

Research Brief

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Global competition for talent

June 2020

The global competition for talent is intensifying. Many developed economies have difficulties in producing enough talent to deal with a rapidly changing future increasingly driven by innovation and knowledge. Bringing in talent from outside can provide a quick fix to the human resource gap.

Developed economies are not only competing against each other for talent, but also with China that has become a more competitive and attractive employer after years of rapid economic development. Many Mainland cities have implemented a variety of preferential policies and incentive schemes to attract talent.

Hong Kong has also joined the global race for talent, but its various talent admission schemes have met with limited success. High cost of living has undermined Hong Kong's competitiveness in terms of the salary levels offered to attract talent. The annual salaries for Hong Kong-based senior professionals in US dollar terms are not particularly internationally attractive. Indeed, not many of them are paid more than their counterparts on the Mainland and Singapore after factoring in cost of living. In addition to monetary compensation, talent also considers the quality of living when deciding where to work and stay. However, Hong Kong did not score high in various global liveability surveys.

The subject of global competition for talent falls within the policy area of the Panel on Manpower.



Research Office
Legislative Council Secretariat

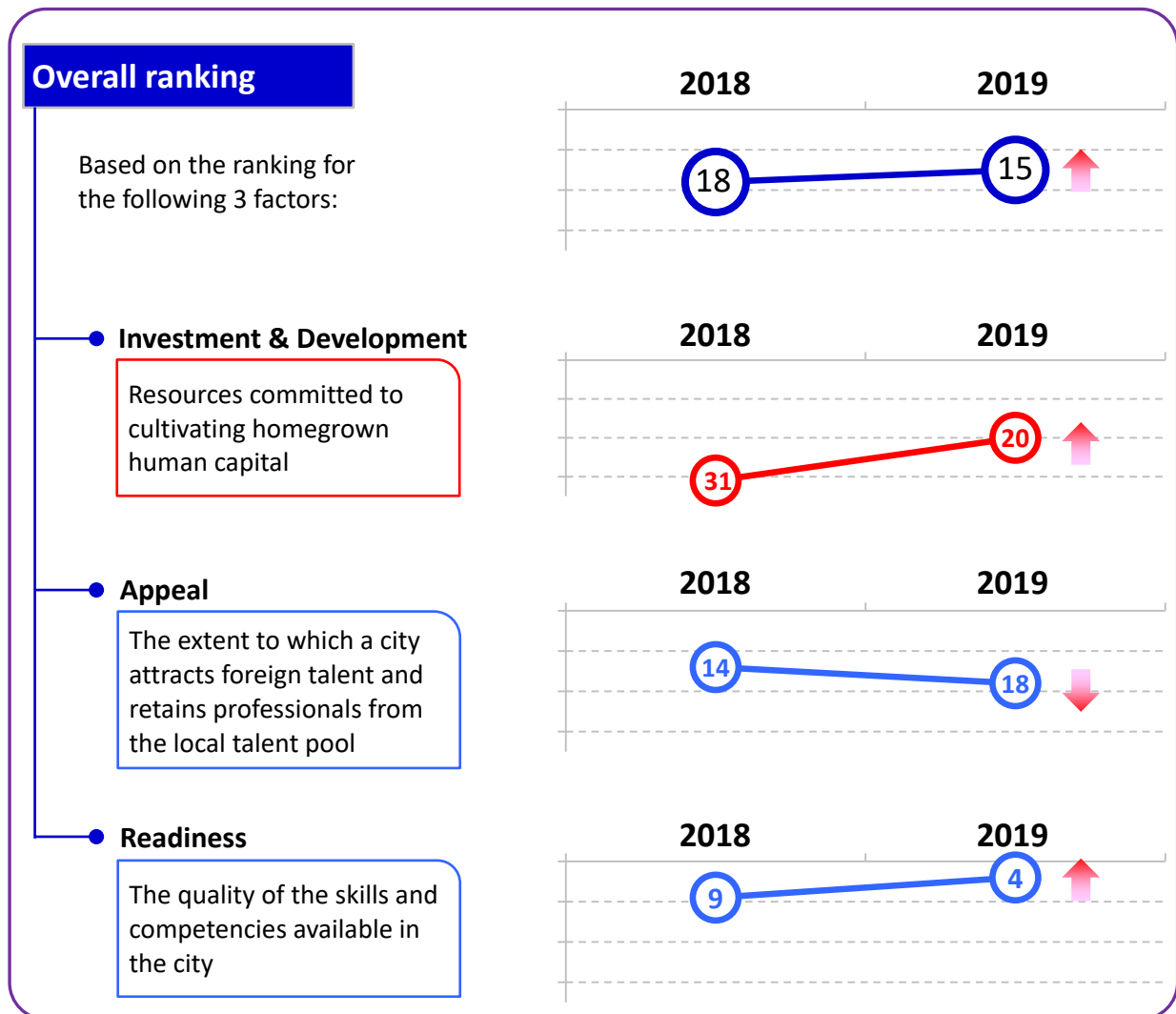
1. Background

1.1 Hong Kong has been ranked highly in international assessments of competitiveness. In 2019, it was ranked the world's second most competitive economy by the International Institute for Management Development ("IMD"), as well as being placed among the top 10 economies by the World Economic Forum for the eighth consecutive year. Several factors have contributed to the high ranking, including quality of human capital, economic performance, government and institutional efficiency, business environment, infrastructure and technology.

1.2 Hong Kong is striving to become a more knowledge-based and innovation-led economy, and its competitiveness will, thus, hinge more on whether it can build up a critical mass of quality human capital, or talent, for growth. Talent helps develop innovative ideas, new technologies and creative contents, which are the key to knowledge creation and innovation.

In IMD's 2019 World Talent Ranking¹, Hong Kong was, however, down by four places to 18th in the Appeal factor (Figure 1) which assesses the ability of a select city in tapping into overseas talent pool and retaining local professionals.

Figure 1 — Hong Kong's performance in World Talent Ranking, 2018-2019



Data source: International Institute for Management Development (2019b).

¹ The World Talent Ranking is an annual study published by IMD since 2014 which measures 63 selected economies around the world in their capability to attract and foster talent.

