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THE QUALITY OF LIFE OF HONG KONG'S POOR  
HOUSEHOLDS IN THE 1990s: LEVELS OF  
EXPENDITURE, INCOME SECURITY AND POVERTY

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**ABSTRACT.** This paper examines the changes in the quality of life of poor households in Hong Kong in the late 1990s by analyzing their levels of expenditure, income security and poverty before and after 1997. Though there have been significant increases in the levels of expenditure among CSSA recipients, the expenditure among these poorest households in Hong Kong is still below that of non-CSSA recipients. Increasing poverty in Hong Kong is the result of increasing housing costs borne by these low expenditure households, who have to squeeze their expenditure on food and other items in order to meet the rising cost of housing. De-industrialisation and mass unemployment have given capital and the state unchecked authority to restructure the economy and to deregulate the labour market. Many low-income households have been hit hard as they faced redundancy, unemployment and wage-cuts after the 1997 Asian financial crisis. What jobs have been created are mostly part-time, temporary and contract jobs, and there has thus been an erosion in both job and income security. The quality of life of poor households is devastating not only in the sense that their living standards are low, but also that they are socially excluded from the mainstream of society.

**KEY WORDS:** economic well-being, Hong Kong, poor households, quality of life

INTRODUCTION

Hong Kong being one of the most modernized cities in Asia, one would think that it should be free of the problem of poverty. In reality, behind the image of prosperity, Hong Kong's income distribution is extremely unequal with many people still living at subsistence level and many in abject poverty. Using different definitions and measurements of poverty, various

researchers estimate that about six hundred thousand people, that is 10–15% of the population were living in poverty during the period 1994–1996 (Wong and Chua 1996; MacPherson and Lo 1997; Mok and Leung 1997). What was the quality of life of these poor households in the 1990s? Were there significant changes in the quality of life of these poor households after 1997, the year of Hong Kong's political reunification with Mainland China and of the outbreak of the Asian financial crisis?

Quality of life (QOL) is a complex, abstract, and multidimensional concept, which is difficult to define and measure. Many academics and government institutions have proposed various indices to monitor the change of QOL in different countries and regions (Hagerty et al., 2001). Working with Richard J. Estes, the Hong Kong Council of Social Service developed the Social Development Index (SDI-2002), which is the most comprehensive QOL index in Hong Kong (HKCSS, 2002). The Index includes a Low Income sub-index, which comprises 'the number of low-income households,' 'the percentage of household expenditure on housing and food,' 'the unemployment rate,' 'the real wage index' and 'the ratio of homeless persons.'

The Low Income sub-index of SDI-2002 provides a useful and reliable way to measure the QOL of poor households in Hong Kong. However, the scope of the sub-index is limited by the availability of primary data collected by the government. For example, data on the percentage of expenditure on food and housing are compiled by the Household Expenditure Survey, which only takes place once every five years. Another limitation of the Low Income sub-index of SDI-2002 is that, for the sake of simplicity, it includes only a very limited number of indicators. For instance, it does not include measures of the consumption levels of the poor households, nor does it have any indicators of income, work and employment insecurity among the poor.

In order to fill in these gaps, this paper will analyze the changes in the quality of life of poor households in Hong Kong in the late 1990s by including a number of additional dimen-

sions. I will also seek to highlight the context and reasons behind the changes. I will not compile another QOL index, but rather identify and explain the major changes of QOL among Hong Kong's poor households in the late 1990s by primary and secondary data analysis.

According to the opinion polls conducted by the Home Affairs Bureau, Hong Kong SAR, the general public has continued to be most concerned about the economy and labour problems since 1998, following the Asian Financial Crisis. The economic problems that have concerned them are the economic recession, the level of employment and the issues which unemployment gives rise to. Labour problems include the difficulties faced by jobseekers, laid off workers and those affected by underemployment. Clearly, economic well-being has been the main concern of the general public in Hong Kong. The poor households, the most economically vulnerable section of the population in times of economic crisis, were badly hit by unemployment and wage cuts during the recession. They worry about the current conditions in the economy and in the labour market. In this paper, I will focus on the major changes in their economic well-being, the main determinant of their overall quality of life.

The Index of Economic Well-Being (IEWB) was developed by Lars Osberg and Andrew Sharpe in order to measure economic well-being in the USA (Osberg and Sharpe, 1998, 1999, 2000). They identify four dimensions of economic well-being: (1) the level of average consumption flows; (2) aggregate accumulation of productive stocks; (3) inequality in the distribution of individual incomes and (4) insecurity in the anticipation of future incomes. My analysis of economic well-being will follow Osberg and Sharpe's conceptualization. However, as data on levels of saving and investment among poor households can hardly be found in Hong Kong, I will not discuss aggregate accumulation of productive stocks in this paper. I will focus my investigation on examining the change in the level of consumption, inequality of incomes and deterioration of work security among the poor households in the late 1990s; I will also explore the dynamics of the reasons behind such

changes as they determine the economic well-being as well as the quality of life of the poor households.

#### CHANGE IN LEVEL OF CONSUMPTION

##### *CSSA Recipients*

The means-tested Comprehensive Social Security Assistance (CSSA) Scheme is the major income-support social security scheme in Hong Kong, which is intended to provide assistance to financially vulnerable individuals and families. CSSA recipients represent the most vulnerable population in Hong Kong. In 1989/1990, there were just 64,222 households receiving CSSA. In 1999/2000, owing to the economic recession after the 1997 Asian Financial Crisis, there were 228,015 households receiving CSSA.

