



# Market Intelligence Brief

## HONG KONG

2019/2020



INTERNATIONAL  
EDUCATION  
SERVICES

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# 1. HONG KONG AT A GLANCE

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## Market background

- Hong Kong is one of the world's most important financial centres and has long profited from its role as a gateway to mainland China. Although it has a reputation for affluence, the territory is also challenged by high levels of economic inequality, an aging population and one of the most expensive real estate markets in the world.
- The economy is heavily reliant on traditional industries such as finance and real estate, and its comparatively weak technology and innovation sector is becoming a government priority.
- GDP growth is slow and forecast to remain so in the short- to-medium term. In the second half of 2019 the city slid into recession for the first time since the 2008 financial crisis due to political unrest and the uncertainty around the US-China trade war. The COVID-19 outbreak at the beginning of 2020 is likely to also seriously damage the economy, but at the time of writing the full effect remains unknown.

## Local education trends

- Hong Kong's education system has traditionally been modelled on the English system but took on the 3+3+4 model in a 2012 reform. Students now sit the Hong Kong Diploma of Secondary Education (HKDSE) at the age of 17 or 18 before progressing to a four-year undergraduate or two-year sub-degree programme.
- In 2018/19, there were over 193,600 tertiary students at public institutions and their branches. Recent trends suggest that about half of these are self-financed. Tertiary enrolments have declined by 3 per cent since a 2012 peak, though they have recently levelled out.
- Despite an aging population, competition for university places remains high. In 2019, 54,642 secondary students sat the HKDSE, Hong Kong's university entry examination, but fully funded study was available for only 15,000 students. Private sub-degree programmes are often seen as an alternative route to a full tertiary degree, though applicants prefer full degrees.
- To meet projected workforce demands the current government has announced plans to strengthen STEM education from an early age and advocate for vocational training while investing more in technology and innovation. This includes the creation of an Innovation and Technology Bureau, the development of a second science park, and projects to encourage the partnering of leading international scientific research institutions and technology enterprises with local institutions

## International education

- There were 36,442 Hong Kong students studying abroad in 2017 (excluding those in mainland China), a 5 per cent increase since 2015.<sup>1</sup> The majority of these students study in the UK. As confidence in Hong Kong's education reform grows and the local student population shrinks, study abroad figures are forecast to decline. Recent political instability appears to have driven greater interest in overseas study, particularly after classes were suspended at several campuses.
- Hong Kong ranks as the UK's sixth largest market for international student recruitment, behind mainland China, the US, India, Germany and France. In 2018/19, 17,175 higher education students from Hong Kong studied at UK institutions.<sup>2</sup> Enrolments in both UK and US institutions have contracted slightly in recent years, while the Australian market has consistently posted 3-4 per cent year-on-year growth. Despite this, the UK still attracts more than double the student numbers that study in either the US or Australia.
- In the East Asia region, Hong Kong is the second largest source of students studying in the UK (after China). The overall T4 student visa (including T4 General and Child) issuance from Hong Kong increased slightly by 0.5 per cent in 2019. Considering the numbers of secondary graduates have bottomed out this year (30 per cent fewer students compared to 2012), the data suggests demand for studying in the UK remains strong in the market.<sup>3</sup>
- Reports suggest that the outbound flow to mainland China remains modest but has increased in recent years since a 2012 admissions scheme was introduced. However, mobility between Hong Kong and the mainland is likely to be impacted by the political climate and by the fact that university campuses have become key sites of tension and protest.
- A total of 39 British degree-awarding bodies offered 231 programmes to 13,476 students through 58 partnerships in Hong Kong in 2018, excluding distance learning.<sup>4</sup> This makes up around 60 per cent of the market overall, compared to around 16 per cent from Australia, and 12 per cent from the US.

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<sup>1</sup> Global flow, *UNESCO*, 2019.

<sup>2</sup> HESA student data, 2018.

<sup>3</sup> Immigration statistics, year ending December 2019, UKVI

<sup>4</sup> Country Report: *Hong Kong*, *Quality Assurance Agency*, 2018.

## 2. INTRODUCTION

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As one of the original four 'Asian Tigers', Hong Kong ranks amongst the most powerful economies in East Asia. The local education market is extremely competitive and personal investment in education is high. Despite having a small population of only seven million, Hong Kong is the sixth largest source of UK university enrolments from in or outside of the EU, behind China, India, the US, Germany and France. Transnational education (TNE) is highly developed in Hong Kong, with UK education and training provision accounting for about 78 per cent of the whole market. Although the student recruitment market suffers from a shrinking youth population, this will improve slightly as the demographic decline in secondary school-aged children eases off as predicted and recovers modestly.

Traditionally seen as a gateway to the region, Hong Kong is a Special Administrative Region (SAR) of the People's Republic of China and a major financial and commercial centre. Hong Kong hosts more consulates than any other city in the world. It is a politically complex territory with a contentious history, as highlighted by the series of civil protests throughout the last decade, the largest of which took place in 2019. The economic environment of Hong Kong is also one of extremes. Despite being a wealthy city, economic inequality is high, and a significant proportion of the population live under the poverty line. In 2018, 20.4 per cent of the population were considered to be living in poverty, an increase of 0.3 per cent on the previous year.<sup>5</sup> The business environment in Hong Kong is highly attractive, with one of the lowest tax rates in Asia, but economic activity is overly concentrated in finance and real estate.

The Hong Kong government plans to improve STEM education, focusing particularly on innovation and technology and competing, in part, with neighbouring mainland Chinese city Shenzhen. Investment is seen as critical for boosting Hong Kong's performance in the technology sector, and its success in a quickly modernising world. Hong Kong may have a small student age population, but demand for public places remains much higher than supply and the government has focused on supporting the private sector. In 2017, it announced an annual subsidy of HK\$30,000 (about US\$3,800) for students pursuing self-financed undergraduate degrees at select private institutions and received criticism for not sufficiently increasing publicly funded provision.

Hong Kong is part of the mainland government's Greater Bay Area (GBA) project in southern China, which will form the largest metropolitan area in the world by gradually integrating Hong Kong, Macau SAR and nine other cities across the Guangdong province. The plan calls for Hong Kong to become the innovation and technology powerhouse in GBA in four main areas of development: Biotechnology, Artificial Intelligence, Smart Cities and Fintech. However, economic downturn caused by the protests in the latter half of 2019 and the COVID-19 pandemic in early 2020 has hindered this ambitious plan. Still, Hong Kong's relative autonomy, the strength of the rule of law and the concentration of financial and legal expertise still give it an important edge.<sup>6</sup>

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<sup>5</sup> [Poverty Situation](#), C&SD.

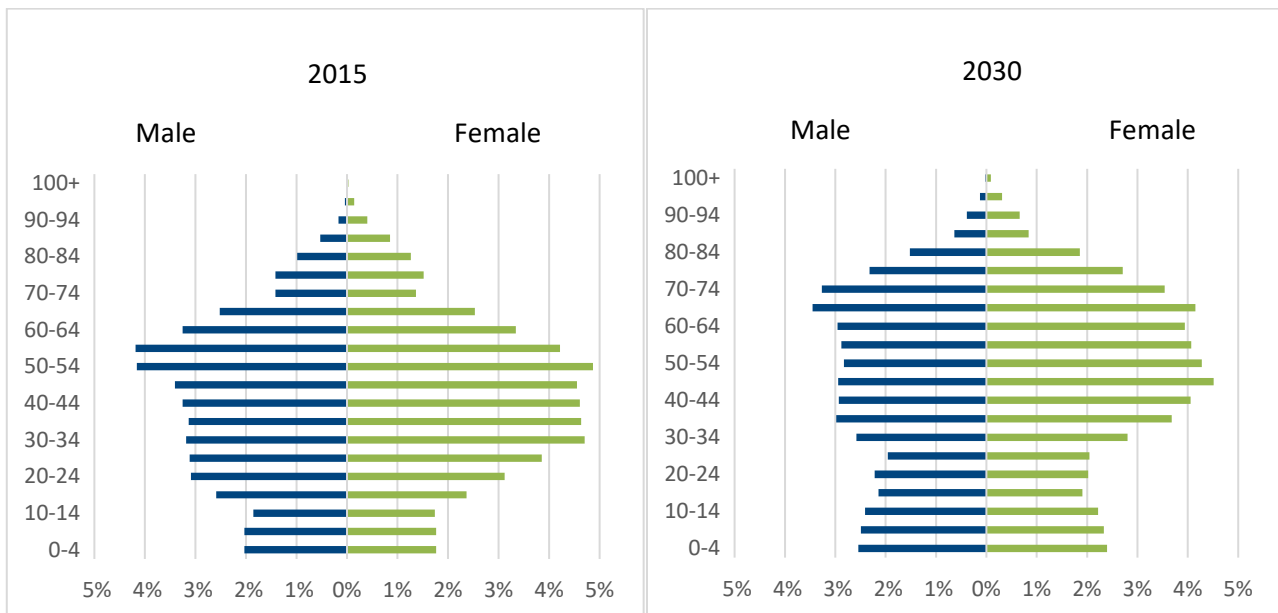
<sup>6</sup> [Coronavirus adds new hurdle for Hong Kong's integration into China's Greater Bay Area plan](#), SCMP

### 3. DEMOGRAPHICS

The Hong Kong 2016 by-census reported that the population had reached 7.34 million, with this figure forecast to increase to 7.61 million by 2021. Population growth has remained low since the late 1990s but continues to fluctuate, largely as a result of immigration. The territory is classified as 100 per cent urban because of its small size, though most of the SAR is mountainous: just one-fifth of its land is zoned for development. As such, much of the population is crowded in key urban areas, particularly on Hong Kong Island and the Kowloon peninsula, and it ranks among the densest cities in the world. In 2018, the population density was 48,250 people per square kilometre in Kowloon and 15,670 people per square kilometre on Hong Kong Island.<sup>7</sup> This places a massive strain on infrastructure and the environment.

