of Imm that they have settled in Hong Kong and are making contribution to Hong Kong such as by having obtained gainful employment in a graduate/specialist/senior level job, or by having established a business of a reasonable size here.
7. Upon completion of not less than seven years of continuous ordinary residence in Hong Kong, QMAS entrants may apply for the right of abode in Hong Kong in accordance with the law.
8. The Government will review the scheme one year after its operation and decide whether the scheme should continue or suitable improvements should be made.



Extracted from : International Monetary Fund, People's Republic of China – Hong Kong Special Administrative Region, Staff Report for the 2005 Article IV Consultation Discussions, p.12, January 2006.

Annex 6 : Population with University Degree and above Education, 1990 and 2000

HK vs New York & US
(as % of total population with aged 25 or above)



HK vs London & UK
(as % of total working age* population)



Note: * UK-working age population: Aged 16-64-male, 16-59 female ONLY. The US and UK data are from websites of corresponding census bureau/department. Hong Kong data are from the various issues of Hong Kong Census Main Reports.

Extracted from : Richard Wong and Ka-fu Wong, University of Hong Kong, "The importance of migration flow to Hong Kong's future", November 2005.