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Social Polarisation and Poverty in the Global City: The Case of Hong Kong

Kim-ming Lee, Hung Wong and Kam-ye Law

Unlike the poverty in the developing world which is more likely associated with underdevelopment or underdevelopment of industrial capitalism, the new poverty in advanced cities is induced by the development of a new phase of capitalism that goes beyond industrial capitalism and emphasises the role of knowledge, information, global networks and global finance for capital accumulation and profit generation. This new phase of capitalism represents a transformation from country-based economic systems to city-based ones. Hong Kong as a global city is no exception to this trend. Most of the big advanced cities around the globe are witnessing increasing inequalities of income, job opportunities and job securities, and are turning into 'divided' or 'dual' cities. In these divided global cities, a new group of marginalised urban poor or 'underclass' emerges, and new regimes of urban marginality are established. This article is about the poor and the low-income earning marginalised workers in Hong Kong. Following the social polarisation thesis advanced by Sassen, this article will review the current literature and official statistics to portray and examine the trends of poverty and inequalities in Hong Kong. Then we will attempt to explain how low-skilled and less-educated workers are marginalised and trapped in a vicious cycle of low income and poverty. Specifically, we will draw insights from Esping-Andersen's discussion of a post-industrial stratification order, which combines both the Fordist industrial and post-industrial hierarchies in advanced Western countries to analyse the Hong Kong situation. Our article shows that social polarisation, in its narrowest definition of absolute income polarisation and the disappearing middle, does not happen in Hong Kong. However, there are serious problems on income inequality: a low-income-poverty trap against the lower class, and the spatial and economic segregation towards migrant groups.

Poverty is not merely a prominent issue in developing countries but also in economically advanced cities. According to the famous Kuznets curve, there is a general inverted U-shaped relationship between economic development and inequality. As a country begins to develop and industrialise, its inequalities first increase, then peak,

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and finally decrease when the country reaches a certain development threshold. However, since the 1970s, social and economic inequalities have re-increased in a lot of advanced countries. Harrison and Bluestone (1988) vividly use the notion 'great U-turn' to highlight the reversal of declining inequalities with development.

Thus, unlike poverty in the developing world which is more likely associated with underdevelopment or underdevelopment of industrial capitalism, the new poverty in advanced cities is induced by the development of a new phase of capitalism that goes beyond industrial capitalism and emphasises the role of knowledge, information, global networks and global finance for capital accumulation and profit generation. This new phase of capitalism has been characterised by terms like 'casino capitalism' (Strange 1986), 'disorganised capitalism' (Lash and Urry 1987), 'information society' (Castells 1989), 'global capitalism' (Ross and Trachte 1990), 'post-Fordism' (Amin 1994), 'digital capitalism' (Schiller 1999) and 'network society' (Castells 2000).

Under this new phase of capitalism, economic restructuring takes place on a global scale. Whilst the production processes are scattered all over the world, most of the management, financing, decision-making, marketing and logistical services of transnational corporations are concentrated in a few global cities such as New York, London and Tokyo (Amin and Robins 1990; Sassen 1991). Some scholars even predict that the global economy will eventually be controlled by a number of global city regions (Petrella 1995; Scott 2001; Simmonds and Hack 2000) which will act as bridges between countries, linking the production and sale of commodities in different places around the world by providing producer services supports.

In other words, the new phase of capitalism represents a transformation from country-based economic systems to city-based ones. The nature of cities has also changed from industry focused to service oriented. More importantly, all big advanced cities around the globe are witnessing increasing inequalities of income, job opportunities and job securities, and are turning into 'divided' or 'dual' cities (Fainstein, Gordon and Harloe 1992; Mollenkopf and Castells 1991; Sassen 1991, 1998). In these divided global cities, a new group of marginalised urban poor or 'underclass' emerges (Wilson 1987, 1996) and new regimes of urban marginality are established (Wacquant 1999) Inequalities, poverty and structural unemployment thus become salient problems for these global cities.

Hong Kong as a global city (Chiu and Lui 2004; Forrest, La Grange and Yip 2004) is no exception to this trend. Using different definitions and measurements of poverty, various researchers estimate that about 600,000 people or 10 to 15 per cent of the population were living in poverty during the period 1994 to 1996 (MacPherson and Lo 1997; Mok and Leung 1997; Wong and Chua 1996). Indeed, tackling poverty has become one of the major objectives of the new Hong Kong Special Administrative Region (HKSAR) government.

