

The Dilemmas Facing Hong Kong's Generation Y in the Era of Globalization

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Abstract

At a time when the prospects confronting Hong Kong are overshadowed by the combination of the popular movement for democratic rights and the corona virus epidemic that is challenging Hong Kong as well as China, issues of income inequality and declining economic prospects deeply affect the future of Hong Kong youth. This article documents the pattern of growing income inequality with specific reference to educated youth of Generation Y in spheres such as income distribution, the relative stagnation of income of young graduates, and soaring housing prices that make Hong Kong among the most expensive real estate markets in the world.

Key words

Hong Kong, Generation Y, employment, income inequality, housing, globalization, oligopoly

On 24 December 2017, Paul Chan Mo-Po, Hong Kong's Financial Secretary complained in his blog about his sleepless nights and low appetite', which he attributed to the poor economic prospects shared by many young people, despite robust economic growth.¹ His message echoed older concerns expressed by Carrie Lam Cheng Yuet-ngor, at the time the Chief Executive. In her words:

I have been with the government for so many years. How come I did not sort of fully realize the depth of that sort of sentiment, which could be damaging to Hong Kong? (...) If our young people, if our young professionals are losing hope about the future, then where is Hong Kong's future?²

These comments resound as an admission of helplessness from the leader who had been the Director of the Social Welfare Department (2000-2003) and the Permanent Secretary for [Housing, Planning and Lands](#) (2003) – as well as the Chief Secretary for Administration from 2012 to 2017. This is even more the case as she reiterated them recently, when she announced the [withdrawal of the controversial bill](#):

After more than two months of social unrest, it is obvious to many that discontentment extends far beyond the Bill. It covers political, economic and social issues, including the oft-mentioned problems relating to housing and land supply, income distribution, social justice and mobility, and opportunities for our young

people.³

In fact, the same conclusion was already reached by scholars since at least 2010 – but nothing was done to address the situation since then.⁴ The plight of Generation Y, and especially of educated youth, contrasts strongly with the traditional perception, which regards youth as the beneficiaries of economic growth.⁵ In this view, young people, thanks to economic progress and the improvement in material life, aim to shift to ‘postmaterialism’:

Young people, who have grown up in an environment of ease and comfort, are more likely to develop a different worldview from those before them. Their value priorities tend to shift away from Materialist concerns about physiological sustenance and safety towards a Postmaterialist emphasis on individual autonomy, diversity, freedom, self-expression, aesthetic satisfaction, quality of life, greater democratization, and the development of more humane societies, even at the expense of economic growth. Materialist goals are still valued, but they are no longer the top priority.⁶



The same perspective that young people have benefited from economic progress is also visible – although from a very different angle – in the work of Mathews et al. Focusing on the difficult process for Hong Kong to fully integrate with the Chinese nation, the authors share the view that the mentality of Hong Kong people, especially the youth, has been shaped by economic development, which created what they called a ‘market-based national identity’.⁷ They returned to the classic idea that Hong Kong people have shifted from a ‘refugee mentality’ to a ‘market mentality’, thanks to economic growth and the desire of the colonial government, especially since the 1970s, to promote a depoliticized identity, in contrast with both mainland communists and Taiwanese nationalists.⁸

For Mathews et al., the ‘refugee mentality’ is thus the precursor of the market mentality. The refugees who fled China from political and economic turmoil understood well that they had to rely on their themselves. As the authors

elegantly put it, ‘the “refugee mentality” was rooted in poverty, and the struggle for daily economic survival’.⁹ When the city engaged in economic development, it progressively gave rise to the long-praised ‘Hong Kong entrepreneurial spirit’ and, with the spread of capitalism, to the idea that Hong Kong was a ‘land of opportunities’.¹⁰ In this sense, economic development, in improving people’s well-being, also forged the ‘market mentality’ that has been adapted to an ‘à la carte’ national identity.¹¹

In recent years, however, the situation has changed and, while the youth have adopted a ‘post-materialist’ and a ‘market’ mentality, it may well be the case that declining economic opportunities are creating resentment toward those who have yet to find their place in society. The push for democracy is no longer stirred by improved material conditions, as in the ‘postmaterialist’ perspective, but, on the contrary, is nurtured in part by the degradation of these conditions. In short, these two paradigms are not contradictory, but complementary. While the demands of the protesters, both in 2014 and in 2019, were not overwhelmingly economic and social, these factors were certainly significant. As noted by Ma Ngok ‘more and more people in Hong Kong conceive democracy in terms of political rights or equality’.¹² This was strongly emphasized during the Umbrella Movement, protesters stating that democracy should also bring equal opportunity to all.¹³ In 2019, this objective was not so prominent, but was still present, as shown in a recent survey:

[T]he poll by the Hong Kong Public

Opinion Research Institute (...) found only 58 per cent of respondents aged 14 to 29 felt their discontent stemmed from housing problems, compared with 84 per cent attributing it to their distrust of the chief executive. Another 87 per cent opted for the ‘pursuit of democracy’.¹⁴

In line with these comments, this article highlights the deterioration of material and economic conditions in recent years and the reasons for it. The first part presents data that demonstrates the growth of inequality in Hong Kong since 1997. It also shows that Generation Y, and especially degree holders, did not benefit significantly from the economic growth during that period. The second part introduces some reasons for this outcome in relation to globalization and the growth of China. The last part completes this analysis and shows that the structure of the Hong Kong economy, in particular its monopolistic and oligopolistic nature, also played a role in the development of this situation. The conclusion examines certain proposals put forth in recent years to address these problems. It suggests that, far from recognizing the salience of these issues, the ideas floated by the Chief Executive and her team have invariably sought to preserve existing economic structures. The data presented below highlights the diverse economic challenges faced by Generation Y.



Generation Y responds in 2019

Hong Kong's Economic Growth

The objective of this section is to provide data to illustrate the following three phenomena. First, not only has Hong Kong's inequality risen, but much of its workforce has not benefited from its economic growth. Second, this statement particularly applies to younger people with a tertiary-level education (the 'educated youth') who have faced stagnating salaries for nearly two decades since the handover (this point is seldom analyzed due to a lack of published data). Third, social mobility for educated youths has declined. While the reasons for this will be examined in the sections below, we contend that these three factors, taken together, constitute the economic foundation (together with other factors) that has shaped the discontent of Hong Kong's educated youth.

First, despite repeated economic crises over the last 20 years (the 1997-1998 Asian Financial

Crisis, the slowdown imposed by the Severe Acute Respiratory Syndrome [SARS] in 2003, and the 2008 economic crisis), Hong Kong's GDP per capita increased by over 70 percent in real terms from 1997 to 2018.¹⁵ During the same period, however, inequality has also increased: the Gini coefficient for household incomes increased from 0.518 in 1996 to 0.539 in 2016, the highest ever in Hong Kong. More important, these data are grossly underestimated because official statistics do not take into account incomes from capital gains and dividends (which, in addition, are not taxed...).¹⁶ At the same time, the median salary only grew by 55 percent, from HK\$10,000 in 1997 (the same as in 2007!) to HK\$15,500 in 2017. In fact, without the sustained salary increase in the last five years, the disparity between per capita GDP and median salary's growth would have been even more striking: broken down, from 1997 to 2011, GDP per capita rose by 29.3 percent, while median salary income grew by only 13 percent.¹⁷

This comparison of GDP per capita and median income suggests that since the handover, the labour force has not enjoyed benefits in line with the economic growth, despite the significant catch-up of the last few years. In other words, one major factor for the rise in inequality consists in the fact that income from capital (which, within the concept of Hong Kong GDP, excludes income from stocks and bonds) has grown faster than income from employment.¹⁸ In this context, the relative improvement of the 2011-2017 period may be attributed to the introduction of a

minimum wage and the overall economic situation. This is the message the government itself conveyed:

The Government spokesman said that with the steady economic growth and tight labour market over the past five years, together with the implementation of the Statutory Minimum Wage [SMW] and subsequent upratings, employment income of all strata of society improved in real terms, and more notable improvement was observed for the grass-roots workers. Upon narrowed employment income disparity, the Gini Coefficient based on original monthly household income for economically active households decreased to 0.482 in 2016, down by 0.007 from 0.489 in 2011.¹⁹

It is, nevertheless, difficult to know if these encouraging results will be short-lived or if they will have a long-term influence. As inflation has already largely erased the positive effects of the SMW, however, we tend to favour the first hypothesis.²⁰

It is worth noting that these general data hid great disparities, and that even the substantial income increases in recent years did not benefit everyone equally. More importantly for this article, recent and fresh graduates, in particular,

have been left behind and this is a phenomenon that has not been seriously examined (this is the second point). This is the counterpoint to the traditional argument, which states that educated youth have greatly benefited from economic growth and from the increased demand for qualified personnel. The proponents of such arguments highlight the income premium that degree holders enjoy is over high-school graduates.²¹ This argument is flawed – the existence of a premium only implies that university graduates keep an advantage over non-graduates, not that they benefited from economic growth.