According to the household expenditure survey of CSSA recipients conducted by the Social Welfare Department, the total expenditure level of the CSSA recipients recorded a significant increase during the 1990s (SWD, 1996; 2001). In Table I, the expenditure level of the CSSA recipients in 1989/1990 and 1994/1995 were adjusted according to the Social Security Assistance Index of Prices (SSAIP) and converted to the same purchasing power as at Oct 1999–Sep. 2000. The average total monthly per capita expenditure of CSSA recipients was \$1886<sup>1</sup> in 1989/1990, which increased to \$2072 in 1994/1995, representing a 9.9% increase over 5 years in the early 1990s. It further increased to \$2769 in 1999/2000, a further 33.6% increase over 5 years in late 1990s. The escalating level of total consumption among CSSA recipients seems to reflect a positive increase in their economic well-being and their quality of life. However, under scrutiny, this increase may not be as enormous as it first appears.

During the period from 1989/1990 to 1999/2000, the total increase of per capita expenditure of CSSA recipients was \$883. This included widely varying increases in the expenditure on different categories of commodities/services. The most significant increase was in expenditure on housing. Housing expen-

TABLE I  
Average Monthly Per Capita Expenditure of CSSA recipients (1989/1990, 1994/1995 and 1999/2000)

Category of Commodity/Services	1989/1990		1994/1995		1999/2000		Difference between 1989/1990-1999/2000 HKD(\$)	Percentage to Overall Difference (%)
	HKD(\$)	(%)	HKD(\$)	(%)	HKD(\$)	(%)		
Food	1071	56.8	984	47.5	1084	39.1	+ 13	1.4
Housing	290	15.4	478	23.1	603	21.8	+ 313	35.4
Fuel & Light	75	4.0	107	5.1	131	4.7	+ 56	6.3
Alcoholic Drinks & Tobacco	60	3.2	50	2.4	60	2.2	+ 0	0.0
Clothing & Footwear	55	2.9	55	2.7	110	4.0	+ 55	6.2
Durable Goods	20	1.1	30	1.5	79	2.9	+ 59	6.7
Miscellaneous Goods	129	6.8	102	4.9	240	8.7	+ 111	12.6
Transport	49	2.6	59	2.9	119	4.3	+ 70	8.0
Miscellaneous Services	134	7.1	200	9.6	343	12.4	+ 209	23.7
Overall (average monthly exp.)	1886	100.0	2072	100.0	2769	100.0	+ 883	100.0

Note: The prices are adjusted according to the Social Security Assistance Index of Prices (SSAIP) and converted to the price levels at Oct. 1999-Sep. 2000.

Source: Research and Statistics Section Social Welfare Department (1996 and 2001).

diture increased by \$313, or 35.3% of the total increase. The percentage of housing expenditure to total expenditure also rose from 15.4% in 1989/2000 to 21.8% in 1999/2000. Though the expenditure on housing was increasing, it does not necessarily follow that the quality of housing was improving for CSSA recipients. Rather, it was a result of the escalating cost of housing. I will discuss the impact of rising housing costs on poor households in Hong Kong in detail in the next section.

The second major component in the increase in CSSA recipients' expenditure was on miscellaneous services, which increased by \$209, 23.7% of the total increase. The increase in expenditure on miscellaneous goods was \$111, 12.6% of the total difference, which ranked third. Increasing expenditure on housing, miscellaneous services and miscellaneous goods constituted 71.7% of the total increase in the per-capita expenditure of CSSA recipients during the 10 years in question.

In order to investigate the impact of rising expenditure on miscellaneous goods and services on the quality of life of CSSA recipients, we need to examine what kinds of miscellaneous goods and services they consumed. In 1999/2000, of the \$343 per capita spent on miscellaneous services, \$70 (57.8%) was spent on medical services, \$121 (35.3%) on education related expenses, and \$71 (20.7%) on telephone services. Of the \$111 per capita spend on miscellaneous goods, \$59 (53.1%) was spent on proprietary medicines and supplies, and \$52 (46.9%) on books and periodicals (see Tables II and III).

The increase in the expenditure on education related books and periodicals signifies the rising cost of education as well as the rising expectation among CSSA recipients that their children will complete elementary or even tertiary education. Though CSSA recipients can receive free medical services at Government clinics and hospitals, many recipients, especially the elderly, like to consult traditional Chinese doctors, and this is not included in the special needs allowance. Further, though public health services are free for CSSA recipients, clinics have limited quotas and patients might need to wait for three to four hours to get an appointment. For minor illnesses, many recipients prefer to buy proprietary western and Chinese med-

TABLE II  
Comparison of Average Monthly Per Capita Expenditure of CSSA  
Recipients and other Households on Miscellaneous Goods (1999/2000)

	CSSA recipients		Non CSSA recipients	
	\$	%	\$	%
Miscellaneous service				
Educational related expenses	121	35	247	25
Telephone services	71	21	201	21
Medical services	70	21	141	15
Household services	20	6	153	16
Other	59	17	231	24
Sub-total	343	100.0	973	100.0
All categories	2769		6411	
Percentage to all categories		12.4		15.2

*Source:* Research and Statistics Section Social Welfare Department (2001: 13) and Census and Statistical Department (2001a: 91–92).

TABLE III  
Comparison of Average Monthly Per Capita Expenditure of CSSA  
Recipients and other Households on Miscellaneous Goods (1999/2000)

	CSSA recipients		Non CSSA recipients	
	\$	%	\$	%
Miscellaneous Goods				
Proprietary Medicines and Supplies	59	25	31	10
Books and Periodicals	52	22	59	19
Cosmetics and Personal Care Products	39	16	57	19
Newspapers	27	11	32	10
Housing Cleansing Tools and Supplies	15	6	11	3
Stationery	11	5	10	3
Others (included soft furnishings, jewellery, toys and hobbies, household, others)	38	16	111	36
Total	240	100	310	100

*Source:* Research and Statistics Section Social Welfare Department (2001: 13) and Census and Statistical Department (2001a: 90).

icines for self-treatment rather than waiting in a long queue at the public health clinic.