1.3 According to the Government², it will continue to make investment in education and upgrade the local workforce to build up the talent pool. As a small city economy, Hong Kong is unlikely to be self-sufficient in the supply of talent from its population of 7.5 million. There is a need to bring in talented people from outside to meet the manpower needs of the local economy, and to enhance Hong Kong's competitiveness in the global market.

1.4 Indeed, the Government has introduced various talent admission schemes to attract more talents and professionals to work and settle in Hong Kong. Yet, Hong Kong is not alone in the race for talent, as many other developed economies are also competing for highly skilled people to meet their manpower demand. Global competition for talent is expected to intensify in the coming years and China is a major part of this trend. The rapidly developing Mainland cities have been implementing a variety of preferential policies and incentive schemes to attract local and foreign talent. This Research Brief studies (a) the global competition for talented people; and (b) the competitiveness of Hong Kong in attracting foreign talent, with special reference to those factors that might affect the talent's motivation to work and stay in the territory.

2. Global competition for talent

2.1 The international mobility of talent is not a new phenomenon, as highly skilled people have always moved to other places in search of better career prospects. Nowadays the movement of talent tends to be more frequent as economic activities have become more globalized and job opportunities are less geographically bound in a globalized world.

2.2 Meanwhile, the global demand for talent is greater than ever before. In particular, many developed economies face difficulties in producing enough talent for growth by relying just on their local population and education institutions. Declining birth rates and ageing population give an added concern over the shortage of young talent needed for generating new ideas and innovation. Bringing in talent from outside can provide a quick fix to the human resource gap. The widely used approaches are to (a) entice foreign students to study in their universities and stay on after graduation; and (b) attract highly skilled people to work and stay under various talent admission schemes.

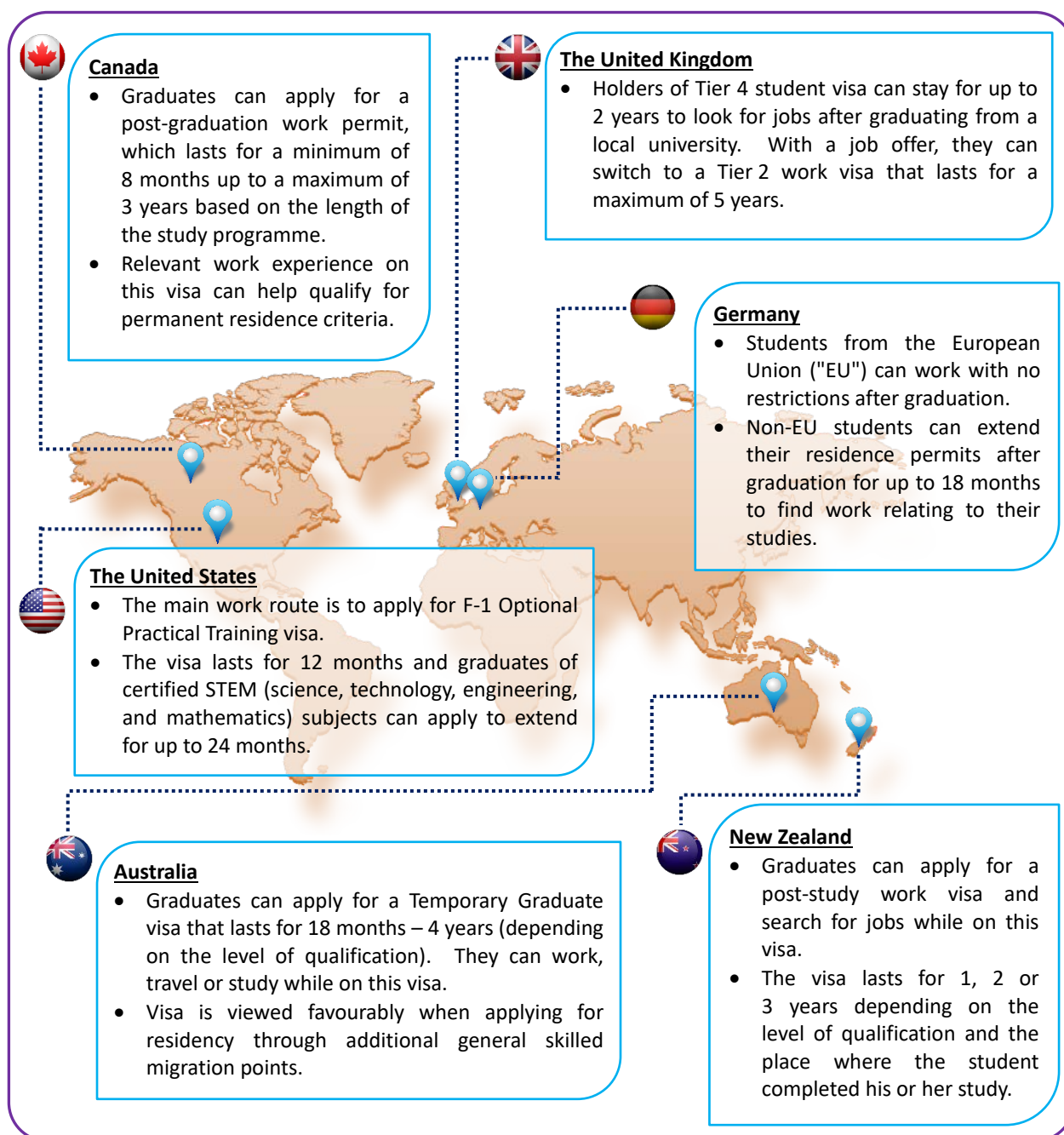
² See GovHK (2018).

Attracting foreign students

2.3 To attract foreign students, many developed economies have set out a national strategy to develop themselves into a highly attractive destination for international students. For example, **Australia** in 2016 released its first-ever National Strategy for International Education 2025, a 10-year plan with a framework of priorities for developing the country into a global leader in education, training and research. Likewise, **Canada** has put in place the International Education Strategy to promote its education institutions as high-calibre places to study, with a target of doubling the number of international students by 2022. **Singapore** has opted for the launch of the Tuition Grant Scheme to subsidize international students for pursuing full-time tertiary education in the country. The grant can cover up to about 80% of the tuition fees and foreign recipients are required to work for a Singapore-based company for three years following their studies.