On the contrary, data show that the median income of fresh graduates has not increased significantly since 1997. According to unpublished data provided by the Census and Statistics Department (C&SD), the ‘median monthly employment earnings of employed people aged 20-24 who attained post-secondary²² education level’ have mostly stagnated since the handover, with only a meager 11.4 percent rise, from HK\$10,500 in 1997 to HK\$11,700 in 2016 (in real terms). And most of this rise (about 28 percent) occurred during the 2011-2016 period, which means that the median income was only HK\$9,100 in 2011 – less than in 1997!²³

These figures confirm the difficulties of educated youth since the handover. It is surprising that, despite these difficulties and recent interest of the city’s leaders, there is still incomplete

information on the issue²⁴ – for example, there is no data on the salaries of fresh graduates.²⁵ However, the conclusion is clear: the expansion of tertiary-level education did not and is unable to lower inequality. Similarly, it is unlikely to boost opportunities for Generation Y. There are two possible reasons for this. First, the current economic system may be incapable of generating sufficient jobs for new graduates. So, while it is important for individual young Hong Kongers to obtain university degrees if they want to have a chance to secure a good job and/or a high income, at the aggregate level, such a boost may have unintended and possibly negative effects on these very same incomes. Second, recent graduates have experienced a decline in economic opportunities, in line with the decline of social mobility. These points will be examined in the next section.

Globalization and Polarization

The evolution of inequality in global cities like New York and Hong Kong is often explained by the theory of polarization, which emphasizes in its original version that, in the context of globalization,²⁶ salaries tend to cluster at both ends of the ladder.²⁷ This theory, which has been adopted by Central Policy Unit, is not without merit to explain the recent growth in inequality, although it cannot comprehend the role played by the rise of non-salaried incomes.

A document issued by its Commission on Strategic Committee on Social Development and Quality of Life straightforwardly linked the

situation in Hong Kong to that of other global cities such as New York and London; in reference to the polarization theory of Saskia Sassen, it noted that:

International researches suggest that world cities such as London and New York are experiencing a widening income inequality. As Hong Kong is progressively moving away from an industrial production-based economy towards a producer service-driven world city in the last two decades, the experience of other world cities would be relevant to our discussion on this subject.²⁸

The document also indicated that incomes are clustered at the top end – because of the concentration of high-class businesses and presence of transnational ‘élites’ and the bottom end, due to the development of ancillary services that support these ‘élites’. The authors conclude that this concentration at both ends comes at the expense of the middle.

Supporting the above theory is the strong presence of multinational regional headquarters (nearly 1,400 in 2014) and regional offices (2,400 in 2014), which is indicative of the role Hong Kong plays in the regional and global economies and the need for these companies to access a large pool of highly-qualified local and expatriate professionals. In addition, the ‘one-way permit’ scheme, which allows for the daily immigration of 150 Mainland Chinese into Hong Kong to reunite with their families, exerts a downward pressure on the wages of low-skilled workers: these new migrants are, on average, less educated and skilled than the overall Hong

Kong population and, thus, directly compete with locals for entry level jobs. In 2016, the median income for migrant workers from the Mainland was HK\$10,250, only equal to about 70 per cent of that for the whole population (HK\$15,500).²⁹

This trend, however, is only part of the story. It has been shown that the polarization effect does not necessarily lead to what scholars call the ‘disappearance of the middle class’; on the contrary, the need for highly-qualified professionals has boosted demand for support staff or, in the jargon of Hong Kong statistics, ‘associate professionals’ (APs). In Hong Kong, as elsewhere, this has led to a reevaluation of the theory. The debate over it has two opposing groups of scholars. As Lee et al. clearly explained:

Chiu and Lui (2009) note that ‘social polarisation is clearly observable in Hong Kong through the changes in occupational structure’. (...) There is a dramatic growth of elementary occupations in terms of absolute numbers. The number of managers, professionals, and associate professionals are also increasing substantially. (...) Despite their findings, we contend whether associate professionals can be classified into the same rank as top professionals and administrators. According to the Hong Kong Census and Statistics Department, the associate professional level comprises a wide range of occupation categories including technicians, supervisors, survey

interviewers (...), Chinese medicine practitioners, nurses, and the like.³⁰

In fact, the analysis of these APs generated different interpretations. Stylized facts exhibit the following characteristics: 1) The number of APs has dramatically increased over the last 15 years. But, as we will examine later, if the creation of AP positions has presented more opportunities for young university graduates, this trend has considerably slowed in recent years. 2) Salaries for APs are approximatively half of those on the upper categories of ‘professionals’ and ‘managers and administrators’ and roughly double Hong Kong’s median salary. These points are developed below.

Thus, the number of APs (which Chiu and Lui included in the ‘professionals’ category) has increased by some 270,000 in 15 years – from 500,000 in 2001 to 695,000 in 2011 and 770,000 in 2016 – representing about 20 percent of Hong Kong’s total number of employed. However, while 200,000 AP positions were created from 2001 to 2011, this trend has considerably weakened subsequently (the consequences will be examined below). Second, in 2016, APs’ median income was HK\$21,000, or about half of that of “managers and administrators” and 40 percent higher than the median income of the general working population (HK\$15,000).

In short, APs share similar education levels to those of their managers but earn only half of their

income. Ultimately, whether these data confirm the polarization theory or suggest the development of a new intermediate class (that could eventually be dubbed a “new middle class”) depends on the possibility of these APs joining the league of professionals or managers. As social mobility in Hong Kong has greatly slowed in recent years (see below), it may well signify an evolution of the social structure with the development of a “new middle class” – but that needs to be confirmed by future research. Besides this semantic discussion (as important as it may be), the increase in the number of APs (and the number of managers and administrators) and the issue of social mobility are strongly related to the development of higher education as well as with the evolution of the job market. Differently stated, there should be a strong connection between the number of new graduates and the evolution of the labour market.

However, this has not been the case, which first (partly) explains the relative stagnation of the income of fresh graduates and, second, the decline in social mobility. First, the number of graduates has increased tremendously since the 1990s. In 1991, the proportion of Hong Kong’s population with a post-secondary education was 11.3 percent. This proportion doubled to 23 percent by 2006 and 33.1 percent by 2018, including degree and sub-degree holders.³¹ In 2016, 57.5 percent of the 25-34 age group had

received a tertiary education, a much higher percentage than the corresponding OECD level (44.5 percent in 2018).³² The question, then, is whether the market has been (and will be) able to absorb such an increase. It is difficult to offer a precise answer, but Lui Hon-Kwong has provided an interesting analysis:

Comparatively speaking, the financing, insurance, real estate and business services tend to recruit more university graduates than other industries. (...) [But] the magnitude of increase [in qualified employment] is much lower than that of the increase in the supply of workers with tertiary education. It is doubtful that this is enough to absorb all the graduate workers.³³

This statement is in line with a recent report published by the LegCo Research Office. After noting the increase in the proportion of degree holders in the total labour force, the report noted that ‘while this education upgrading is beneficial for Hong Kong in overall terms, creation of high-end jobs seems to be unable to keep pace with this development in manpower supply, along with decelerated economic growth and lacklustre progress towards knowledge-based economy’.³⁴ The report showed that while from 1994 to 2015, additional workers with degrees (*excluding* sub-degree holders) totaled 854,000 people, the number of higher-skilled jobs created over the same period only amounted to 666,000 – *including* associate professional jobs.³⁵ These data point to the plain fact: many

graduates are unable to find employment that is commensurate with their qualifications (as is the case in many developed world metropolises).

