

Executive Summary

A talent cluster is one of the key elements in promoting economic growth and social development. Human resources have been the most important asset of Hong Kong in this respect. According to the *Report on Manpower Projection to 2027* released by the Labour and Welfare Bureau, the labour force of Hong Kong continues to decline but the overall workforce demand continues to rise. The demand for workers with a bachelor's degree or above will have increased by 310,000 by 2027, leading to a shortage of 34,600 skilled workers with university-level education.

Facing this problem regarding talent shortages, various places have adopted aggressive methods to attract and retain skilled workers. However, Hong Kong has insufficient measures in place to deal with the situation. Since 2019, it has been noted that some young people lack confidence in the future following social and political turmoil in Hong Kong; they therefore plan to leave Hong Kong and find employment elsewhere. Government figures show that the number of “certificates of no criminal conviction” issued in 2019 was 33,252, up more than 40% from 2017 and 2018. In 2020, though the flow of people around the world was limited by the pandemic, this figure still reached 13,642 in the first half of the year,¹ indicating that the number of those who plan to emigrate or study abroad is still rising. This recent trend of emigration could negatively affect the development of Hong Kong's economy.

“Brain circulation” has become a new normal in globalisation. According to discussions² by UNESCO on skilled migration and “brain drain”, the phenomenon of skilled professionals moving from developing countries to developed countries was first understood as negative and damaging to the former. Since then, the perspective has become more positive, as these individuals could return with experience and contribute to the education and training of the developing sending countries. The strategy for dealing with

¹ HK01. (6 July 2020). “Number of certificates of no criminal conviction issued by police increased. Immigration experts: It's self-evident”. Retrieved 7 December 2020 from <https://www.hk01.com/社會新聞/494269/港版國安法-警簽發-良民證-數字回升-移民專家-不言而喻, 2020年12月7日下載。>

² Freitas, A., Vevatino, A., & Pecoud, A. (2012). Introduction: New perspectives on skilled migration. *Diversities*, 14(1), 1-7.

brain drain has thus shifted from preventing “brain outflow” to attracting “brain return”, as well as making use of diasporas to contribute to the sending countries. Therefore, the key is how positive brain circulation could be promoted.

However, Hong Kong has never had an aggressive policy through which to retain its brains, attract brain return, or make use of overseas Hong Kong human resources. In view of the growing phenomenon of youth brain drain, it is worth exploring strategies that the Hong Kong SAR government and enterprises should adopt to prepare for such an eventuality.

Through an online survey and in-depth interviews with individuals, this study seeks to understand the considerations of young people in choosing to develop their careers outside of Hong Kong, as well as their views on returning to Hong Kong and on remote employment. It further aims to explore solutions to retaining local young skilled workers, attracting the return of skilled workers from overseas, and making use of diasporas of human resources through expert interviews. By synthesising these analyses and findings, it is hoped that feasible recommendations can be made to tackle the brain drain issue.

This study uses data collected through three methods during the period from January to February 2021: an online survey of 1,135 under-35s with an undergraduate degree or higher qualification, case interviews with 20 young people working outside Hong Kong,³ and interviews with four experts.

Main Discussion

- 1. Hong Kong is expected to experience a shortage of skilled workers, given the increased demand of highly educated workers in the process of economic restructuring. The survey shows that a quarter of young skilled respondents plan to leave and work elsewhere. Nearly 30% of those who work in the four pillar industries or five high-potential industries agree. It is worrying that the brain drain brought about by the recent social and political unrest and individuals’ lack of confidence in the future could hinder Hong Kong’s economic**

³ Please refer to Section 2 of this report for the requirements of the interviewees and the definition of “work outside Hong Kong”.

development.

According to the *Report on Manpower Projection to 2027*,⁴ there will be a shortage of skilled workers in Hong Kong. Meanwhile, the four pillar industries (financial services; trading and logistics; professional and other producer services; and tourism) and five high-potential industries (information technology and information services; innovation and technology industries; cultural and creative industries; environmental industries; testing and certification services) continue to grow, which is significant to enhancing the development of Hong Kong's economy. While Hong Kong continues to transform into a knowledge-based and high value-added economy, the demand for highly-educated workers increases. Young cohorts with high levels of educational attainment are an important source of such workers.

The survey shows that 24.2% of the 1,135 young respondents with an undergraduate degree or higher qualification plan to leave Hong Kong in the next five years and work elsewhere; 29.5% of those who work in the four pillar industries and five high-potential industries have the same thought. This reveals that many young skilled workers plan to leave Hong Kong and work abroad. Hong Kong needs to prepare for the brain drain that may occur, as it may hinder future economic development.