However, more than half of the population lives in the less-dense New Territories (4,100 people per square kilometre), which stretch from the peninsula towards the border with mainland China and make up the majority of Hong Kong's land mass. These areas are seeing rapid development.<sup>8</sup>

**Figure 1: Hong Kong's population pyramid, 2015 and 2030**



Source: UN WPP

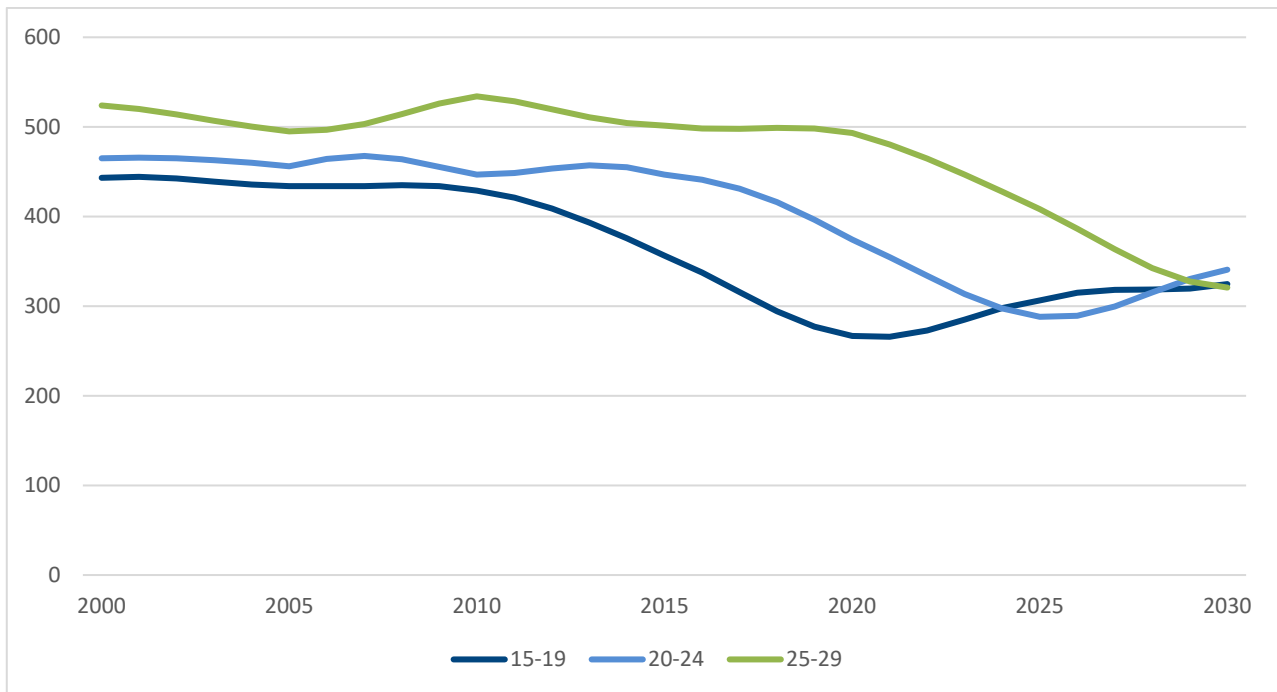
Although the population has more than doubled since 1961, recent growth has been relatively slow and largely attributed to migration. The past thirty years has also seen the population age significantly as fertility has slowed and life expectancy has risen. The by-census found that the elderly population increased to 16 per cent while that of children declined to 11 per cent of the total population. The government estimates that by 2046 one in three people will be over the age of 65.<sup>9</sup>

<sup>7</sup> Land area, mid-year population and population density by District Council district, *Censtatd*, 2018.

<sup>8</sup> [Projections of Population Distribution 2014–2023](#), Planning Department, 2015.

<sup>9</sup> [Hong Kong Population projections 2017-2066](#), Census and Statistics Department Hong Kong, 2017.

Figure 2: Hong Kong's student-age population, thousands



Source: UN WPP

After around 10 years of the student age population decreasing, the future supply of tertiary level students is anticipated to begin rising. The population aged 15-19 is predicted to start increasing again in 2020, which should contribute to future student numbers in Hong Kong. The Hong Kong Education Bureau predicts that graduates from secondary schools will increase by 12.4 per cent by 2023 and graduates from primary schools will increase by 11 per cent. As the UK is the main overseas study destination for Hong Kong students, the increasing student age population will potentially boost new UK enrolments of Hong Kong students.

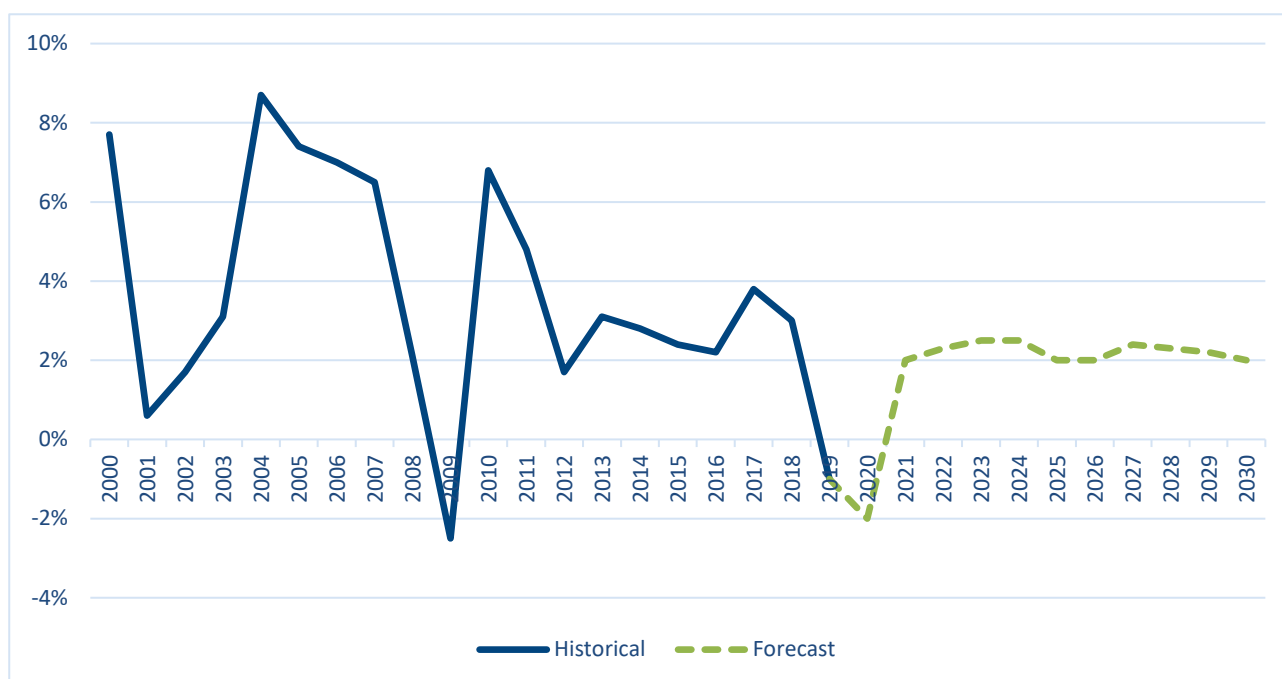
Hong Kong's population was boosted by large numbers of migrants from mainland China and also contains a large community of expatriates and migrant workers, including domestic helpers. Just 60 per cent of the population was born in Hong Kong at the time of the by-census. The vast majority of the population are Han Chinese, with just over 2 per cent from Philippines and Indonesia respectively, 0.8 per cent Caucasians from western countries, and the rest from other Asian countries. Hong Kong does not survey its population on religion, but Buddhism and Taoism are reportedly practised by a large proportion of the population. Chinese and English are official languages, with Cantonese spoken at home by 88.9 per cent of the population in 2016. The proportion of those who can speak English increased from 44.7 per cent in 2006 to 53.2 per cent in 2016, while for Mandarin this figure increased from 40.2 per cent to 48.6 per cent. The prevalence of Mandarin is increasing, owing to its introduction in school curricula and closer business and cultural ties with mainland China.