2.4 Developed economies have also devoted considerable efforts to attracting foreign students to stay on after course completion. The most popular approach is to allow foreign students to look for jobs after graduation and grant them permanent resident status after several years of work. **Figure 2** shows the various post-study work visa schemes administered by selected developed economies to retain foreign students in the domestic labour market. Among them, **Canada, Australia** and **New Zealand** are the most aggressive in allowing graduates to apply for post-study work visa valid for up to three to four years and search for jobs while on this visa. Work experience gained while working can help qualify for permanent residence criteria.

Figure 2 — Post-study work visa schemes in selected developed economies



Data sources: Migration Advisory Committee (2018) and various government websites.

Attracting foreign talent

2.5 Developed economies have also eased restrictions on the entry and/or permanent stay of foreign talent. On entry of foreign talent, **Canada** updated its Global Skills Strategy in June 2017 to issue fast-track work visas for certain highly skilled foreign talent in as short as two weeks (**Figure 3**). **Australia** also launched a niche pilot scheme, the Global Talent Scheme, in July 2018 to allow quick approvals (16-21 days) for companies applying for recruiting foreign talent with in-demand technology skills. In August 2019, the pilot scheme became permanent and was renamed Global Talent Employer Sponsored ("GTES") programme.

Figure 3 — Talent admission schemes in selected developed economies



Note: (*) Standard processing time for visa application.

Data sources: Various government websites.

2.6 On permanent stay of talent, **Australia, Singapore, the United Kingdom ("the UK")** and **Germany** allow talent to apply for permanent residency after residing three to five years in the country. Recently, Japan has shortened the required residence period for permanent residency from the previous five years to three years for those foreign talent scoring 70-79 points under the points-based visa system and to just one year for those scoring 80 points or higher.

2.7 Developed economies are not just competing against each other for talent, and they are now facing stiff competition from emerging economies that have successfully achieved rapid economic growth over the past years. In particular, China has become a more competitive and attractive employer which draws in much global talent seeking vast opportunities there.

3. China in the global competition for talent

3.1 Up until recent years, China had mainly served as a source of talent for developed economies. This one-way flow of talent reversed noticeably in the late 2000s when China began to proactively implement major programmes to attract talented individuals from abroad, particularly overseas-studied Chinese returnees. The reversal reflects the structural changes China has been undergoing. As population growth slows down nationwide, and population ageing continues, China can no longer thrive on demographic dividend³ that had driven its rapid economic growth over the past years. Instead, it urgently needs to upgrade its industrial structure and transform itself into a services-oriented and knowledge-based economy, which requires the presence of a large pool of well-educated and skilled talent.

3.2 China's first-tier cities, such as Beijing, Shanghai and Shenzhen, have been the top choices for talent due to their ample job and educational opportunities and cosmopolitan urban environments. Many fast growing second-tier cities have raced to attract talent in an effort to grow their economies and catch up with first-tier cities. Most recently, the participating cities of the Greater Bay Area ("GBA") are also fighting for talent, as the GBA Initiative gathers momentum and manpower is crucial to the future success and development within the bay area.

³ Demographic dividend means the economic potential resulting from a rising share of working age people in a given population.

3.3 The competition from the second-tier/GBA cities has subsequently put pressure on first-tier cities to step up efforts to attract and retain talent. The talent attraction schemes implemented by selected Mainland cities are shown in **Figure 4** next page. These schemes fall into similar categories that offer hukou⁴, housing benefits and/or cash incentive, and the differences are in magnitude. For example, some cities offer hukou application opportunities even to individuals with only professional/technical title qualifications, and some others provide home purchasing subsidy of up to RMB10 million (HK\$11 million) to top-notch talent.

Attractiveness of China to global talent

3.4 China's preferential treatments of talent have made it a more attractive place for global highly skilled people to relocate for a job than in the past⁵. Also lending support is the booming Chinese economy that has created high-end manufacturing and services jobs in large numbers. Many of these new jobs pay as much as comparable positions in developed economies and offer a faster career track. As a result, about eight out of every 10 Chinese students studying overseas returned home in 2018⁶, compared with 1.5 out of every 10 in the early 2000s.

3.5 Nowadays there are also fewer Chinese having an interest in working outside the country. According to a survey conducted by a management consultant firm in 2018⁷, only 33% of Chinese residents were willing to move abroad for work, down from 61% in 2014. For those aged below 30, only 34% of them were willing to work abroad in 2018, far below the global average of 62%. In addition, just 51% of Chinese who were highly educated, with a master's or doctorate's degree or equivalent, would be willing to leave the country for a job, compared with the global average of 61%.


















⁴ A hukou is a domestic household registration permit for Chinese citizens, allowing holders to access permanent residence right and social benefits such as education, healthcare, public medical insurance and government welfare payment.




⁵ In 2018, China was ranked the 20th most popular destination for people willing to move abroad for a job, up nine places from 29th in 2014. See Boston Consulting Group (2018).

⁶ Based on the latest statistics available from China's Ministry of Education.

⁷ Boston Consulting Group conducted a study in 2018 which surveyed 366 000 people in 197 countries on labour trends and work preferences.

