



27 September 2022

The Hon John Lee Ka-chiu, GBM, SBS, PDSM, PMSM
The Chief Executive
Hong Kong Special Administrative Region
Chief Executive's Office
Tamar, Hong Kong

Dear CE,

Submission on Policy Address Public Consultation 2022

The Hong Kong Institute of Human Resource Management (HKIHRM) would like to take the opportunity of the above public consultation to proffer the following views and recommendations for your kind consideration in formulating the upcoming policy address.

1. Rebuilding Hong Kong's Competitiveness through Talent Recruitment and Retention

- 1.1 First of all, we welcome the decisions recently made to substantially relax the border control and quarantine measures, and hope to see early promulgation of a roadmap of Hong Kong moving towards nil restriction on in-bound travels, on par with other advanced economies.
- 1.2 As practitioners in HR management, we consider human capital as the most important asset of Hong Kong, where the competitiveness and viability of the business sector hinges heavily on its ability to source, recruit and retain the best talents from around the world. The quarantine measures currently in force are making it difficult for global talents to choose Hong Kong as their preferred workplace. It is hoped that by removing unnecessary hindrance to in-bound business and leisure travels to Hong Kong, we can be in a better position to expedite economic recovery and revive the manpower market.
- 1.3 In order to better understand how businesses are impacted by the quarantine and isolation regime, we have recently polled our members on the issue. A third of the respondents in the poll reported a drop in business, with more than 30% of them seeing business volume reduced by 50% or more. A vast majority of these companies are looking forward to cessation of the quarantine measures on all in-bound travels as early as possible.
- 1.4 In light of these poll results, we recommend that due consideration be given to making the border even more porous by further eliminating any hassles on people aspiring to visit or return to Hong Kong, on the condition that there will be no additional risks posed to the local pandemic situation. This is crucial if we are to attract and retain the talents of whom Hong Kong is in dire need.

2. Relief Measures for SMEs

- 2.1 As Covid is likely to linger on, we expect to continue to see mounting cost and management pressure on employers, in terms of increases in sickness allowance claims and prevalence of absence from work due to sickness or quarantine/isolation requirements. It is worrying that these extra costs will add heavy burdens to local companies, particularly micro enterprises and SMEs.



- 2.2 In order to help tide them over this difficult period, we recommend the Government initiate a new subsidy scheme whereby employers can apply for financial assistance to cover spending incurred by staff absence and sick allowance claims arising from Covid. Likewise, more generous tax incentives or direct subsidies should be extended to employers who provide medical insurance for staff.
- 2.3 If the Government finds the idea of a quarantine subsidy scheme worthy of further discussion, we hope to work with the relevant authorities to map out a detailed proposal.
3. Youth Development Blueprint - Enhancing Employability with a new “Future-of-Work” Index
- 3.1 Despite the dwindling manpower pool in Hong Kong, which we will be discussing in a later part of this submission, the employability of our young people remains a chronic issue that is worthy of serious attention.
- 3.2 As we see it, the main cause of the problem lies in job mismatch where job requirements do not match the educational attainments, qualifications or skill levels of young school leavers and job seekers.
- 3.3 In view of this, the HKIHRM is planning to conduct a series of surveys among business entities for the purpose of compiling a “Future-of-Work” index on an annual basis. An aim of this index is to give students a clearer picture of the evolving trends of the job market and help them make informed choices in their academic studies. As for employers, the index can be used as a reference for manpower planning and formulation of staff development, academic engagement and training programmes.
- 3.4 We also envisage that with the index, vocational and higher education institutions can gain a better understanding of any new developments in the employment market. This would facilitate timely adjustments to resource allocation and course provisions in their regular programme review.
- 3.5 Through our extensive connections with the education sector and professional bodies in various industries, we will make use of the index to enhance our programmes for training the younger generations and secondary school students in life and career planning.
- 3.6 With high hopes that this index will be useful to various stakeholders, we will work out a proposal on the best approach to use it for addressing job-talent mismatch and improving the overall employability of fresh graduates. A formal proposal, including the technical and funding requirements, will be submitted to the Home and Youth Affairs Bureau in due course. We look forward to the Bureau’s feedback and support for our work in helping society to curb youth unemployment.
- 3.7 On promoting youth employment, it is noteworthy that with the swift expansion of the “gig economy” in Hong Kong, the number of young self-employed persons, especially the so-called “slashers”, is likely to rise correspondingly at a fast pace. Against this, it is desirable to have a comprehensive review of the existing labour legislation with a view to adapting relevant provisions to new and novel employment modes.
- 3.8 First and foremost, we believe an urgent rethink should be given to the applicability of the Employment Ordinance’s “418 Rule” for determining whether a person is employed under a continuous contract. By modernising the “418 Rule”, it can lay the groundwork for society and stakeholders to explore ways to improve employment protection for



