

Executive Summary

| Purpose

Amid reindustrialisation and intensifying regional competition, concerns about the dwindling competitiveness of Hong Kong's youth have resurfaced, shedding light on the inability of the current education system in facilitating dynamic careers and driving future socio-economic development. This report exemplifies the need for a future-ready pool of talents to support the sustainable growth of a knowledge-based society, enabled by flexible and socially-integrated modes of education. The message has reverberated globally: for instance, China's 14th 5-year plan has outlined its commitment to invest in human capital, deepen industry-school collaborations, and cultivate technically-skilled talents. The integration between academia and employers, and between work-based and classroom-based learning, underscores the importance to build a lifelong learning ecosystem that every individual can access in order to stay ahead of the curve.

More than half of OECD's jobs will be replaced by artificial intelligence in the next 20 years. The constant cycle—redundancy, creation, and re-creation of jobs—enriches the notion of education beyond just “grooming young talents”, but also as a relentless effort in upskilling and reskilling human capital. Lifelong education, therefore, should be viewed through a different lens, as a device to stay competitive and achieve career progression rather than merely as interest classes. The report finds that applied education plays an integral role in this process with its ability to bridge employers, future competencies, and academic standards.

Through a rejuvenation of Hong Kong's education system, this report seeks to:

- 1) Equip the next generation with **socially-relevant knowledge and skills**; and
- 2) Create a **learning society that enables upskilling and reskilling** amidst ongoing innovation and disruption.

| Context

Hong Kong's talents are falling behind in the global competition. The 2020 IMD World Talent Rankings show that Hong Kong ranked 14th out of 63 countries and regions, compared to 10th in 2016; while Singapore climbed from 15th to 9th. Hong Kong's investment and development of talents only ranked 23rd, and public expenditure on education ranked 53rd. The drop in competitiveness has brought to light the pressing need to discover and groom young talents, and to upskill and reskill existing human capital.

There is an increasing skills mismatch between learners and employers' expectations. 58% of businesses identify talent shortage as a key obstacle to their upgrade and transformation plans, while every three in four employers find it difficult to employ staff with the right skills. Current collaborations between academia, industries, and other sectors are insufficient and peripheral, limited to selected Vocational and Professional Education and Training (VPET) institutions and courses. Specification of Competency

Standards, designed by Industry Training Advisory Committees to set industry standards for course curricula, are rarely used in QF-accredited programmes, and as such are unable to facilitate up-to-date skills development.

In the ever-changing world, lifelong education is critical for the workforce to stay relevant. However, the absence of a lifelong learning culture entails that Hong Kong's education system is unable to support flexible, inclusive, and continuous education. Despite 20 years of effort in promoting the Continuing Education Fund (CEF), Hong Kong's continuing education participation rate remains at 20%, significantly lower than Singapore's 49%. CEF's coverage of Continuous Professional Development (CPD) for different sectors is limited, and is often used for recreational purposes. The misalignment between academic and industry accreditation has exacerbated the issue, lowering the incentive for the public to acquire professional certifications and competencies crucial for career development.

This report proposes three key recommendations, not as a single strategy for the multifarious industries, but as a flexible framework to improve Hong Kong's future talent landscape. **Nascent** industries require greater government foresight and support, while **mature** industries with well-established standards require greater integration with accreditation frameworks to facilitate constant rejuvenation. Relative to **consolidated** industries with oligopolistic players, **fragmented** industry players require greater funding incentives to engage in school-industry partnerships and lifelong education.

Policy Directions

1. Governance

Education policies must take into consideration the associated social development strategies, hence its formation must consider the following:

Firstly, the development of industry policies. High-level inter-bureau structures such as the Chief Executive's Council of Advisers on Innovation and Strategic Development, or the Committee on Innovation, Technology and Re-industrialisation chaired by the Financial Secretary, have so far not materialised into tangible development plans. In contrast, Singapore's Industry Transformation Maps drawn up by the Future Economy Council are examples of translating strategic planning into task forces involving relevant authorities and industry leaders. These policy initiatives not only build and facilitate industry ecosystems but also groom suitable skilled talents. As Hong Kong seeks to upgrade industries such as arts technology, biotechnology, logistics, and construction, the Hong Kong SAR Government (the Government) must facilitate education programmes that supply necessary skills for the ecosystem to operate sustainably.

