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## INFORMATION NOTE

### Causes of Poverty in Hong Kong: A Literature Review

#### 1. Overview

1.1 This information note summarizes academic discussions on the factors that lead to the present problem of poverty in Hong Kong. In fact, academics from a wide range of disciplines have engaged in the study of the causes of poverty in Hong Kong, which reflects the multi-dimensional nature of the problem of poverty.

1.2 A review of the relevant literature in the following disciplines – economics, social policy and administration, social work, sociology, psychology, and geography – is conducted. The review identifies a list of factors that are believed to lead to loss of income for the unemployed, reduction of income for the employed or vulnerability of certain groups to loss of or reduction in income, thereby putting some households on the edge of or in poverty. These factors are broadly grouped under the headings of economic restructuring, household income, policy measures and culture.

#### 2. Causes of poverty

##### Economic restructuring

2.1 Since the 1980s, Hong Kong has been transformed from a manufacturing economy to a service economy. Such transformation has changed the knowledge and skill requirements of the labour force. Manufacturing workers unable to cope with this change are being displaced. The economic transformation has been one of the contributing factors to the displacement of over half a million of manufacturing workers since the 1980s.<sup>1</sup>

2.2 Being encouraged by the "open door" policy adopted by the Mainland at the end of the 1970s, industrialists have gradually moved their production lines across the border to the Pearl River Delta region where the production cost is comparatively lower than that in Hong Kong. Such move has reduced local job opportunities and thus increased the risk of unemployment in the manufacturing sector.<sup>2</sup>

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<sup>1</sup> Lui and Wong (1995), 香港社會服務聯會(1996), Hong Kong Council of Social Service (1996), Chiu, Ho and Lui (1997), Lui (1997), Tsang and Cheng (1997), Lee and Edwards (1998), 葉毅明、顏文雄(1999), 黃洪(2000a), Iakova (2004), Zhao, Zhang and Sit (2004).

<sup>2</sup> Lui and Wong (1995), 香港社會服務聯會(1996), Chiu, Ho and Lui (1997), Lui (1997), Tsang and Cheng (1997), Lee and Edwards (1998), 葉毅明、顏文雄(1999), 黃洪(2000a), Iakova (2004), Zhao, Zhang and Sit (2004).

2.3 The Government's policy to accelerate the economic integration with the Mainland is expected to benefit as well as pose challenges to Hong Kong. One of the challenges is the further transformation of Hong Kong's manufacturing industry to emphasize on developing brands, creating new designs and funding research and development. Such transformation enhances the overall level of skills of the workforce but the low-skill and less educated workforce cannot benefit because of the mismatch between their knowledge and skills and the job requirements, which again contributes to job displacement.<sup>3</sup>

2.4 Economic globalization has facilitated the development of an international production system which is characterized by the division of labour between the developed and developing areas. While the management function, such as financing and marketing, remains in the developed areas, the production work is moved to the developing areas where the production cost is lower. Accordingly, Hong Kong, as a developed place, has witnessed its capital being gradually diverted to the developing areas such as Pearl River Delta region and South-East Asian countries, which inevitably reduces the employment opportunities for local workers.<sup>4</sup>

### Household income

2.5 The transformation of the economic structure of Hong Kong has gradually diverted the demand for labour away from the manufacturing sector and towards the service sector. Experienced manufacturing workers who shift to service jobs generally receive less income because their previous experiences are usually not relevant to their new posts.<sup>5</sup>

2.6 The transformation of the economic structure of Hong Kong has also brought about income disparity between workers at the lower and upper segments of the occupational hierarchy. The rising demand for better educated and higher-skill workers pushes up their salary level. On the contrary, the decreasing demand for less educated and lower-skill workers depresses their wage level.<sup>6</sup>

2.7 Meanwhile, jobs created under the economic transformation in both public and private sectors are mainly flexible employment involving contract workers, self-employed and temporary workers. Employees under flexible employment commonly experience no or minimal job-related benefits, unstable income and no job security. These marginalized workers are vulnerable to poverty once they lose their jobs.<sup>7</sup>

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<sup>3</sup> 陳偉群(2003), Leung (2003), Iakova (2004), Zhao, Zhang and Sit (2004).