In addition, this trend has accelerated in recent years, which further fuels the anxiety of degree holders. 'During 2008-2015, managerial, administrative and professional occupations could absorb only 38% of additional workers with degree education, noticeably down from 47% during 1994-2001. (...) [During the same period,] 33% of the additional workforce with degree education took up the position of associate professionals, down from 38% during 2001-2008'.³⁶ The report drew this final observation: during this seven-year period, '26 percent of the additional workforce with degree education worked as clerks, service workers of shop sale workers'.³⁷

These data show the declining opportunities for young degree holders. The lag between vacancies and qualified people has certainly had some effect on the salaries for fresh graduates, not to mention social mobility: a university degree has become an indispensable ticket to a higher salary, but it is by itself no guarantee of such access. Also, this is but one aspect of the paradox: students understand they need a degree to be eligible for a managerial or professional position, which further boosts their demand for higher education, but leads to a jump in the number of graduates who cannot be fully absorbed by the labour market. Therefore, as in other developed

economies, bachelor's degree holders have undergone a degree of deskilling, which exerts downward pressure on their salaries. This is what Lui and Suen termed the 'crowding effect':

If the crowding effect is the major cause [for the declining college premium], this means that the demand for college workers is rather inelastic so that the labour market cannot accommodate a large increase in supply of college workers without reducing their wage.³⁸

Thus, and this is the second point, this phenomenon goes hand in hand with the slowdown in social mobility for the younger generation, since the crowding effect also limits their chances of being promoted. The available data revealed that the:

...income mobility of the younger generation has slackened compared to earlier generations. (...) The first generation of university graduates born in the mid-1960s could attain median monthly employment earnings of HK\$33,500 at constant (2013) market price at the age of 35-39 (...). However, the respective median university graduate of the third generation could only make HK\$26,100 at the age of 35-39. For the fifth generation (...), they were aged below 30 in the benchmark 2013, but their salary level in the early stage of their career was the lowest compared to their predecessors.³⁹

This reflects a general trend in Hong Kong society:

A study conducted by the University of Hong Kong (“the HKU study”) also underscores the trend of limited opportunities for people moving up the earnings ladder in recent years. The HKU study first ranked local workers in accordance with the level of their earnings in 2003 and grouped them into five quintiles. They were then re-ranked and regrouped based on their updated earnings level five years later in 2008. According to the study,⁴⁰ a high percentage share of workers stayed in the same quintile of earnings ladder over the five-year period of 2003-2008 and the 10-year period of 1998-2008 (...). It also unveiled the phenomenon of “being trapped at the bottom,” i.e. 54.1% of the workers in the lowest income quintile experienced no mobility along the earnings ladder after 10 years of work.⁴¹

In fact, this last report also pinpoints the possibility of a poverty trap, as the probability of enrolling in university is 3.7 higher for students coming from more affluent families than for those in poor ones.⁴² This is in sharp contrast to the situation that prevailed in 1991, when access to higher education was much more equal.⁴³

Thus, while Hong Kong promotes itself as ‘Asia’s World City...where opportunity, creativity and entrepreneurship converge,’⁴⁴ it is far from obvious that many in the younger generation would agree with this slogan. Globalization has impacted their salaries: not only had it created

a divide between qualified and unqualified workers, in accordance with the theory of polarization, but it also boosted the demand for APs, who, despite their academic achievements, see diminishing possibilities of climbing the social ladder. In other words, younger graduates are trapped between the necessity of obtaining a degree and the shrinking opportunities this degree may provide.

In terms of policymaking, this has strong implications for the aforementioned situation, as the government has to balance between increasing access to tertiary education and, at the same time, avoiding the pitfall of leaving fresh graduates without sufficient opportunities. While it is undeniably important to provide individuals access to university, at the aggregate level, increasing higher education opportunities alone does not automatically help to curb inequality. This is contrary to the powerful claims made by neoclassical economists like Richard Wong Yue-chim.⁴⁵

Finally, even though Hong Kong faces a similar situation to most other world class metropolises (i.e., growing inequality and polarization), the novelty of Hong Kong’s situation reinforces the negative sentiments of many people, especially those with tertiary-level educations who expect to benefit most from globalization.⁴⁶ Some of them have begun to understand that economic growth, which has been promoted for a long time by the government as the main engine for tackling inequality, is not the panacea to their concerns, as only a minority of the population benefits from it. This is even more the case since, at the same time, not only has their income not increased smoothly over the last 20 years, their access to some basic goods, housing in particular, has become more difficult

– this point will be presented in greater detail in the Conclusion. In short, the section confirms the hypothesis raised in the Introduction: the economic system does not create sufficient prospects for educated youth to become enthusiastic adherents of that system.

Besides, if this section has insisted on the role globalization has played in the rise of inequality and the lack of opportunities for educated youth, the increase in non-salaried incomes has also exacerbated the situation. Consequently, the final section of this paper will focus on the oligopolistic nature of the domestic economy (housing in particular), which has generated economic rents and allowed for inequality to develop. While the polarization and crowding effect have exerted a downward pressure on most salaries, the evolution of Hong Kong's economic structures since the 1960s also had an important role in clustering resources in the hands of just a few.

The Housing Market and the Oligopolistic Nature of Hong Kong's Economy

In the previous section, we have noted that Hong Kong's fresh graduates' incomes did not increase as fast as its GDP per capita and that globalization (including the emergence of China as a global actor) has played a part in the emergence of this situation. However, globalization forces alone cannot explain how a certain proportion of the population was able to grab a disproportionate share of the GDP. In other words, inequality is also generated by the structure of a domestic economy, which, in Hong Kong, is strongly characterised by oligopolies and monopolies. In addition, it is unlikely that in-depth evolutions of this structure will occur in the short term: the recent implementation of a competition law is a case in point. These two aspects – the evolution of economic organization and limitation of a competition law in curbing oligopolies – will be

examined in this section. The conclusion is that the structure of Hong Kong's economy further restricts opportunities for its younger generation, which, in turn, explains the declining support among its members for its economic system.

The key starting points for discussing this matter are the evolution of Hong Kong's property market since the 1960s and the difficulty of accessing decent lodging for its younger generation either in the private or public sector. Hong Kong's public housing sector has a long history going back to 1954. At one point, it accommodated over 50 percent of the population.⁴⁷ In line with the New Public Management reforms initiated during the 1990s to minimize public spending, the government partly withdrew from the housing market⁴⁸ and the annual supply of new public housing dropped from an average of 38,900 units during the 1997-2002 period to only 14,600 for the 2007-2012 period.⁴⁹ Consequently, by 2014 only 45 percent of Hong Kong's population lived in some form of public housing, down from 49 percent in 2004 and 47 percent in 2009.⁵⁰ Also, those eligible for public housing faced longer wait times – an average of 5.3 years for a general applicant – the longest in 18 years.⁵¹ For young adults, who do not qualify as 'general applicants,' the wait time is even longer, much longer – about 30 years in 2018,⁵² much longer than it was in 2010 (24 years)⁵³ – and this is only for those whose incomes are low enough to apply. The income cap, which was fixed at HK\$10,100 per month for a single applicant and HK\$16,140 per month for a couple, de facto eliminates most degree holders as soon as they start to work.