Tung Chee-hwa, the first Chief Executive of HKSAR (1997–2005) had announced different measures or objectives in his policy addresses to convey his determined

commitment to take care of the poor: establishing a 'Compassionate and Caring Society' in 1997, cultivating 'A Vibrant Third Sector' in 2000, setting up the 'Community Investment and Inclusion Fund' in 2001, building 'Local Community Economy' and enhancing 'Social Capital' in 2004, and 'Reducing Inter-generational Poverty' in 2005. Moreover, the Hong Kong government set up its first Commission on Poverty to alleviate poverty due to the restructuring of the economy in January 2005. In addition, the government fully recognises the structural unemployment caused by the de-industrialisation of the Hong Kong economic structure. As such, a number of educational and retraining programmes that emphasise lifelong learning have been carried out. However, despite these policies, the poverty and unemployment problems in Hong Kong have not been ameliorated. Even worse, income inequality has reached its historical high with the Gini coefficient at 0.525 in 2001.

This article is about the poor and the low-income earning marginalised workers in Hong Kong. Following the social polarisation thesis advanced by Sassen (1991), this article will review current literature and official statistics to portray and examine the trends of poverty and inequalities in Hong Kong. Then we will attempt to explain how low-skilled and less-educated workers are marginalised and trapped in a vicious cycle of low income and poverty. Specifically, we will draw insights from Esping-Andersen's (1993a, 1993b, 1999) discussion of a post-industrial stratification order which combines both the Fordist industrial and post-industrial hierarchies in advanced western countries to analyse the Hong Kong situation.

INEQUALITIES, UNEMPLOYMENT AND POVERTY IN HONG KONG

Sassen (1991) articulates the social polarisation thesis to describe how poverty and social inequalities occur in economically advanced global cities. The thesis postulates that income polarisation and occupational polarisation occur as the global city develops. Income polarisation refers to the widening gap between the rich and the poor, whilst occupational polarisation refers to the expansion of jobs at the top and the bottom at the expense of the middle ones, forming an hour-glass occupational structure in the process. Specifically, on one hand, the traditional unionised working class and middle managers in the manufacturing sectors suffer job loss because of de-industrialisation, deregulation and technological rationalisation caused by economic restructuring. On the other hand, there is a huge demand for top administrative and professional talent for the booming financial and producer services. In order to serve the consumption needs of top administrators and professionals, a large pool of service workers who suffer from the casualisation and informalisation of the employment relation and low pay is also created. In addition, the expansion of low-skilled and low-paid jobs attracts a massive influx of migrant workers from less-developed areas.

In line with Sassen's analysis of how global cities attempt to produce global control capacities through developing producer services such as financial, legal, consultancy

and business services, as well as cultural services that suit the needs of the transnational capitalist classes, the Hong Kong government has launched a number of policies to further develop Hong Kong as 'Asia's world city'.¹ In fact, Hong Kong has already had a strong foundation of financial, banking and producer services (Tao and Wong 2002) and has become a second-tiered global city. Therefore, does Hong Kong also conform to the social polarisation thesis?

INCOME POLARISATION OR INCOME INEQUALITY?

Chiu and Lui (2004) clearly show signs of a widening income gulf between the rich and the poor during the 1990s, but concede that the results for income polarisation are a bit ambivalent. By using individual income data, they tabulate the distribution of income distribution by deciles, and find that even though there is a widening income share between the lowest decile and the highest one, there is still a net real income growth for all deciles, except for those people at the bottom who are employed in community, social and personal services. Thus, the strong claim of income polarisation that anticipates the absolute decline of income for the bottom deciles is weakly supported.

In another study, Zhao et al. (2004) demonstrate that Hong Kong's income inequality improved somewhat in the industrialisation period between the 1960s and 1970s, but reversed when Hong Kong underwent a transformation into a service-driven global city since the 1980s. They also notice that the inequality situation got significantly worse in the late 1990s and will persist in the foreseeable future. By computing the percentage change of income shares for different groups from 1971 to 2001, Zhao et al. discover that

In the course of those 30 years, the bottom 10 per cent to 60 per cent of households—as well as the middle 60 per cent of households—suffered heavy declines in their income share. The lower the income group, the greater the reduction of its share... It is disturbing, furthermore, to note that the respective income shares of the middle 20 per cent, 40 per cent, and 60 per cent of households were also reduced variously by 9 per cent to 12 per cent. Under the circumstances, it is not impossible for the middle-income class to end up relatively impoverished. (2004: 451)

Both studies reveal the fact that income inequality is very serious in Hong Kong. As Hong Kong further develops into a global city, income inequality will only continue

