

18 February 2022

The Honourable Mrs Carrie Lam Cheng Yuet-ngor, GBM, GBS  
Chief Executive  
Hong Kong Special Administrative Region  
Tamar  
Hong Kong

Dear Chief Executive,

### **HKGCC's Survey on Talent Exodus**

I am writing on behalf of members of the Hong Kong General Chamber of Commerce to convey our concerns over the recurring issue of the drain on Hong Kong's human capital, which appears to have taken a serious turn for the worse in recent months.

According to the findings of a survey that we conducted a few weeks ago, 38% of our members have been affected by talent flight from Hong Kong and they say they are struggling to fill vacancies. The situation has been aggravated by the stringent safety measures to combat Covid-19, which has significantly weakened interest among overseas workers to seek employment opportunities in Hong Kong.

In addition to the high number of companies affected, it is also extremely concerning to note that we are losing qualified workers across a broad spectrum of professions that include information technology, engineering, and finance, and the majority of these are middle managers. Although businesses are doing their best to cope, SMEs seem to have been disproportionately affected.

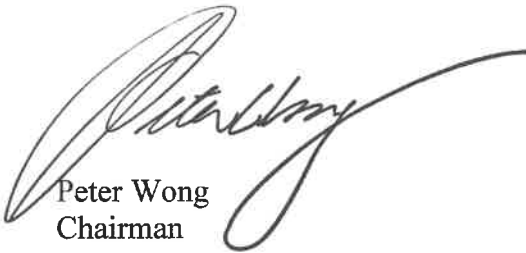
We believe it is critical that the Government provide policy support to help turn this tide. As such, would suggest that consideration be given to the following :-

- Expedite technology adoption in businesses, especially SMEs, through funding programmes and conducting regular reviews to ensure their accessibility;
- Relax immigration policies and enhance existing talent schemes;
- Introduce a rent assistance scheme;
- Review the salaries tax to enhance Hong Kong's attractiveness as a place to work; and
- Expand childcare support and facilities to raise the female labour force participation rate.

Please find attached the survey report, which details findings from members' responses.

We urge quick and decisive Government action to prevent a manpower challenge from deteriorating further, which would undermine confidence in Hong Kong among residents and international businesses and damage our ability to stay at the cutting edge of the industries that will ensure our future prosperity.

Yours sincerely,



Peter Wong  
Chairman

*Att.*

**Hong Kong  
General Chamber  
of Commerce**

**18 February 2022**

# Survey on Brain Drain Caused by Emigration

## Businesses Feel the Pain of Brain Drain

### 1. Introduction

The Hong Kong General Chamber of Commerce conducted a survey during 10 – 21 January 2022 to gather views on how the recent wave of emigration was affecting Hong Kong’s businesses. The survey sought to identify the key motivating factors for staff leaving Hong Kong and measures that might help alleviate the problems arising from such a brain drain. A total of 220 companies responded to the survey.

### 2. Key Findings

- The recent wave of emigration is creating a shortage of skilled workers that is impacting businesses of all sizes;
- A total of 38% of respondents said they had been adversely affected by the loss of emigrating workers to varying degrees, ranging from “medium” (24%), “high” (12%), to “very high” (2%);
- Although more than half (58%) of respondents indicated that they expect the emigration-induced turnover rate to stabilize in 2022, some 35% of respondents were less optimistic and anticipated more skills shortages.

### 3. Staff Turnover Caused by Emigration

#### Big corporations are more likely to be affected

Some two-fifths (43%) of respondents were able to avoid significant turnover due to emigration but 15% of respondents indicated that the emigration-induced turnover rate was over 10% (Figure 1).