Given that securing a public housing flat is a distant prospect for young degree holders, they have to rely on the private sector. But here too, the odds of securing something affordable are not much more favourable: Hong Kong is regularly ranked the most unaffordable city in the world. According to Edward Yiu, the price-to-

income ratio (i.e., the ratio of housing price to annual household income) increased from 12.6 years in 2011 to 15 years the next year, compared to only 4.4 years in Singapore.⁵⁴ The trend continued in the following years, reaching 21 years in 2018, according to the [Demographia International Housing Affordability Survey](#).⁵⁵ In fact, the government's reduction of new public housing supply to stimulate the competitiveness of the private sector has proven a failure, as private housing has become more unaffordable than ever.

Hong Kong's extreme economic concentration and absence of competition in its housing sector created economic rents and is partly responsible for its current predicament. The situation had been aggravated by the lack of a competition law, as there is no legal safeguard to prevent the development of oligopolies – the introduction of such a law in December 2015, after 25 years of discussions, is a case of too-little, too-late, as the authors explain below. In addition, the profits generated by these oligopolies have been reinvested in other sectors of the domestic economy, which has led to the creation of other oligopolies (in utilities, supermarkets, etc.). It is, therefore, of utmost interest for us to go back in time and to see how this situation originated and reinforced itself over time.

Before we start, it should be noted that there are inherent difficulties in formally demonstrating the precise influence these oligopolies have exerted over prices and the level of rent developers have extract from Hong Kong's citizens. But this influence is real and can be confirmed indirectly with empirical data. Even economists who do not wish to change the existing economic structure still acknowledge the existence of these rents and the negative impact they generate – they just argue that it is better to keep the situation as it is, as government intervention would create more

problems than it would solve.⁵⁶

The study of Alice Poon showed how developers were able to build conglomerates over time.⁵⁷ Having worked for a developer before emigrating to Canada, she was well-placed to document their strategies. Two factors converged to produce the current situation. The first can be traced back to the colony's early years. In 1841, one year before the signing of the Treaty of Nanking that conceded Hong Kong Island in perpetuity to the British Empire, it was declared that all of the island would belong to the British Crown, 'to be disposed of at its local representative's discretion. Hence there followed (...) the launch of what would become Hong Kong's most enduring tradition, the land auction'⁵⁸ Today, the government's auctioned land is still leased for a fixed period of time to the highest bidders that then have to immediately pay very high 'premiums' that correspond to the bulk of the lands' values and low rents for every year of the lease.⁵⁹

The second factor originated in the 1960s, when some British firms wanted to divest in the face of uncertainty over Hong Kong's future and/or political instability. The 1967 riots, the strenuous negotiations related to the signing of the Sino-British Joint Declaration (1984), and the proximity of the return of Hong Kong to China prompted some historical British "hongs," such as Wheelock Marden or Hutchison, to sell off their assets to rising family-owned Chinese firms such as Cheung Kong, Sung Hung Kai, and New World Development.⁶⁰ These firms moved aggressively (eventually thanks to funds raised from public listings) to obtain ample land holdings that amounted to tens of millions of square feet . In fact, the origin of this strategy stemmed from the 1960s, when land prices increased dramatically under the combined effect of population growth and land shortage. The colonial authority took note of this existing pressure and aimed to rationalize land usage

through, for example, the development of industrial buildings and new towns.⁶¹ The 1967 riots put a temporary stop to this property price rise but this, together with the lack of confidence of the historical British firms in the future of the colony, provided golden opportunities for local Chinese firms to expand. As speculation and land pressure exacerbated further at the end of the 1980s and in the 1990s, “local entrepreneurs, many of whom had only limited property portfolios previously, [invested heavily in land] to make fortunes and build up their business empires”⁶². In the 1990s, the New Public Management philosophy favored by (the last governor) Chris Patten’s administration, slash the public housing programs, boosting again housing prices. The reversal policy of Tung Chee Hwa, which only lasted from 1997 to 1998, did not alter this trend and

in practice, the withdrawal of the government from the housing market proved disastrous for the community. A long-term shortage of accommodation became impossible to avoid. The annual supply of new public housing fell by 62 percent: from an annual average of 38,900 units for the period 1997–2002 to 14,600 for the period 2007–12.⁶³

These two factors complemented each other to push land prices up. On the one hand, the developers used their ‘land banks’ as a reserve to partly disconnect Hong Kong’s land market

from its property market. On the other hand, since selling land rights makes up a significant portion of its revenue, the government is always balancing its gains from land auctions and satisfying the public interest. Usually the former consideration wins out, which is understandable since it gets over 30 per cent of its revenues from the land and property market.⁶⁴ This tendency is reinforced by the limited amount of land the government releases by auction every year. The consequence has been worsening land scarcity – and rising prices. In practice, the high value of the premium and the expertise needed to valorize the sites create barriers to entry that effectively crowd out small companies and favour large local developers and, increasingly, their Mainland competitors.⁶⁵

The Consumer Council decried this situation as early as 1996, when it noted that ‘70 percent of the total new private housing was supplied by seven developers and that 55 percent came from just four developers’.⁶⁶ These developers transfer the high price of the auctions to their customers, which inflates the prices of the properties and rentals. Thus, the inflated prices paid by flat owners and tenants constitute not only an additional source of profit for developers, but also a ‘hidden’ tax to make up for the government: the policy of low taxes (required by the Basic Law) can only be maintained thanks to the handsome income generated by these auctions. These mechanisms well explain why it has become increasingly difficult for individuals (especially those of Generation Y that has just begun their professional lives) to access affordable lodging in the private sector.

Thus, the profits generated by the housing market are usually substantial for developers and their financial strength allows them to resist economic downturns, as happened in 1997. They also allow them to invest in other

industries and develop oligopolies there in supermarkets, utilities, transport, etc. The most obvious source of profit has been shop rentals, especially in shopping malls that they control.

Upon his arrival in 1992, Chris Patten, the last Governor of Hong Kong, was alarmed by the lack of competition in the economy and, in a speech to the Legislative Council (LegCo), emphasized the need to develop a comprehensive competition policy.⁶⁷ ‘As result of his policy initiative, the government commissioned the Hong Kong Consumer Council to undertake sectoral investigations including banking, supermarkets, gas supply, broadcasting, telecommunications and private residential property between 1993 and 1996’.⁶⁸ The conclusions of these investigations, which were published in reports, overwhelmingly confirmed the huge level of concentration in the domestic industry with consequences on prices for consumers. They were also confirmed by later data. For example, two companies controlled over 70 percent of Hong Kong’s supermarket business. From 2000 to 2002, they increased their prices by 3.6 percent at a time when general retail prices fell by 5.6 percent. These companies, namely, ParknShop and Wellcome, managed to block Carrefour from making significant inroads into the local market.⁶⁹ The same situation applies to other businesses such as electricity (a duopoly), gas (a monopoly), and buses.

Poon powerfully summarized the situation:

Imagine you are an ordinary citizen who lives in a self-owned flat within a private housing estate. You scraped all your savings to buy the flat from the developer, in return for which you get the right to occupy the flat. Then every month you have to pay the mortgage and property management fee. Every day when you go out to eat in a restaurant or fast food shop in the estate’s shopping center (which, let us assume, is owned by the same developer), you help the tenant of that shopping center pay his shop rent and fee, which also goes into the pocket of the same developer. On weekends, you go shopping in other shopping centers, owned by other developers. Again, you help the shop tenants pay their rents and fees by buying consumer items. At the end of the month, can you figure out how much of your monthly salary goes to paying the developers? The answer might be shocking.⁷⁰

In short, the system described by Alice Poon has allowed a few Hong Kong families to concentrate capital in their hands, creating the first source of inequality. Then, the spread of globalization (including the rise of China) added a second cause. This left the younger generation with salaries that had not significantly increased since the start of the millennium, as seen in the previous section, while daily necessities became overpriced. In order to curb this pattern, the system should definitely evolve.