The CSSA recipients spend more on miscellaneous goods and services, which represents an absolute increase in their quality of life. On the other hand, when we compare them with the general households in Hong Kong, their quality of life still lags behind other households in Hong Kong.

In 1999/2000, the average monthly per-capita expenditure of a CSSA recipient was \$2769, and that of a non-CSSA recipient was \$6411 (see Table IV). The difference reflects the significant disparity of living standards between the CSSA recipients and the general public. The total expenditure level of CSSA recipients, a measure of their total consumption, was only 43.2% of the level of non-CSSA recipients. CSSA recipients consume less of every category of goods and services than their non-CSSA counterparts. Nevertheless, a larger share of CSSA recipients' expenditure (39.1%) is on food, while non-CSSA recipients

TABLE IV  
Comparison of Average Monthly Per Capita Expenditure of CSSA and Non-CSSA Recipients by section of commodity/services (1999/2000)

Category of commodity/ services	CSSA Recipients		Non-CSSA Recipients	
	HKD(\$)	(%)	HKD(\$)	(%)
Food	1084	39.1	1651	25.7
Housing	603	21.8	2061	32.2
Fuel & Light	131	4.7	186	2.9
Alcoholic drinks & tobacco	60	2.2	66	1.0
Clothing & footwear	110	4.0	282	4.4
Durable goods	79	2.9	291	4.5
Miscellaneous goods	240	8.7	310	4.8
Transport	119	4.3	591	9.2
Miscellaneous services	343	12.4	974	15.2
Overall (average monthly exp.)	2769	100.0	6411	100.0

*Source:* Research and Statistics Section, Social Welfare Department (2001:8) and Census and Statistical Department (2001a: 87–92).

spend only 25.7% of their budget on food. The higher Engel Ratio of the CSSA recipients signifies their level of poverty.

The increase in expenditure on miscellaneous goods and services among CSSA recipients from 1989/1990 to 1999/2000 reflect greater choice and variety in their consumption patterns, and thus represents an improvement in their quality of life. Nonetheless, both the quantity and quality of the consumption among CSSA recipients on these two items were still well below those of non-CSSA recipients.

In 1999/2000, while CSSA recipients spent \$343 on miscellaneous services, non-CSSA recipients spent 2.8 times that amount, \$973, on the same. A larger share of CSSA recipients' spending on miscellaneous services was on education related services (35%) and medical services (25%) than non-CSSA recipients. However, in absolute terms, the CSSA recipients spent \$121 on education and related services and \$70 on medical services, only half of the \$247 and \$141 spent by the non-CSSA recipients. As indicated above, CSSA recipients spend more on education related services than they did in the past. Compared with the general public, CSSA recipients spent much less on education related expenses, and this may hamper their opportunities to escape from poverty.

There was also a significant difference between CSSA and non-CSSA recipients in the 'Others' category of miscellaneous services. The survey report on non-CSSA recipients gave a break down of this item, but it cannot be found in the report on CSSA recipients. However, it is clear from the composition of these 'Others' among non-CSSA recipients, who spent \$231 on them, that they were the kinds of items which have an influential positive effect on quality of life. Monthly spending under the various headings included package tours (\$81), professional services, photo-printing, subscriptions and other services (\$65), other entertainment and holiday expenses (\$32), spending on dinner parties (\$12) and cinema entertainment (\$9), hair-dressing (\$24). The CSSA recipients spent a total of \$59 on all these items, just one-fourth of the non-CSSA recipients. This signifies that the CSSA recipients enjoyed only a minimal social life compared with the general public.

Under miscellaneous goods, there is also a significant qualitative variation between CSSA recipients and non-recipients. CSSA recipients spent \$59 (25%) on proprietary medicines and supplies, much higher than the \$31 (10%) spent by non-CSSA recipients, indicating that CSSA recipients relied more on proprietary medicines since they could not afford private health care. While the non-CSSA recipients spent \$111 (36% of their expenditure on miscellaneous goods) on 'other goods' (included soft furnishings, jewellery, toys and hobbies), the CSSA recipients spent only \$38 (16%) on this item, which also reflects their relative deprivation.

All in all, total expenditure levels among CSSA recipients recorded a significant increase during the 1990s, indicating a real increase in their consumption levels and economic well being after the rise in the basic rate in the mid-1990s. However, when we compare their level and patterns of expenditure with those of non-CSSA recipients, CSSA recipients spent a larger proportion of their expenses on the necessities like education related services, medical services and proprietary medicines.

CSSA recipients spend less than the general public, both absolutely and relatively, on housing, toys and hobbies, tours, and entertainment. In the contemporary urban context, these goods and services have a significant impact on their quality of life. To conclude, the economic well-being of the CSSA recipients increased absolutely when we compare their present with their past living standards; but decreased relatively when we compare their living standards with those of other households in Hong Kong.

