

Executive Summary

The Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area, GBA) comprises the nine municipalities of Guangzhou, Foshan, Zhaoqing, Shenzhen, Dongguan, Huizhou, Zhuhai, Zhongshan and Jiangmen in Guangdong Province and the two Special Administrative Regions of Hong Kong and Macao (known as 9+2). Its total area is 55,904 km² and the total population was 69.58 million in 2017. Both figures exceed those of the three other main Bay Areas in the World (New York Metropolitan Area, San Francisco Bay Area and Tokyo Bay Area). The GDP of the GBA was US\$1,513.42 billion in 2017, slightly behind the New York Metropolitan Area and Tokyo Bay Area.¹

The Chinese central government incorporated the construction of the GBA into the national development paper of the “Belt and Road Initiative” (BRI) in 2015. The Group for Employment and Economic Development of the Youth I.D.E.A.S. studied the role of Hong Kong as a “super-connector” in the BRI and showed that Hong Kong has a solid foundation to connect the Mainland with foreign countries. It will have the competency to develop itself into a super-connector for the BRI if its merits can be further strengthened.

Following the national development strategy of the BRI, the National Development and Reform Commission and the governments of Guangdong, Hong Kong and Macao signed the *Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Greater Bay Area (The Framework Agreement)* in July 2017, which states that there should be a division of labour according to the industrial expertise of the three regions. The State Council further promulgated the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (The Outline)* in February this year to set out specific development goals for the GBA. The above two papers specifically mentioned the establishment of experimental zones for entrepreneurship and employment for Hong Kong and Macao youth in Qianhai of Shenzhen, Nansha of Guangzhou and Hengqin of Zhuhai. In addition, some studies have pointed out that the strength of Hong Kong can

¹ HKTDC. (2018). “Statistics of the Guangdong-Hong Kong-Macao Greater Bay Area”. *Research*, June 22, 2018.

open up more opportunities in finance, innovation and technology, supply chain management, professional services and logistics. It can also support the construction of the BRI.²

According to the statistics of the Census and Statistics Department of the HKSAR Government,³ the number of young people aged 15-39 staying in Guangdong Province for a short period due to work or business operations, together with those staying for a longer period for any reason, is estimated to be at least 192,900. This figure indicates that a significant number of Hong Kong young people were already working in Guangdong Province before the specific policies and measures of *The Outline* were launched. It is believed that the number of Hong Kong young people who have the opportunity to set up a business or to take up employment in the GBA will increase when the relevant policies are further implemented.

However, since there are three markedly different political, administrative and economic systems in the GBA, many barriers to cooperation remain. These include the flow of people, goods, capital and information, such as tax issues and social security.⁴ Therefore, Hong Kong young people face many problems arising from differences in institution and culture if they want to seize the opportunity and develop their career in Guangdong Province.

This study discusses the desires, views, opportunities and challenges of Hong Kong young people who seek to develop their career in the GBA. The focus is on the barriers faced by those who wish to set up a business or to take up employment in Guangdong Province. An attempt is made to give concrete recommendations to alleviate these barriers so as to provide greater choice for the career development of Hong Kong young people.

Data were collected using three methods in December 2018 and January

² Legislative Council Secretariat. (2018). "GBA: Opportunities and challenges of Hong Kong." *Fact Sheet*, FS04/17-18.

³ Source: Census and Statistics Department. A round of thematic household surveys was conducted between September and December 2013 by the Department to collect information related to characteristics of Hong Kong residents spending short periods in Mainland China. The number of Hong Kong residents aged 15-39 usually staying in Guangdong at the end of 2017 was also estimated by the Department.

⁴ Legislative Council Secretariat. (2018). "GBA: Opportunities and challenges of Hong Kong." *Fact Sheet*, FS04/17-18.

2019: an on-site survey of 522 Hong Kong working youth aged 18-39; case interviews with 20 young people aged 18-39 who travel frequently to the nine municipalities of Guangdong Province due to work; and interviews with six experts, scholars and relevant parties.