A first step could be to enhance competition and bend the oligopolies. Starting with Patten, several high-ranking politicians and civil servants have emphasized the necessity of enacting a competition law, including a former secretary for Home Affairs, Patrick Ho Chi-Ping.⁷¹ But they have faced strong opposition from the business community, local neoclassical economists, and the government itself. After years of debates and a strong pressure from the international community (e.g. the World Trade Organization), Hong Kong became one of the last developed economies in the world to enact such a law (in 2012), which only went into effect in December 2015.

Nonetheless, this law, as useful as it may be for curbing cartel practices and limiting abuses of power by established companies with a substantial degree of market power, cannot curtail monopolies and oligopolies or even restrict their extensions because it does not require that these companies divest their existing holdings. The following title of an article from a local newspaper, the South China Morning Post, therefore, comes to no surprise: 'Hong Kong Business Groups Do Not Appear to be Worried over the Competition Law's Impact on Their Dealing with Members'.⁷² That is, the business community has been powerful enough to limit the scope of a law that may go against its interests.

Conclusion

The structure of the Hong Kong economy only offers Generation Y in general and the educated youth in particular diminishing prospects, which leads them to see the system as more and more unfair.

The first reason for this is linked to globalization. While Hong Kong does need a qualified labour force to fully benefit from it, outward industries

such as finance and trading are unlikely to absorb the number of people who graduate from the higher education system every year. At the same time, the demand for higher education is constantly increasing because the younger generation and their parents understand well that this is the only path to higher salaries. Therefore, fresh graduates have less and less possibilities to reach the ranks of administrators or managers. More likely, most will remain stuck at the Associate Professional level.

The second reason is related to the structure of the domestic economy, in which monopolies and oligopolies have prospered over the last 50 years. This is even more the case because, unlike what happens in most developed places in the world, there is no mechanism to stop or even limit these oligopolies from prospering, since the recent competition law does not include any divestiture clause.

The China factor has to be added to these two unfavourable phenomena. On one hand, it has played a large role in spreading globalization, which has directly or indirectly caused a stagnation of salaries in Hong Kong. For example, the 150 Mainland migrants who are allowed to settle daily in the territory under the 'one-way permit' policy are usually less qualified than locals (and many do not speak the local dialect of Cantonese). Thus, they compete with the locals for low-end salaries and have helped exert a downward pressure on salaries. In 2011,

this trend has been slowed down by the introduction of the Statutory Minimum Wage, but it is likely that the positive effect of the SMW is progressively wiped out. In this situation, the downward pressure on low incomes will probably resume in the near future. On the other hand, the recent participation of Mainland developers in Hong Kong's land auctions have pushed land prices up, thereby making housing even more unaffordable while filling the government's coffers.

Therefore, it is no surprise that Generation Y, especially its more educated members, believe that Hong Kong's current system is biased and does not provide them with sufficient opportunities. They feel trapped in a situation they mostly cannot control. These feelings, which are supported by evidence provided in this article – a lack of access to affordable housing, stagnating salaries, etc. – can also be seen in the declining support among Generation Y for capitalism. According to surveys conducted by the Chinese University of Hong Kong, before 1997 Hong Kong was perceived by 83 percent of respondents to be a 'land of bountiful opportunities where everyone could succeed'. But by the beginning of the 2000s, only 71 percent thought that 'Hong Kong was a land of abundant opportunities, everyone can succeed through hard work'.⁷³ Over the same period, fewer people believed poverty was only attributed to personal factors.⁷⁴ A few years later, in 2010, many educated, young Hong Kongers viewed Hong Kong's economic system in a bleak way and objected to Hong Kong's growing wealth gap more than their elders. The result of this change of mindset went hand in hand with an increased demand in social services, at a time the government was looking for privatisation and budget cuts under the New Public Management reform. This was

emphasized by Leo Goodstadt in a heading in one of his books: 'Health: Painful Cuts'.⁷⁵ The author developed the point that the Hospital Authority does not have sufficient resources – while some "drugs are denied" to patients which cannot afford them.⁷⁶ In line with these comments, it is no surprise that, in 2018, public expenditure on healthcare amounted to only 14 per cent of the government's total expenditures, compared to 18.1 per cent in Canada and 19.2 per cent in Korea.⁷⁷

In relation to that, a 2010 survey conducted by Baptist University's Transition Project on Hong Kong's youth already showed that the percentage of people under 30 who listed the wealth gap as the Hong Kong number one problem (20 percent) was double that of respondents over 60 (10 percent).⁷⁸ Equally important, the younger protesters in the Umbrella Movement four years later also demanded more equal economic opportunities for all – something they saw as an integral component of democracy.⁷⁹

Clearly, young people may not fully understand the system's biases and the fact that it does not provide the same level of opportunities as in the past, but they know that the 'Lion Rock spirit' 'that encapsulated the ability to achieve economic success through hard work'⁸⁰ has become a distant memory, that inequality has increased, that poverty can hardly be removed by one's own efforts, and that social mobility is at a low point. They also worry that they will not be able to reach the same level of security and comfortable life than their elders – the difficulties to access a decent lodging, whether from the public and private sectors is a case in point.

As noted in the Introduction, the Hong Kong government was aware of these difficulties. However, it proved unable to tackle them systemically. The property market and the land auctions are linked to the tax system. In other words, any change in the land auction system would imply a modification of the tax system. That should include a reassessment of the suppression of inheritance tax (in 2006) and of the lack of tax on capital gain, which both contribute to the enlargement of inequality.⁸¹ The concentration of capital, which can be seen from existing oligopolies and monopolies, which can freely prosper in Hong Kong, has a similar effect.

However, from the government point of view, a change of economic organization appeared risky – not least because Hong Kong developers have strong ties, not only with the Hong Kong government, but also with the central leadership. Therefore, Carrie Lam, as her predecessors, has favoured a sectoral approach, concentrating her efforts on the housing market. These efforts, however, did not have time to bear fruits, as the anti-extradition bill protests prompted millions to take to the streets, and she had to shelve her propositions.⁸² In short, little was achieved to ease social problems since 2014. The fact is that the developers, which were once an important support for China in the territory but are now openly criticized in the Mainland, may open a

window for change, especially since most of them are nonagenarians, as we will see below.

At the same time, the possibilities offered in the Mainland do not seem attractive to many young locals, whether they arise from the ‘China Dream’, the ‘Belt and Road Initiative’ or, more significantly, the ‘Greater Bay Area’ plan. The Central government counts on this last project to further integrate Hong Kong and China, erodes the particularities of Hong Kong, and, eventually, solve some of the economic and social ills encountered in the territory – especially in relation to lodging. The level of protests to oppose the implementation of the extradition bill, precisely because it would have blurred the differences between Hong Kong and the Mainland, shows that the idea is currently not in line with the aspiration of many Hong Kongers.

A more local possibility to address the housing situation was floated at least since 2017, before it was adopted by the pro-government businessman James Tien Pei-chun.⁸³ It involves possibilities to tap into the huge military land (2,700 hectares in total) occupied in Hong Kong by the People’s Liberation Army (PLA). So far, neither the Chinese authorities nor the Hong Kong government have endorsed this idea.

A final proposal, which resurfaced recently, implies the seizure of private land by the government under the Land Resumption Ordinance – which allows for the requisition of land for public purposes. The idea was first introduced by the Democratic Party at the beginning of 2019, but was coolly received by Carrie Lam, who refused, in her own words, to

make use of this ‘imperial sword’. However, this measure, which was then rejected by the largest pro-government party, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), is now endorsed by the DAB and by the media in the mainland. At this point and under the pressure of Beijing and the street, both the Hong Kong government and the developers seem open to the idea – even though the details still need to be sorted out.

All in all, these propositions show that, even though the government was well aware of the tense situation and possible social consequences it may bring about, little was concretely achieved since the beginning of the 2010s, besides discussions and hesitations. Furthermore, efforts to link the housing situation to economic reorganization were very limited. For example, suggestions for reforms of the tax system or land auctions are not at a very advanced stage. The existing propositions regarding reforms of the tax system consist basically in reviving the old idea to create a Goods and Services Tax, which would compensate lesser revenues from land auctions and ensure more stability to public finances. However, a GST would have to be endured more strongly by the lower- and middle-classes, while little is said concerning a tax on capital gains.

