



香港人力資源管理學會

**Hong Kong Institute of Human Resource Management**

*operated by Hong Kong Institute of Human Resource Management Limited*

1 August 2019

Mr Paul Chan Mo Po, GBM, GBS, MH, JP  
Financial Secretary  
Government Secretariat  
25/F, Central Government Offices  
2 Tim Mei Avenue, Tamar  
Hong Kong

Dear Financial Secretary,

### **Consultation on 2019 Policy Address**

The Hong Kong Institute of Human Resource Management (HKIHRM) would like to thank you once again for offering us the opportunity to give opinions on the 2019 Policy Address Consultation.

The views HKIHRM presented at the consultative meeting on 24 July 2019 are consolidated below for consideration by the Chief Executive and relevant policy secretaries.

#### **1. Improve Hong Kong's human capital**

1.1 Given that human capital is one of the most important assets of Hong Kong, HKIHRM considers it desirable for the Government to put in place a holistic strategy to continuously improve Hong Kong's manpower landscape, thereby underpinning and promoting our long-term socio-economic development.

1.2 To achieve this vision, in addition to nurturing the local workforce and unleashing their potential through up-to-date learning and development programmes, the strategy should ensure Hong Kong maintains an environment that is conducive to attracting, admitting and retaining talent and employees who may contribute to the efforts in broadening and diversifying the economic base to support the sustainable growth of our economy.

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1.3 Enlarging our talent and manpower pool is also crucial for Hong Kong to enhance its overall competitiveness as well as its status as a business and service hub in the region, which can give local companies a distinct advantage while tapping into new business opportunities, particularly those presented by the Belt and Road Initiative and the Greater Bay Area development.

1.4 We understand that the Human Resources Planning Commission chaired by the Chief Secretary for Administration will carefully examine Hong Kong's manpower situation. HKIHRM hopes the Commission will expedite its work and come up with a package of manpower development policies and measures for different industries and sectors.

## **2. Address manpower gap and strengthen support for employee training**

2.1 According to the latest manpower projection conducted jointly by the Labour and Welfare Bureau, Census and Statistics Department and the Office of the Government Economist for the ten-year period between 2017 and 2027, the local manpower supply will start to dwindle after reaching a plateau in 2019 to 2022 around 3.67 million to 3.68 million. It is projected that in 2027, the supply will drop to 3.57 million. Likewise, the total labour force participation rate is forecast to fall from 59.1% in 2017 to 54.9% in 2027 due to fast ageing of the population. In terms of the demand side, the aggregate manpower requirements are predicted to increase from 3.61 million in 2017 to 3.74 million in 2027, corresponding to an average annual growth of 0.3%.

2.2 In the light of these projected demographic trajectories, Hong Kong is likely to see a manpower shortage in the not-too-distant future with an estimated gap in the region of 170,000 in 2027.

2.3 As Hong Kong is expecting a rapid growth in its elderly population, steps need to be taken to curb the looming manpower contraction and mitigate its adverse impact. In this connection, Hong Kong may draw on the experience of Singapore, where vigorous policies have been introduced and implemented to support and encourage employment of young olds.

2.4 HKIHRM recommends the Government develop a comprehensive programme akin to Singapore's approach, to address the manpower challenges arising from Hong Kong's ageing population. First and foremost, it should create space for local young olds to remain in gainful employment or re-enter the manpower market through an array of proactive measures, including providing subsidies or tax concessions for companies

hiring mature employees to defray any extra costs they may incur in purchasing employees' compensation or healthcare insurance policies for their staff.

2.5 Pursuant to the Employees' Compensation Ordinance currently in force, it is mandatory for an employer to take out an insurance policy to provide cover against liabilities arising out of workplace injuries in respect of all employees. However, as far as we understand, many employers in the so-called high-risk sectors have encountered formidable difficulties in securing such insurance in the market. Still more are required to bear exorbitant premiums levied by insurance providers.