Main Discussion

- 1. The entire GBA region has enormous economic potential. The expert interviewees generally believe that with the implementation of the GBA policy, the opportunities for Hong Kong people to set up a business and to take up employment in Guangdong Province will increase. About 70% of the working youth surveyed believe that the GBA has a positive impact on Hong Kong's economic and personal development, but some are worried about the greater competition and the adaptation difficulties which may arise.**

The expert interviewees generally believe that with the signing of *The Framework Agreement*, the economic cooperation between Guangdong, Hong Kong and Macao is clearly defined and cooperation within the GBA will become closer in future. Guangdong Province is more suitable for setting up businesses than Hong Kong in many aspects. Moreover, *The Outline* states that the nine municipalities of Guangdong Province will support the development of Hong Kong and Macao's youth in the Mainland. They will extend local entrepreneurship subsidies to cover eligible entrepreneurs from Hong Kong and Macao. Guangdong Province will also proactively promote a number of youth entrepreneurship zones. When *The Framework Agreement* is gradually implemented, the opportunities for Hong Kong people to set up a business and to take up employment in Guangdong Province will definitely increase.

The survey findings of this study show that 92.1% of the respondents had heard of the GBA, while 73.4%, 71.3% and 64.4% think that the GBA is helpful to "the overall economy of Hong Kong", "the development opportunities of Hong Kong young people" and "the international competitiveness of Hong Kong", respectively.

Besides, 39.1% and 26.1% of the respondents think that the GBA will “increase employment opportunities” and “increase business opportunities”, respectively, while 37.0% and 17.6% think that it will require them to “face more competition” and that it will be “more difficult to adapt to the work environment”, respectively. The results indicate that the respondents think that the GBA will have a positive overall effect on Hong Kong’s economy and young people’s career opportunities, but some are worried about the greater competition and the more difficult work environment.

- 2. Hong Kong young people will be competitive if they develop their career in the GBA. Guangdong Province has also provided policy incentives for Hong Kong young people to set up businesses there. Though the young respondents generally believe that there is opportunity for setting up businesses and developing careers in the GBA, they do not understand the relevant support and incentives.**

The expert interviewees generally believe that there is a shortage of talent in Guangdong Province. Hong Kong young people have their own competitiveness to develop in the GBA. Young people who travel frequently to Guangdong Province generally think that the Guangdong municipalities provide more suitable opportunities for setting up businesses in terms of market potential, skills, talents and cost. They also said that there are policies and measures to support business start-ups and they have benefited from these subsidies and incentives designated for entrepreneurs.

However, the survey findings show that though the respondents think the Mainland cities are quite attractive in terms of “market potential” (75.5%), “accumulating working experience” (65.1%) and “opportunities for career development” (63.8%), they think their attractiveness is relatively modest in terms of “subsidies and support for setting up businesses” (52.3%) and “incentives for setting up businesses” (47.7%). This indicates that they may not know about the relevant support or incentives for setting up businesses.

- 3. There are different types of barriers to setting up businesses and taking up employment in the GBA for Hong Kong young people.**

The survey findings show that the respondents think the biggest difficulty in setting up businesses or taking up employment in Guangdong is that of “adapting to the legal system” (86.0%), followed by “managing tax issues” (79.9%) and “adapting to the commercial system” (74.9%).

The concrete and major barriers encountered by the 20 interviewees when they work in Guangdong Province include:

- a. **A lack of coordination in the commercial system and in the policy for setting up businesses, which, together with the unstable policy environment, mean greater risk for entrepreneurs.**

Policy stability is the key factor for the young interviewees in setting up or to continuing their business in Guangdong Province. An interviewee working in FinTech said he had lost a significant client due to a sudden change in the financial license system, bringing his business to a standstill. Another interviewee working in commercial consultation and training said that training comes under education in Mainland China and he worried that he would be unable to understand policy changes and would be sued by the government. He ended up registering his firm in Hong Kong.