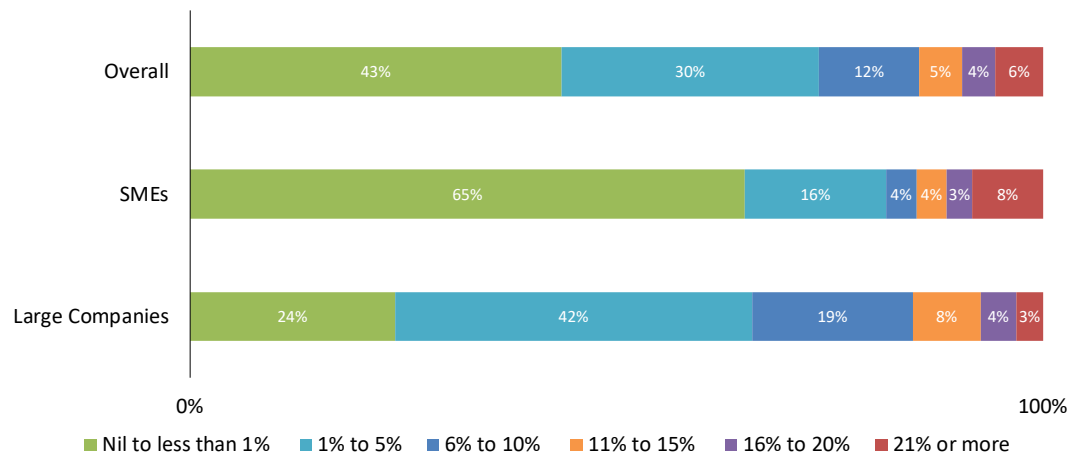
SMEs were mostly insulated from emigration-related losses relative to their larger counterparts with the majority (65%) indicating that essentially none of their staff resigned to leave Hong Kong. By contrast, only 24% of big corporations said the same.

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*Given the importance of human capital in Hong Kong’s service-driven and knowledge-based economy, there is real cause for concern if the current brain drain is not stemmed.*

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Figure 1. What is the turnover rate of employees leaving your company in 2021 due to emigration?

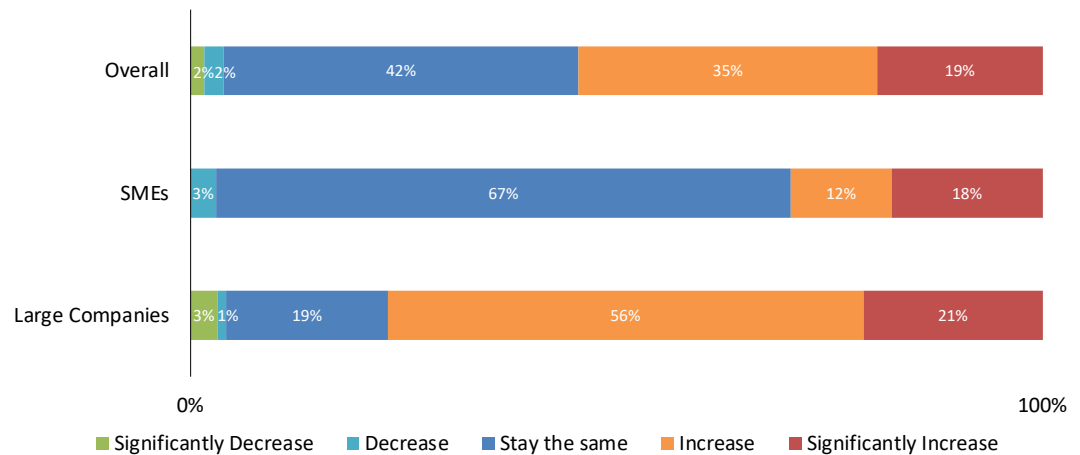


### Over half of respondents saw emigration turnover rate increase in 2021

More than half (54%) of respondents indicated that their employee turnover rate caused by emigration had increased (35%) or significantly increased (19%) in 2021 when compared to the previous two years (2019 & 2020) (Figure 2).

77% of big corporations saw an increase (56%) or a significant increase (21%) in the employee turnover rate stemming from emigration, compared to the previous two years. This compared to 30% of SME respondents.

Figure 2. How does your company's turnover rate in 2021 due to emigration compare to the previous two years (2020 and 2019)?