¹ In his third policy address, Tung Chee-hwa viewed New York and London as the prototype for developing Hong Kong as a first-tier world city that emphasises the centrality of finance and international banking, the clustering of producer services, the strong ability to attract global investments and a cosmopolitan cultural and consumerist environment. Since then, a number of programmes and measures have been implemented or formulated, for instance, the Brand Hong Kong programme and associated promotional activities, numerous measures to drive Hong Kong into a knowledge-based and information economy, and the proposal to develop the West Kowloon Cultural District.

to rise instead of decline. In a Legislative Council debate about the role of the Hong Kong government in alleviating the disparity between the rich and the poor, the ex-Secretary for Health and Welfare, Dr E.K. Yeoh, explicitly declared that 'the multi-pronged approach of fostering economic growth, facilitating human investment, and increasing social investment together provide the best environment for people to leave the poverty net', and that economic growth 'is the key to lifting the standard of living for all, including those with no or little income'.² It is true that a wider income inequality does not necessarily imply that low-income earners cannot improve their standard of living. However, as Chiu and Lui (2004: 1871) report, the income of the lowest decile only increased by 4.3 per cent between 1991 and 2001; therefore, one may wonder how much better he or she can get in his or her livelihood. Nevertheless, the attitude of the Hong Kong government towards social inequalities is to ignore the fact and continue its neo-liberal economic and residual welfare policies.

OCCUPATIONAL POLARISATION OR MISCLASSIFIED OCCUPATIONAL CATEGORY?

With regard to occupational polarisation, Chiu and Lui (2004: 1868) note that 'Social polarisation is clearly observable in Hong Kong through the changes in occupational structure'. De-industrialisation diminishes a large amount of skilled and unskilled manufacturing jobs which are considered to constitute the middle of Hong Kong's occupational structure. At the same time, 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. Thus, an hour-glass occupational structure takes shape.³

In a similar manner, Lee and Wong (2004) construct a three-tiered urban labour market to represent the occupational polarisation in Hong Kong. They argue that the Hong Kong labour markets are structured into three segments. The expanding knowledge-based professional labour market becomes the growth momentum of the Hong Kong economy. The traditional average-wage labour market which is mainly composed of manufacturing jobs and traditional white-collar workers in an industrial economy is shrinking, whilst the low-wage, low-skilled labour market is growing and absorbing the redundant labour from the de-industrialised sectors.

Despite their findings, we contend whether associate professionals can be classified into the same rank as top professionals and administrators. According to the definition of the Hong Kong Census and Statistics Department, the associate professional level comprises a wide range of occupation categories including technicians, supervisors,

² LC: Motion debate on 'Alleviating the disparity between the Rich and the Poor', retrieved 4 July 2003 from <http://www.hwfb.gov.hk/hw/text/english/speech/sp1121.htm>.

³ Another support for occupational polarisation mentioned by Chiu and Lui (2004: 1871) is 'the relative income differentials of the various occupational groups'. However, as Hamnett (1994) and Baum (1997) have demonstrated, growing income inequality is not necessarily accompanied by a polarisation of the occupational structure.

survey interviewers, electrical draughtsmen, sales representatives, marketing officers and assistants, quality controllers, computer graphic designers, Chinese medicine practitioners, dispensers, nurses and the like. These occupations seem more akin to a new middle service class or semi-professionals than to those at the top of the occupational hierarchy. Undoubtedly, these associate professionals may achieve upward mobility to become top professionals and administrators through acquiring more knowledge, skills and experiences, or may undergo downward mobility to become low-paid service workers. Nonetheless, it would be problematic to anticipate their disappearance when Hong Kong further consolidates its global city status. Unlike the traditional middle classes created from the industrialisation process, they will not suffer too much from de-industrialisation and even benefit from post-industrialisation.

Hamnett (1994, 1996) challenges the social polarisation thesis that professionalisation, rather than occupational polarisation, happens in global cities. Moreover, he criticises Sassen for building her thesis entirely on economic factors with no or little account of the urban political and social elements or structures that may mediate the effects of economic globalisation. In the Asian context, Baum (1999) discovers that Singapore, arguably the closest cousin to Hong Kong in terms of its economic structure and global city status, exhibits a trend of professionalisation rather than polarisation. Vaattovaara and Kortteinen (2003) illustrate that the concept of occupational polarisation is too ambiguous, that it does not necessarily imply an hour-glass shaped occupational structure. Indeed, their empirical findings show a shape more like a three-humped camel. Even Sassen seems to concede to her critics by abandoning the assertion about the 'disappearing middle class'. Now, she argues that 'specific consequences of globalisation have the effect of not contributing to the expansion of a middle class... Whether the middle class will continue to be a significant sector even under conditions of little growth is likely to depend on a range of issues, notably state policy' (Sassen 2001: 361–62).