Immigration could limit the negative effects of ageing on the economy and work force. Between 2014 and 2017, net immigration accounted for 74 per cent of population growth. Increased immigration is however a contentious issue, as Hong Kong already suffers from overcrowding.

## 4. ECONOMICS

In the late 1970s and 1980s, Hong Kong saw GDP growth peak between 13 and 16.7 per cent due to economic reforms and closer business ties with mainland China, making it a key free market economy and an important centre for finance and trade. Yet because it follows a market-led, non-interventionist policy with low taxation and is highly dependent on external trade and investment, Hong Kong is exposed to external shocks. GDP has fluctuated significantly, hitting a low of -5.9 per cent during the 1998 Asian Financial Crisis and dropping to -2.5 per cent during the 2009 global financial crisis. The city's economy has also been badly damaged by social and political unrest in the second half of 2019, which was compounded by the 2020 COVID-19 pandemic. Long-term forecasts see year-on-year growth peaking at 3 per cent in 2024, then levelling off at 2 per cent.

Figure 3: Real GDP growth and forecast



Source: Euromonitor

In 2019, Hong Kong's GDP per capita was estimated at US\$49,330, ranking just above Finland.<sup>10</sup> It is a highly developed, high-income region and ranked fourth in the 2019 UNDP Human Development Index, tied with Germany. However, income inequality reached a four-decade high in 2017 to a Gini coefficient (an index that measures income disparity, where zero represents equality) of 0.539.<sup>11</sup> This is due to poor wealth distribution, the world's third-highest highest concentration of individuals worth over US\$30 million, and one of the most expensive housing markets in the world.

The political unrest beginning in June 2019 that continued through the beginning of 2020 contributed to a dramatic slowdown, causing the region to fall into a technical recession. The economy is estimated to have contracted by 1.9 per cent in 2019. Tourism fell by 26 per cent compared with 2018, heavily affecting retail and hospitality spending. US-China trade tensions simultaneously hit Hong Kong exports.

<sup>10</sup> [GDP Per Capita, 2019](#), International Monetary Fund, accessed 8 April 2020.

<sup>11</sup> [Hong Kong wealth gap at its widest in decades as handover anniversary nears](#), Reuters, 27 June 2017.



China and the US are Hong Kong's largest trade partners and tensions resulted in a decrease in exports to both markets.<sup>12</sup> The IMF forecast in December 2019 that the economy would begin to recover in 2020, but, the COVID-19 pandemic will likely increase pressure on the economy further and slow down the recovery.

Quality of life in the territory is also failing to increase with economic growth in various areas. In the 2018 version of the Chinese University of Hong Kong's Quality of Life Index, which tracks quality of life in the SAR, the economic sub-index decreased by 6 per cent to a record low.<sup>13</sup> Though Hong Kong's unemployment rate neared a 20-year record low of less than 3 per cent in 2017, economists and unionists reported that this did not necessarily translate into decent salaries or bargaining power for employees around wages.<sup>14</sup> The social unrest and the pandemic also caused the unemployment rate to rise again, reaching a nine-year high of 4.2 per cent for the January-to-March 2020 period.<sup>15</sup>

In addition, commentators highlight the impact of cooling property prices, a volatile stock market, a slowing market in China and the uncertainty around the trade war between the US and China. The territory is meanwhile heavily reliant on traditional industries such as finance and real estate, which makes up about 70 per cent of the economy, and it is seen to be lagging behind on technology and innovation.

Hong Kong also has to manage competition with up-and-coming neighbouring metropolises on the Chinese mainland. Its neighbouring city, Shenzhen, is for example competing more aggressively with Hong Kong as it develops. The Hong Kong government seeks to boost research and development and upgrade its industries, and in early 2019 the SAR's finance chief announced a package of around US\$6 billion to this end.<sup>16</sup> In 2018, expenditure on research and development accounted for 0.86 per cent of its GDP but Shenzhen's was much higher at 4.2 per cent.<sup>17</sup> In 2018 Hong Kong's economic growth fell behind neighbouring city Shenzhen for the first time, with the latter's GDP rising by 7.6 per cent to US\$361 billion. Hong Kong must also compete with Chinese ports for business, although the SAR is still largely considered a key bridge to trade with China and a global business hub.

The government's accumulated fiscal reserves hit a record in 2017, reaching over 40 per cent of GDP. This allowed investment in large-scale infrastructure projects and measures to stimulate consumption by the local population. Hong Kong is still one of the largest recipients of foreign investment in Asia and one of the largest foreign investors in the region. However, the region ended 2019 with a -4.6 per cent budget deficit.<sup>18</sup>

The SAR has consistently ranked well on major international business indexes. In 2020, it was ranked third out of 190 economies on the World Bank Ease of Doing Business Index, up from fourth in the 2019 index. It came third in the World Economic Forum's Global Competitiveness Index 2019, rising four places from the previous year. It held a record of ranking first in four of the ten pillars on the index, but the report noted that Hong Kong's biggest weakness is its "limited capacity to innovate".<sup>19</sup>

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<sup>12</sup> [How Hong Kong is reeling from the protests](#), *Financial Times*, November 2019.

<sup>13</sup> [CUHK Releases Hong Kong Quality of Life Index 2018](#), Chinese University of Hong Kong, 19 July 2019.

<sup>14</sup> [Hong Kong unemployment hits 20 year record low](#), *South China Morning Post*, 18 May 2018.

<sup>15</sup> [Hong Kong Unemployment Rises to Highest in Nearly Decade](#), *Bloomberg*, 20 April 2020.

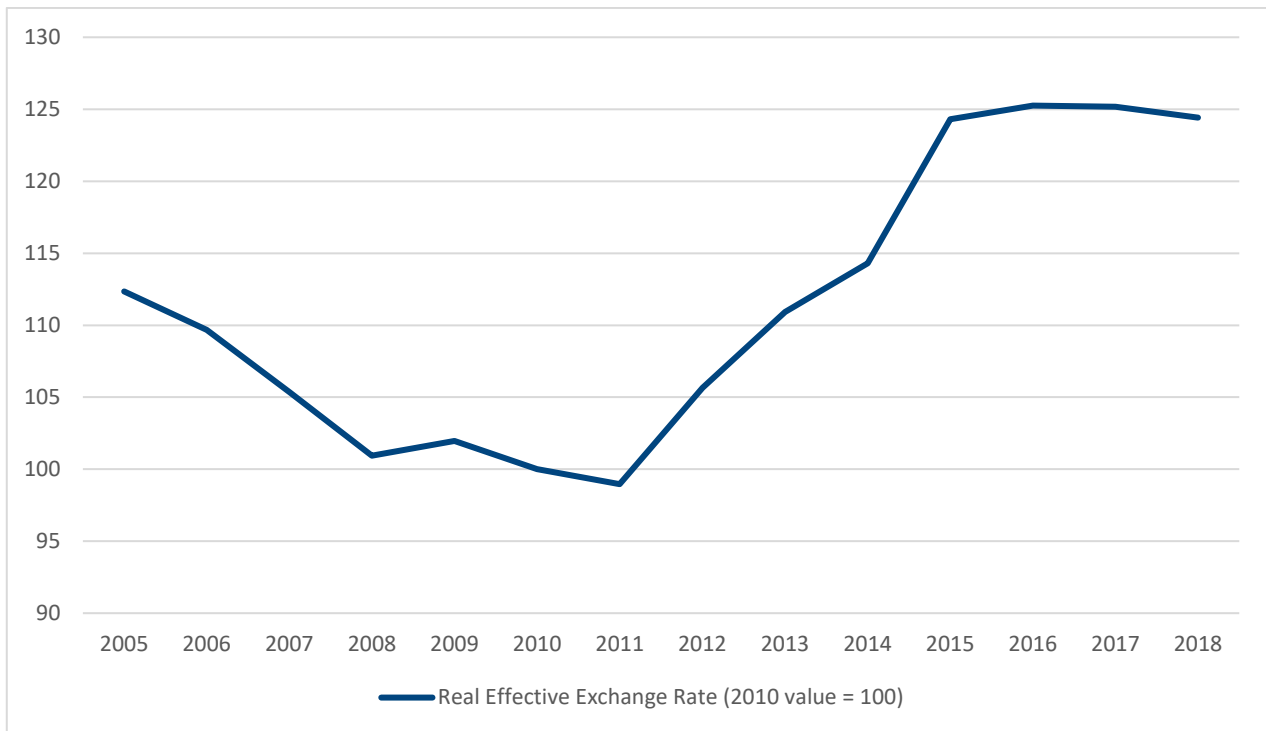
<sup>16</sup> [Hong Kong economy surpassed neighbour Shenzhen for the first time in 2018](#), *South China Morning Post*, February 2019.