Figure 4 — Talent attraction schemes in selected Mainland cities





















	Hukou ⁽¹⁾	Housing benefits		Cash incentive
		 Home purchase allowance/subsidy	 Rental subsidy, rental-free apartment or other benefits	
Selected first-tier cities				
Beijing		<ul style="list-style-type: none"> • Purchase of joint-ownership property⁽²⁾ 	 <ul style="list-style-type: none"> • Public rental housing or rental subsidy 	<ul style="list-style-type: none"> • Cash reward of up to RMB1 million
Shanghai (Peak Talents Project)		<ul style="list-style-type: none"> • Home purchase allowance 	 <ul style="list-style-type: none"> • Talent apartment or rental subsidy 	–
Other Mainland cities				
Nanjing		<ul style="list-style-type: none"> • Purchase of joint-ownership property⁽²⁾ or home purchase subsidy of up to RMB3 million 	 <ul style="list-style-type: none"> • Rental-free talent apartment, rental subsidy or "rent-to-buy" apartment⁽³⁾ 	<ul style="list-style-type: none"> • Funding support of up to RMB10 million for top-notch talent to start key innovative projects in the city
Xian		<ul style="list-style-type: none"> • 50% of the flat price, capped at RMB1 million 	 <ul style="list-style-type: none"> • Rental subsidy: RMB6,500 per month up to 5 years 	<ul style="list-style-type: none"> • Top-notch talent: <ul style="list-style-type: none"> - Project funding support of up to RMB5 million
Tianjin (Haihe Talents Action Plan)		–	<ul style="list-style-type: none"> • Talent apartment (rent set at not more than 70% of market rates) or rental subsidy 	<ul style="list-style-type: none"> • Top-notch talent: <ul style="list-style-type: none"> - Research funding of RMB10 million; and living allowance of RMB2 million
Wuhan		<ul style="list-style-type: none"> • University graduates: purchase or rent flats at 20% below the market price/rental 		<ul style="list-style-type: none"> • Minimum salary for graduates (RMB40,000) • Master's graduates (RMB60,000) • Doctors (RMB80,000)
Hangzhou		<ul style="list-style-type: none"> • Up to RMB8 million 	 <ul style="list-style-type: none"> • Affordable rental apartment 	<ul style="list-style-type: none"> • Innovation and entrepreneurship teams: <ul style="list-style-type: none"> - Up to RMB5 million
Changsha		<ul style="list-style-type: none"> • Full subsidy for purchasing 100 m², 150 m², or 200 m² apartment 	 <ul style="list-style-type: none"> • Rental subsidy of RMB6,000-RMB50,000 for overseas-studied graduates for 2 years 	<ul style="list-style-type: none"> • International talent: subsidy of RMB2 million • Local talent: subsidy of RMB1 million-RMB1.5 million
Chengdu		<ul style="list-style-type: none"> • Rights for graduates to buy the talent apartments after they rent for 5 years at not more than the market sale prices prevailing when they start renting the apartments 		<ul style="list-style-type: none"> • Innovation and entrepreneurship teams: <ul style="list-style-type: none"> - Up to RMB100 million funding



Notes: (1)  available only to qualified talent;  available even to those with a bachelor's degree;  available even to those with professional/technical title qualification.

(2) Qualified talent can purchase a property jointly with the government and each owns a fixed percentage of the property. The talent will receive the government's share free after working in Beijing for a certain number of years.

(3) Qualified talent can purchase the apartment he or she rents at discounted prices after living in the apartment for five years.

Figure 4 — Talent attraction schemes in selected Mainland cities (cont'd)

	Hukou ⁽⁴⁾	Housing benefits		Cash incentive
		 Home purchase allowance/subsidy	 Rental subsidy, rental-free apartment or other benefits	
Greater Bay Area cities				
Shenzhen (Peacock Plan)		<ul style="list-style-type: none"> Up to RMB6 million 	 <ul style="list-style-type: none"> 200 m² rental-free apartment for 10 years 	<ul style="list-style-type: none"> Top-notch foreign talent: <ul style="list-style-type: none"> Cash subsidy of up to RMB3 million
Guangzhou (Kapok Plan)		<ul style="list-style-type: none"> Up to RMB10 million 	 <ul style="list-style-type: none"> 200 m² rental-free apartment for 10 years 	<ul style="list-style-type: none"> Overseas talent: <ul style="list-style-type: none"> Start-up funding of up to RMB2 million for innovative entrepreneurship projects
Dongguan		<ul style="list-style-type: none"> Up to RMB2.5 million 	 <ul style="list-style-type: none"> monthly rental subsidy of up to RMB5,000 for 3 years 	<ul style="list-style-type: none"> Eligible innovative research teams: <ul style="list-style-type: none"> Subsidy of up to RMB20 million
Zhuhai (Zhuhai Talents Programme)		<ul style="list-style-type: none"> Top-notch talent: RMB6 million Lower-tier talent: purchase of joint-ownership property⁽⁵⁾ 	 <ul style="list-style-type: none"> 200 m² rental-free apartment for top-notch talent 	<ul style="list-style-type: none"> Top notch talent: <ul style="list-style-type: none"> Cash subsidy of up to RMB2 million
Foshan		<ul style="list-style-type: none"> RMB2 million–RMB4 million 	 <ul style="list-style-type: none"> monthly rental subsidy of RMB750 for 3 years for intermediate level talent 	<ul style="list-style-type: none"> Eligible technological innovation teams: <ul style="list-style-type: none"> Subsidy of RMB2 million-RMB20 million
Huizhou (Swan Talents Programme)		<ul style="list-style-type: none"> Up to RMB500,000 	 <ul style="list-style-type: none"> 200 m² rental-free apartment for top-notch talent⁽⁶⁾ 	<ul style="list-style-type: none"> Leading talent: <ul style="list-style-type: none"> Working expense subsidy of up to RMB1 million
Zhongshan		<ul style="list-style-type: none"> Up to RMB2 million 	 <ul style="list-style-type: none"> 200 m² rental-free apartment for top-notch talent⁽⁶⁾ 	<ul style="list-style-type: none"> Leading innovation start-up teams: <ul style="list-style-type: none"> Provincial level: subsidy of up to RMB10 million National level: up to RMB20 million International level: up to RMB30 million
Jiangmen		<ul style="list-style-type: none"> Up to RMB400,000 for doctorate graduates 	 <ul style="list-style-type: none"> 150 m² rental-free apartment for top-notch talent⁽⁶⁾ 	<ul style="list-style-type: none"> Working expense subsidy of RMB10 million for top-notch foreign talent
Zhaoqing		<ul style="list-style-type: none"> RMB100,000-RMB1 million 	 <ul style="list-style-type: none"> 150 m²-200 m² rental-free apartment 	<ul style="list-style-type: none"> Innovation teams: <ul style="list-style-type: none"> Start-up fund of up to RMB10 million

Notes: (4)  available only to qualified talent;  available even to those with professional/technical title qualification.

(5) Qualified talent can purchase a joint-ownership property with the government on a 50:50 ratio and receive the 50% government ownership free after working in Zhuhai for 10 years.