<sup>4</sup> Chiu, Ho and Lui (1997), Tsang and Cheng (1997), 陳錦華(1999), 黃洪(2000a), Li (2003), Leung (2003), Iakova (2004), Zhao, Zhang and Sit (2004).

<sup>5</sup> Lui and Wong (1995), Hong Kong Council of Social Service (1996), Lui (1997), Tsang and Cheng (1997), 葉毅明、顏文雄(1999), 黃洪(2000a), Iakova (2004), Zhao, Zhang and Sit (2004).

<sup>6</sup> 香港社會服務聯會(1996), Lui (1997), Tsang and Cheng (1997), 葉毅明、顏文雄(1999), 黃洪(2000a), Chiu (2003), Iakova (2004), Zhao, Zhang and Sit (2004).

<sup>7</sup> Lee and Edwards (1998), 陳錦華(1999), 葉毅明、顏文雄(1999), 黃洪(2000a), Zhao, Zhang and Sit (2004).

2.8 Overall, income inequality in Hong Kong, as indicated by the Gini Coefficient, has been on the rise in the past three decades.<sup>8</sup>

### Policy measures

2.9 The middle-age and old-age population is not properly safeguarded by the current Mandatory Provident Fund or any other public financial supportive schemes. Elderly people, particularly those single elderly people without financial means, are prone to poverty.<sup>9</sup>

2.10 Most of the lone mothers have homemaking and childcare responsibilities. They can re-enter the labour market if sufficient childcare services and effective retraining programmes are provided. However, inadequate service support and lack of relevant social welfare policies for lone mothers have essentially trapped them in poverty.<sup>10</sup>

2.11 Housing plays a crucial role in determining the amount of disposable resources available for a household. While home prices and rentals have dropped since the Asian financial crisis struck in 1997, they remain a significant proportion of disposable income, especially when household income has simultaneously fallen during the same period. When both homeowners and tenants have to cut down other expenses to allow for housing expenditures, not only may their quality of life suffer, but some of them may also be pushed into poverty.<sup>11</sup>

### Culture

2.12 Discrimination to new arrivals from the Mainland, ethnic minorities, middle-age and old-age workers, female workers, lone parents and other disadvantage groups may have negative impact on their accessibility to and treatment received in the labour market. For disadvantage groups, inaccessibility to and unfavourable treatment in the labour market may have adverse effect on their income level.<sup>12</sup>

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<sup>8</sup> Lui (1997), Tsang and Cheng (1997), 葉毅明、顏文雄(1999), 黃洪(2000a), Iakova (2004), Zhao, Zhang and Sit (2004).

<sup>9</sup> Chow (1982), 香港社會服務聯會(1996), Hong Kong Council of Social Service (1996), Sze and Ng (1997), Lee and Edwards(1998), 葉毅明、顏文雄(1999), 黃洪(2000a), Zhao, Zhang and Sit (2004).

<sup>10</sup> Lui and Wong (1995), Sze and Ng (1997), Lee and Edwards (1998), Chan (1999), 陳錦華(1999), 黃洪(2000a).

<sup>11</sup> MacPherson and Chan (1997), Lee and Edwards (1998), 黃洪(2000a).

<sup>12</sup> Sze and Ng (1997), Lee and Edwards (1998), 黃洪(2000a), 趙維生(2004).

2.13 Poverty subculture perpetuates to the succeeding generations. People grow up in a poor family acquire the life style and beliefs of the poor, such as poverty is caused by fate. A deprived environment reinforces the development of a poverty subculture, e.g. poor families learning from each other's way to adjust to poverty and accept it as a matter of fact. People grow up in the poverty subculture may not have strong wishes or personal resources to break the poverty cycle.<sup>13</sup>

2.14 People who used to live upon welfare benefits have less incentive to work as they accustomed to the welfare recipient status. Such dependency culture reduces people's motivation to work for financial independency.<sup>14</sup>

### **3. Relative importance of causes**

3.1 During the literature review, no reference work about the relative importance of causes of poverty has been found.

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10 January 2005  
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<sup>13</sup> Ma (1998), 陳錦華(1999), 莫泰基(1999), 黃洪(2000a), 黃洪(2000b), Shek (2004).

<sup>14</sup> Leung (1999), 黃洪(2000a), Chiu (2003), Zhao, Zhang and Sit (2004).

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