An expert interviewee said that there is still a lack of good coordination among the municipalities so that different commercial regulations exist in different places. A scholar interviewee also thinks that policy instability makes it difficult for entrepreneurs to understand business standards, which has become a major risk.

- b. **Complex commercial procedures, unclear information and complications in withdrawing and transferring money cause inconvenience to entrepreneurs and discourage them from setting up businesses.**

The complex commercial procedures and unclear information on these procedures have caused difficulties for entrepreneurs. An IT interviewee said that he needed to pay an extra fee of a few thousand Yuan for an

agency to set up a firm in Guangdong Province because he didn't understand the procedures involved. He had also encountered a swindler and lacked clear information to distinguish the truth. He is worried that no one will be able to help him if he faces a business dispute.

The strict control of money flows also makes it difficult for Hong Kong entrepreneurs to bring their profits to Hong Kong and for Hong Kong employees to bring their salary back. An interviewee working on injection moulds stated that it is very difficult for Hong Kong entrepreneurs to transfer their profits. Another interviewee who is an employee said that employees may not be able to send their salary back to Hong Kong if it is paid in the Mainland, which affects their decisions on whether to continue their career development in the Mainland. These situations discourage them from setting up businesses and taking up employment in Guangdong Province.

c. High tax rates and a worldwide taxation policy discourage some Hong Kong young people from deciding to work in Mainland China.

Mainland China implemented a worldwide taxation policy in 2019. New policy has suspended its imposition on foreigners and exempts from China taxation employees paid by enterprises outside the Mainland who stay in the Mainland for 183 days or more per year for less than six years. Nevertheless, Hong Kong employees who are paid by Mainland enterprises still need to pay Chinese tax. Chinese tax rates can be as high as 45% of income after the deduction of allowances. In addition, employees may need to pay various kinds of insurance and housing provident funds in the range of 15% to 22% of their salary. Some Hong Kong young people are thus worried about working in the Mainland, especially as employees.

An IT interviewee said that he had been willing to be paid his salary in the Mainland in the past because he wanted to be eligible to buy a property in the Mainland even though it meant that he needed to pay the insurance and tax. But he was worried that the new tax policy would tax his worldwide income. Therefore, he changed his salary payment method. He is now paid his salary in Hong Kong and he calculates the number of days he works in the Mainland carefully. This shows that the

tax issue has discouraged some Hong Kong young people from deciding to work in the Mainland China.

- d. **Hong Kong young people who have no proof of address or bank account are unable to use electronic payment services. The Home Return Permit is not accepted by some public services, which makes them inconvenient in daily life. For those who stay for long periods in the Mainland, the incompatibility of living arrangements, such as in the education and medical systems, makes it difficult to feel at ease there.**

In daily life, some interviewees think that there are many inconveniences in working and living in the Mainland. These include the lack of a proof of a Mainland address, a bank account or an ID-authenticated mobile phone number to apply for electronic payment services; and the inaccessibility of some electronic public services that do not accept the Home Return Permit.

One interviewee said that some entrepreneurs and employees do not apply for the Residence Permit for Hong Kong, Macao and Taiwan Residents because they may not stay long in the Mainland. These people may not have the documents necessary to open a bank account. Many interviewees revealed that they cannot use the ticket machines of the High-Speed Rail system with their Home Return Permit so that they need to spend time queuing to buy tickets.

For the Hong Kong young people who stay a long time in Guangdong Province, the differences in living arrangements, such as in the education and medical systems, are more important to them. But the expert interviewees point out that there is still a lack of mutual recognition in these aspects which makes it hard for Hong Kong young people to feel at ease there. The situation needs to be improved urgently.

4. **The commercial system and the policy for setting up businesses in different cities need to be further coordinated on the basis of one country, two systems policy in order to enhance the overall strength of the GBA. Meanwhile, the relevant policy and information need to be more transparent, the procedures for business and employment need**

to be simplified, and tax concessions should also be provided.