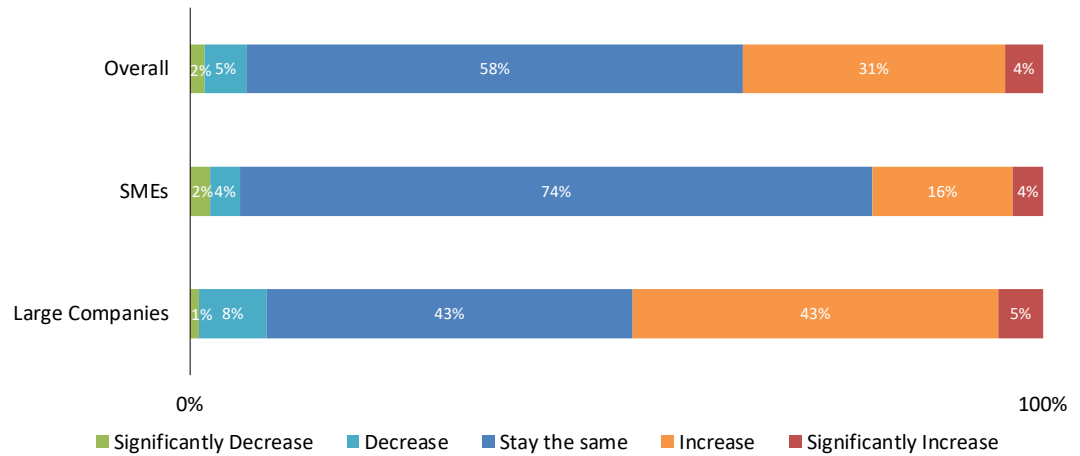


### Businesses less optimistic about emigration reversal in 2022

More than half (58%) of respondents indicated that they expect the emigration-induced turnover rate to stabilize in 2022. However, some 35% of respondents were less optimistic, anticipating that the turnover rate would worsen (31%) or worsen significantly (4%) (Figure 3).

Large companies believe that the current emigration wave had yet to peak with close to half (48%) of such respondents expecting the turnover rate to rise (43%) or rise significantly (5%). This compares to the 20% of SMEs, which share the same outlook.

Figure 3. What is the outlook for your company's employee turnover rate due to emigration over the next 12 months?



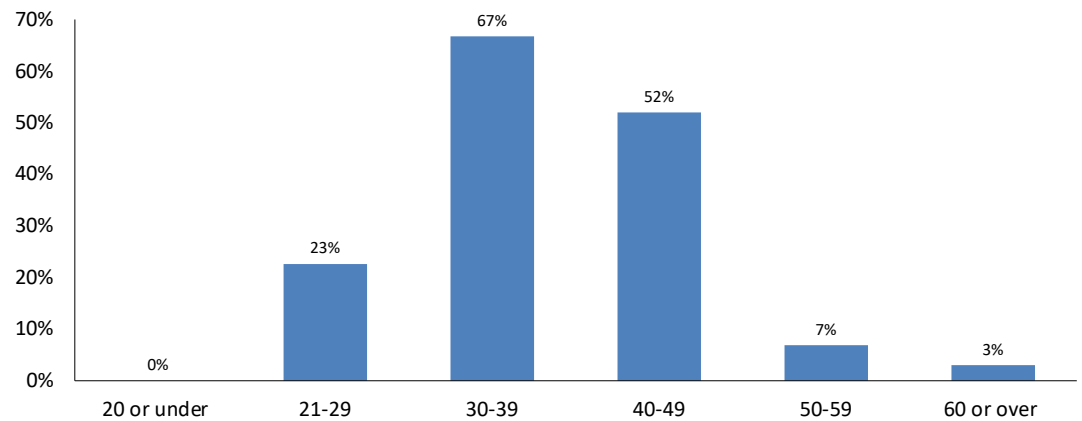
*The gap created by the departure of mid-level employees is going to pose challenges for businesses, since they are essentially the backbone of a company. In addition to the pecuniary costs incurred with the hiring and training of new employees, there are other hidden costs such as time costs and lost business development that will have to be factored in as well.*

## 4. Characteristics of Emigrating Employees

### “Disappearance” of middle-aged workers

Middle-aged employees were more likely to emigrate as respondents indicated that “30-39” and “40-49” were the two dominant age groups leaving Hong Kong (Figure 4).