(6) Top-notch talent can acquire ownership of the flat provided after working in the city for five years.

Sources: Local government reports and The Economist (2018).

4. Hong Kong in the global competition for talent

4.1 Hong Kong has joined the global race for talent, as its development into a more knowledge-based and innovation-led economy requires a large pool of talent equipped with the right skills and creativity. Being a small city economy, Hong Kong is unlikely to be able to meet the demand for high quality talent from its limited population of only some 7.5 million. The ageing population and low fertility rate have aggravated the need for Hong Kong to replenish the human resource pool with outside talent, in order to sustain its long-term international competitiveness.

4.2 The Government has put in place the following talent admission schemes to attract highly skilled people from other places to work and stay in Hong Kong (Figure 5):

Figure 5 — Key features of talent admission schemes in Hong Kong

Talent admission scheme	Eligibility criteria
General Employment Policy ("GEP") (4 weeks⁽¹⁾) <i>Target: Overseas talent and professionals from places other than the Mainland</i>	✓ Possession of special skills, knowledge or experience not readily available locally; job offer required before entry to Hong Kong.
Admission Scheme for Mainland Talents and Professionals ("ASMTP") (4 weeks ⁽¹⁾) <i>Target: Mainland talent and professionals</i>	✓ Same as General Employment Policy.
Quality Migrant Admission Scheme ("QMAS") (≥6 months ⁽²⁾) <i>Target: Highly skilled or talented persons from overseas and the Mainland</i> <i>annual quota: 1 000</i>	✓ Attainment of the minimum passing mark scored according to academic/professional qualifications, work experience, age and family background, attainment of renowned achievements etc.; job offer not required.
Technology Talent Admission Scheme ("TechTAS") (2 weeks ⁽¹⁾) <i>Target: Overseas and Mainland technology talent</i>	✓ Employing company/institute must apply for quota from the Innovation and Technology Commission to admit the technology talent.

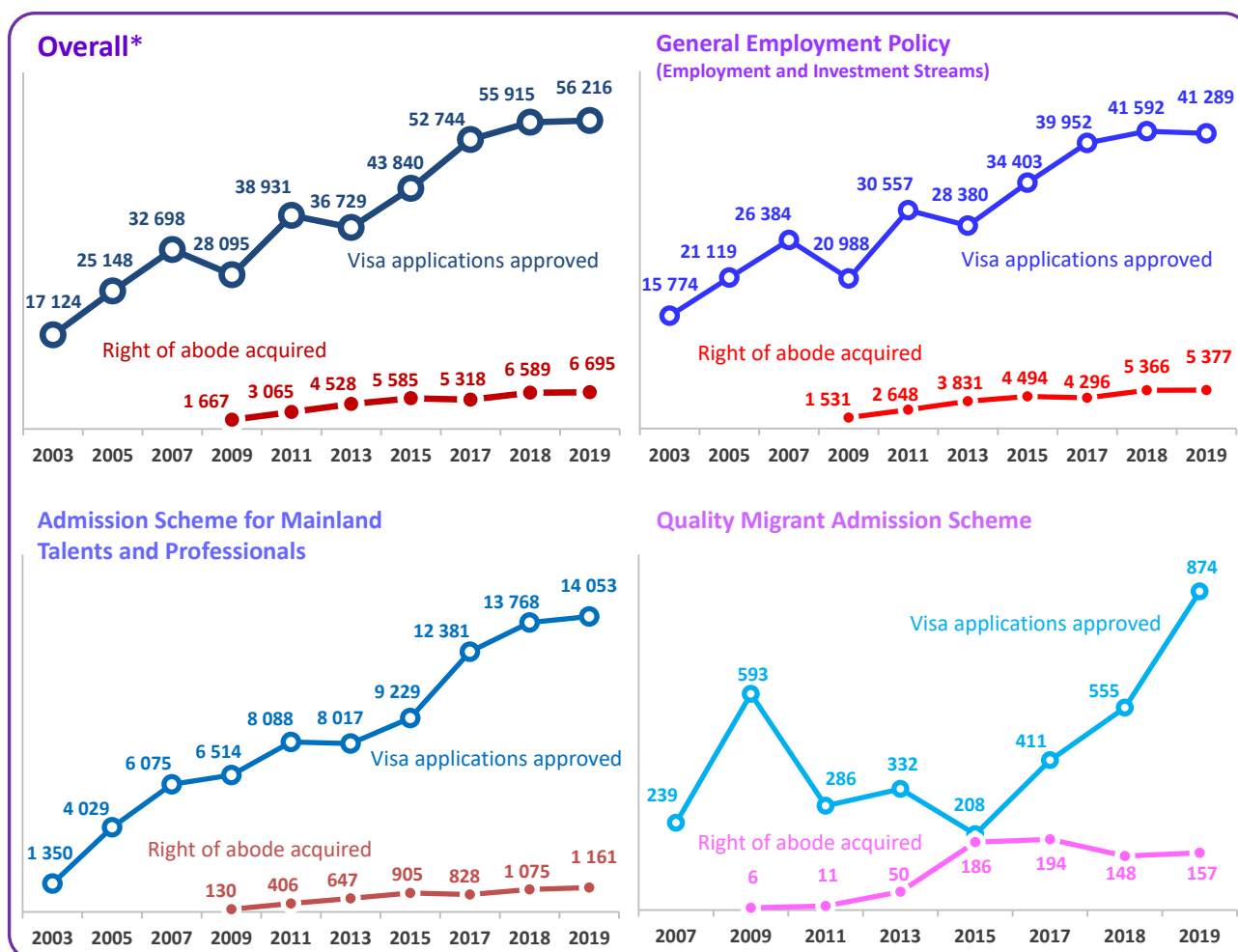
Notes: (1) Standard processing time for visa application.

(2) The Immigration Department conducts a selection exercise for qualified talent on a quarterly basis, and successful applicants will need to attend an interview in person in Hong Kong within three months. Hence, it might take more than six months to process a QMAS application.

Source: Immigration Department (2020).