Secondly, industry strategies must not be confined to a local context, with education policies operating under a vacuum, but rather be designed with a view to supply talents for regional development, including the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area), to ensure that Hong Kong's talents stay competitive.

Thirdly, education strategies need to be developed in consideration of the industry policies and landscape. The report points out that the Human Resources Planning Commission (HRPC), chaired by the Chief Secretary for Administration, should design training and talent policies according to the above industry development strategies. The HRPC should coordinate with bureaux, governmental institutions, and statutory bodies to facilitate the translation of industry strategies to education policies, such as institutional specialisation (e.g., Applied Degrees), resource allocation, and school-industry collaboration, supported by a designated administrative department. With an appropriate governance framework in place, chambers can take a central role to identify skill demands, and to design and assess academic programmes.

Sustainable social development requires a comprehensive review and consolidation of lifelong education programmes. However, the Government currently does not have a centralised strategy to upskill the population, resulting in the inability to create a learning society. Among publicly-funded organisations, the Employees Retraining Board (ERB) primarily focuses on vocational courses of shorter duration for immediate placements; the Vocational Training Council (VTC), meanwhile, runs in-service programmes on a self-financing basis and on a limited scale.

The gap in lifelong education is consequential to the population and the economy's competitiveness. The report therefore recommends the Government to devise an employer-led strategy to facilitate

skilling initiatives of in-service practitioners. The positioning of the ERB, VTC, CEF, and other authorities involved should be re-examined, so as to align, consolidate, and expand relevant programmes. The Government needs to give an institution an integral mandate of upskilling the population, including funding and course provision, in order to provide comprehensive support. Ultimately, a system should be set up where learners can flexibly enter or exit study, thereby institutionalising a culture of lifelong learning.

2. Accreditation

The current accreditation system does not provide sufficient flexibility and transferability between academic and applied credentials, best illustrated through the rigidity of post-secondary admissions. This report argues that stringent input controls to lower attrition rates, i.e., to ensure that those admitted can graduate in order to secure government funding, are prone to barring certain potential talents from the system and causing those in the system to choose subjects of study that may not best align their interests. As such, the report calls for the focus of quality assurance and funding control to be placed on outcome rather than input, through the adoption of aptitude-based admissions up to 30-50% of the total headcount, especially for programmes with an applied focus; this overhaul ultimately contributes towards an applied progression pathway from Applied Learning (ApL) subjects to Higher Diploma and Applied Degrees.

Other than opening up learning opportunities, the credentials themselves must be recognised transferable currency in academia and the workplace. Industry competencies and academic standards need to be better aligned under the Qualifications Framework (QF); the QF needs to become employer-led rather than academic-oriented. Concerted efforts are required from industry chambers, academia, and the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ), where employers and chambers should identify key skills required for schools to incorporate into applied programmes, and accreditation institutions need to link practical skills with academic standards. Similarly, bite-sized learning or even corporate in-house training should be made compatible with school credits and exemption requirements in order to combine certifications with employability. The report calls for the Government to take the lead to align its hiring, promotion, procurement, and licensing practices to applied qualifications and accreditations listed in the QF, such that industries would follow suit.

Accreditation should be developed with a view to facilitate regional development and youth opportunities. Cross-accreditation between Hong Kong and the Greater Bay Area would not only support national plans on educational development (e.g., joint professorships and credit transfers), but also create possibilities for learners to access training, accreditation, and employment beyond Hong Kong. HKCAAVQ should coordinate with mainland accreditation authorities and employers with mainland presence to develop regional cross-accreditation, moving beyond individual qualification-matching into broader benchmarking and mutual recognition; chambers can take the lead to employ talents possessing cross-border qualifications.

3. Funding

Resource allocation in Hong Kong's education sector is primarily focused on formal and academic education. Less than 1% of the Government's education funding is placed in lifelong education, as compared to the United Kingdom, Germany, and Singapore; however, as the society develops, lifelong education is no longer merely a reimbursement scheme for disadvantaged groups, but an opportunity for all citizens to develop crucial in-demand skills and remain relevant in the economy. Therefore, this report calls for a lifelong skills development grant, which entitles each individual aged between 18 and 65 to HKD 100,000 for unleashing their potential. The report further recommends the Government to revamp the CEF to target its funding on forward-looking skills and industries, broaden its course selection, and open up on eligibility.