<sup>17</sup> [Science and Technology](#), *Censtatd*, December 2019; [Shenzhen spends big on R&D in 2018](#), *Xinhua*, April 2019.

<sup>18</sup> [Hong Kong: Economic and Political Outline](#), Santander Trade Markets, April 2020.

<sup>19</sup> [The Global Competitiveness Report 2019](#), World Economic Forum, 2019.

Figure 4: Real effective exchange rate



Source: IMF

The Hong Kong dollar is bolstered by very strong foreign currency reserves, and this stability has made the region attractive for investors. The local currency is pegged to the US dollar and allowed to move between HK\$7.50 and HK\$7.85 to the US dollar. The peg has been in place for three decades although its continued use has been debated, with opponents arguing that it puts Hong Kong too much at the mercy of the US interest rate regime and its politics. Overall, the peg continues to have support in the government and Hong Kong Monetary Authority. The continued political unrest in 2019 nevertheless has spurred some bets from hedge funds that capital flight will force the city's government to abandon its currency policy.<sup>20</sup>

<sup>20</sup> [Hong Kong dollar peg questions seen fading one way or another](#), Bloomberg, September 2019.

## 5. POLITICS AND POLICYMAKING

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Hong Kong was ruled by the British until 1997, when it was handed over to the People's Republic of China. Under the agreement, the "special administrative region" is set to maintain its own political and legal systems for 50 years, but under the ultimate authority of Beijing in a model referred to as "one country, two systems". It follows a common law system under its constitutional document, the Basic Law, which sets out Hong Kong's autonomy from Beijing except in matters of defence and foreign affairs. The Basic Law guarantees this autonomy for 50 years following the 1997 handover and designates a system of governance led by a Chief Executive and Executive Council, with a two-tiered system of representative government and an independent judiciary. The Law requires parliamentary candidates to be nominated by a 'broadly representative nominating committee in accordance with democratic procedures.'

The leader of Hong Kong is known as the Chief Executive and as a nonpartisan role tends to work with several parties to form government. The role of the Chief Executive is to lead government, implement law, signing bills and budgets passed by the legislative council, and deciding government policy. The Chief Executive is elected for five-year terms by a 1,200-member election committee and is officially appointed by a central body of the Chinese government. The committee includes members of the city's legislature and representatives of interest groups, professions and industries. It has been vocally criticised for having a 'small-circle' electoral basis and a composition that favours the interests of the Central Government and the business sector.

The current Chief Executive, Carrie Lam, was elected in March 2017 after her predecessor CY Leung chose not to stand for a second term. Lam entered the job with the hope of addressing the increasing social divides in Hong Kong, but she has proven to be a divisive leader. In her two and a half years in office, her approval ratings have plummeted by 39 percent to only 22 percent in March 2020.<sup>21</sup> Her approval rating dropped fastest during the unrest in 2019.

Meanwhile half of the seventy seats in the unicameral Legislative Council are elected by popular vote – seats representing the geographical constituencies – while the other half represent 'functional constituencies' (interest sectors) and are elected via smaller closed elections within business sectors. Hong Kong has a multi-party system with numerous parties engaged, and in which no party is able to hold power alone. The next Legislative Council elections will be held in September 2020.

Beijing holds a high degree of influence and can veto changes to the political system, while the functional constituencies and interest groups are largely considered loyal to the Central Government. The Hong Kong government has also introduced or tried to introduce legislation and policies that have been perceived as intensifying the influence of Beijing in the territory. These have included a law prohibiting treason and subversion against Beijing, policies to strengthen the 'national identity awareness' of Hong Kong school children, and a law that would allow criminal suspects to be extradited to China. These moves have been met with protests that have escalated in size and intensity, and increased campaigning by activists for direct and fully democratic elections. The protests were particularly marked in 2014 and 2019.

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<sup>21</sup> [Where is Carrie Lam?](#), SCMP, April 2020.

## 6. EDUCATION

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### Pre-tertiary education

Education in Hong Kong is overseen by the Education Bureau and the Social Welfare Department. There are twelve years of free and compulsory schooling from the age of six, and the system was traditionally modelled on the English approach; the 6+3+4 system was however phased out as part of a reform process in 2012 and the new approach is more akin to the US model. This was widely lauded as a model that drew from international good practice, and increased opportunities for senior secondary schooling and tertiary academic or vocational learning. Students now sit the Hong Kong Diploma of Secondary Education (HKDSE) at the age of 17 or 18 before progressing to a four-year undergraduate or two-year sub-degree programme, or they can pursue vocational options from upper-secondary level. Many schools in Hong Kong teach in the English medium, though teaching in Mandarin and the local Cantonese language are also common.<sup>22</sup>

By 1980, Hong Kong had introduced fee-free education and a compulsory nine years of schooling, and tertiary education has existed in the region since the late 19<sup>th</sup> century. The education has long been competitive with limited places in secondary and tertiary education in the 1990s, but access to education has improved drastically since the 1980s: the gross enrolment ratio in secondary education has improved from 74 per cent in 1987 to 107.5 per cent in 2018.<sup>23</sup> The education level of the population is increasing significantly: the by-census found that 33 per cent of the population attended post-secondary education in 2016, up from 23 per cent in 2006.<sup>24</sup> Hong Kong is investing in various policies and programmes to raise the quality and relevance of its education system, including investing in the teaching of STEM fields, raising teacher qualification levels and continuing to move away from rote learning and an exam focus. As such, soft skills, creativity and vocational and extra-curricular education are receiving more funding and attention.

Hong Kong ranks among the top countries in the world in international assessments such as PISA, scoring well above the average scores in reading, mathematics and science.<sup>25</sup> However, in the most recent PISA assessment in 2018, Hong Kong's ranking in science fell dramatically from second to ninth place, and the mean score in this subject declined for the second consecutive year. The mean score also fell in reading but marginally increased for mathematics.<sup>26</sup>

Private education supports the public provision and includes internationally funded schools and local private schools, many of which are government-aided. These are popular with the children of expats and those seeking an international or English-medium education, and admissions can be extremely competitive despite high fees. The demand for international schools has spurred rapid growth, with total enrolment in international schools (primary and secondary) increasing 9.8 per cent within five years, and several new schools and campuses have opened since 2017.<sup>27</sup> The most commonly delivered international curriculum in international secondary schools is the International Baccalaureate. Hong Kong also has large private tuition and after-hours school markets.

In the 2016 by-census 53.2 per cent of Hong Kong residents spoke English, compared to 44.7 per cent in 2006, while the number speaking Mandarin rose from 40.2 to 48 per cent. Education First (EF) classifies Hong Kong as having 'moderate proficiency' in English, ranking it 33<sup>rd</sup> out of 100 and fourth in

<sup>22</sup> [Cantonese v Mandarin: When Hong Kong languages get political](#), BBC, June 2017.

<sup>23</sup> [UIS Statistics](#), UNESCO, accessed 22 April 2020.

<sup>24</sup> [Educational Characteristics of Hong Kong Population](#), 2016 population By-census, 2016.

<sup>25</sup> [Hong Kong \(China\): PISA 2018](#), OECD, December 2019.

<sup>26</sup> [Hong Kong \(China\) Country Note: PISA 2018](#), OECD, December 2019.

<sup>27</sup> [Report on Enrolment Statistics](#), Education Bureau, June 2019

Asia after Singapore, the Philippines and Malaysia.<sup>28</sup> EF reports a decline in English proficiency in Hong Kong since 2007, despite the government's Workplace English Campaign, which promotes English proficiency benchmarks for different industries to strive to attain.<sup>29</sup>

The education system in Hong Kong is highly competitive and there are increasing reports that the intense academic pressure is having a negative effect on young students. The UN Committee on the rights of children have expressed concerns about the mental wellbeing of children in Hong Kong, and a rising rate of suicides among children and university students led to the formation of a government committee on suicide prevention among students in 2016. Despite this, the rate of suicides among students remained roughly the same in 2017 and 2018. Data for later years is not available at the time of writing.

## Higher education

In 2019, Hong Kong had 22 degree-awarding higher education institutions, eight of which are funded by the University Grants Committee (UGC) and one which is publicly funded (the Hong Kong Academy for Performing Arts). The rest are self-financing. The oldest of the institutions was founded in 1912. Hong Kong has another nine post-secondary institutions. Sub-degrees are also awarded through vocational institutions. The government has provided land and access to capital grants and loans for private education providers (self-financing local programmes as well as international providers), although the shortage of land for university buildings and student accommodation remains a major barrier to investment.

