

Executive Summary

Hong Kong, as an externally-oriented economy, has been affected as the global environment has become more challenging, due to the slowing global economy, prospects of increased protectionism and increases in geopolitical tensions. The victory of Donald Trump in the recent US presidential election only adds more financial uncertainty around the globe, including Hong Kong. The city's financial future, in particular its trading prospects, remains unclear.

Hong Kong's economic structure is concentrated on four traditional pillar industries: financial services, tourism, trading and logistics, and professional and other producer services. These sectors have typically contributed more than 50% of Hong Kong's Gross Domestic Product (GDP) and, as of 2022, employed approximately 1,449,800 individuals¹. However, in more recent years, the international investment environment has changed, putting strains on the financial sector and its related industries². Even though Hong Kong has introduced six priority industries since 2009, given these industries currently account for less than 10% of GDP, its economic structure has not significantly changed. Despite moderate growth in Hong Kong's economy this year, the third quarter recorded a year-on-year GDP growth of only 1.8%³. In the event that Hong Kong continues to rely on its past growth model, it will struggle to facilitate long-term development. Hong Kong needs to urgently seek new directions and identify new areas for growth.

During various public appearances, Chief Executive John Lee has called for economic reform and promoted the message of 'change' on multiple fronts, pointing out that Hong Kong is undergoing an economic transition⁴. He

¹ Source : Census and Statistics Department. Retrieved November 12, 2024, from https://www.censtatd.gov.hk/tc/web_table.html?id=655-82101

² Finance730 (2024, March 4). "Vacant Grade A Offices | The Legal Sector Faces Layoffs as Law Firms Shrink Their Office Space in Central Due to Insufficient Business" (甲廈空置 | 法律界掀裁員潮 律師樓唔夠生意縮中環 Office 樓面). Retrieved July 18, 2024, from <https://finance730.com.hk/2024/03/04/香港-甲廈-空置-危機/>

³ The Government of the Hong Kong Special Administrative Region Press Release (2024, November 15). "Economic performance in third quarter of 2024 and latest GDP and price forecasts for 2024" (二零二四年第三季經濟表現及二零二四年本地生產總值和物價最新預測). Retrieved November 16, 2024, from <https://www.info.gov.hk/gia/general/202411/15/P2024111500514.htm>

⁴ hket. (2024, September 23). "John Lee: Hong Kong is in a Period of Economic Transition;

emphasised that the whole society needs to be aware of this and strive to upgrade and transform itself across all industries. In fact, throughout its history, Hong Kong has experienced a series of economic transitions, which have enabled it to become the international metropolis that it is today; undergoing transformation in a timely manner is an important part of Hong Kong's economic development.

The HKSAR Government has also, in recent years, been actively integrating into the national development framework. This includes playing a key role in connecting to the world by advancing initiatives such as the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) development and the Belt and Road Initiative, as well as realising the 'eight centres' positioning outlined in the 14th Five-Year Plan⁵, in order to open new horizons and opportunities for Hong Kong. Yet talent, and how human capital is cultivated, is key to Hong Kong's success.

Youth, as the engine of social progress and economic development, are an important component of human capital. How do young people view the economic prospects of Hong Kong, given the economic transition and the increasingly competitive environment? Their perspectives on economic development strategies, as well as their personal career planning and preparation, are issues worthy of societal attention.

This study has addressed these concerns by conducting onsite surveys and interviews with young people, experts and scholars to understand the confidence of working youth in Hong Kong's economic prospects, especially regarding employment in the context of economic transition. This may enable society to help young people better prepare for their career in shaping the direction and recommendations for them.

All Sectors Need to Adapt, Seek Change, and Promote Industrial Upgrading and Transformation”(李家超：香港正處於經濟轉型期 各界要識變求變、推動產業升級轉型). Retrieved from October 20, 2024, from <https://topick.hket.com/article/3831535/香港經濟 | 李家超：香港正處於經濟轉型期%E3%80%80 各界要識變求變、推動產業升級轉型>

⁵ The Government of the Hong Kong Special Administrative Region Press Release (2024, July 11). “Chief Executive Attends the 'High-Quality Development to Enhance Hong Kong's Advantages' Seminar and Delivers Speech at the Hong Kong Economic Times Corporate Awards Ceremony 2024” (行政長官出席「高質量發展 提升港優勢」研討會暨香港經濟日報企業大獎頒獎禮 2024 致辭). Retrieved July 26, 2024, from <https://www.info.gov.hk/gia/general/202407/11/P2024071100335.htm>

Main Discussion

- 1. The global economic environment is changing. Hong Kong, as an externally-oriented economy, faces numerous internal and external challenges. Over 85% of the youth agree that Hong Kong's economy needs reform, and 60% express varying degrees of concern about their employment prospects. Given issues such as structural changes in industry development and a shortage of skilled labour, the success of Hong Kong's economic transition hinges on talent.**

- 2. Despite young people being quite pessimistic about Hong Kong's future economic environment, over 80% still choose to develop their career in Hong Kong. As youth represent important human capital for long-term economic development, the HKSAR Government should adopt more proactive strategies to nurture local talent and address their need to re-skill and up-skill.**

- 3. Youth are aware of changes in the economic environment. Over 80% agree that facing economic uncertainties makes changes in career pathways inevitable. However, when they need to adapt to changes in their industry, they may not take the initiative, leading to a gap between awareness and action. A significant reason for this gap is a lack of understanding in which direction such changes need to be implemented.**