Currently, VPET only accounts for around 20% of public resources spent on senior secondary and sub-degree education. This report calls for the Government to allocate resources to courses most closely aligned with market needs and to incentivise industry participation. For example, the scope and subsidy model of the Study Subsidy Scheme for Designated Professions/Sectors (SSSDP) should be reviewed, and part-time courses should be included. Its funding criteria should be more narrowly targeted to better support programmes with higher costs but also earnest need.

Funding could be leveraged to incentivise industry participation. The report finds that school-industry partnerships are either limited to monopolistic industries (such as the Corporate Tech Academy Network) or conducted on a limited scale. Nascent industries booming with start-up communities have little representation.

Hence, this report calls for the Government to provide financial incentives such as grant funds, tax deductibles and absentee payroll subsidies to deepen industry participation in the design, provision, evaluation, and implementation of academic programmes. Closer partnerships with the academia would allow industry-based programmes and pathways to blossom over time, including but not limited to models such as the Jockey Club Multiple Pathways Initiative–CLAP-TECH Pathway and the VTC Earn & Learn scheme. Small-medium enterprises should be incentivised to adopt industry skills frameworks in hiring practices, and to offer CPD programmes, through digital assistance and other forms of support.

For Hong Kong talents to keep ahead of the pack, the system must be reinvented to flexibly cater for every individual in every stage of life. This report calls for the society to rethink education—including curriculum design, delivery, assessment, and accreditation—as a collaborative effort between schools, industries, and society, breaking down the traditional boundaries between education and work. The Government needs to renew its focus on human capital development, lead by example, optimise the policy tools available, and build a culture that supports a sustainable learning society.

I Key Recommendations

Recommendation 1: Establishing a policy blueprint to implement industry-led lifelong education that bridges economic, manpower, and skills development

- 1.1. Propelling strategic talent development priorities through the Human Resources Planning Commission, based on inter-bureau economic review and industry policies
- 1.2. Facilitating and consolidating lifelong learning provision and funding to provide a flexible system with multiple entries and exits for individuals to upskill and reskill

Recommendation 2: Offering diverse and flexible progression pathways through an industry-integrated accreditation system

- 2.1. Increasing aptitude-based admission quota for self-financing institutions' sub-degrees to 30%, with pilot schemes on Applied Degrees at 50%
- 2.2. Amplifying industry input through external assessment agencies and panels in the quality assurance process of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications
- 2.3. Linking up academic institutions and industry stakeholders according to each industry's skilling priorities to develop dually-recognised applied certifications

- 2.4. Broadening the recognition of Qualifications Framework (QF) levels and skill descriptions in Government job listings, licensing requirements, and tender procedures to promote wider usage by jobseekers and businesses
- 2.5. Assigning QF levels to micro-credentials based on employer-identified and -recognised skills and encouraging schools to adopt them for credit requirements
- 2.6. Building an ecosystem of mutual recognition and equal transfer of academic and professional qualifications in the Guangdong-Hong Kong-Macao Greater Bay Area
- 3.4. Setting up a grant fund to support industry organisations to co-develop and co-deliver curricula with academic institutions, and ultimately to co-construct progression pathways
- 3.5. Encouraging Small and Medium Enterprises (SMEs) to adopt industry skills frameworks (such as Specification of Competency Standards) in recruitment, training, and promotion, by means of property rental, funding, and digital support
- 3.6. Providing financial incentives—such as tax deductibles and absentee subsidies—for firms to conduct more continuous professional development (CPD) and work-based training

Recommendation 3: Building a targeted and future-oriented funding mechanism to support lifelong learning for all

- 3.1. Offer a HKD 100,000 lifelong skills development grant to reskill and upskill every individual for their career progression
- 3.2. Revamping the Continuing Education Fund (CEF) to target innovative industries with regular industry trend forecasts, broader course selection and eligibility, and a time-limited injection mechanism
- 3.3. Enhancing financial aid under the Study Subsidy Scheme for Designated Professions/Sectors (SSSDP) to target priority sectors, increasing the coverage of sub-degree programmes from 2,000 to 4,000 students, and including part-time courses