Figure 4. Which main age groups do emigrating employees fall under? (choose up to 2 options)

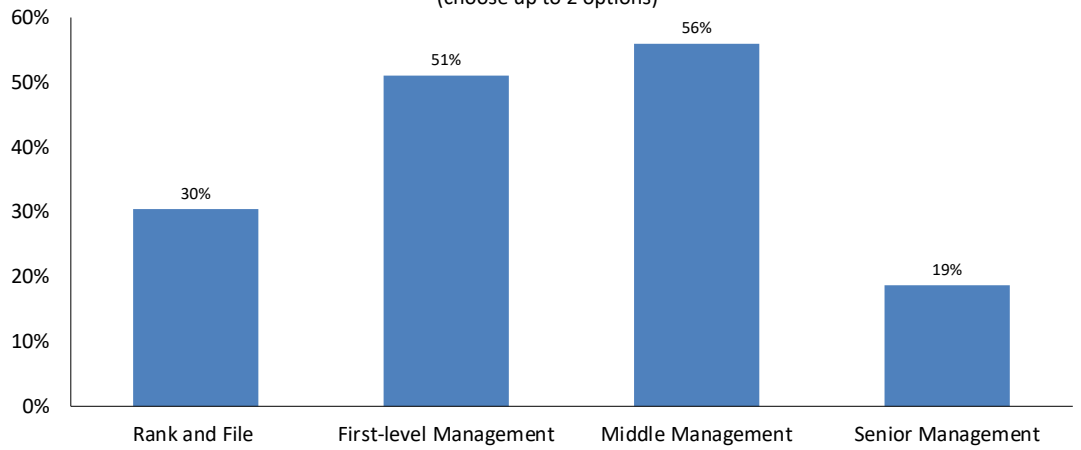


Note: Respondents could choose up to two options so percentages will not total 100%.

### ...and the backbone of a company

In terms of organizational hierarchy, middle management and first-level management were the two groups more likely to depart, compared to those in rank and file and senior management positions (Figure 5).

Figure 5. Which main organization levels do emigrating employees belong to? (choose up to 2 options)

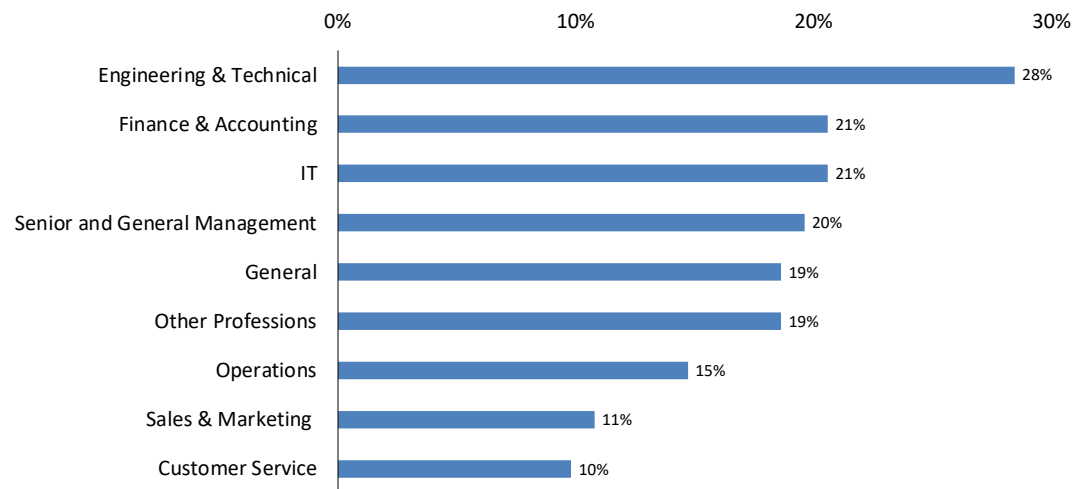


Note: Respondents could choose up to two options so percentages will not total 100%.

### Exodus of skilled professionals

The loss in talent spans a broad range of skills, from engineering and technical services, to finance and accounting, to information technology (Figure 6).

Figure 6. What are the main job types of emigrating employees? (choose up to 2 options)