“slashers”, including the feasibility of extending appropriate employment-related benefits to them.

4. Improving Retirement Protection

- 4.1 Regarding the abolition of the MPF offsetting arrangement, we understand that the relevant provisions will be brought into effect pending the full implementation of the eMPF Platform, presumably in 2025. In this interim period, new legislative bills will be introduced to prescribe the establishment and operation of employers' Designated Savings Accounts (DSA) and the Government's 25-year subsidy scheme.
- 4.2 Given the complex ramifications of these new systems for both employers and employees, it is critically important to ensure HR practitioners are well versed in detailed requirements and any related compliance issues. During the time leading to implementation of the new systems, the HKIHRM will offer the requisite training, through seminars and workshops, to benefit our members and other HR professionals on a complimentary basis. We will seek to discuss with the Labour and Welfare Bureau and other relevant authorities on the way forward and the channels through which we can apply for government funding for our training activities in this important subject, with a view to extending their reach to as many HR practitioners as possible in the business community. We will also call on the authorities to provide practical guidelines on operational details of the future MPF system for our use in the training.
- 4.3 Regarding the proposed DSA, we understand that employers will be required to contribute 1% of their employees' monthly income to their companies' individual accounts until reaching 15% the employees' annual income. We hope to join hands with the authorities in conducting sharing activities like seminars or roundtable discussions to disseminate useful and up-to-date information for our members and interested parties. These activities can serve as a platform for the authorities and stakeholders to discuss major operational and compliance issues, such as the possibility of providing corporate groups with the flexibility to make DSA contributions collectively at the group level, on behalf of their individual subsidiary companies. They may also explore the development of a new mechanism to allow employers to make easy switch between MPF trustees and schemes, upon implementation of the eMPF Platform. We will also be proactively reaching out to the Labour Department to discuss our ideas on ways to bridge the policy gap.
- 4.4 On enhancing retirement protection for low-income earners, the former administration has previously proposed that upon implementation of the eMPF Platform, the Government would pay the 5% employee portion of MPF contributions of those workers whose monthly income is less than \$7,100.
- 4.5 While Hong Kong strives to improve overall retirement protection, the community must not lose sight of young self-employed persons. In this regard, we are keen on partnering with the relevant government departments to work out a solution to ensure they are accorded proper retirement protection.
- 4.6 As more public attention is being given to slashers, such as stage performance artists, we believe the conditions are ripe for enhancing their retirement protection at this conjuncture. As a first step, we suggest that by riding on the former administration's proposal mentioned in paragraph 4.4, the Government should use the public purse to fund the MPF contributions of self-employed persons. One possibility is to top up their MPF contributions by 5% of their relevant income in a manner akin to employers paying for employees.