In any case, all these potential reforms would

take years to be implemented, and even more to yield concrete results. The government has procrastinated on important decisions which could give it leverage during the current crisis. However, it is noticeable that the position of the central government on these economic and social issues has evolved recently, and its stance is now not too distant from the opinions of the protesters. Messages and graffiti posted on Hong Kong walls echo the comments published in the *People’s Daily* or *Global Times*: to messages like “7K for a house like a cell and you really think that we out here are afraid of jail?” and “12K for 120 sq ft and you think that’s OK?”, the official media titled: ‘unaffordable housing as a “root cause” of the protests in Hong Kong’.⁸⁴ A young graduate similarly wrote to one author of this article, commenting on a recent note published on similar issues: ‘your article entitled “Hong Kong’s powder keg” is thoughtful. It vividly depicts the root cause of the resentfulness of a large section of Hongkongers’. But, as the title of Siu’s article shows, ‘Hong Kong protesters on meeting their housing dreams: yes, thank you, but we want genuine universal suffrage too’⁸⁵; in other words, while economic and social measures are both urgent, it may be too late to address the current concerns of Generation Y, which has little to lose, or to solve the crisis generated by the introduction of the Extradition Bill.

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Notes

¹ Shirley Zhao, "Sleepless nights' for Hong Kong finance chief over economic prospects for young generation', *South China Morning Post* (24 December 2017)(accessed 15 January 2018).

² *Hong Kong Standard* Carrie Lam 'did not fully realize' youth angst' (27 July 2017).

³ 'Carrie Lam's speech in full: Hong Kong leader speaks to city on protests in TV address', *South China Morning Post*, 5 Sept 2019.

⁴ Two reports were issued in 2010 regarding the situation of the younger generation. The first was written by a scholar from the Hong Kong University of Science and Technology at the initiative of the Central Policy Unit of the Hong Kong Special Administrative Region: Wu Xiaogang, 'Hong Kong's Post-80s Generation: Profiles and Predicaments', The Hong Kong University of Science and Technology/The Central Policy Unit, The Government of the Hong Kong Administrative Region (2010) (accessed 13 January 2018). The second was issued by the Hong Kong Transition Project of the Baptist University: Hong Kong Transition Project, 'Protest and Post-80s Youth. Sources of Social Instability in Hong Kong', The Baptist University (2010)(accessed 12 July 2017).

⁵ In this article, Generation Y is roughly defined as individuals aged 18 to 30. We found the term "post-1980s generation", which has been popularly used since the end of the 2000s, outdated, while "Generation Y" (or Millennials) seems more inclusive of those born in the 1990s and after.

⁶ Wong Ka-Ying and Wan Po-San, 'New Evidence in the Postmaterialist Shift: The Experience of Hong Kong', *Social Indicators Research* 92(3), (2009), p. 498.

⁷ Gordon Mathews, Eric Ma Kit-wai and Lui Tai-lok, *Hong Kong, China: Learning to Belong to a Nation* (Abingdon: Routledge, 2008).

⁸ See, also, Gregory B. Lee, 'La question de l'identité à Hong Kong pendant la période du colonialisme tardif et la question de l'"authenticité"', in Louis Augustin-Jean and Florence Padovani, eds, *Hong Kong, Economie, culture et société* (Paris: L'Harmattan, 2007), pp. 313-332.

⁹ Mathews et al., *Hong Kong, China*, p. 29.

¹⁰ For a discussion on the relationship between development and entrepreneurship in Hong Kong, see Louis Augustin-Jean, 'Entrepreneurship as a Contributor of Growth in Asia: an Analysis of Hong Kong's Case', *Canadian Journal of Development Studies* 31(3-4), (2010), pp. 314-340.

¹¹ The authors gave many examples of it. One of the most telling, perhaps, is the fact that some students see the Chinese flag as "unfashionable" rather than (only) a symbol of the nation. Mathews et al., *Hong Kong, China*, pp. 127-128.

¹² Ma, N. (2011) 'Value Changes and Legitimacy Crisis in Post-industrial Hong Kong', *Asian Survey*, 51(4), p. 685.

¹³ This point is detailed in Louis Augustin-Jean and Anthea H.Y. Cheung *The Economic Roots of the Umbrella Movement in Hong Kong. Globalization and the Rise of China* (Abingdon, UK, Routledge (2018), 'Preface', p. 10.

¹⁴ Cited in Gary Cheung and Alvin Lum, 'Two months on and nearly 2,000 rounds of tear gas later, what do Hong Kong's extradition bill protesters really want?', *South China Morning Post* (9 August 2019). In fact, the links between economic factors, democratic aspirations and mass protests were more visible during the 2014 Umbrella Movement. See Louis Augustin-Jean and Anthea H.Y. Cheung, *The Economic Roots of the Umbrella Movement*.

¹⁵ Calculated from the Census and Statistics Department (C&SD), "2018 Gross Domestic Product."

¹⁶ This is not trivial. Michelle Wong noted that "the top five tycoons earned HK\$23.6 billion in dividends alone in 2016 and 2017" (Michelle Wong, 'Why the Wealth Gap? Hong Kong's Disparity between Rich and Poor is Greatest in 45 Years, so What Can Be Done?', *South China Morning Post* (27 Sept. 2018).

¹⁷ Calculated from the Census and Statistics Department (C&SD), 'Labour', (Table 2.17: Employed persons by monthly employment earnings). See also Table 2.18 (Domestic households by monthly household income): from 2007 to 2017, the percentage of households with a monthly income of over HK\$100,000, and from HK\$80,000 to HK\$99,000, have increased respectively from 2.8% to

6.5%, and from 1.7% to 3.9%.

¹⁸ Interestingly, the rise of the Gini coefficient based on household income slowed over the past five years: from 0.537 in 2011 to a record high of 0.539 in 2016 (it was 0.525 in 2001 and 0.533 in 2006). Despite this undeniable progress, the richest 10% of Hong Kong's households earned about 44 times more than the poorest 10%.

¹⁹ CS&D, *Population By-Census 2016. Thematic Report. Household Distribution In* (Hong Kong: General Statistics Section Census and Statistics Department, 2017) (accessed 13 March 2019). See, also, CS&D 'Census and Statistics Department announces results of study on household income distribution in Hong Kong' (2017) (assessed 25 June 2019).

²⁰ See the convincing data provided by Oxfam on the issue: Oxfam, 'Report on Hong Kong Living Wage Report' (December 2018), p. 3. The SMW is adjusted every two years. Launched in 2011 at a rate of HK\$28 per hour, it was last raised in May 2019 to HK\$37.5 per hour.

²¹ See, for example, Richard Wong Yue-Chim, *Diversity and Occasional Anarchy: On Deep Economic and Social Contradictions in Hong Kong* (Hong Kong: Hong Kong University Press, 2013). The different understanding of the premium has been presented in Louis Augustin-Jean and Anthea H.Y. Cheung, *The Economic Roots of the Umbrella Movement: Globalization and the Rise of China* (Abingdon: Routledge, 2018).

²² "Persons with educational attainment at post-secondary level refer to those with all Certificate, Diploma, Higher Certificate, Higher Diploma, Professional Diploma, Associate Degree, Pre-Associate Degree, Endorsement Certificate, Associateship, First Degree, Taught Postgraduate, Research Postgraduate and other sub-degree education or equivalent level in local or non-local institutions" (C&SD, unpublished data).

²³ We thank Mrs. Luk Cheung Mee-ying, Senior Statistical Officer from the CS&D for providing us with this set of data.