- 2. In addition to the social and political factors involved, quality of life and personal development opportunities are other important factors to consider when Hong Kong young skilled workers choose their employment location. Interviewees generally think that career development opportunities in Hong Kong are unsatisfactory and the management cultures of enterprises are traditional, so innovative ideas are seldom adopted. These factors prompt them to leave and work elsewhere.**

The survey shows that the major reasons for choosing to work elsewhere include "work-life balance" (41.5%), followed by "emigration plan" (36.7%), "social and political stability" (34.9%), "fond of overseas

⁴ Labour and Welfare Bureau. (2019). *Report on manpower projection to 2027*. Hong Kong: Census and Statistics Department.

environment” (33.1%), “satisfactory development opportunities” (23.3%), and “better international perspective” (21.8%). These results show that the quality of life, personal development opportunities, and broadening horizons are significant factors, in addition to social and political ones.

The respondents also think that the career development opportunities in Hong Kong are unsatisfactory. The percentage of those who agree that there is “satisfactory career development outlook for young talents” (24.5%), “satisfactory employment opportunity for young talents” (23.9%), “satisfactory opportunity to perform in workplace for young talents” (23.2%), “good overall economic outlook” (21.8%), and “good start-up environment” (16.0%) in Hong Kong are quite low. Only the number of those who agree that there is “satisfactory development outlook in my industry” (43.9%) is relatively higher.

Young interviewees who work overseas generally think that career development opportunities elsewhere are more diversified than in Hong Kong. Besides, workplace flexibility and autonomy are usually higher and associated stress is usually lower elsewhere. Enterprises elsewhere are also more willing to make use of technology. All these factors allow individuals to perform better. A certified information system auditor interviewed mentioned the ideal development prospects of Fin Tech in the United States, coupled with the fairer promotion opportunities based on performance, prompted her to look for employment there. A senior information technology manager thought that Hong Kong enterprises focus on micro-management, which places more constraints to staff. In contrast, enterprises in the UK provide better autonomy and flexibility, while working hours are usually shorter. Such arrangements are more convenient for those continuing education. These cases show that unsatisfactory career development opportunities and traditional management cultures prompt individuals to opt for work overseas.

- 3. Brain drain may bring about economic loss to the place of origin, but it may also create value. This is dependent upon how the government and enterprises convert brain drain into an economic driving force by attracting brain return, encouraging a two-way flow of brain power, and finding ways to make better use of diasporic youth.**

It is still possible for Hong Kong's young skilled workers to return or contribute to the Hong Kong economy, even if they work elsewhere. According to other Asian districts that have experienced brain drain, various strategies can be implemented to mitigate its impact. These include preferential policies, large-scale recruitment events and the promotion of industrial development to attract brain return; encouraging short-term returns to take part in projects; and enhancing liaisons with diasporic youth and making better use of their strengths. The Hong Kong SAR government and enterprises can refer to these strategies to convert brain drain into an economic driving force by attracting brain return, encouraging a two-way flow of brain power, and finding ways to make better use of diasporic youth.

- 4. Young skilled workers who plan to leave and who are staying overseas value career development opportunities. They are willing to return to Hong Kong under certain circumstances. Some would consider long-distance employment or short-term employment in Hong Kong if the experience would be helpful for their future development. The impact of brain drain could be relieved if Hong Kong employers are more open to different modes of work and if they make good use of overseas Hong Kong's human resources.**

Only 15.8% of the survey respondents said they "will work outside Hong Kong permanently" while 56.8% said they will return to work in Hong Kong under certain circumstances. These include "better career development opportunities in Hong Kong" (19.0%), "after obtaining overseas permanent residency/citizenship" (12.6%), and "social and political stability in Hong Kong" (10.0%). The main reason the respondents would return is "attractive pay" (41.6%), followed by "better protection of personal freedoms" (38.1%), and "better development opportunities" (35.8%). Some respondents would consider long-distance employment for a Hong Kong organisation or stable/short-term employment in Hong Kong.

The in-depth interviews show that those who already live and work overseas prefer being overseas because of Hong Kong's current political climate and economic development outlook. However, they are

generally willing to take on long-distance employment offered by Hong Kong organisations or short-term employment in Hong Kong if they think the experience would be helpful for future development. An expert interviewed noted that brain return is positive for Hong Kong. While making use of diasporic human resources in operating Hong Kong businesses is feasible, it would depend on employers' attitudes toward the mode of work.

- 5. To meet the needs of the employment market, respondents generally agree that Hong Kong should strengthen the training of current and second-tier skilled workers, in addition to attracting brain return and making better use of diasporic human resources. Besides, Hong Kong should attract overseas graduates to return to Hong Kong and attract diverse young talents from districts such as the mainland, Southeast Asia, and India to come to Hong Kong in order to fill the human resources gap.**

To cope with brain drain, respondents think that the government should "subsidise the part-time studies of second-tier skilled workers" (41.4%), "attract brain return" (40.9%), and "attract overseas graduates from Hong Kong to return" (40.0%). They think that enterprises should "strengthen training for second-tier skilled workers" (55.6%), "recruit overseas graduates from Hong Kong" (38.9%), and "employ diasporic Hong Kong talents remotely" (30.0%). Experts interviewed generally agree that Hong Kong should increase its supply of talents through education and training, but current educational institutes may not be able to meet the employment market demand in terms of the newest knowledge and technology. Employees may improve their professional knowledge through courses delivered in diverse modes. Besides, universities may establish diversified collaborations with various industries so that courses offered can be closer in nature to market trends.