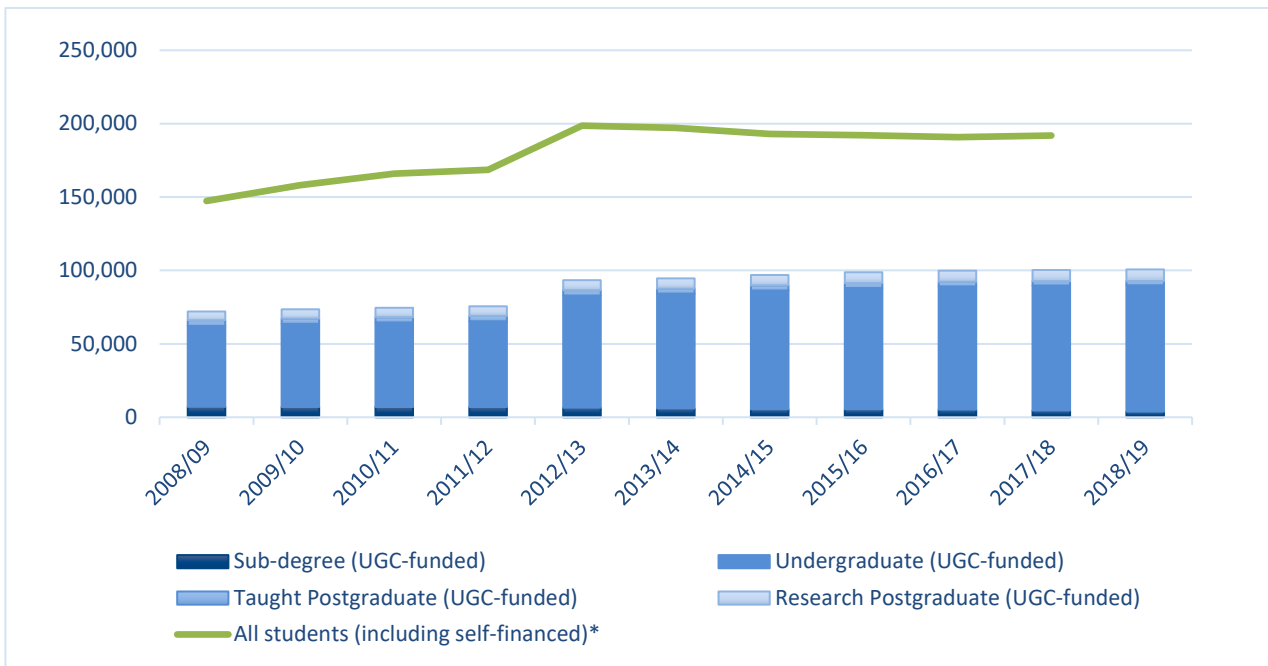
In 2018/19, there were over 193,600 tertiary students at UGC-funded institutions and their branches (which excludes for example, students enrolled on TNE degrees). The total number of students has declined slightly by 3 per cent since a peak of 198,662 students in 2012, but student numbers have broadly levelled out since 2014. While overall numbers have remained level, division by study level has changed. The number of undergraduate students increased by 7 per cent between 2014 and 2018, and taught postgraduate numbers fell by 15 per cent. Sub-degree programmes became notably less popular over the same time period, suffering a 29 per cent decline in student numbers. In 2018/19 there were just over 86,000 UGC-funded undergraduate students, with 3,000 taught postgraduates and just under 8,000 research postgraduates. These figures do not include students on other programmes, such as UK TNE programmes with a private provider.

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<sup>28</sup> [Global Ranking of Countries and Regions](#), EF, 2019.

<sup>29</sup> [About Us](#), Workplace English Campaign.

Figure 5: Number of higher education students



Source: University Grants Committee; Hong Kong Annual Digest of Statistics

Access to higher education is mainly via the HKDSE exam. Students face strong competition (through the Joint University Programmes Admissions System, JUPAS) for first-year first-degree UGC-funded places at public institutions. In 2019, 54,642 secondary students sat the HKDSE but the UGC provided funding for only 15,000 students, 27 per cent of the total HKDSE participants.<sup>30</sup> Sub-degree programmes are often seen as a route to a full tertiary degree. The private sector is a major provider of such programmes, but a limited number of publicly funded sub-degree programmes also exist. Most students and parents aspire however to full degrees.

Parents in Hong Kong meanwhile contribute an average of about US\$51,000 to their children's tertiary education, which is the highest across the globe, according to a 2018 survey.<sup>31</sup> The same survey found that 18 per cent of Hong Kong parents fund their child's education from a specific education savings or investment account, while another 18 per cent say they have taken on debt to put their children through university. Students surveyed reported that on average they spend nearly US\$18,000 on tuition fees and a little more than US\$9,000 on lifestyle costs outside of daily meals and accommodation.

Hong Kong's higher education sector hosts a number of world-class institutions. Three universities are ranked among the top 100 of THE's World University Rankings for 2020. HKU ranked the highest at 35, followed by the Hong Kong University of Science and Technology (HKUST) at 47 and the Chinese University of Hong Kong at 57. HKUST rose to overtake HKU at third place in THE's latest Asia University Rankings, while both HKU and CUHK also increased their rankings to fourth and seventh respectively. Hong Kong's City University and Polytechnic University ranked in the top 20.

The education system of Hong Kong has been criticised for not equipping its students with the skills needed for the future economy. A report by the Economic Intelligence Unit in 2019 surveyed countries to assess how well they were future proofing their youth, with a focus on interdisciplinary, creative, analytical, entrepreneurial, leadership, digital and technical skills, as well as global awareness and civic

<sup>30</sup> [HKDSE Exam report](#), HKEAA, 2019.

<sup>31</sup> [The Value of Education - The Price of Success](#), HSBC, 2018.

education.<sup>32</sup> Hong Kong's education policy ranked 17<sup>th</sup> out of 35 geographies covered in the report, although it ranked 14<sup>th</sup> overall.

Since 2014, the politicisation of students and the higher education sector has become a key and increasingly contentious topic in Hong Kong due to widespread student participation in pro-democracy protests and boycotts of university lectures. Hong Kong residents have since expressed unease about the erosion of academic freedom and signs of intervention from the mainland.<sup>33</sup> Universities and secondary schools have become notable as bases for the growing localist sentiment in the territory.

The Vocational Training Council (VTC) administers vocational education in Hong Kong. The VTC has 13 member institutions which collectively cover a wide array of programmes and industries.<sup>34</sup> In 2018, 57,079 students were enrolled on VTC programmes., only 29 per cent as many students as enrolled in UGC funded universities. Despite plans to increase vocational education provision, enrolments have fallen by over 5,000 since 2008.<sup>35</sup>

The government established the Task Force on Promotion of VPET in April 2018 to review how vocational education is promoted in Hong Kong. The task force submitted a report in January 2020 with 18 recommendations focussed on four categories: promotion of vocational study in secondary education as well as higher education; development of progression pathways in vocational education; and improving the promotion of vocational education.<sup>36</sup>

Negative public perception of vocational education is a barrier to improving provision. A survey in 2017 by the Bauhinia Foundation found that a majority of respondents considered vocational education inferior to university study.<sup>37</sup> The Task Force on Promotion of VPET report states however that the public perception of vocational education is gradually improving.<sup>38</sup>

### Key policies related to education

Funding initiatives have encouraged equal access to higher education in Hong Kong. Such initiatives include the Tertiary Student Finance Scheme, Financial Assistance Scheme for Post-Secondary Students (FASP), Student Travel Subsidy scheme and Non-means-tested Loan Scheme. Alternative routes to higher education, such as the Yi Jin Diploma, vocational education and the Youth Employment and Training Programme (YETP), have also developed significantly in recent years.

The government has faced criticism for not increasing the number of publicly funded university places since the mid-1990s. With places for just over 20 per cent of undergraduates in government-funded institutions, it falls far behind most leading economies, and commentators have expressed concern that this will contribute to the city losing its competitive edge. Education has traditionally taken a large proportion of the SAR's budget, spurred on in part by government targets, set in 2000, for raising the tertiary-educated population to 60 per cent. The Hong Kong Education Bureau estimates that 20.6 per cent of the government budget was spent on education in 2018/19, an increase of 1.6 per cent on the previous year.<sup>39</sup> Yet in recent years the budget has been criticised for addressing surface level issues rather than the underlying factors that limit education.<sup>40</sup> In July 2017, as part of a HK\$3.6 billion package for the education sector, it launched an annual subsidy of HK\$30,000 for students pursuing self-financed undergraduate degrees, but with the subsidies only applicable for select private

<sup>32</sup> [WORLDWIDE EDUCATING FOR THE FUTURE INDEX 2019](#), EIU, 2019.