²⁴ As seen in note 4, concerns for Generation Y were already displayed in 2010 in two reports, including one commissioned by the Central Unit Policy – the thinktank of the Hong Kong government. From that date onwards, more research on this topic has been produced, most noticeably by Stephen Chiu Wing Kai. These works mostly concentrated on the level of dissatisfaction of the 'post-1980s generation', as well as the living conditions of the youth (especially concerning housing). In addition to their own surveys, these scholars used published data such as the monthly income of people with a certain education level. However, as far as we

know, none of this research has presented data on the income of fresh or young graduates. This is problematic since it does not allow one to fully understand the lifestyle and the problems of the youth. To cope with this, Augustin-Jean and Cheung have compiled data collected by several local universities regarding the job situation and salaries of young graduates. See Augustin-Jean and Cheung, *The Economic Roots*, especially Chapter 3. For the two original reports, see Hong Kong Transition Project (2010) 'Protest and Post-80s Youth. Sources of Social Instability...' and Wu, X.G. 'Hong Kong's Post-80s Generation: Profiles and Predicaments'. Among several articles (co)-written by Stephen Chiu, see Stephen Chiu Wing-kai and Kevin Tze-wai Wong, 'Happiness of Hong Kong Youth from 2000 to 2014: empirical evidence on the differential impact of socioeconomic conditions on youth versus other age groups', *Journal of Youth Studies* 21:3 (2018), pp. 253-271,; Chiu Wing-kai and Lui Tai-lok, "General Education, Academic Achievements and Classes" 通識、學業成就與階級 (pp. 18-27); Yi Chung-yan and Chiu Wing-kai, "'Socially Downward Mobile' Youth? Objective Conditions and Subjective Feelings" 「下流」青年? 客觀狀況與主觀感受 (pp. 54-77) in Chiu Wing-kai, Yi Chung-yan and Li Keng (eds.), *Irritating Youth: An Observation over the Situation of Hong Kong's New Generation* 躁動青春: 香港新世代處境觀察 (Hong Kong: Zhonghua shuju, 2016). See also Yi Chung-yan, "The Expansion of University Degrees and the Inequality in Educational Opportunities" 大學學位 擴張與教育機會不平等 (pp. 4-17), in the same volume and note 25 below.

²⁵ The newly released report on youth (defined as people aged 15-24 years old) does not include data on fresh graduate income or even income per academic attainment. See C&SD, [2016 Population By-Census. Thematic Report: Youth](#) (Hong Kong: General Statistics Section Census and Statistics Department, 2018). (accessed 9 March 2018).

²⁶ There are many concepts of globalization. The (economic) definition adopted in this paper emphasizes the following: 1. A production system in multiple places, often located across borders; this is done either by a single group, or by subcontracting; 2. The financialization of the economy in a neoliberal environment; 3. Technical changes in particular, the development of information and communication technologies. While these three components are obviously related (e.g. the 'decentralization' of production would not be possible without financialization and technological progress), they comprise a global economic system which departs from previous internationalization (mainly based on international trade and the implementation of subsidiaries overseas). In this pattern, which started in the 1990s, 'global cities', like New York,

London or Hong Kong, have strengthened their command position in the world economy and have attracted high-level services in banking, insurance, accounting, advertising, etc. For the specific case of Hong Kong (which, like the two others, has been ‘international’ for a long time), the change came hand in hand with the opening up of China, which boosted its traditional role of mediator between China and the rest of the world (in sourcing, trading, designing, subcontracting, etc. – not mentioning changes provoked by the reunification process with China).

²⁷ See, Saskia Sassen, *Cities in the World Economy* (2nd ed.), (Thousand Oaks, Pine Forge Press, 2000), Pascal Petit, ‘The Systemic Nature of the Rise in Inequality in Developed Economies’, *International Review of Applied Economics* 24(3), (2010), pp. 251-267, and Manuel Castells *The Rise of the Network Society* (Oxford: Blackwell, 2000).

²⁸ Commission on Strategic Committee on Social Development and Quality of Life, ‘[Income Inequality and Social Mobility](#)’, Central Policy Unit, The Government of the Hong Kong Special Administrative Region (2006).

²⁹ C&SD, 2016 [Population By-Census. Thematic Report: Persons from the Mainland Having Resided in Hong Kong for Less Than 7 Years](#) (Hong Kong, General Statistics Section Census and Statistics Department, 2018), p. 15, available at: (accessed 9 March 2018). However, the income of immigrants from the Mainland has progressed more rapidly than that of the overall population during the past few years.

³⁰ Lee Kim-Ming, Wong Hung and Law Kam-Yee ‘Social Polarisation and Poverty in the Global City: the Case of Hong Kong’, *China Report* 43(1), (2010), pp. 5-6. See, also, Stephen Chiu Wing-kai and Lui Tai-lok, *Hong Kong: Becoming a Chinese Global City* (New York: Routledge, 2009).

³¹ Legislative Council Secretariat – Research Office, ‘Social Mobility in Hong Kong: Review and Outlook’, (Research Brief n° 2, 2014-2015). See also “[Table 12.1. Distribution of population aged 15 and over by educational attainment and sex](#)”, *Hong Kong Digest of Statistics* Section 12: Education (2019), p. 341. A degree refers to a bachelor’s degree or equivalent. Until recently, most bachelor’s degree programmes comprised three years of university education, but have since been converted to four-year programmes. Sub-degrees are non-degree qualifications such as higher certificates, diplomas or higher diploma; and associate degrees consist of one to three years of post-secondary education.

³² For Hong Kong, see ‘[Snapshot of the Hong Kong population 2016](#)’. The OECD figure come from OECD data, ‘[Population with tertiary education 25-34 year-olds / 55-64 year-olds, % in same](#)

age group, 2018 or latest available’.

³³ Lui Hon-Kwong, *Widening Income Distribution in Post-Handover Hong Kong* (London: Routledge, 2013), p. 55.

³⁴ Legislative Council Secretariat – Research Office, ‘Challenges of manpower adjustment in Hong Kong’ (*Research Brief* 4, 2016), p. 8.

³⁵ *Ibid.*

³⁶ *Ibid.*, p.9.

³⁷ *Ibid.*

³⁸ Lui Hon-Kwong and Suen Wing, ‘The Shrinking Earnings Premium for University Graduates in Hong Kong: the Effect of Quantity of Quality?’, *Contemporary Economic Policy* 23(2), (2005), p. 253.

³⁹ LegCo Secretariat Research Office ‘Challenges of manpower adjustment in Hong Kong’, p. 11.

⁴⁰ Vere James, ‘Special topic enquiry on earnings mobility’, (2010) (accessed 6 September 2015).

⁴¹ LegCo Secretariat Research Office, ‘Social Mobility in Hong Kong: Review and Outlook’.

⁴² *Ibid.*, p. 8.

⁴³ Mok Ka-Ho, ‘Enhancing Global Competitiveness and Human Capital Management: Does Education Help Reduce Inequality and Poverty in Hong Kong?’, *The China Review* 15(2), (2015), p. 129.

⁴⁴ This was stated in the original ‘Brand Hong Kong’ programme launched by the Hong Kong Government in 2001: Hong Kong Government, ‘Brand Hong Kong’ (2001).

⁴⁵ See his significant heading: ‘Education as a Fundamental Solution for Inequality’; Richard Wong Yue-Chim, *Diversity and Occasional Anarchy* p. 164.

⁴⁶ One could even argue that the situation in Hong Kong is far better than in many metropolises inasmuch as its unemployment rate is much lower than in many places. On the other hand, the crisis developed quicker than in most other cities – and inequality has reached an unbearable level.

⁴⁷ For an analysis of the role public housing played in the economic development of Hong Kong, see Louis Augustin-Jean, ‘Urban Planning in Hong Kong and Integration with the Pearl River Delta: An Historical Account of the Local Development?’ *GeoJournal* 62(1-2), (2005), p. 1-13.