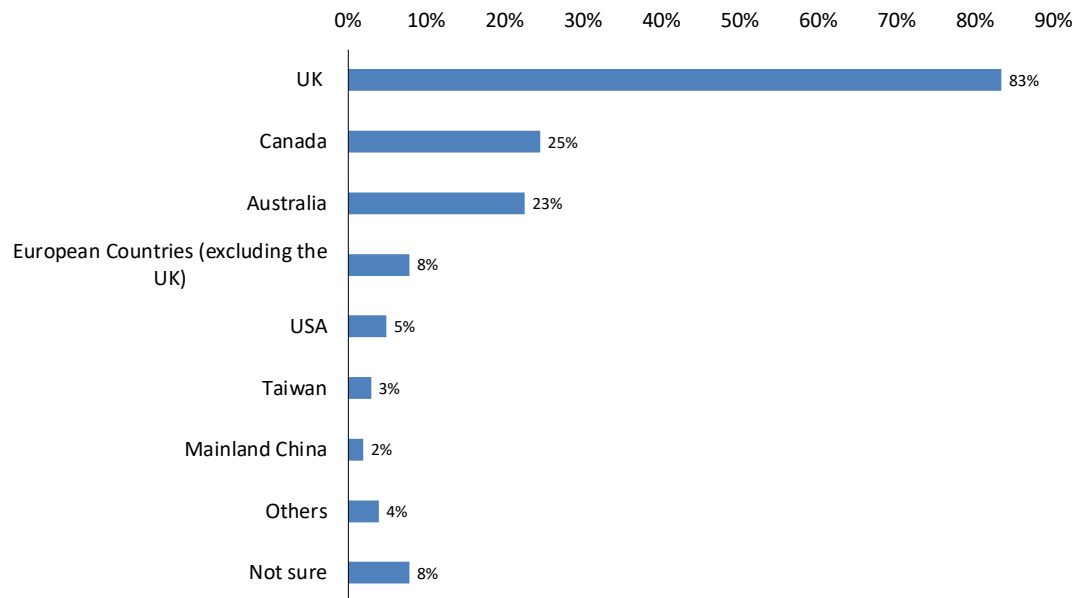


Note: Respondents could choose up to two options so percentages will not total 100%.

### UK the most popular destination

The UK is the predominant destination of choice for emigrants. This is followed by Canada and Australia in that order (Figure 7).

Figure 7. What are the top destinations of emigrating employees? (choose up to 2 options)

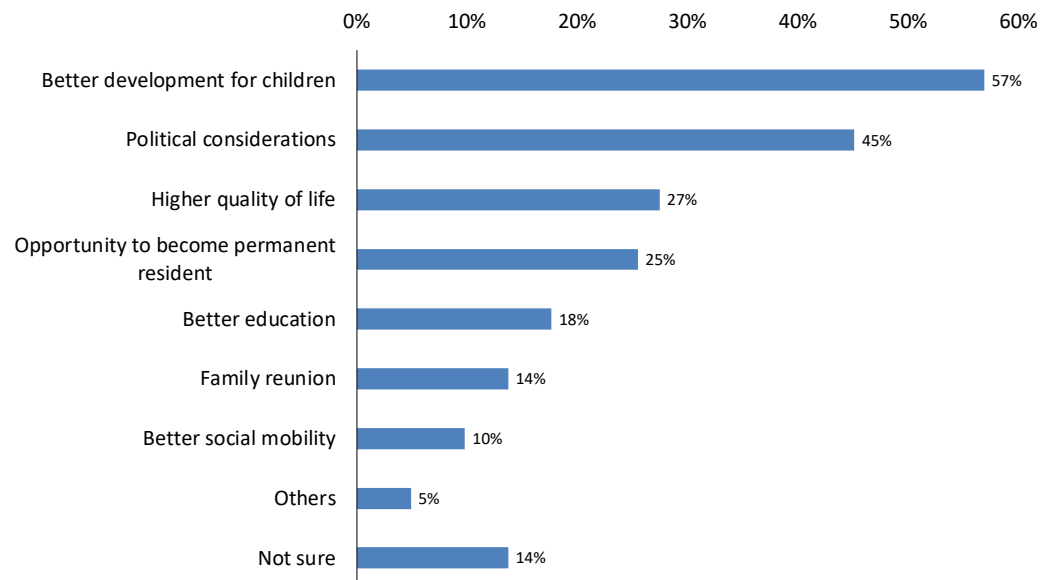


Note: Respondents could choose up to two options so percentages will not total 100%.

### Not so much about career prospects

Career prospects were accorded lesser priority compared to better development for children and political considerations, which were regarded as more important in motivating staff to leave Hong Kong (Figure 8).