<sup>33</sup> [Controlling Hong Kong HE is 'top priority' for China](#), *University World News*, February 2020.

<sup>34</sup> [Member Institutions](#), VTC, 2020.

<sup>35</sup> [Annual Digest of Statistics](#), *censtatd*, 2019.

<sup>36</sup> [Task Force on Promotion of VPET](#), VPET, 2018.

<sup>37</sup> [Restructuring vocational education system](#), *Bauhinia Foundation*, 2017.

<sup>38</sup> [Review Report, Task Force on Promotion of VPET](#), January 2020.

<sup>39</sup> [Government Expenditure on Education](#), *Hong Kong Education Bureau*, April 2019.

<sup>40</sup> [Hong Kong budget 2019: winners and losers](#), *China Briefing*, 2019.

institutions.<sup>41</sup> In the 2019 budget report, the government increased the subsidy up to HK\$32,100 for the 2020/21 cohort who are in financial need.

In light of the Greater Bay Area initiative, projected workforce demands highlight the importance of training both highly skilled technical experts and lower-skilled vocational workers in STEM fields. The current government has announced that it plans to strengthen STEM education from an early age and advocate for vocational training whilst improving vocational facilities and campuses. The Hong Kong Innovation and Technology Bureau was set up in November 2015, with one of its roles being to foster the development of technology. Plans for a second science park, the Lok Ma Chau Loop Innovation and Technology Park, at the Hong Kong Shenzhen border were announced in January 2017. Funding has also been earmarked to a project that aims to attract the leading international scientific research institutions and technology enterprises to Hong Kong to partner on projects with local institutions.<sup>42</sup> Progress has been slow and the first buildings are only expected to be completed in 2023.<sup>43</sup>

## International student recruitment

### Overall inbound trend

According to UNESCO, Hong Kong's tertiary programmes hosted 37,298 students from outside the SAR in 2018, showing a growth-rate of 8.6 per cent on the previous year and following a continuous upward trend over the space of a decade. The majority of these students (83 per cent) came from mainland China. The next largest sending country was South Korea, which sent only 1,273 students in 2017 (3.4 per cent), The UK sent only 54 students to Hong Kong in 2018, but this is also the highest number of UK students in Hong Kong on record.<sup>44</sup>

The number of foreign students at Hong Kong's top institutions has meanwhile seen a 20 per cent rise in the past five years. There were over 18,000 non-local students registered at UGC institutions in 2018/19, 11,000 of which were undergraduates. This figure includes students from mainland China, which make up the vast majority.<sup>45</sup> The University of Hong Kong (HKU) hosts the highest number of international students of all eight publicly funded universities. In the 2018/19 academic year, HKU enrolled over 2,800 international students.<sup>46</sup> This, and the high participation of students in trips abroad, led it to be named by Times Higher Education World University Rankings in 2019 as the most international university in the world.<sup>47</sup>

The increased enrolment of non-locals in publicly funded universities is a contentious issue given the high number of qualifying local students denied places at these institutions each year. However, as the local student market is forecast to shrink within the coming years, increasing quality through internationalisation is highly relevant.

The government is keen to diversify enrolment of international students by increasing the numbers coming from outside mainland China, which have made up more than 80 per cent of inbound students during the past decade.<sup>48</sup> It made a domestically controversial proposal to inject HK\$1 billion into a scholarship fund to attract students from countries in Eurasia that are included in China's connectivity

<sup>41</sup> [Why Carrie Lam's HK30000 subsidy may hurt quality of higher education](#), *South China Morning Post*, August 2017.

<sup>42</sup> [Detailed plans for Hong Kong Universities to partner with top research institutions](#), *South China Morning Post*, 5 October 2018.

<sup>43</sup> [Sixth meeting of Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park in the Loop held](#), *Hong Kong Innovation and Technology Bureau*, December 2019.

<sup>44</sup> [UIS](#), UNESCO, 2019.

<sup>45</sup> [Statistics](#), UGC, 2019.

<sup>46</sup> [Quick Stats](#), *The University of Hong Kong*, 2019.

<sup>47</sup> [How the University of Hong Kong become the world's most international institution](#), *Times Higher Education*, 20 March 2019.

<sup>48</sup> [Government rapped for subsidising mainland overseas students](#), *Hong Kong Free Press*, 15 Feb 2017, [76 per cent of local university students are from mainland, government auditor urges more diversity](#), *Hong Kong Free Press*, 23 November 2015.



and development strategy, One Belt, One Road, to come and study in Hong Kong.<sup>49</sup> However it has yet to make significant progress in attracting international students from outside China and the Asia region. Meanwhile the political unrest in the territory – particularly given the intensity of this unrest in Hong Kong campuses– is likely to reduce numbers of mainland Chinese students.<sup>50</sup>

Among factors attracting students to Hong Kong are its high-ranking institutions and status as a world-class insurance and financial hub. It also offers a large number of TNE programmes, particularly for those interested in a UK education. The main medium of instruction in the leading institutions (apart from the Chinese University of Hong Kong) is English, although socially the dominant language is Cantonese. Students may also be attracted by scholarships offered via a range of institutions and the ability to work in Hong Kong after graduation. However, Hong Kong remains constrained by its capacity and faces competition from other regional hubs such as Singapore, Malaysia, South Korea, Japan and increasingly mainland China. Foreign students in Hong Kong pay fees that are three times higher than for local students and the lack of student accommodation often forces them into costly private-sector housing. As such, Hong Kong is also now the most expensive place in Greater China in which to study.

### Overall outbound trend

UNESCO reports that in 2017 there were 36,442 Hong Kong students studying abroad, a 5 per cent increase since 2015. These figures do not however include study in mainland China, which has increased to around 15,000 in recent years since a 2012 admissions scheme was launched.<sup>51</sup> The UK is the most popular overseas study destination, hosting over 17,000 Hong Kong students in 2018.<sup>52</sup> Just over 9,000 and 7,500 Hong Kong students were hosted by Australia and the US respectively in 2017, and 2,037 were studying in Canada. A 2019 survey conducted by the educational NGO the Hok Yau Club found that 15 per cent of the 1,308 students surveyed considered enrolling in programmes on the mainland, a fall of 5 per cent from the previous year. The political climate and perceived lower quality of life were the driving factors behind the declining interest in study in mainland China.<sup>53</sup> Taiwan has become popular and comparatively more affordable as an alternative destination for Hong Kong students. 49 per cent of respondents said they would consider study in Taiwan. 27 per cent however said they would not consider Taiwan out of fears that Taiwanese qualifications may not be accepted by future employers.<sup>54</sup>

Until recently young people largely tended to show a preference for studying a degree programme locally before considering study overseas. A study of the wealthiest 20 per cent of Hong Kong parents found that a third of parents expected their children to study in Hong Kong, while 48 per cent favoured a university abroad – significantly fewer than in China (66 per cent) or India (74 per cent).<sup>55</sup> The unrest in 2019 however appears to be driving parents to now prefer overseas higher education over local provision.<sup>56</sup>

Nevertheless, the government has supported study abroad to ensure the internationalisation of the local workforce. This includes a scholarship fund for up to 100 Hong Kong students a year to study abroad at world renowned institutions, and a range of government bursaries for tuition fees and living

<sup>49</sup> [Hong Kong government almost triples one belt one road sponsorship funding](#), *South China Morning Post*, 6 April 2017.

<sup>50</sup> [Hong Kong unrest drives mainland Chinese students to look at overseas universities](#), *Today Online*, 17 August 2019.

<sup>51</sup> [Hong Kong students entering Mainland China universities: a review of the admission scheme](#), *Public Administration and Policy*, 2 July 2018.

<sup>52</sup> Student data, *HESA*, 2018.

<sup>53</sup> [Fewer Hong Kong students considering university in mainland China](#), *SCMP*, March 2020.

<sup>54</sup> *Ibid.*

<sup>55</sup> [Bank of China Wealth Report: Asia](#), *Julius Baer*, 2014.

<sup>56</sup> [Hong Kong: education overseas offers “insurance” as protests continue](#), *The Pie*, December 2019.