According to the report of the Household Expenditure Survey in 1994/1995 and 1999/2000, the average monthly expenditure of the lowest 25% expenditure group (non-CSSA recipients) increased from \$6107 to \$8026 (see Table V). The overall expenditure of the lowest 25% expenditure group increased \$1919 (31.4%) in real term from 1994/1995 to 1999/2000. However, 43.1% of their increased expenditure was on housing and 18.6% was on miscellaneous services. The increases in expenditure in other sectors were well below these two items. These figures suggest that though the over expen-

TABLE V  
Difference of Average Monthly Household Expenditure of the Lowest 25% Expenditure Group in 1994/1995 and 1999/2000

Category of commodity/services	Monthly expenditure		Difference between 1994/1995 and 1999/2000 HKD(\$)	Percentage to total difference
	1994/1995 HKD(\$)	1999/2000 HKD(\$)		
Food	2941	2917	(24)	-1.2%
Housing	1449	2275	826	43.1%
Fuel & Light	274	402	128	6.7%
Alcoholic Drinks & Tobacco	148	150	2	0.1%
Clothing & Footwear	261	211	(50)	-2.6%
Durable Goods	111	226	115	6.0%
Miscellaneous Goods	255	397	142	7.4%
Transport	431	598	167	8.7%
Miscellaneous Services	495	851	356	18.6%
Overall (average monthly expenditure)	6107	8026	1919	100.0%
No. of Households	379,000	406,000		

*Note:* The expenditure levels in 94/95 are adjusted at 1999/2000 prices according to the changes in the CPI(A).  
*Source:* Census and Statistical Department (1996, 2001a).

diture level of the poor non-CSSA recipients increased significantly in the late 1990s, most of the increased expenditure was on housing. The increase in housing expenditure may have been caused by escalating housing prices. One result may have been that the overall quality of life of poor households in the late 1990s did not significantly advance at all. The rising cost of housing and its impact on poor households will be discussed in the next session.

*The rising cost of housing and its share in household expenditure*

Rising housing costs in the 1990s were the most important factor in the growing cost of living in Hong Kong. Liu (1998) suggests that strong demand and restricted supply of land pushed property prices to an unrealistic level. The residential property price index increased sevenfold in the 10 years before the market crashed in late 1997. Residential property prices in Hong Kong overtook Tokyo and all major cities to become the highest in the world. Rising property prices inevitably pushed up the rental cost of accommodation.

During the late 1980s and the early 1990s, the housing expenditure pattern of Hong Kong households underwent an important change. Families came to spend more of their budget on housing than on food. Referring to Table VI, the share of housing in total household expenditure increased more than 5% from 20.1% in 1979/1980 to 25.6% in 1989/1990. The increasing trend continued in the early 1990s, with a further 5% of the total expenditure spent on housing, which increased to 31.0% in 1994/1995. Concomitantly, the share of expenditure on food in the total household expenditure decreased from 38.3% in 1984/1985 to 29.4% in 1994/1995. As regards other items, except for transportation their shares in total household expenditure have been stable since 1979/1980. In 1994/1995, housing surpassed food to become the largest single item of household expenditure. In 1999/2000, the share of housing in total household expenditure increased to 32.2%, which exceeded the share of food by 6.5%, signifying that housing had become the most important item of expenditure in the household budget.

TABLE VI  
Percentage of Selected Items of Total Household Expenditure (1979/1980–1994/1995)

Percentage of selected items of total household expenditure	1979/1980	1984/1985	1989/1990	1994/1995	1999/2000
Housing	20.1	20.6	25.6	31.0	32.2
Food	38.3	38.3	34.2	29.4	25.7
Medical and Supplies and Medical Services	2.8	3.0	2.4	2.2	2.7
Fuel and Light	2.8	2.8	2.4	2.4	2.9
Transport	6.4	7.2	7.6	7.9	9.2

*Source:* Census and Statistics Department, Household Expenditure Survey, various issues.

Owing to the expanding share of housing in total household expenditure, the rise and fall of housing costs is the most important factor in changes in the cost of living. In 1999, the change in housing prices contributed 40.6% to the rate of change in the Composite Consumer Price Index (Census and Statistics Department, 2000: 38). In 1999/2000, the lowest 25% of households spent 28.3% of their total expenditure on housing, while in 1994/1995 they only spent 23.7% of their total budget on housing. (Census and Statistics Department, 1996, 2001a).

Wong and Lee (2001) find that the income elasticity of expenditure on housing is lower than food in Hong Kong. When the poor households were asked “If their income were cut in half, which item of expenditure would they spend less on?”, 62.6% of the poor households answered that they would reduce their expenditure on food, while only 9.6% would reduce their expenditure on housing. When the poor households were asked “if their income were doubled, which item would they spend more on?”, among the poor households, 53.2% would increase their expenditure on food, and 29.0% would increase their expenditure on housing. For the poor households, housing is a more essential ‘necessity’ than food. I will explain this phenomenon in the next session.

In conclusion, households in Hong Kong have had to put a greater share of their expenditure into meeting the dramatically rising prices of real estate and rent. The changing pattern of expenditure shows that households in Hong Kong spent most of their increasing income to finance the cost of housing. After meeting the mounting housing costs, most Hong Kong families, especially those living in abject poverty, did not have extra financial resources to improve their quality of life.

*Impact of rising housing costs on different types of households*

After conducting a secondary data analysis on the Households Expenditure Survey 1994/1995 (Census and Statistics Department, 1996), Wong and Chua (1996) find that the lowest 0–5% expenditure group spent 44% of their total expenditure on housing, while the lowest 5–10% expenditure group spent 37% on housing (see Table VII). The ratio then decreased to the 26–28% level for the 10–40% expenditure group. For the 40–50% expenditure group the ratio increased to 31% while for the 50–100% highest expenditure group, the ratio significantly increased to 46%. The U-shape of this curve shows that, on the one hand, the poorest people had to spend about 40% of their expenditure to rent a bedsit or a tiny board-partition-room, and on the other hand, the middle class used up nearly half of their expenditure (46%) on their home mortgage. This demonstrates that high housing costs have increased the cost of living for both the poorest and the richest sectors in Hong Kong.