Figure 8. What are the key motivating factors for leaving Hong Kong? (choose up to 3 options)



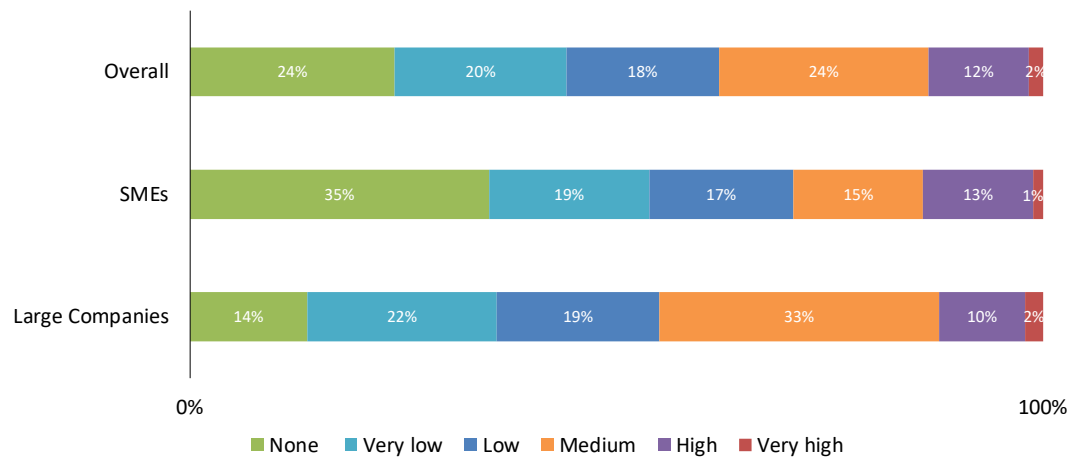
Note: Respondents could choose up to three options so percentages will not total 100%.

## 5. Business Impacts

### Two-fifths of respondents see medium to very high impact

Although nearly half (44%) of respondents did not feel that the recent wave of emigration would have a major effect on their business operations, a total of 38% of respondents said they had been adversely affected by the loss of emigrating workers to varying degrees, ranging from “medium” (24%), “high” (12%), to “very high” (2%) (Figure 9).

Figure 9. How would you describe the business impact of the recent wave of emigration on your company's operations?



### Supply of skill and knowledge a top concern

The top three knocked-on effects brought about by the brain drain were (1) “Loss of skills and knowledge”, (2) “Increased vacancies”, and (3) “Extra workload for existing employees” (Figure 10).

The ability to continue to do business as usual was especially concerning for SMEs with “Disruption to daily operations and customer relationship” identified as the second most important challenge.

Figure 10. Please rank the top three challenges that the emigration wave has had on your company.

Challenges	Overall	SMEs	Large Companies
Loss of skills and knowledge	1	1	1
Increased vacancies	2	5	2
Extra workload for existing employees	3	3	3
Impact on staff morale and company culture	4	4	5
Loss of key personnel and disruption to succession planning	5	7	4
Disruption to daily operations and customer relationship	6	2	6
Maintaining service and product quality	7	6	7
Decreased revenue	8	8	9
Reduced productivity	9	9	8