4.3 While the quota-free GEP enables a large number of foreign expatriates to work in Hong Kong, whether these expatriates will stay is another issue. The number of applications approved under GEP increased from 26 881 in 2010 to 41 289 in 2019 (Figure 6), but the expatriate population in Hong Kong (i.e. expatriates from the United States, the UK, Australia and Canada) decreased from 72 784 at end-2010 to 50 394 at end-December 2019. The statistics provided by the Audit Commission provides another indicator of the expatriates' willingness to stay in Hong Kong. Among the 71 986 GEP entrants who resided in Hong Kong as at December 2015, only 1 525 or 2% had stayed in Hong Kong for seven years or more⁸.

Figure 6 — Number of visa applications approved and entrants acquiring right of abode under various talent admission schemes



Note: (*) The total number of the three talent admission schemes.
Source: Immigration Department.

⁸ Based on the statistics available from the Director of Audit's Report No. 66 released in 2016. See Audit Commission (2016).

4.4 ASMTP is also a quota-free scheme introduced in 2003 to attract qualified Mainland talent and professionals to work in Hong Kong. Statistics on the ASMTP entrants obtaining right of abode reflect negatively their willingness to stay in Hong Kong⁹. Only 7 033 ASMTP entrants acquired right of abode in 2010-2019, while the Immigration Department approved a total of 57 126 ASMTP applications in 2003-2012 (Figure 6). In other words, it is estimated that only 12% of talent under ASMTP would eventually become a permanent resident after residing in Hong Kong for seven years.

4.5 The Government introduced a quota-based immigration scheme, QMAS, in July 2006 to attract 1 000 high skilled or talented people to settle in Hong Kong each year. Unlike GEP and ASMTP, QMAS is a non-employment based visa scheme which assesses applicants on the basis of a point system. While the Government has adopted a pro-active approach in the design of QMAS, not many people have settled in Hong Kong through the scheme. There were only a few hundred applications approved each year, falling short of the annual quota of 1 000.

4.6 TechTAS is the most recently introduced talent admission scheme. In May 2018, the Government announced the implementation of a new three-year pilot scheme, TechTAS, featuring a fast-track arrangement for eligible companies to admit non-local technology talent to undertake research and development work for them in Hong Kong.¹⁰ A quota of admitting 1 000 persons has been set for TechTAS in its first year of operation. As at end-September 2019, the Innovation and Technology Commission only approved 291 quotas and issued 86 visas. In January 2020, the Government enhanced TechTAS by increasing the technology areas covered by the scheme from seven to 13.

Non-local students to study and work in Hong Kong

4.7 In line with its policy to facilitate the admission of non-local talent, the Government is committed to bringing in more students from outside to study in Hong Kong and retaining them to stay and work after graduation. Against this, the Government has implemented facilitation measures to develop Hong Kong into a regional education hub. The most notable ones are to (a) increase the non-local student enrolment quotas for publicly-funded programmes at the sub-degree, undergraduate and taught postgraduate levels

⁹ An ASMTP entrant may apply for right of abode upon completion of seven years of continuous ordinary residence in Hong Kong.

¹⁰ The new scheme simplifies the application procedures and reduces processing time from four weeks to two.

of the University Grants Committee ("UGC")-funded institutions¹¹; (b) allow UGC-funded institutions to admit non-local students to their publicly-funded research postgraduate programmes with no quota restrictions; and (c) launch the Immigration Arrangements for Non-local Graduates ("IANG") in 2008. Under IANG, non-local students of full-time locally-accredited programmes at degree level or above may apply to stay in Hong Kong for up to 12 months for job seeking after graduation.

4.8 Student diversity is essential to the building up of a regional education hub, but Mainland students have made up a sizeable proportion of non-local student population in Hong Kong. In 2018-2019, there were 11 703 non-local students enrolling in UGC-funded programmes at sub-degree, undergraduate and taught postgraduate levels. Mainland students constituted the largest group of non-local students, at 60%, despite the proportion decreased from a high of 90% a decade ago.

4.9 Places on research postgraduate programmes have also been filled largely by Mainland students, which accounted for 83.3% of the total number of non-local student enrolment in 2018-2019. Likewise, IANG is a channel for non-local students to work and settle in Hong Kong. There were 10 799 entrants under IANG in 2019 and 90% of them came from the Mainland. The number of Mainland entrants, at 9 757, more than trebled that in 2008 when IANG was first launched by the Government.

4.10 With similar cultural background, Mainland students are an attractive and feasible potential source of talent for Hong Kong. However, unlike previous generations, they might not see Hong Kong as the most preferred choice of stay and the best place for career development. In recent years, more and more Mainland students have left Hong Kong after graduation¹², possibly returning to the Mainland for better job prospects at home. In particular, with regard to entrepreneurship and innovation, Mainland cities like nearby Shenzhen are more attractive for those Mainland graduates who are interested in setting up their companies after graduation¹³.

¹¹ The quota was increased from 4% of the approved student number targets to 10% in 2005-2006 and further to 20% in 2008, and has remained unchanged since then.

¹² Indicative of this trend, the number of student visas issued by the Immigration Department for Mainlanders surged by 65.7% between 2015 and 2019 from 18 528 to 30 707. Over the same period, the number of Mainland entrants under IANG increased by a modest 2.3% from 9 541 to 9 757.

¹³ According to Au (2016), many Mainland cities offer direct and indirect financial support to startups and entrepreneurs. In addition, startup costs are usually lower and a lot of capital is available to invest in new ventures. As for technology, the Mainland has more engineers and manufacturers to design and manufacture technological and industrial products.

5. Competitiveness of Hong Kong in attracting talent from outside

5.1 The limited success of Hong Kong's talent admission schemes has inevitably invited the concerns over the competitiveness of the territory in attracting talent. This is particularly so as the global competition for talent is intensifying and is unlikely to abate in the foreseeable future. Hong Kong currently ranks at the top of international assessments for many important aspects of expatriate life, such as personal security, vibrant cosmopolitan culture, the rule of law, freedom of information, and respect for pluralism and inclusiveness. While the above elements help shape a favourable environment for attracting the global talent, Hong Kong still faces difficulties in recruiting and retaining highly skilled people.