Having compared the changes in the expenditure patterns of the expenditure households in the 1990s, Wong and Chua (1996) conclude that increasing poverty in Hong Kong is the result of increasing housing costs borne by the low expenditure households, who have to squeeze their expenditure on food and other items in order to meet the housing costs. The data in Table VIII reveal that the growth rate of food expenditure for one-person households in the lowest 5% expenditure group from 1989/1990 to 1994/1995 was 41%, which was lower than the growth rate of inflation (57%) during the same 5 years. However, the growth rate of housing expenditure for these households was 122%, double the inflation rate in the same

TABLE VII  
Expenditure of Different Expenditure Groups of One-person Households on Food, Housing and other Expenditure (1994/  
1995)

Expenditure group	0-5%	5-10%	10-15%	15-20%	20-30%	30-40%	40-50%	50-100%
Food (\$)	525	869	1201	1297	1594	1780	1935	3113
of total expenditure	44	46	52	49	47	43	36	19
Housing (\$)	483	689	619	749	872	1082	1656	7294
of total expenditure	40	37	27	28	26	26	31	46
Other expenditure (\$)	191	327	469	589	916	1,252	1774	5574
of total expenditure	16	17	20	22	27	30	33	35

Source: Wong and Chua (1996: 11).

TABLE VIII

Change in Food and Housing Expenditure of One-person Households in the Lowest 5% Expenditure Group (1989/1990–1994/1995)

One-person household 0–5% expenditure group	1989/1990 (HKD)	1994/1995 (HKD)	Growth Rate (%)
Food Expenditure	\$373	\$525	40.8%
Housing Expenditure	\$217	\$483	122.6%
		1989/1990–1994/ 1995 inflation rate	57%

*Source:* Wong and Chua (1996: 24).

period. This signifies that due to the bubble economy in the late 1980s, rising property price induced higher rental costs, which increased the burden on low-income households (see Table VIII).

The rise of housing costs had a greater impact on small households and those living in private housing. These households spent a larger proportion of their total income on housing. Unlike households with several members, a larger proportion of single person households lived in private housing. This is because the public housing agencies used to neglect the needs of single-person and two-person households. Although single-person households could apply for public rental housing, the waiting period was so long that most of them were forced to seek accommodation in the private sector.

In 1994/1995, the lowest 5% expenditure group of single-person households spent \$483 on housing. During that period, the average rent of a caged-home or a bedsit was \$450 to \$500. Caged-homes and bedsits were the cheapest means of accommodation in the private housing market, so the lowest rent for the poorest single-person households was around 500 dollars. This meant that these people had to use up 40% of their expenditure on housing, with the result that their expenditure on other items was squeezed.

The low-income households in the private housing sector spend more on housing than their counterparts living in public housing. In 1994/1995, among the one-person households in the

lowest 10% expenditure group, those living in private housing spent 48% of their total expenditure on housing, while those living in public housing only spent 34% on housing. However, those who lived in public housing still faced the pressure of high rent. The guideline for fixing rent adopted by the Housing Authority is that the standard rent should not exceed 15% of the median income of the potential tenants. Yet the one-person households in the lowest 10% expenditure group in public housing spent \$519 on housing, about 31% of their total income, double the standard rate set by the Housing Authority.

Though the rising trend of the property price and housing rent was reversed after the bubble economy burst in the 1997. The poor households still spend more proportion of their household expenditure on housing between the period 1994/1995 and 1999/2000. The 0–5% and 5–10% expenditure groups increased 1% of their total expenditure on housing, while the 10–15% expenditure group significantly increased 5% of their household expenditure on housing. Concomitantly, the 0–5%, 5–10%, and 10–15% expenditure group decreased percentage of food expenditure by 3%, 6% and 9%. This signifies low-expenditure households must squeeze their expenditure on food in order to pay for housing even in the late 1990s.

The low elasticity of housing expenditure of the low-expenditure households is caused by the formalisation of the housing market in Hong Kong. Before the 1980s, most poor households in Hong Kong applied for public housing to fulfil their housing need. While they were waiting for public rental housing, they had to rent bed sits or rooms in the private housing market. When they found the rent in the private housing market unbearable, the poor households could fulfil their housing need by having recourse to different forms of accommodation in the informal economy: buying squatters or rooftop flats, or using self-help strategies to build their own squatters or boathouses.

The private housing market in Hong Kong, however, became more 'formalized' after the government tried to regulate and demolish the squatters, rooftop houses and caged-homes. Consequently, the choices of the poor households became more and more restricted. The only outlet for those

who cannot find accommodation in public housing, mainly single person households and new arrivals, is to live in bed sits or board-partition-rooms in the old urban areas. Worse still, in view of the redevelopment of the old urban areas, these poor households cannot find enough caged-homes and board-partition-rooms. The elasticity of housing expenditure of such poor households is extremely low. Therefore, if they cannot afford the rent for this lowest level accommodation, they will become homeless. In short, the increasing cost of housing is the most important factor in both the rise in living costs and the exacerbation of the problem of poverty in Hong Kong.

#### *Income Security in the 1990s*

##### *Growth of income inequality and poverty*

Using different definitions and measurements of poverty, various researchers come to the same conclusion: that the problem of poverty was severe in the 1990s in Hong Kong. They estimate that about six hundred thousand people, that is 10–15% of the population, were living in poverty during the period 1994–1996 (Wong and Chua, 1996; MacPherson and Lo, 1997; Mok and Leung, 1997).

