

British Chamber of Commerce in Hong Kong
Outline Submission to the Legco Panel on Manpower
Admission of Mainland Professionals Scheme

Introduction

1. Hong Kong is going through a period of transition as are the United Kingdom and other developed economies into economies, which are based on knowledge, information and communication. One of the consequences of this is that a short-term shortage of skilled IT professionals exists worldwide. Hong Kong is no different in this situation from any other developed economy, even the US and the United Kingdom, both of whom have highly controlled immigration policies have relaxed controls to enable skilled professionals from South Asia and other economies with surpluses to enter their countries. The government paper, which has been placed before the panel, sets out the statistical case for the introduction of the 'Admission of Mainland Professionals Scheme'.
2. This discussion paper seeks to put the British business community in Hong Kong a perspective on this important matter before the panel. Our members are faced with the reality of attempting to recruit personnel with particular skills sets for their businesses from an employment market where there are critical shortages in these areas. In common with other members of the international business community we have lobbied government to rectify this situation before it harms the developing economy and therefore welcome the introduction of this scheme.

The Current Position

3. Hong Kong has set itself the aspiration to become the pre-eminent regional business center in Asia Pacific. If this objective is to be achieved then it is the view of the British Chamber of Commerce in Hong Kong that Regional Headquarter Companies (RHCs) must be able to recruit and position sufficient skilled professionals in Hong Kong to conduct their business. If these cannot be found in Hong Kong then they should be able to recruit outside Hong Kong and this must be achieved with the minimum of bureaucratic delay. It is significant that our principal competitor, Singapore, has already recognized this challenge and adopted a more lenient visa regime.
4. In a society where unemployment has been at historically high levels in recent times caution is understandable. The fact of the matter is that those who are unemployed tend to come from the manual and manufacturing sectors (Blue Collar) and not from the professional classes. Quite apart from the manpower projections, which show clearly that there will be a major surge in demand for post-secondary and first-degree education over the next 5 years. A glance at the employment advertisements of any newspaper on any Saturday shows that this situation is here now and entirely supports the central contention of the paper. The high end estimates contained in the paper makes dramatic reading and should be viewed against an improving educational system which it is to be hoped will increase the supply of suitably educated and qualified young people to take up the slack. However inescapably there is a shortage and anecdotal evidence from members of the British Chamber of Commerce speak of IT Companies placing 'Back Office' operations in the Philippines and India not because they want to but because they cannot obtain suitably qualified staff. It is emphasized that this is not an issue of cost.
5. An aspect not covered in the paper is the problem of turbulence caused by shortages of suitably qualified personnel. Again anecdotal evidence suggests that this manifests itself in salary inflation and 'employment tourism' by individuals being in the happy position of being able to move to better compensated appointments. This adds to the impression of Hong Kong as a high cost center.

The recent downturn in the technology sector should not be used as an excuse to avoid confronting this problem it is here to stay.

Meeting the Need

6. There are we believe three facets to this subject: the first is how to deal with the immediate problem of a shortage of both IT and Financial Service Professionals; The second is the medium and longer term issue of generating the skills in the Hong Kong Community to overcome the predicted shortages five and ten years ahead; the third is whether or not we should be defining this as a “mainland” scheme since the fact is that we need the professionals from wherever they can be obtained including the mainland.
7. The paper makes the point that paradoxically the importation of these skilled professionals from abroad in general creates new jobs on a ratio of six to every one talent/professional for Hong Kong citizens in the shape of middle tier executive support staff. Our anecdotal evidence tends to support this contention and we would suggest that this does not include the impact on the wider economy.
8. The evidence of the pilot scheme is that the recruitment of suitably qualified individuals in the mainland is not easy and we do not therefore consider that Hong Kong will be overwhelmed by applicants. This suggests that market rates will have to be paid to entice mainland applicants to take up such employment. The evidence of both the paper and the experience of international companies operating in the mainland is that it is difficult to recruit and mainlanders prefer to be employed in a mainland company.
9. Finally not strictly an issue being addressed by this paper we also believe that there needs to be more flexibility for ‘RHCs’ to import expatriate executives to final ‘regional’ appointments. It is accepted entirely that wherever Hong Kong people should where possible, fill possible appointments related to the Hong Kong economy but this is not the case for regional appointments. Again Hong Kong gains the advantage of the collateral employment opportunities created by such executives being based here in Hong Kong and not elsewhere in the region.

Conclusions

10. The British Chamber of Commerce supports the broad thrust of this paper, which sets out the case for the introduction of a scheme to import professionals into Hong Kong to meet shortages in the key skills areas of IT and Financial Services. It is concluded that:
 - Certain skills sets need to be filled now and are in short supply in Hong Kong SAR.
 - The shortages will not diminish over time.
 - The scheme should place mainlanders on the same basis as other expatriate professionals.
 - It is not believed that this will undermine current salary levels in the SAR.
 - Educational reforms will meet some of the shortages over time but there continue be a significant deficit in the SAR.
 - The scheme should be simple to operate, anecdotal evidence suggest that its predecessor was not.
 - The WTO accession by the mainland is likely exacerbate the shortages, as the mainland itself will focus onto the skills sets that Hong Kong is seeking. It follows therefore that decisions need to be taken quickly.
 - There is a need to upgrade the retraining and vocational training systems to ensure that they are able to handle the retraining needs of the population.

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