Cost of living

5.2 High housing costs have been cited by IMD as one of the major factors affecting Hong Kong's ability to attract and retain talent. In 2019, Hong Kong was ranked the least affordable city in the world to buy a home, as well as the most expensive place in the world for expatriate rental accommodation¹⁴. Expensive housing helps push up the cost of living in Hong Kong, which joined Singapore and Osaka as the world's most expensive cities to live in 2019¹⁵.

5.3 High cost of living has undermined Hong Kong's competitiveness in terms of the salary levels offered to attract talent. According to a recruitment agency¹⁶, the annual salaries for Hong Kong-based senior professionals in US dollar terms were not particularly attractive to their counterparts in China and Singapore in 2018. Indeed, not many of them were paid more in Hong Kong after adjusting for the cost of living¹⁷ (**Figure 7**).

¹⁴ See Demographia (2020) and ECA International (2020).

¹⁵ See Economist Intelligence Unit (2020).

¹⁶ See HAYS (2019).

¹⁷ One way of factoring in cost of living is to convert the US dollar salaries to their Purchasing Power Parities ("PPP") equivalents using the World Bank's PPP conversion factor. PPP is a currency conversion rate showing the number of currency units required to purchase an amount of goods and services equivalent to what can be bought with one unit of currency of the base economy. The 2018 PPP conversion factor for Hong Kong is 0.754, higher than that for China (0.536) and Singapore (0.636).

Figure 7 — Annual salaries of senior professionals* measured in US dollars and purchasing power parities ("PPP")

		Hong Kong		China	Singapore
Banking & financial services					
Hong Kong is less competitive					
Financial director/CFO	US\$	\$325,000		\$242,000	\$296,000
	PPP	\$431,000	<	\$451,000	\$466,000
Financial controller	US\$	\$176,000		\$159,000	\$193,000
	PPP	\$233,000	<	\$296,000	\$303,000
Vice President (compliance)	US\$	\$149,000		\$136,000	\$130,000
	PPP	\$198,000	<	\$254,000	\$204,000
Tax Director/Head of Tax	US\$	\$230,000		\$211,000	\$278,000
	PPP	\$305,000	<	\$394,000	\$437,000
Head of Audit/Audit Director	US\$	\$268,000		\$196,000	\$241,000
	PPP	\$355,000	<	\$366,000	\$379,000
Senior Treasury Manager	US\$	\$166,000		\$128,000	\$178,000
	PPP	\$220,000	<	\$239,000	\$280,000
Technology					
Hong Kong is less competitive					
Cloud architect (digital technology)	US\$	\$115,000		\$91,000	\$100,000
	PPP	\$153,000	<	\$170,000	\$157,000
Chief information officer (finance technology)	US\$	\$300,000		\$279,000	\$352,000
	PPP	\$398,000	<	\$521,000	\$553,000
Executive director (finance technology)	US\$	\$236,000		\$174,000	\$241,000
	PPP	\$313,000	<	\$325,000	\$379,000
Professional services manager (information technology)	US\$	\$179,000		\$136,000	\$152,000
	PPP	\$237,000	<	\$254,000	\$239,000
Project/programme director	US\$	\$147,000		\$132,000	\$174,000
	PPP	\$195,000	<	\$246,000	\$274,000
Hong Kong is more competitive					
Deep learning project manager	US\$	\$306,000	>	\$98,000	\$104,000
	PPP	\$406,000	>	\$183,000	\$163,000
Cybersecurity consultant	US\$	\$119,000	>	\$64,000	\$78,000
	PPP	\$157,000	>	\$120,000	\$122,000
Life sciences					
Hong Kong is less competitive					
Clinical Research Director	US\$	\$141,000		\$144,000	\$130,000
	PPP	\$186,000	<	\$268,000	\$204,000
Marketing Director	US\$	\$140,000		\$196,000	\$156,000
	PPP	\$186,000	<	\$366,000	\$245,000

Note: (*) Based on mid-point salary of selected high-paid positions in the fields of banking and financial services, technology and life sciences.

Data source: HAYS (2019).

Liveability

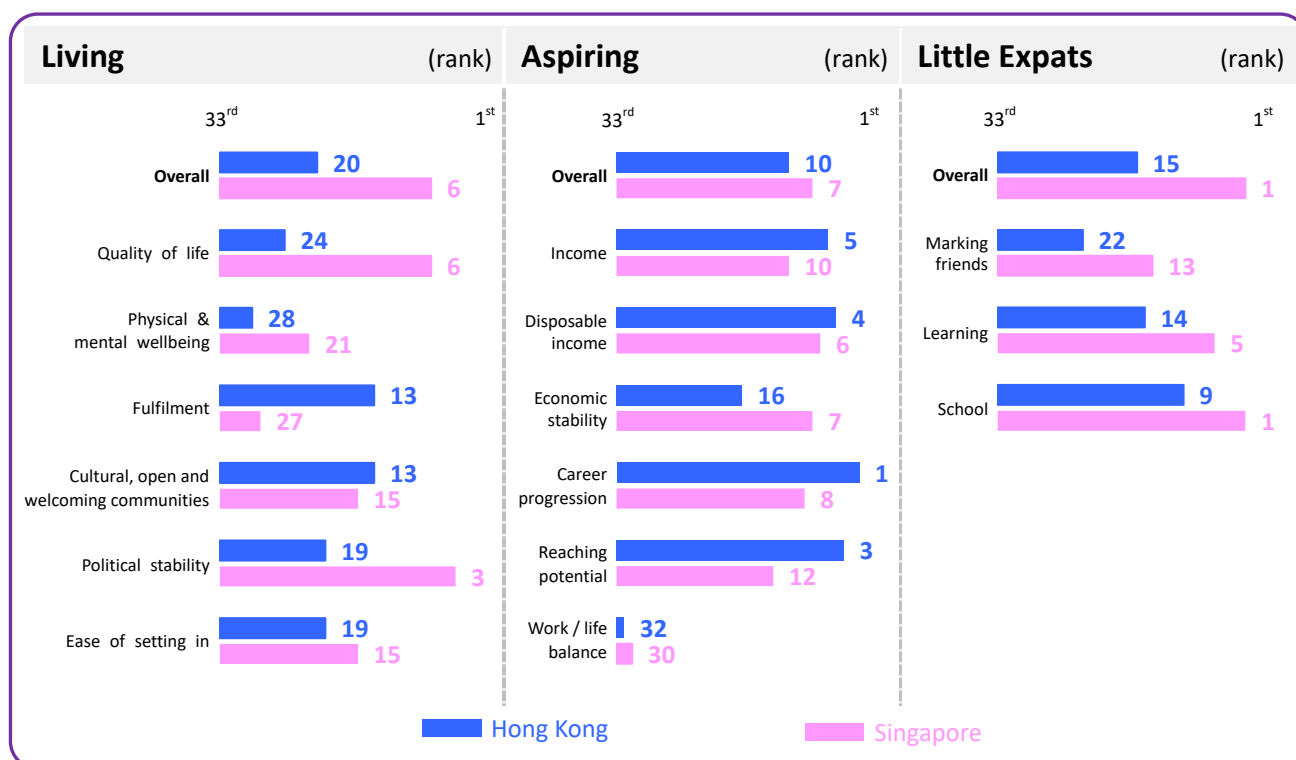
5.4 In addition to monetary compensation, talent also considers quality of living when deciding where to live and work. Hong Kong did not score high in various global liveability surveys. It ranked 38th in the Economist Intelligence Unit's 2019 Global Liveability Index and 71st in the Mercer's 2019 Quality of Living Survey. Hong Kong fared worse in ECA International's 2019-2020 Most Liveable City Survey and ranked at the 93rd position.