As for attracting talents, some interviewees think that overseas graduates from Hong Kong should be attracted to return. One scholar interviewed stated that Hong Kong should attract diverse young talents from other districts. Talents in the mainland, Southeast Asia, and India are interested in coming to Hong Kong. He suggested that Hong Kong could offer scholarships to attract students from these places and then

attract them to stay here to work afterward.

Recommendations

Based on the above findings and discussion, the following recommendations are offered, with the aims of attracting brain return, strengthening talent training, and promoting an up-to-date enterprise management culture. It is hoped that, through these aims, Hong Kong can become better prepared for its long-term economic development.

1. Enhance liaisons with and recruit Hong Kong young skilled workers overseas.

The Hong Kong SAR government should enhance liaisons with Hong Kong young people who are working and studying overseas through Economic and Trade Offices around the world. These offices can provide regular information about the latest development of Hong Kong's economy and employment market. They can also provide opportunities for learning and exchange, such as seminars on various industry development, exchange events, and online professional training. These activities can help to strengthen the relationships between Hong Kong and overseas talents, so these talents would be more interested in working in Hong Kong. Local companies would also be able to make use of their own marketing sense and human resources support to recruit the necessary skilled workers via the offices' contact platforms.

2. Launch an "Internship Programme for Overseas Graduates" to encourage Hong Kong graduates to return and start their careers here.

Since young talents value career development opportunities, the government should launch an "Internship Programme for Overseas Graduates" with the commercial sector and provide internship opportunities for overseas graduates returning to Hong Kong. With reference to the "Greater Bay Area Youth Employment Scheme", it is recommended that the government provide allowances to companies with talent shortages, such as those in the information technology,

innovation, and environmental industries,⁵ to engage interns and to encourage Hong Kong overseas graduates to return and start their careers here.

3. Provide housing allowances to high-quality young talents who return from overseas for a fixed duration so as to attract them to return to and work in Hong Kong.

In view of talent shortages in specific occupations, the government should provide housing allowances for a fixed duration for high-quality young talents who return from overseas, in order to attract them to work in Hong Kong. Such requirements of high-quality talents can be identified through the Talent List.⁶ With reference to the standards of the Hong Kong Science & Technology Parks Accommodation Support Scheme, it is recommended to subsidise each eligible talent with \$5,000-\$10,000 a month for a duration of 12 months, at most.⁷

4. Expand the scope of the “Technology Voucher Programme” to include the cost of developing company internal workflow management systems.

Hong Kong should improve workflow management by using technology pro-actively and promoting up-to-date company management cultures, in order to make it easier for enterprises to connect with Hong Kong talents overseas. With the help of technology, more jobs can be carried out remotely, which will make it easier for Hong Kong talents overseas to serve Hong Kong enterprises. The government should expand the scope of the “Technology Voucher Programme” to include the cost of developing or purchasing company internal workflow management systems, to help companies keep employees in different locations connected.

5. The Education Bureau should provide subsidies for second-tier skilled workers of designated industries to pursue part-time top-up degrees.

⁵ Please refer to Section 3.1.1 of this report.

⁶ Details can be found at <https://www.talentlist.gov.hk/tc/>.

⁷ Hong Kong Science & Technology Parks. (2019). “Talent and Accommodation Support.” Retrieved 19 June 2019 from <https://www.hkstp.org/zh-hk/how-we-serve/talent/>

To speed up talent training, the Education Bureau should provide subsidies for the current second-tier skilled workers of designated industries with talent shortages to pursue part-time top-up degrees. With the aim of training necessary talents for enterprises, those who are eligible should be nominated by their current employers. With reference to the “Study Subsidy Scheme for Designated Professions/Sectors”,⁸ the designated programmes may include areas in Fin Tech, testing and certification, architecture and engineering, and creative industries, among others.

6. Local companies are advised to update their management cultures and improve employees’ flexible work arrangements.

The younger generation is looking for better work-life balance. Local companies are advised to update their management cultures, enhance employees’ autonomy, and improve flexible work arrangements. Besides, companies could provide more opportunities for employees to exercise their creativity, so as to increase their sense of belonging to the company and enthusiasm to work. Specific arrangements may include flexible work locations, the flexible control of work schedules by employees, replacing working hours with work results in management and evaluation, setting up effective communication mechanisms, and promoting caring and inclusive cultures and the well-being of employees. Improvements in management culture would also be helpful in improving productivity and operational efficiency, which are in turn conducive to the long-term development of enterprises.

⁸ Details of the “Study Subsidy Scheme for Designated Professions/Sectors” can be found at <https://www.cspe.edu.hk/en/sssdp/index.html>.