## 6. How Are Businesses Responding?

### Big corporations proactively minimizing emigration impact

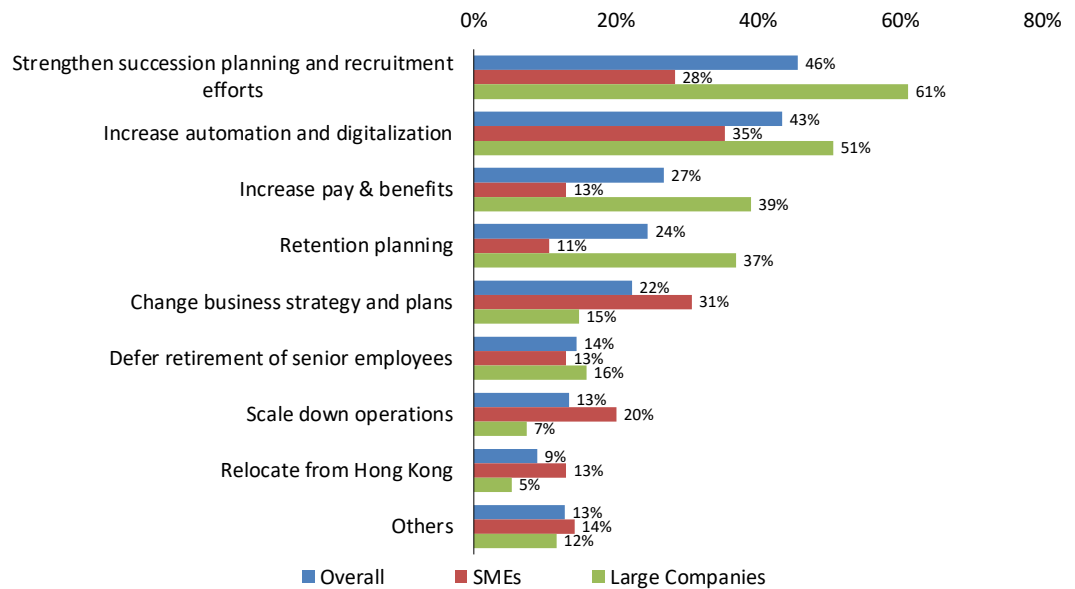
Large companies are tackling the issue head-on with 61% opting to “strengthen succession planning and recruitment efforts” while 51% said they would “increase automation and digitalization.” By comparison, only 28% and 35% of SMEs indicated that they would make similar investments respectively (Figure 11).

At the same time, big corporations were prepared to up their budgets with 39% and 37% of respondents considering “increasing pay & benefits” and “retention planning” respectively. The corresponding response by SMEs were respectively 13% and 11%.

SMEs were generally resigned to employee loss with 31% and 20% considering “changing business strategy and plans” and “scaling down operations” respectively. This is in contrast to the 15% and 7% in responses respectively on similar measures by their larger counterparts.



Figure 11. What coping measures is your company considering?  
(choose all options that apply)



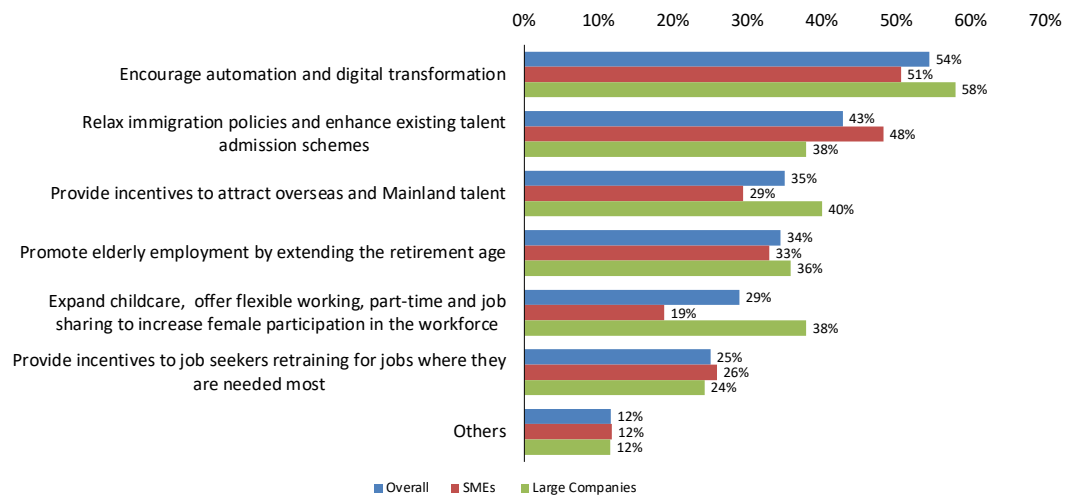
Note: Respondents could choose multiple options so percentages will not total 100%.

## 7. What Else Can be Done?

### Shift to automation as a means to address manpower shortage

The top three measures that respondents believed would help alleviate the brain drain issue were to (1) “Encourage automation and digital transformation”, (2) “Relax immigration policies and enhance existing talent admission schemes”, and (3) “Provide incentives to attract overseas and Mainland talent” (Figure 12).

Figure 12. Which of the following measures do you think will help alleviate the problems arising from brain drain? (choose up to 3 options)



Note: Respondents could choose up to three options so percentages will not total 100%.

### About this survey

This report was prepared by the Hong Kong General Chamber of Commerce based on responses from a total of 220 companies to the Chamber’s survey about Hong Kong’s brain drain, conducted from 10-21 January 2022.

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