The gap between the rich and the poor was widening throughout the 1990s. According to the data of the 2001 Census, the Gini Coefficient reached its highest recorded level, 0.525, at that time (Hong Kong Census and Statistics Department, 2001b). In 1971 the Gini Coefficient was only 0.43. However, in the 1980s the economic restructuring process induced a growing discrepancy in income; the Gini Coefficient was increasing, and reached 0.451 in 1981, rising further to 0.476 in 1991. In the early 1990s the process of economic restructuring accelerated, with a concomitant widening of the gap between the rich and the poor.

From 1981 to 2001, households with the lowest income showed no sign of improvement, but there are signs of a decrease in the share of income of the low-income households. In fact, 20% of the households with the lowest income earned only 4.6% of total household income in 1981. The figure

increased slightly in 1986 to 5.0%, but in the period from 1986 to 1991, the figure fell to 4.3%. During the period 1991–1996 the ratio decreased sharply to 3.7%, and from 1996 to 2001 the ratio decreased further to 3.2%. We can see that the income gap widened in the 1980s, and the situation of low-income households has worsened significantly in the 1990s (see Table X).

*The impact of the asian financial crisis*

In the late 1990s, following the Asian financial crisis, Hong Kong's bubble economy burst. As lots of employees faced unemployment and wage cuts, the income security of the poorest employees, mainly unskilled manual workers of low educational background, has severely worsened. In 1990 the average income of the first quintile income households was \$3450, while in 1997 the average real income of this group slightly increased to \$3668. However, after the Asian financial crisis, the average income of this lowest quintile group decreased to \$2645 for the first nine months of 1999. In other words, from 1990 to 1999 the real income of the poorest one-fifth households in Hong Kong decreased 23.3%.

Conversely, the income of the wealthiest stratum in Hong Kong recorded a significant increase. In 1990 the average

TABLE IX  
The Percentage of Food and Housing Expenditure to Total Monthly Household Expenditure (1994/1995 and 1999/2000)

Percentage of food and housing expenditure to total monthly household expenditure		Expenditure Group				
		0–5%	5–10%	10–15%	15–20%	Overall
Food	94/95	45%	48%	47%	45%	29.4%
	99/00	42%	42%	38%	38%	25.7%
	Difference	–3%	–6%	–9%	–7%	–3.7%
Housing	94/95	22%	19%	17%	19%	31.0%
	99/00	23%	20%	22%	22%	32.2%
	Difference	+1%	+1%	+5%	+3%	+1.2%

Source: Hong Kong Council of Social Service (2003: 34).

TABLE X  
Decile Distribution of Household Income of Domestic Households, 1981–2001

Decile Group	1981	1986	1991	1996	2001
1st (lowest)	1.4	1.6	1.3	1.1	0.9
2nd	3.2	3.4	3.0	2.6	2.3
3rd	4.4	4.4	4.0	3.6	3.4
4th	5.4	5.4	5.0	4.6	4.4
5th	6.5	6.4	6.1	5.7	5.6
6th	7.8	7.6	7.4	7.0	7.0
7th	9.4	9.1	9.0	8.5	8.8
8th	11.5	11.4	11.4	10.6	11.1
9th	15.2	15.2	15.5	14.5	15.3
10th (highest)	35.2	35.5	37.3	41.8	41.2
Total	100.0	100.0	100.0	100.0	100.0
Gini Coefficient	0.451	0.453	0.476	0.518	0.525

*Source:* Census and Statistics Department (1991, 2001b). Population Census Main Report.

income of the fifth quintile group was \$28,850, whereas in 1997 the average real income of this group increased to \$36,397. After the Asian financial crisis, their income still recorded real growth and increased to \$37,115. The real income of the wealthiest one-fifth of households in Hong Kong increased 26.1% from 1990 to 1999. These figures clearly demonstrate that the impact of the Asian financial crisis fell mainly on the low-income, unskilled employees, while its impact on professional and administrative workers was limited. The above figures also signify that in the early 1990s economic restructuring had adverse effects on the income security of the low-paid and unskilled workers in Hong Kong, and the Asian financial crisis accelerated this process.

#### *Factors Affecting the Income Stability of the Working Class*

##### *Restructuring of the economy*

De-industrialisation proceeded at a significant and rapid pace in Hong Kong after the early 1980s. Employment in the

manufacturing sector as a percentage of total employment decreased from 41.3% in 1981 to 12.3% in 2001. In 1986 the number of workers employed in manufacturing industry was 946,653. It was the largest sector in Hong Kong in terms of workers employed. Owing to the continuous outflow of production capital, manufacturing industries lost some 178,000 jobs from 1981 to 1991. This de-industrialisation process accelerated in the early 1990s, as manufacturing industry lost another 570,000 jobs from 1986 to 1996. In 2001 only 400,952 workers remained in the manufacturing sector.

There was a simultaneous change in the internal employment structure of manufacturing industries. From 1981 to 1991 the number of operatives fell by 43% while non-production staff increased by 11% (Census and Statistics Department, 1993: 119). From 1991 to 2001, the number of operatives fell another 12% (Census and Statistics Department, 2001b). Manual workers in manufacturing industries were adversely affected by the trends of de-industrialisation and white-collarisation.

The relocation of capital was not restricted to manufacturing industry; some of the labour processes in the service industry were also relocated to other countries. For example, the relocation of reception of pager calls to mainland China by various pager companies, and the relocation of document processing to China by different banks, all illustrate the future trend of relocation in the service industry. Labour-intensive processes are particularly likely to be relocated to China.