5. Filling Talent Gaps amid Exodus of Human Capital

- 5.1 In tandem with global talents being deterred from choosing Hong Kong due to our strict border control and quarantine measures, a new wave of emigration is causing significant loss of human capital in our workforce. As this issue has become increasingly acute, organisations across different sectors are facing difficulties in maintaining optimal manpower resources and building a talent pipeline.
- 5.2 On this front, we notice that the number of regional headquarters operated by foreign corporations in Hong Kong was down from 1,541 in 2019 to 1,457 in 2021. The reduction in multinational corporations (MNCs) was apparently exacerbating Hong Kong's talent outflow problem.
- 5.3 In view of these unsettling developments, we recommend the Government conduct a thorough review of Hong Kong's manpower requirements in close collaboration with chambers of commerce, trade associations and professional bodies. Among other things, this review should aim to gauge the magnitude of the manpower shortage problem and identify any talent gaps.
- 5.4 In this connection, motivating more females to enter the labour market and encouraging re-employment of young-olds are considered effective ways to broaden our manpower pool.
- 5.5 On enhancing support for female employment, we see the need for the Government to act promptly to strengthen nursery/childcare services and improve family-friendly workplace policies. It may also be necessary to look into the gender pay gap issue as it is generally believed to be a deterrent to female employment. In this respect, the UK has already made it mandatory for employers with a headcount of 250 or more to report and publish relevant gender pay gap information of their organisation on an annual basis. This is something which Hong Kong may consider imitating as a first step to close the gender pay gap.
- 5.6 Regarding re-employment of retired persons, it is imperative that the Government set an example to private sector employers by taking the lead in hiring young-olds to draw on their experience, expertise and wisdom. For instance, the Government may re-engage them in advisory roles, such as consultants or mentors, and proactively encourage private organisations to follow suit. For employers in the private sector, one of their major concerns towards re-employing retired persons is the high likelihood of an increase in insurance premiums. To allay their concerns, we hope to discuss with the Labour Department and the Insurance Authority on how best to tackle the issue.
- 5.7 In filling Hong Kong's talent gaps, the Government may also consider taking the following measures:
- enhancing and widening the existing talent admission schemes;
 - devising attractive incentives and bespoke packages to lure MNCs to Hong Kong; and
 - offering tax or financial incentives and providing technical support to encourage companies to expand automation and adopt new technologies.

As a champion of talent growth and development, the HKIHRM is glad to share information and provide input for the relevant government agencies in implementing this array of measures.



- 5.8 Moreover, we believe strengthening employee training is instrumental in nurturing the talents Hong Kong requires in driving social development and economic growth. A recent study we undertook shows that the business sector remains keen on investing in employee training despite the unprecedented challenges confronting companies. In this regard, we are pleased to see the new measures introduced by the Government last month to enhance the Continuing Education Fund (CEF).
- 5.9 In order to further improve the CEF, we suggest more efforts be made to widen the network of course providers and the scope of training courses, so that the diverse training and learning needs of employees can be catered for. In achieving this, the priority should be placed on reducing cost burden on organisations in seeking course accreditation under the Qualifications Framework (QF). One option is for the CEF to provide such organisations with financial subsidies for accreditation. Alternatively, consideration can be given to lowering the QF entry costs for such organisations to facilitate greater participation in CEF.
6. Facilitating Cross-boundary Employment in the Greater Bay Area (GBA)
- 6.1 It appears to us that since the onset of the Covid outbreak, joint efforts at the governmental level, to realise the vision set forth in the Outline Development Plan for the GBA promulgated in 2019, have slowed down somewhat.
- 6.2 While it is still unclear when normal traveller clearance between Hong Kong and the Mainland will be resumed, it is generally expected that upon eventual resumption, companies will quickly restart idled cross-boundary business operations, necessitating frequent and extensive deployment of Hong Kong staff to other GBA cities.
- 6.3 Against this, we urge the Government to establish an advisory body, perhaps under the Steering Committee for the Development of the GBA, to strengthen communication between relevant authorities and stakeholders, including trade associations and professional bodies representing the related sectors. Through this advisory body, they can meet on a regularly basis to discuss and share ideas on issues pertaining to cross-boundary employment in the GBA, such as staff recruitment, employee training and labour research. HKIHRM can certainly contribute as a collective voice from the HR industry on the aforementioned issues.
- 6.4 To leverage this communication mechanism, concerted efforts can be made to embark on activities to promote information exchange. In this regard, we will be delighted to share the results of our survey to be conducted next year to gauge employee wages in the GBA.
- 6.5 To better facilitate cross-boundary employment, it is imperative that tax incentives be provided to Hong Kong companies for their staff deployed to other GBA cities. Besides, the Government should spearhead the work to produce a set of elaborate guidelines and handy toolkits with real-life examples, which HR practitioners may readily refer to when handling manpower issues involving cross-boundary operations.

We hope you will find our recommendations useful. Should you wish us to elaborate on them, please approach our Executive Director, Ms Kandy Lui, who can be reached at kandy.lui@hkihrm.org or 2837 3838.



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Yours sincerely,

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c.c. Policy Address Team