- 4. Hong Kong's economic development faces bottlenecks; finding new directions and embracing opportunities are vital. Youth are generally supportive of the recent economic policies of the HKSAR Government but are concerned about long-term economic development and whether their career will benefit. How young people can seize the opportunities presented by economic transition and expand their employment prospects deserves further attention.**

- 5. Over 85% of respondents agree that learning new technologies is key to future employment. However, many young people highlight that continuing-education methods need to keep pace with current development. Society also needs to adopt an open mind towards e-learning to meet the ongoing education needs of working youth and adapt to changes in learning modes.**

Recommendations

Based on the research findings and discussion points above, it is viewed that Hong Kong's economic transition requires co-ordinated and effective human resource policies, particularly in cultivating local talent. To further support this transition and prepare society and youth for such change, the following suggestions are proposed:

- 1. The Government should promote collaboration between applied sciences universities and businesses to provide the technical training courses needed for future industries. Additionally, companies are encouraged to introduce paid study leave, complemented by tax incentives, to facilitate the cultivation of local talent.**

According to the Report on 2023 Manpower Projection, the local manpower shortage is expected to widen to 180,000 by 2028, with a significant shortage of skilled technical workers making up more than one-third of the overall shortage that year⁶. This indicates an urgent need for Hong Kong to train relevant talent to meet the demands of future industries; otherwise, sustainable economic growth will be challenged.

⁶ Labour and Welfare Bureau. (2024, November 14). "Report on 2023 Manpower Projection" (2023 年人力推算報告). Retrieved November 15, 2024, from https://www.lwb.gov.hk/tc/highlights/manpower_projection/2023mp_report_tc.pdf

With Hong Kong Metropolitan University and Saint Francis University becoming universities of applied sciences, it is suggested that the Government promotes collaboration between these universities and businesses to cultivate the local technical talent needed for future industry development. Using the example of Singapore's "TechSkills Accelerator" Tech Immersion and Placement Programme (TIPP) which includes short-term intensive training courses in areas such as Big Data analysis; Artificial Intelligence; Programming, it is recommended that universities collaborate with industry to offer similar training courses, to accelerate the transformation of the local workforce toward key industries. Consideration should also be given to involving tech companies from Mainland China as training partners, as mastery of advanced technology will enhance workers' competitiveness in the market.

Many places such as Germany and South Korea, have already introduced paid study leave. Local companies could also consider offering employees one to three days of paid study leave. In turn, the Government could provide tax incentives to employers to encourage a culture of continuous education in the workplace.

- 2. The Government could promote the establishment of more Bachelor's degree programmes and short courses related to the Belt and Road Initiative, covering emerging regions such as Southeast Asia, the Middle East, and South America. Additionally, it should co-ordinate internships and short-term work opportunities to cultivate talent to become familiar with these emerging markets, thereby enhancing their employability.**

In recent years, Hong Kong has actively sought to establish more connections with Belt and Road Initiative countries, including various emerging markets in Southeast Asia and the Middle East, in addition to

traditional markets in Europe and America. The Hong Kong Government has also signed a Free Trade Agreement with Peru to expand into the South American market. As Hong Kong's ties with Belt and Road Initiative countries and economies grow closer, there is a need to equip the local population with knowledge of these regions, deepen their understanding of local cultures, and cultivate talent that is knowledgeable about emerging markets.

To seize opportunities in the Belt and Road Initiative regions, it is recommended that the Government encourages more local tertiary institutions to offer degree programmes related to these areas. This would allow students to familiarise themselves early on with the cultures and languages of these regions, helping them to become increasingly knowledgeable about emerging markets in the future.

Additionally, some local organisations already offer short courses on language and culture; the Government could encourage local organisations or professional bodies to launch more courses related to the Belt and Road Initiative, providing opportunities for those interested in developing business in these regions to gain insights into relevant countries and cultures.

The Government could also co-ordinate local internships. As suggested by an expert, leveraging Hong Kong's advantage of frequently hosting international exhibitions, it could be arranged for students to work part-time as translators to gain insights into emerging market information. Additionally, opportunities for short-term work in these regions could be arranged, allowing students to better understand local cultures, build networks and experience, thereby enhancing their employability.

- 3. It is recommended that the Government reviews the criteria for eligible online courses so that more can be included in the Continuing Education Fund. More consideration should also be given to allowing Massive Open Online Courses (MOOCs) to be tax deductible thereby alleviating the burden of continuing education for youth.**

As the work environment changes, many working individuals are more receptive to online learning. Hong Kong can adapt to the trends and shifting mode in continuing education by reviewing the existing criteria for more online courses to be eligible for inclusion in the Continuing Education Fund.

According to the Working Family and Student Financial Assistance Agency website, there are currently only five eligible online courses under the Continuing Education Fund. Given the stringent requirements for course providers, including the need to meet various criteria for online delivery while ensuring teaching quality, the Government could consider relaxing some restrictions. Understanding the challenges and barriers that course providers encounter during the application process and providing appropriate support, can encourage more institutions to apply for various types of eligible online courses. This would offer more opportunities for working individuals to pursue continuing education online.

Furthermore, as MOOCs become increasingly popular among youth, the Government could consider allowing self-education expenses of relevant courses to be tax-deductible to reduce the financial burden on working youth. As the acceptance of MOOCs grows, it is also recommended to include more internationally recognised courses, such as online degrees from Coursera and certificate programmes from Google and IBM.