#### *Displaced manufacturing workers*

Many manual workers have been forced to leave manufacturing industry for other sectors. Owing to their poor education, most of them can only switch to low-paid, unskilled and precarious jobs in the service industries. More and more manual workers, especially women, middle-aged and elderly workers, are facing the impact of economic restructuring. These displaced workers, who had earlier worked in manufacturing industries, encounter difficulties in securing jobs because their skills hold little market value.

While displaced manufacturing workers find themselves trapped in low-paid jobs in the service industry, those who remain in manufacturing industries often experience under-employment and receive lower incomes. Manufacturing workers experience a slower increase in wages and a deterioration of living standards. The real wage index of craftsmen and operatives in manufacturing industry changed from 101.1 in 1993 to 96.9 in 1997, a 4.2% decrease (Census and Statistical Department, 1999). In other words, the real income of the manufacturing workers could not catch up with inflation. In 1997 the average daily wage of manufacturing workers was only \$329.

Comparatively speaking, production workers in manufacturing industries who can retain their jobs in the same industry, or who can find low-paid jobs in service industries, are fortunate, although they have much lower incomes. Many laid-off workers can never re-enter the labour market to procure other employment.

#### *The rise of structural unemployment*

During the late 1980s and the first half of the 1990s, Hong Kong's unemployment rate stayed below 2%, which was very low compared with other industrialised countries. However, the scenario has deteriorated since 1995. In 1995 the official unemployment rate was over 3% for the first time since 1985. Following the financial crisis in Asia in October 1997 the unemployment rate experienced such a dramatic surge that in early 1999 it reached its historically high level of 6.3%.

#### *Wage polarisation in the service sector*

Wage structures in the service sector also experienced polarisation in the 1990s. The wages of managerial and professional workers like managers, accountants, and system analysts, in the service industry increased much faster than among low-skilled elementary workers like cleaners and catering workers. According to the report of the Hang Seng Economic Monthly (July 1996), from 1986 to 1996 the annual growth rate in the average real income of managerial and professional employees

was 5%; however, the growth rate of low-skilled workers was only 1–1.6%. In the same period, the annual growth rate of GDP per capita was 5.1%. This vividly demonstrates that there was wage polarisation in the service industry, as, despite overall economic growth, low-wage service workers faced stagnant wage levels, while their managerial and professional counterparts enjoyed wage increases.

*Marginalisation of labour: flexible management strategy*

Since the 1980s, labour has been marginalised in Hong Kong and in other developed countries. Marginalisation can be seen as the process of the identification and separation of marginal groups from mainstream society. It is the subordination of labour through its gender, ethnic, and occupational divisions, usually with assistance from the state. Under such divisions of labour, the wage levels, working conditions and job security of marginal workers have deteriorated enormously. The marginalisation of labour increases the authority of capital, which under the label of 'flexible management' cuts back the bargaining power of labour.

De-industrialisation and mass unemployment enabled capital and the state to have unchecked authority to restructure the economy and to deregulate the labour market. No matter what rosy or fashionable terms the management use, the simple fact is that most of the newly created jobs in the developed capitalist countries are part-time, contract,<sup>1</sup> temporary or self-employed jobs. The common characteristic of these marginal jobs is that the jobholders are entitled to minimal job security. Workers are liable to be freely hired-and-fired according to the fluctuating demands of the market. Moreover, most of them do not belong to any union because it is difficult for unions to organise these workers who are employed on a part-time basis, or are on temporary or short term contracts, or work at home. The self-employed and the contractors have lost their entitlement to the protection of labour legislation, because their relationship with their employers has already been transformed from an 'employment relation' to a 'business contractual relation' (Collins, 1990).

Atkinson (1985) describes differences in the labour market in his model of a 'flexible firm'. He makes a distinction between functionally and numerically flexible workers. Functionally flexible workers, according to Atkinson, are those workers who are able to change their skills and tasks in relation to changing market conditions at the core. The different types of numerically flexible workers, by subcontracting, out-sourcing, self-employment, and agency temporaries, are at the periphery their numbers can be adjusted as market conditions fluctuate.

Bosch et al. (1993) identify different forms of flexibility – in working time, wage rates and other contractual terms. In the primary labour market, flexibility is achieved through multi-skilling, working-time flexibility and higher wage rates for overtime and unsocial hours. In the secondary segments of the labour market, flexibility is attained differently through part-time and temporary work, low pay and high insecurity. This distinction thus resolves arguments over whether workers in core or periphery jobs contribute most to overall flexibility (Hakim, 1995).

Flexible management is not a 'new' invention of management, rather it is as old as capitalism itself. Especially when we examine developments from a comparative perspective, we discover that in Hong Kong, along with the other NICs, subcontracting between large and small firms and the use of flexible management (use of over-time, out-worker, seasonal workers) existed in the Territory's industrialisation period in the 1960s and has survived up to now.

'Divide and rule' is another old trick used by management. When they are still building their power, they may divide and segregate the labour market, both internally and externally. While management does not hesitate to use their big stick on marginal workers, they still need to use the carrot to retain co-operation among mainstream workers. However, when management gains enough authority and feels safe enough to use it, they will not just use their stick on 'peripheral' workers. We are now witnessing marginalisation being extended to the so-called 'core' workers. For example, at universities in Hong

Kong, it is not only cleaners who are working mainly as part-time staff under subcontracting agencies. Most newly employed lecturers are also under contract terms and more part-time staff are hired to do the teaching.