5.5 Environmental quality is a major factor affecting Hong Kong's ranking in the global liveability surveys. According to the Hedley Environmental Index¹⁸, only 169 days in 2019 were considered to be clear days. This happened when five key pollutants (tiny particles of PM2.5 and PM10, sulphur dioxide, nitrogen dioxide and ozone) present in Hong Kong's air met the World Health Organization's air quality guidelines.

5.6 Hong Kong has not ranked high in other dimensions of liveability surveys, such as quality of living and support to expatriates' spouses and children, which are essential to its competitiveness in attracting talent from outside. Indicative of this, Hong Kong ranked 20th in the league table for Living, 10th for Aspiring, and 15th for Little Expats (child-related factors) in HSBC's 2019 Expat Explorer Survey, lagging behind many other developed economies such as Singapore (**Figure 8**). The HSBC survey is a comprehensive survey which examines the way 18 059 expatriates from 163 countries and territories feel about their lives overseas on three key themes: Living (e.g. physical and mental well-being), Aspiring (e.g. income and career progression), and Little Expats (e.g. learning and schooling).

¹⁸ Hedley Environmental Index, which is created by the University of Hong Kong, is an air pollution index adopting the World Health Organization's air pollutants guidelines.

Figure 8 — HSBC's 2019 Expat Explorer Survey: Hong Kong vs Singapore



Data source: HSBC (2019).

6. Observations

6.1 The following observations are made based on the findings above:

- (a) competition for talent is intensifying around the world, as the global economy is transforming into a more knowledge-based and innovation-led economy which requires a large pool of talent with the right skills and creativity;
- (b) developed economies have put in place their respective post-study work visa schemes that facilitate foreign students to look for jobs after graduation and apply for permanent residence after several years of work. Among them, Canada, Australia and New Zealand are the most aggressive in allowing graduates to apply for post-study work visa valid for up to three to four years and search for jobs while on this visa. In contrast, Hong Kong's IANG allows non-local students to stay behind for up to 12 months for job seeking after graduation;

- (c) developed economies have also eased restrictions on the entry and/or permanent stay of foreign talent. For example, Australia and Canada issue fast-track work visas in as short as two weeks and 16-21 days respectively. While Hong Kong takes only two weeks to process a TechTAS application, it might require more than six months to process a QMAS application. Meanwhile, Australia, Singapore, the UK and Germany allow foreign talent to apply for permanent residency after living and working in the country for a time period ranging from three to five years. Japan even shortens the required period to just one year for qualified talent. In Hong Kong, non-local talent may apply for right of abode after seven years of residency in the territory;
- (d) the recent years have seen many Mainland cities entering into the race for talent in order to grow their economies and join the national push for innovation-led quality growth. The talent attraction schemes implemented by them fall into similar categories which offer hukou, housing benefits and/or cash incentive. The differences are in magnitude; for example, some cities offer hukou application opportunities even for individuals with only professional and technical title qualifications, while some others offer home purchasing subsidy of up to RMB10 million (HK\$11 million) for top-notch talent;
- (e) the preferential treatments of talent have made China a more attractive place for global highly skilled people to relocate for a job than in the past. About eight out of every 10 Chinese students studying overseas returned home in 2018, compared with 1.5 out of every 10 in the early 2000s;
- (f) amid the global competition for talent, Hong Kong's talent admission schemes have met with limited success. For example, the number of applications approved under GEP increased markedly during the last decade, but the number of expatriates decreased over the period. Statistics on the ASMTPE entrants obtaining right of abode during 2010-2019 also reflect negatively on their willingness to stay in Hong Kong. It is estimated that only 12% of entrants under ASMTPE will eventually become a permanent resident after residing in Hong Kong for seven years. Furthermore, not many people have settled in

Hong Kong through QMAS. There were only a few hundred applications approved each year, far below the annual quota of 1 000;

- (g) Hong Kong is striving to develop itself into a regional education hub, thereby improving access to global talent pools. Student diversity is essential to a regional education hub, but the composition of non-local students has been dominated by Mainland students. While Mainland students are a potential source of talent, they might not see Hong Kong as their most preferred choice of stay after graduation. Reflecting this, the number of student visas issued by the Immigration Department for Mainlanders increased by 65.7% between 2015 and 2019, but the number of Mainland entrants under IANG increased by a modest 2.3% over the period; and
- (h) The above limited success of talent admission schemes has aroused the concern over Hong Kong's competitiveness in attracting talent. High cost of living has undermined Hong Kong's competitiveness in terms of the salary levels offered to foreign talent. Not many jobs in Hong Kong pay more than comparable positions in China and Singapore after factoring in cost of living. In addition to monetary compensation, talent also considers quality of living when deciding where to work live and work. However, Hong Kong has not scored high in various global liveability surveys.

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