As mentioned earlier, associate professionals should be counted as the new middle service class to emerge from a post-industrial economic structure. As shown later, their growth reflects professionalisation rather than occupational polarisation.⁴ Professionalisation, however, does not imply the lessening of Hong Kong's working poor or

⁴ Most, if not all, studies about the social polarisation thesis rely on official occupational classification schemes. However, these schemes vary and are not necessarily reflective of the occupational hierarchy of the corresponding economies. This creates two problems: (1) it is up to researchers to determine which occupation category refers to the middle stratum, and (2) international comparison among global cities is quite difficult and problematic. For instance, Chiu and Lui (2004: 1874) surprisingly find that there was a significant improvement in earnings at all levels despite de-industrialisation. We suspect that this abnormality is due to the high value-added 'service' content retained by Hong Kong manufacturing firms like product design, marketing and production planning, management and control. Since these high value-added services are still performed within the firms which relocate their manufacturing production, the Census and Statistics Department therefore still groups the people engaging in these services under the manufacturing category.

its general poverty problems. On the contrary, it makes the acquisition of upward job movements of those people working in the lower occupational hierarchy more difficult because of qualification barriers (in terms of both educational credentials and relevant working experiences).

THE INFORMALISATION OF WORK AND UNEMPLOYMENT

Sassen (1991, 2001) offers a detailed analysis of how the informalisation and casualisation of employment relations as well as the expansion of the underground economy drive the already low-paid workers into desperate situations. What Sassen (2001: 289–90) argues is that the growth of service jobs is crucial to the informalisation of employment. There are several reasons for this: (1) the intense competition within the service sectors squeezes profit margins and drives employers to reduce labour costs; (2) many service industries require irregular working hours and shifts which would entail costly overtime and compensation payments for full-time workers; (3) since most service works require emotional labour at which women are good, informalised and casual work arrangements can recruit women more easily; and finally, (4) informal work (that is, legal or illegal work in the informal economy) helps employers evade government regulations.

In Hong Kong, Lee and Wong (2004: 265–68) scrutinise the informalisation of work by examining the trends of casual and part-time employment. They find that the size of part-time workers almost doubled from 1994 to 2002. Most part-time employees are females, middle-aged, married and with low educational qualification. In 2002, 31.1 per cent of part-time employees worked in the community, social and personal services sector, whilst 29.3 per cent worked in the wholesale, retail and import/export trades, restaurants and hotels sector. Surprisingly, they notice that the number and proportion of casual workers did not rise but rather declined between 1999 and 2003. Since most casual labourers are males (over 80 per cent) and are working in the construction sector, they argue that the decline can be attributable to the economic downturn right after the Asian financial crisis which tremendously reduced both full-time and casual employment in the construction sector. Furthermore, they discern that many construction employers try to turn their casual workers into self-employed ones through sub-contracting arrangements (another form of contingent employment) so that they can increase their operation flexibility, reduce their own risks and circumvent the labour protection legislation.

Sassen has been criticised for exclusively focusing on employment per se but neglecting unemployment in formulating the social polarisation thesis (Baum 1997: 1887). Although Sassen (2001: 362) admits that both low-wage service jobs and unemployment should be viewed as important sources of poverty in global cities, she insists on privileging low-wage employment theoretically because 'part of the model posits precisely that new growth sectors are one factor promoting a trend towards the

growth of high and low income jobs'. Sassen's model can be characterised as a 'demand-side' theory which aims at explaining how the consumption needs of the high-income workforce drive the informalisation of work and further push down the income of workers in the lower occupational hierarchy. However, is it true that unemployment is simply a consequence of economic restructuring and does not have any significant role in the growth and informalisation of low-income jobs?

The restructuring process involves more than anything else, 'zapping labour' (Harrison and Bluestone 1988). The power and capacity of capitalists to zap labour not only depends on the demand but also on the supply of workers. Numerous Marxian scholars (for example, Byrne 1999; Kalecki 1971) have argued that a large reserve army of the unemployed does serve as an important mechanism for ensuring labour discipline and keeping wages low. In other words, one of the conditions which can create a docile workforce that would swallow wage concessions without a major fight is a large pool of redundant labour that can be recruited anytime and anywhere.⁵

In Hong Kong, the unemployment rate remained low until the outbreak of the Asian financial crisis. From then on, the unemployment rate remained high. Although the direct effects of the financial crisis cannot be ignored, the crisis simply exposed the long-term underlying structural transformation of the Hong Kong economy. As Lee and Wong (2004: 262–64) show, the unemployment rates in manufacturing, low-skilled service sectors and construction are, before and after the financial crisis, above the average. This implies that the job insecurity in these industries is higher than that in other industries, whether the Hong Kong economy declines or booms. In terms of occupations, again, the unemployment rates for low-skilled service workers, workers engaged in elementary occupations, and craft and related workers are above the average. These observations are also confirmed in recent official statistics (Table 1). The overall unemployment rate in the fourth quarter of 2004 was 6.5 per cent, and the unemployment rate of lower-skilled workers (7.4 per cent) was much higher than that of higher-skilled workers (2.6 per cent).