Marginalisation is faced not only employees in the private sector, but also by those working in the public sector in Hong Kong. Under the strategy of 'privatisation', numerous public services have been contracted out and are now provided by private companies, for example, car-park management, cleaning and maintenance services in the public housing estates. Since most of these services are out-contracted by the method of competitive tendering, the contractors have to suppress their labour costs in order to bid successfully. The wages, working conditions and welfare of employees of these contract workers are much worse than those of the civil servants who did the same job before. Owing to the uncertainty of tendering, most of the employees of the contractors are part-time and temporary workers. Owing to the marginalisation of labour, their job and income security have greatly deteriorated.

#### POVERTY

Funded by the Research Grant Council, Wong Hung and Lee Kim Ming conducted a "Study of Hong Kong's Poverty Line" from September 1999 to January 2001. The study successfully interviewed 3086 low-income households to understand their household expenditure patterns and living conditions so that a poverty line can be determined (Wong and Lee, 2001).

The poverty line is determined by the inflection point of the Engel curve through an income proxy measure as Wong and Chua (1996). The Engel curve shows how the ratio of food expenditure to total household expenditure changes as the total household expenditure increases. The inflection point indicates the decreasing marginal propensity to consume food as the household income increases. In other words, the household will consume a smaller proportion of its income on food and turn to the consumption of other commodities or non-necessity goods to improve the quality of living. The inflection point of the

Hong Kong Engel curve is at \$3750 per person, which demarcates the poor from other households.

According to the 1999/2000 "Household Expenditure Survey" conducted by the Hong Kong Census and Statistics, there are a total of 449,000 households, amounting to 28% of Hong Kong households, with expenses per head of less than \$3750. Households living under the poverty line have an average monthly total expenditure per head of \$2520; the average expenditure on food per head is \$1058. The poor households have to "spare food" with a daily \$35 food consumption per head. There are about 110,000 households with a daily expenditure on food per head of below \$24.

There are different ways for poor households to deal with economic hardship: 39.3% of them avoid taking buses, one of the cheapest means of transportation; around one third of them (33.2%) don't switch on the light even when necessary; 31.9% could not afford giving "red pocket money" to their relatives in the last Chinese New Year; close to one quarter (23.8%) of them buy food right before the market closes to take advantage of cheaper prices; and finally almost one fifth (18.4%) of them have at least household member without a bed to sleep in.

There are quite a few poor households that cannot obtain basic living conditions, like having enough food and maintaining good health. Almost one tenth (9.4%) of the poor households cannot afford necessary medicine when getting ill; and 6.8% of them have insufficient food for at least one meal during the last week.

Poverty brings tremendous psychological tensions to poor households: half of them subjectively believe that they are living under severe economic hardship. For about 40% of them, their income does not meet their expenses, and they have to borrow money or use their savings to sustain everyday life.

The poor households are also poor in social resources: their social networks cannot help them borrow money or find a job. Around 30% of them have friends and relatives who are unemployed rather than employed; almost half of them cannot find a friend or relative to borrow money from; and 60% of them do not have friends or relatives able to introduce them to a job.

I and Lee Kim Ming suggest setting \$3750 per head as Hong Kong's "Basic Living Protection Line". In other words, to support the basic living needs of a household, each household member should have at least \$3750 per month. We recommend that the Government set up a "Living Wage" so that a household can earn a basic living without receiving any public assistance. We recommend that the Government set up a minimum wage standard for its employees and those of its contracting out services and subvented social services; the proposed living wage to be at a monthly rate of \$6600, a daily rate of \$250, or an hourly rate of \$32.

#### CONCLUSION

In this paper, I began by pointing out that there have been significant increases in the expenditure levels of CSSA recipients, the poorest households in Hong Kong. However, though this represent some improvement in their absolute living standard, their expenditure levels and thus their quality of life is still well below those of non-CSSA recipients.

The increase in the expenditure levels of the poor households is mainly due to the increase in their expenditure on housing, owing to mounting property prices and rental costs during the 1990s. The increasing cost of housing is the most important factor in both the rise in living costs and the exacerbation of the problem of poverty in Hong Kong.

Many low-income households have been hit even harder under the weight of redundancy, unemployment and wage-cuts following the 1997 Asian financial crisis. Under the cloak of 'flexible management,' employers in both the public and private sectors are now creating more part-time, temporary and contract jobs. This means a further erosion of both job and income security for employees. Owing to mass unemployment and the threat of redundancy, labour has lost its bargaining power in the market, and is forced to accept whatever is offered.

The quality of life of poor households is in shreds, not only in the sense that their living standards are low, but also that

they are socially excluded from the mainstream of society. Poor households try to make ends meet by reducing their expenditure. They do not switch on the light even when necessary; they do not travel by bus; they do not even have enough food. The most significant fact is that their friends and relatives are unemployed as well, and the majority of them have no one from whom they can borrow money or who can introduce them to a job. The social exclusion effect of their impoverished situation is really the most seriously affects their quality of life.

In order to reduce poverty and improve the quality of life of the poor households, various community economic development projects have been established in Hong Kong since 2001 (Chau and Lau, 2003). These empowering initiatives include setting up production and consumption cooperatives, running alternative community currencies and trade systems, as well as establishing community-based resource recycling networks. Most of these community economic development projects aim at enhancing social capital of the poor households and the community. Their main strategy to poverty reduction is to alleviate the social exclusion upon the vulnerable population and to enhance capacity building in the community. All in all, these projects have provided alternative interventions and policies for poverty reduction in Hong Kong and shed light on new means in improving the quality of life of poor households.

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#### NOTE

<sup>1</sup> Money amounts in this paper are expressed in Hong Kong Dollars (HKD); from 17 October 1983 the Hong Kong Dollar has been pegged to the US Dollar at an exchange rate of US\$1 to HKD7.8.

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