

## EXECUTIVE SUMMARY

1. The ageing population in Hong Kong has become a major policy issue. It will have a direct impact on our future labour force and manpower needs which will in turn affect our long-term competitiveness. The Bauhinia Foundation Research Centre has conducted this research to review the evidence on which informed policy can be developed on the topic of Hong Kong's Future Population and Manpower Needs to 2030. Our report begins by looking at the future trends in Hong Kong's population and manpower. While the population is ageing and overall growth is slowing, no absolute decrease in the size of the labour force is projected until after 2018 and the 2030 labour force is projected to be about only 2 per cent lower than at present. However, if more people, both men and women, can be encouraged to work beyond 65 years of age, the labour force decline can be slowed.
2. We have examined the components of Hong Kong's population growth, both natural increase and migration. It shows the continued, if variable, importance of natural increase even in an era of low fertility. However, a significant component of the total number of births (some 34 to 46 per cent between 2005 and 2012) was to mothers who were not Hong Kong residents. Any policy to restrict this number is going to accelerate the ageing process in Hong Kong. This may be counterproductive as the evidence suggests that the parents of the Type II babies (those born to parents neither of whom are Hong Kong permanent residents) were increasingly well educated and will have high aspirations for their children.
3. Net migration is the second component of Hong Kong's population growth. The channels of entry into the Hong Kong Special Administrative Region (SAR) are identified and the various streams of migrants, both into and out of Hong Kong, are examined. The highly skilled make up only one, and generally not the largest, component of the migration. Overall, however, the principal characteristic of the migration is one of high mobility, a "churn" of many, particularly the highly skilled, coming in only for short periods. Policy will need to take this high turnover into consideration: it is a characteristic of the movement of the highly skilled elsewhere too, much of whose movement is conditioned by intra-corporate transfers and through recruitment of "head-hunting" companies. The nature of Hong Kong's position as a centre for regional headquarters also accounts for this trend.

4. One significant component of those migrants born outside Mainland China is made up of foreign domestic helpers. In the context of a low-fertility society, this workforce has the potential for basic training as carers for the ageing population.
5. A large Hong Kong-born population, in the region of 800,000 people, were living in destinations outside the SAR in 2013. The principal destinations were Canada, the United States, Australia and the United Kingdom. Among this population, significant numbers of highly educated people form a pool of skilled labour upon which the SAR could draw on both a longer- or shorter-term basis. Their affinity with Hong Kong, often in terms of language as well as specific technical skills, suggests that they have the potential to make a continued contribution to the SAR in the future.
6. We have also examined the increasing economic and population linkages with Mainland China. Some 235,000 Hong Kong residents were living in Mainland China in 2010, three-quarters in neighbouring Guangdong province, and they contribute to the formation of an emerging mega-urban region in the Pearl River Delta. Frequent cross-boundary trip-makers living in Mainland China more than doubled between 2001 and 2011, and the integration is as much social as economic, with increased travel for leisure, but also increased numbers of cross-boundary marriages. Much of Hong Kong's future reproductive capacity lies outside its immediate boundary.
7. The direction of the future demand for labour in Hong Kong is examined. Great uncertainties exist in any exercise to forecast future labour needs. Not only will the directions of local, regional and global economies have impacts but so, too, will the nature of technological change within each industry and occupation bring changes to labour demand. The changing structure of Hong Kong's economy is outlined, together with the characteristics of its labour market by employment status, education and skill level, and migration status. The existing forecasts are examined and policies designed to affect the supply of and demand for labour assessed.
8. Considerable attention was given in our research to existing proposed policy directions for the Hong Kong economy looking at the four pillar industries. We have paid specific attention to two critical policy areas for Hong Kong's future: education and health. The education sector will generate locally many

of the skills required for our future prosperity and the health sector will be central to the welfare of the city's population, particularly in the context of ageing. While both education and health are currently world-class, we have flagged up two potential future issues in our report: first, that spending on tertiary education, so central to the production of skills, has not kept pace with overall spending on education; second, that the health sector remains closed to foreign recruitment. The treatment of maladies associated with ageing populations is more labour-intensive than for more youthful populations, and relevant skill shortages are likely to be exacerbated.

9. We conclude the report with two short chapters. The first attempts to extract the principal findings from the report and fit these within a policy framework. While a number of specific recommendations are made, it is more important to try to draw these into a coherent and integrated overall policy agenda. The second concluding chapter identifies synergies between the findings of this report and the ongoing HKSAR Government efforts to develop a population policy for Hong Kong that will be the central plank in that overall policy agenda.