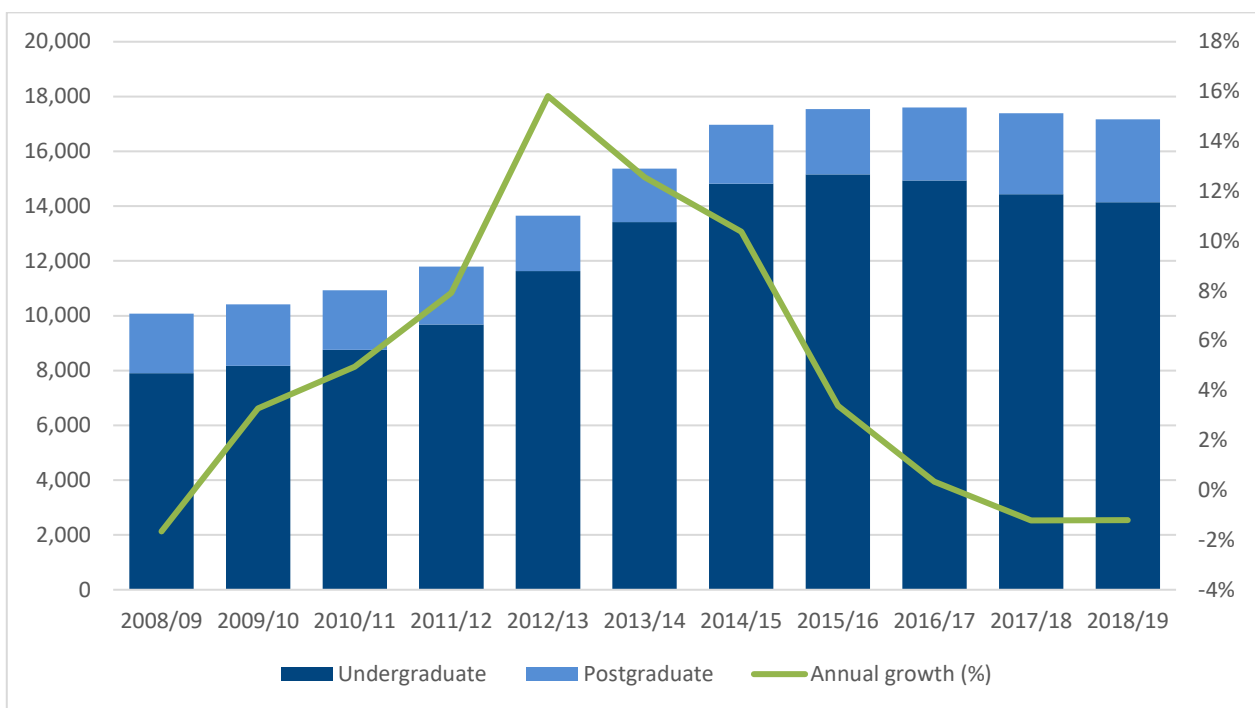
costs abroad.<sup>57</sup> Yet with the spending power of the middle class limited by high housing prices and inflation, many families are still not able to afford study abroad.

Study abroad has become easier for Hong Kong students as the new HKDSE has been recognised by international providers, including in mainland China. The HKDSE, which replaced the HKCEE and HKALE, is broadly accepted as a direct route to tertiary education programmes abroad, although English language proficiency tests such as IELTS are usually also required.

### UK recruitment

Historically, students from Hong Kong have shown a strong preference for the UK, reflecting faith in the British education system and the cultural legacy of British rule. It ranks as the fourth non-EU sending country for tertiary education, behind China, India, the US. In 2018, 17,385 higher education students from Hong Kong studied at UK institutions.<sup>58</sup>

**Figure 6: Tertiary Students in the UK, undergraduate and postgraduate split (HESA)**



Source: HESA

After strong growth for most of the last decade, Hong Kong enrolments in the UK have fallen by 2.5 per cent since peak enrolments in 2016/17. Growth in the number of Hong Kong students studying in the UK was at its highest (16 per cent) between 2012 and 2013, owing to double cohorts of secondary students graduating in that year (i.e. HKALE and HKDSE). The majority of enrolments are the undergraduate level, with undergraduate enrolments accounting for 82 per cent of the total in 2018/19, though postgraduate enrolments are increasing.

The decline of Hong Kong student mobility to the UK is mainly due to the shrinking demographic of secondary students. Between 2014/15 and 2018/19, total secondary student enrolment at local schools

<sup>57</sup> [Hong Kong Scholarship for Excellence Scheme](#), HKSES, January 2020; [HKSAR Government Scholarship Fund](#), Hong Kong Education Bureau, May 2019.

<sup>58</sup> Student data, HESA, 2018.

plunged from 356,689 to 308,020,<sup>59</sup> or about 14 per cent.<sup>60</sup> However, Tier 4 visa issuance data showed only a 3.1 per cent decline compared with the same period in 2014. This suggests demand for a UK education remains strong among Hong Kong students.

The growth of the number of international students and the fall in the value of the pound uphold the mobility to the UK. British universities have redoubled their recruitment efforts overseas in the lead up to the exit from the European Union, and the UK has long been an active recruiter of Hong Kong students.<sup>61</sup> It is also the main TNE provider in Hong Kong by a wide margin and has the potential advantage of offering three-year as opposed to four-year undergraduate programmes.

## Subject areas

Figure 7: Change in UK new enrolments according to subject

	Total new UK enrolments in 2018/19	Undergraduate			Postgraduate		
		New UK enrolments in 2018/19	Change from previous year	5-year trend	New UK enrolments in 2018/19	Change from previous year	5-year trend
Business & administrative studies	3670	2950	-8.1%		720	3.6%	
Social studies	1570	1270	-1.2%		300	13.2%	
Engineering & technology	1510	1315	-6.7%		195	-18.8%	
Biological sciences	1435	1210	3.4%		225	4.7%	
Subjects allied to medicine	1410	1230	3.4%		180	24.1%	
Creative arts & design	1305	1080	-1.4%		225	2.3%	
Law	1095	970	-5.4%		125	-13.8%	
Architecture, building & planning	955	695	-10.9%		260	18.2%	
Languages	670	565	2.7%		105	-12.5%	
Physical sciences	585	465	-6.1%		120	-7.7%	
Medicine & dentistry	570	465	31.0%		105	50.0%	
Computer science	480	385	6.9%		95	35.7%	
Historical and philosophical studies	425	335	8.1%		90	-5.3%	
Mass communications and documentation	405	345	4.5%		60	-14.3%	
Mathematical sciences	345	285	0.0%		60	-14.3%	
Education	285	130	4.0%		155	-8.8%	
Combined	275	275	-8.3%		0	0.0%	
Veterinary science	115	115	9.5%		0	-100.0%	
Agriculture & related subjects	75	60	9.1%		15	200.0%	

Source: HESA

Business and administration is the most popular subject area at both undergraduate and postgraduate levels, accounting for 21 per cent of enrolments. While postgraduate enrolments in the field have slowly increased over the last six years, with 3.6 per cent growth in 2018/19, undergraduate enrolments have

<sup>59</sup> [Student Enrolment Statistics](#), 2018/19, Education Bureau

<sup>60</sup> [Immigration statistics, year ending December 2019](#), UK Visa and Immigration

<sup>61</sup> [Record numbers from China and Hong Kong applying to study at UK universities](#), *The Guardian*, 7 February 2019.

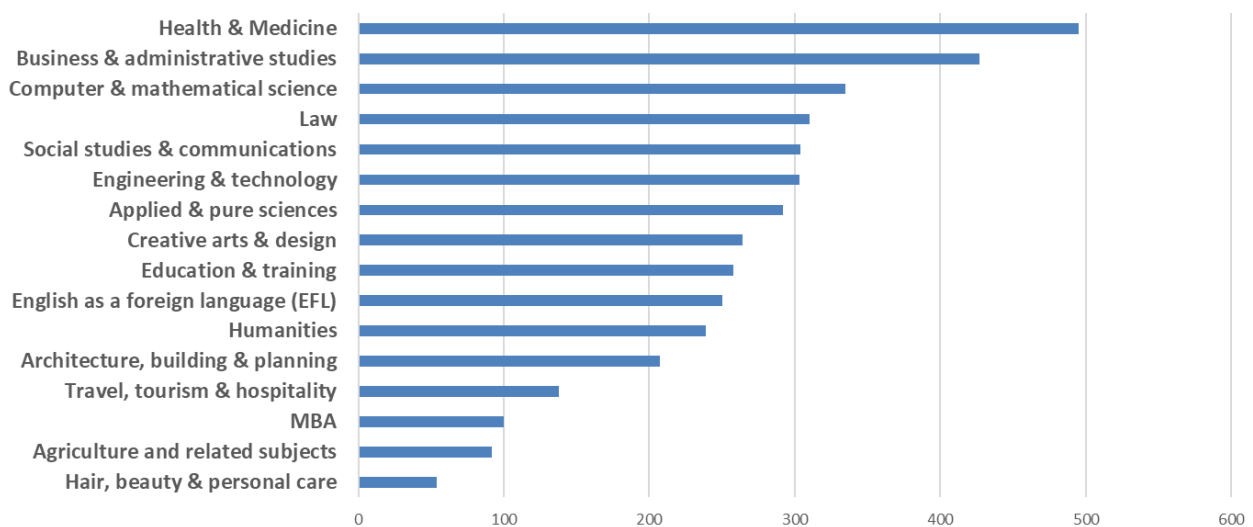
fallen for the past five years. The rate of decline is also relatively fast, falling by 8.1 per cent to 2,950 in 2018/19, down from 3,210 in the previous year.