The release of *The Framework Agreement* and *The Outline* should have a positive impact on the economic development of Guangdong Province, Hong Kong and Macao. It is also a significant opportunity for Hong Kong young people to set up businesses and to take up employment. The implementation of the one country, two systems policy not only benefits the long-term development of Hong Kong, it also helps to connect the GBA with the world and to achieve a win-win situation.

However, there are three distinctly different administrative systems in the GBA and many barriers still need to be overcome in the exchange of entrepreneurs and employees between Hong Kong and Guangdong. There is inconsistency and instability in various commercial systems and policy on setting up businesses, even between cities in Guangdong Province, whose city governments need to coordinate further. Meanwhile, governments can try to open up their commercial policy on business start-ups so that entrepreneurs and employees may follow. Governments can further simplify the procedures for business and employment and provide tax concessions so as to attract talents and creativity for the overall industrial upgrading of GBA and the benefit of long-term economic development.

Recommendations

Based on the above findings, the following recommendations are offered in order to overcome the challenges facing Hong Kong young people in setting up businesses and taking up employment in the GBA.

- 1. Set up a Greater Bay Area Coordination Bureau to take charge of coordination of concrete affairs between the 9+2 cities.**

A Greater Bay Area Coordination Bureau under the leading group for the development of the GBA should be set up. The Bureau should take charge of coordination between the 9+2 cities according to the principle of one country, two systems and the construction plan of the GBA. Concrete affairs need to be coordinated, including policy related

to setting up businesses and taking up employment.

In addition, the following services should be provided to facilitate business and employment under the coordination of this Bureau:

- a. Provide a one-stop information platform to make available practical information on business and employment within the GBA.

In view of the problems of the unstable policy environment and the unclear information on commercial procedures, the Bureau should provide a one-stop information platform to make available information on business and employment within the GBA. In terms of setting up businesses, this should include concrete policy and opportunities for various industries, the distinguishing features of each city, information on the entrepreneurship zones, start-up programmes, incentives and supporting measures for setting up businesses. In terms of employment, this should include incentive measures for talents, internship programmes and information for employers on employing cross-border employees. The platform should also introduce the concept and characteristics of the one country, two systems policy to cross-border entrepreneurs, employees and employers.

- b. Simplify different kinds of business procedures within the GBA and make available relevant information in addition to providing online applications.

Various business procedures within the GBA should be simplified and information on these procedures should be made available. These procedures include business registration, accounting procedures, tax procedures and the application procedures for entrepreneurship and talent programmes. Online application systems should be provided and all these business procedures should be streamlined to make them simpler and more convenient.

2. Set up a Hong Kong Youth Entrepreneurship and Employment Promotion Office to help young people establish start-ups or find jobs in the GBA.

The Hong Kong SAR government should set up a Hong Kong Youth Entrepreneurship and Employment Promotion Office. This new office should connect with entrepreneurship zones proactively to facilitate the provision of more entrepreneurship programmes for Hong Kong young people according to the concrete policy of *The Outline*. It should also connect with various enterprises to look for more internship opportunities and provide job vacancy information for Hong Kong young people who wish to accumulate work experience in the GBA.

3. Young Hong Kong entrepreneurs and employees who meet certain requirements should be allowed to pay income tax to the Mainland government at Hong Kong rates.

Entrepreneurs should be allowed to pay business tax at Hong Kong rates if their actual businesses belong to the designated industries in the GBA. Employees should be allowed to pay income tax at Hong Kong tax rates if they meet certain talent requirements.

4. The cap for transferring money out of the Mainland should be raised to US\$100,000 per year for Hong Kong employees.

In view of the complex procedures for withdrawing and transferring money, the Guangdong government should simplify the procedures for transferring money for Hong Kong young people employed in the GBA. It should double the cap for transferring money out of the Mainland from US\$50,000 to US\$100,000 per year.

5. Connect the electronic payment services of Guangdong Province, Hong Kong and Macao.

In response to the problem that Hong Kong residents are unable to use electronic payment services in the Mainland, the three governments should help electronic payment service providers to connect their services cross-border so that Hong Kong electronic payment service systems can be used in the GBA.