2.6 To address these concerns, the Government should consider setting up a centralised insurance system as a provider-of-last-resort. Such a centralised system may be modelled on a similar scheme developed by the Mandatory Provident Fund Schemes Authority (MPFA) for the construction industry.

2.7 With the advent of new technology, HKIHRM considers it necessary for the Employee Retraining Board (ERB) to expand its ambit so that degree holders will be able to enrol on the training or retraining programmes it administers. As we see it, expanding ERB's training web can help improve the overall efficiency of learning and development provision while promoting life-long learning among the local workforce. More importantly, it can encourage more employees to equip themselves with the requisite skills in using new technologies in the workplace.

### **3. Enhance retirement protection**

3.1 While subscribing to the notion that the Government and employers should share the responsibility for providing employees with appropriate retirement benefits, HKIHRM recognises the need for regular and timely reviews of Hong Kong's retirement protection system with a view to ensuring it keeps abreast of the times.

3.2 In this regard, HKIHRM is pleased to see the efforts that the Government has made to continuously enhance Hong Kong's retirement protection system, including the recent launch of the HKMC Annuity Plan and the new proposals for improving the abolition of the MPF off-setting arrangement.

3.3 Under the new proposals, the Government pledges to increase its financial commitment from \$17.2 billion for 12 years to \$29.3 billion for 25 years under the two-tier subsidy scheme. As for the proposed designated saving accounts (DSAs), which are to be set up by individual employers to cover their future outlays due to severance payment or long service payment, HKIHRM supports the suggestion that all the savings

in DSAs be placed collectively with the Hong Kong Monetary Authority in the same manner as other government or public placements. We agree that this arrangement can benefit employers as the savings in DSAs would be able to enjoy the Exchange Fund's investment returns, on a nil management fee basis.

3.4 Regarding "the maximum relevant income level" for MPF contributions, we understand that the MPFA has proposed to adjust the amount upward from the existing \$30,000 to \$48,000. If the proposal is adopted, the maximum mandatory contributions by employers and employees will increase from \$1,500 to \$2,400 monthly, which is equivalent to a leap of 60%.

3.5 There are concerns that such a hefty upward adjustment would impose too heavy a burden on employers. In order to allay these concerns, we suggest the adjustment be implemented in phases with a small incremental change each time.

3.6 Moreover, we recommend "the maximum relevant income level" be benchmarked against objective economic and price indicators, such as the annual GDP growth rate and consumer price indexes. The review frequency should also be shortened from once every four years to once every two years. Evidently, shorter review intervals would have a number of advantages, such as:

- the system will be able to respond to market and economic changes more readily;
- any review outcomes can better reflect the prevailing economic situation; and
- the predictability of MPF contributions can be increased.

#### **4. Family-friendly employment measures**

4.1 HKIHRM has long advocated wider adoption of family-friendly people management practices in the workplace to help companies attract and retain talent, improve employee engagement, and promote a healthy work-life balance for staff.

4.2 As far as the proposal to improve maternity benefits is concerned, it is advisable for the Government and stakeholders in society to closely examine the issue, in particular its ramifications for the employment market and the local economy. When a final proposal is drawn up, due consideration should be given to employers' affordability and avoiding any detrimental effect on the competitiveness of the Hong Kong economy.

4.3 In a poll HKIHRM conducted in November 2017, 70% of the respondents opined that Hong Kong employers generally reckon that improving maternity benefits can

encourage more female employees to stay at their job or re-enter the employment market.

4.4 Furthermore, about 90% of the respondents considered it appropriate for the length of maternity leave to be pitched at 11-16 weeks. When it comes to maternity leave pay, they believed reference can be made to 80% of an employee's average wage.

We hope the above views and suggestions will be useful for formulating the 2019 Policy Address.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Margaret Cheng', with a large, stylized flourish extending to the right.

Margaret Cheng  
President