⁴⁸ See, among others, Wong Hung, ‘Changes in Social Policy in Hong Kong since 1997: Old Wines in New Bottles?’, in Lam Wai-man, Percy Lui Luen-tim, Wilson Wong, eds., *Contemporary Hong*

Kong Government and Politics (expanded 2nd edition), (Hong Kong: Hong Kong University Press, 2012), pp. 277-296, and Ian Scott, *The Public Sector in Hong Kong* (Hong Kong: Hong Kong University Press, 2010).

⁴⁹ Leo Goodstadt, *Poverty in the Midst of Affluence: How Hong Kong Mismanaged its Prosperity* (Hong Kong: Hong Kong University Press, 2013), p. 90. This article cannot detail the evolution of the government's housing policy since 1997. The withdrawal was also due to the failure of the first CE, Tung Chee-hwa, to fulfill his promises to increase housing supply by an average of 85,000 units a year, of which 50,000 would be for the public sector. The Asian Financial Crisis of 1997-1998 and the deterioration of Hong Kong's housing market, prompted him – a former businessman – to halt this proactive policy and give more leverage to the market.

⁵⁰ Hong Kong Housing Authority 'Number of Applications and Average Waiting Time for Public Rental Housing' (2015) (accessed 4 January 2016).

⁵¹ Naomi Ng and Xu Xinqi, 'Waiting time for a Hong Kong public housing flat longest in 18 years: five years, three months', *South China Morning Post* (10 August 2018).

⁵² Naomi Ng, 'More young, single and highly educated Hongkongers on waiting list for public housing, official figures show', *South China Morning Post* (7 December 2018).

⁵³ Liu Edith and Victor Chan Chun-Ho, 'Housing Dream out of Reach', *Varsity* 114, (2010), pp. 24-25.

⁵⁴ Edward Yiu Chung-yim 'Hong Kong Monetary Policy and Housing Affordability', *Alternative Social Projects in the Context of the European Crisis and the Hong Kong Transformation* International Seminar, 29 November 2013, Department of Applied Social Sciences/ China-Europa Centre, The Hong Kong Polytechnic University.

⁵⁵ Pearl Liu, 'Hong Kong tops the table as world's most expensive housing market for 9th straight year', *South China Morning Post* (21 January 2019).

⁵⁶ See for example, Richard Wong Yue-chim, *Hong Kong Land for Hong Kong People* (Hong Kong: Hong Kong University Press, 2015), pp. 216-217.

⁵⁷ Alice Poon, *Land and the Ruling Class in Hong Kong* (2nd ed.), (Hong Kong: Enrich Professional Publishing, 2011).

⁵⁸ Suzanne Pepper, *Keeping Democracy at Bay: Hong Kong and the Challenge of Chinese Political Reforms* (Lanham: Rowman & Littlefield, 2008), p. 31.

⁵⁹ The system has changed several times. After 1997, "New leases of land shall be granted for a

term of 50 years from the date of grant (...) at premium, and subject to payment from the date of grant of an annual rent equivalent to 3% of the rateable value of the property at that date, adjusted in step with any changes in the rateable value thereafter". Before 1997, the leases were commonly for 75 or 99 years in urban areas. For more information, see Lands Department, [‘General Information. Land Tenure System and Land Policy in Hong Kong’](#), The Hong Kong Government, (2005) (accessed 27 October 2016).

⁶⁰ Alice Poon, *Land and the Ruling Class*, pp. 60-62.

⁶¹ Louis Augustin-Jean, ‘Urban Planning in Hong Kong...’

⁶² Steve Tsang, *A Modern History of Hong Kong* (Hong Kong: Hong Kong University Press, 2004) p. 173.

⁶³ See Leo Goodstadt, *Poverty in the Midst of Affluence: How Hong Kong Mismanaged its Prosperity* (Hong Kong: Hong Kong University Press, 2013), p. 90. See also p. 38: ‘Tung’s building programme had increased the annual output of public housing by 137 per cent between 1997 and 2000. By 2011, however, the annual supply had shrunk to a mere 17 per cent of the 2000 total. The drop in the public supply allowed private sector property prices to rise by 55 per cent between 2000 and 2011 although monthly household incomes remained firmly below the 1997 level in every year until 2011’.

⁶⁴ From 2015/2016 to 2018/2019, land premium increased from 13.5 per cent to 26.6 percent of the total Government revenue, to which the Stamp Duties (which include sale and property transfer, as well as lease of property), has to be added. This later tax varied from 10.8 per cent to 16.5 per cent over the same period. The Stamp Duties alone yield more than the salaries tax. LegCo Secretariat, [‘Major Sources of Government Revenue’](#) ISSF03/17-18 (2018).

⁶⁵ Duan Ting, [‘HK to draw more mainland buyers’](#), China Daily, (10 March 2017) (accessed 11 July 2017).

⁶⁶ Cited by Alice Poon, *Land and the Ruling Class*, p. 24. This share has diminished over the last two years due to investments from Mainland companies, as seen above. However, that does not change much the mechanism for transferring resources from the public to developers and the government.

⁶⁷ Mark Williams, *Competition Policy and Law in China, Hong Kong and Taiwan* (Cambridge: Cambridge University Press, 2005), p. 245.

⁶⁸ *Ibid.*, p. 16.

⁶⁹ Mark Williams, 'The Lion City and the Fragrant Harbour: the political economy of competition in Singapore and Hong Kong compared', *Antitrust Bulletin* 54(3), (2009), pp. 547-548. Carrefour withdrew from Hong Kong after just four years. It was blacklisted by suppliers for selling prices below the minimum agreed re-sales prices.

⁷⁰ Alice Poon, *Land and the Ruling Class*, p. 89.

⁷¹ Patrick Ho Chi-Ping, 'Monopolies must go if HK's economy is to thrive', *China Daily* (Hong Kong Edition), (18 April 2012).

⁷² Lee Eddie, 'Hong Kong Business Groups do not appear to be worried over the competition law's impact on their dealing with members', *South China Morning Post* (14 December 2015).

⁷³ Lau Siu-kai, 'Confidence in Hong Kong's Capitalist Society in the Aftermath of the Asian Financial Turmoil', *Journal of Contemporary China* 12(35), (2003), p. 384.

⁷⁴ *Ibid.*, p. 382.

⁷⁵ Leo Goodstadt, *Poverty in the Midst of Affluence*, p. 140. Goodstadt has been the first head of the Central Policy Unit from 1989 to 1997. (The CPU has been recently reshaped and renamed by Carrie Lam).

⁷⁶ *Ibid.*, p. 142.

⁷⁷ Michelle Wong, 'Why the Wealth Gap?'

⁷⁸ Hong Kong Transition Project 2010, 'Protest and Post-80s Youth', p. 59, Table 76.

⁷⁹ Sebastian Veg, 'Legalistic and Utopian. Hong Kong's Umbrella Movement,' *New Left Review* 92, (2015), pp. 68-69.

⁸⁰ Stephan Ortmann, 'The Umbrella Movement and Hong Kong's Protracted Democratization Process', *Asian Affairs*, 46(1), (2016), p. 35.

⁸¹ For an analysis on this point at the global level, see Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge, MA: Belknap Press, 2014).

⁸² That mainly consisted of two initiatives. The first was the construction of an artificial island, which could accommodate up to one million people. The project was heavily criticized due to its costs (HK\$500 million) and the time it would require before the first homes would be available. The second involved a private-public partnership to develop some of the land banks owned by the developers.

⁸³ See Greg Torode and Venus Wu, '[Hong Kong's underused military land a potential goldmine: but a minefield for government](#)', Reuters (20 December 2017). The authors mentioned that this military land occupies 2,700 hectares, mostly under-occupied; they added that Reuters contacted

the Hong Kong government, as well as the task force on land supply set up by Carrie Lam, but they only received general answers. Concerning the involvement of James Tien, see Alex Lo, 'PLA land offers range of sites for housing', *South China Morning Post* (8 July 2018).

⁸⁴ Phila Siu, 'Hong Kong protesters on meeting their housing dreams: yes, thank you, but we want genuine universal suffrage too', *South China Morning Post* (7 December 2018)

⁸⁵ *Ibid.*