The next most popular subject areas are social studies, and engineering and technology, both accounting for approximately 9 per cent of total enrolments each. Engineering enrolments are however in decline and likely to be overtaken by biological sciences in the coming years, which is growing as both an undergraduate and postgraduate subject area.

There has been very little growth in the most popular undergraduate subject areas and most are in decline. Medicine and dentistry had the fastest growth at undergraduate level, increasing by 31 per cent from the previous year and subjects allied to medicine also remained an area of growth. While much of the undergraduate market is in decline, both of these subject areas have consistently grown over the past five years. It is believed that this rising demand was due to an array of the government incentives to boost numbers of healthcare professionals to ease the ageing population issue in Hong Kong.

Pre-registration records from the British Council’s Study UK exhibition shows further evidence of growing demand for medicine and health programmes. In the Study UK exhibition in August 2018, pre-registration data showed that the percentage of visitors expressing interest in business and administrative studies and health and medicine were nearly equal at 14.8 per cent and 14.5 per cent respectively. In the Study UK fair held in January 2020, interest in health and medicine surpassed interest in business and administrative studies for the first time in three years.

**Figure 8: Student Interest in Subject Areas at Study UK exhibition, January 2020**

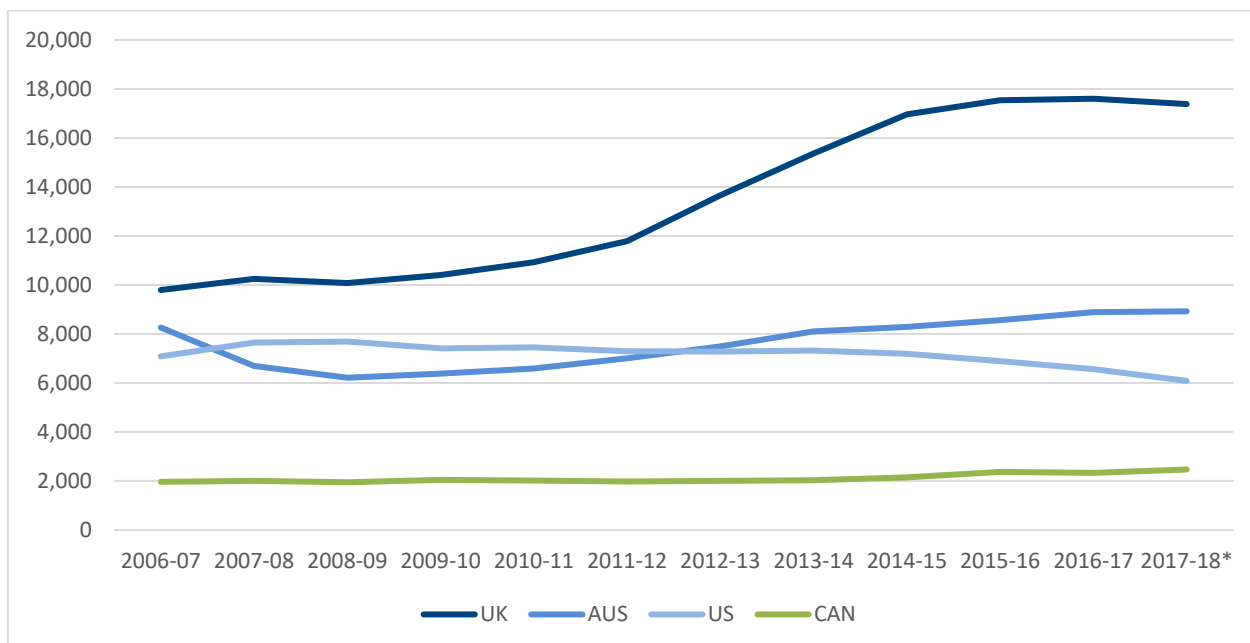


Source: Visitors’ subject interests, pre-registration data of Study UK Fair, January 2020 (n = 3,196)

Postgraduate enrolments were overall more robust than undergraduate, with fewer major subject areas in decline. and the top 5 subject areas all showing growth. As with undergraduate enrolments, medicine and subjects allied to medicine showed very strong growth at the postgraduate level, with 50 per cent and 24.1 per cent growth respectively. Computer science also saw strong growth of 35.7 per cent, following a consistent upward trend over the past five years. Engineering, law and languages, previously relatively popular postgraduate choices, all suffered a large decline in enrolments in 2018/19. Engineering and law enrolments, which fell by 18.8 per cent and 13.8 per cent respectively, dropped unexpectedly after five years of steady growth.

## Competitor activity

Figure 9: Student mobility to the UK's main competitors



Source: HESA, IIE, Stat Canada, Austrade. Notes: US data excludes OPT; 2017/18 data for Canada is estimated based on 2017 study visa issuance, Australia 2017 data is compared against 2017/18 data for the other countries.

Although the UK remains by far the most popular outbound destination for higher education students, growth has been stronger in Australia, which has seen recent year-on-year increases of 3 and 4 per cent. Australia hosted 8,925 Hong Kong nationals in 2018 and took 15 per cent of the overall outbound share of students.<sup>62</sup> According to student surveys from the Hong Kong Examinations and Assessments Authority, Canada saw 6 per cent growth in the last year, bringing the total number of higher education students to 2,471. The US is seeing a continued period of decline, with figures falling by 20 per cent in the past decade, to 6,086.

## Transnational education

Hong Kong has a large, mature transnational education market, driven by a strong regulatory framework for TNE and clear government policy in this area. It was the seventh largest host country or region for UK TNE in 2019, with 24,680 students studying for a UK award.<sup>63</sup> The UK's Quality Assurance Agency highlighted the demand for top-up degrees, and good links between industry and UK higher education in Hong Kong as factors in its success. However, the market is also facing difficulties with student recruitment as the student-age population contracts, suggesting that the saturation point may already have been reached and enrolments in UK TNE did indeed fall over the past two years by 10 per cent, from 27,390 in 2017.

TNE programmes are regulated by the Non-local Higher and Professional Education (Regulation) Ordinance, which is managed by the Registrar of Non-local Higher and Professional Education Courses. This aims to ensure that programmes taught in Hong Kong are comparable to the programmes in the home country. Programmes exempted from registration are primarily conducted by non-local institutions in collaboration with local publicly funded universities, self-financed universities and publicly

<sup>62</sup> [Hong Kong, Austrade, 2018.](#)

<sup>63</sup> UK TNE data, HESA, 2019.

funded institutions.<sup>64</sup> However, quality assurance is relatively strong. Such programmes are encouraged to register, and there is also a voluntary accreditation process that benchmarks the offshore programme against the Hong Kong system, including the Hong Kong Qualifications Framework (HKQF).

According to a 2018 survey by the Quality Assurance Agency, a total of 39 British degree-awarding bodies offered provision in Hong Kong in collaborative partnerships with 20 local education and training providers, excluding long-distance learning. In total there were 58 partnerships delivering 231 programmes to 13,476 students.<sup>65</sup> This makes up around 60 per cent of the overall market, with around 16 per cent from Australia, and 12 per cent in the US. Major players in the market, in order of student enrolments, include Edinburgh Napier University; the University of Central Lancashire, and the University of Sunderland. Hong Kong is also home to branch campuses of Manchester Business School; the University of Law; the University of Western Ontario's Ivey Business School; the University of Sunderland, and the Chicago Booth Business School.

The most popular subject areas in 2018 among TNE students were Business and Administration Studies (52.5 per cent of all TNE students, with 150 TNE programmes across 32 partnerships), Architecture, Building and Planning (13.8 per cent of all TNE students, 22 programmes, eight partnerships), and Engineering & Technology (7.8 per cent of all TNE students, 12 programmes, eight partnerships). Undergraduate level provision accounts for 81.7 per cent of all UK TNE students; with 17.5 per cent studying at master's level and the remainder at doctoral level.<sup>66</sup>

Foreign institutions may pay significantly lower fees for land and receive government subsidies and concessions. However, providers must consider the declining student-age population in Hong Kong, competition from regional education hubs, and the political environment. Hong Kong has also expanded its TNE provision into China, where there are branches of HKBU and the Chinese University of Hong Kong. The Hong Kong government is open to the recruitment of non-local students on non-local programmes but mainland Chinese students are not allowed to study on non-local programmes, whether locally accredited or not. Students from Macao and Taiwan are meanwhile only allowed to study on full-time locally accredited non-local programmes.

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<sup>64</sup> [Transnational education in Hong Kong: the virtues of a two-pronged approach to quality assurance](#), *The Observatory on Borderless Higher Education*, Dorte Kristoffersen and Dr Clara Chong, 2015.

<sup>65</sup> [Review of TNE in Hong Kong](#), *Quality Assurance Association*, 6 August 2018.

<sup>66</sup> *Ibid.*