In a telephonic survey about Hong Kong workers' subjective feelings about job insecurity, Tam and Lee (2002) found that among the 500 respondents, almost half of them worried about losing their current jobs, though only 12 per cent thought that they had a great chance of losing their jobs in the coming year. However, over 70 per cent of them expressed difficulties in finding another job with comparable salaries and benefits as their current ones. The workers who are in a declining industry, with low-skill level, low-income and previous unemployed experiences were more likely to feel job insecurity. Moreover, most of the respondents preferred a stable job with a lower income rather than an unstable job with a higher income. These results suggest that job insecurity or the high possibility of being unemployed does have an effect on labour discipline and keeping wages low.

⁵ Of course, whether or not this will work depends on a number of factors, notably the welfare and labour policies of the state.

Table 1
Unemployment by Occupation Categories in the Fourth Quarter of 2004

	<i>No. of Employed Persons</i>	<i>% of all Employed Persons</i>	<i>No. of Unemployed Persons</i>	<i>Unemployment Rate</i>
<i>Higher-skilled Workers</i>	<i>1,125,000</i>	<i>33.8</i>	<i>30,000</i>	<i>2.6</i>
Managers and administrators	291,000	8.8	6,000	2.0
Professionals	219,000	6.6	4,000	1.8
Associate professionals	614,000	18.5	20,000	3.2
<i>Lower-skilled Workers</i>	<i>2,195,000</i>	<i>66.0</i>	<i>175,000</i>	<i>7.4</i>
Clerks	531,000	16.0	25,000	4.5
Service workers and shop sales workers	525,000	15.8	42,000	7.3
Craft and related workers	275,000	8.3	38,000	12.0
Plant and machine operators and assemblers	239,000	7.2	14,000	5.7
Elementary occupations	625,000	18.8	56,000	8.3
Others	8,000	0.2	@	3.6
Total	3,328,000	100.0	227,000*	6.5**

Source: Commission on Poverty 2005.

Notes: @ Less than 500.

* These include first-time job-seekers and re-entrants into the labour force and are larger than the summation of individual occupation categories.

** Seasonally adjusted.

MIGRANT WORKERS

Another reason contributing to social polarisation is the influx of immigrants from developing areas. Sassen (2001: 321) discusses two roles of immigration in the economic restructuring processes of global cities: providing labour to both the expanding and declining economic sectors, and being active agents in 'rehabilitating' the devastated neighbourhoods of the city. With regard to the first aspect, although there are some highly educated immigrants, most immigrants are lowly educated and are disproportionately concentrated in low-wage jobs and casual labour markets. Concerning the second aspect, most low-income immigrants are spatially concentrated in deprived areas and form their own immigrant communities. As a global city develops, it will undergo spatial reorganisation through urban redevelopment, infrastructure building and real estate development. In this spatial restructuring process, a number of areas and neighbourhoods, notably the traditional industrial zones, would be left out due to their lack of profitability and would have a high proportion of abandoned housing and closed stores as people with higher incomes leave for better living conditions. Since most immigrants cannot afford the expensive goods and housing in the gentrified or redeveloped areas with luxury housing estates and high-priced shopping arcades, they have to seek living in the 'abandoned' areas. Consequently, these areas

are kept 'alive' by the poor immigrants who create low-cost immigrant-run businesses within the neighbourhoods in order to fulfil their own needs.

Similar to other global cities, Hong Kong's immigrant population is bifurcated (Chiu and Lui 2004; Li et al. 1998): a small portion of highly paid migrants mostly comes from advanced countries such as the US and Japan, whilst a large portion of lowly paid migrant labour is from developing areas like Mainland China, the Philippines and Thailand. The distribution of immigrants and their median monthly income according to their ethnicities is presented in Table 2 in which it is indicated that non-Chinese immigrants constitute 5.1 per cent of the total population. However, there are some difficulties in defining Chinese immigrants because Hong Kong is basically a Chinese society and, because of historical reasons, has been separated from China for a long time. Currently, although Hong Kong has become a part of China, it can maintain its boundary under the 'one country, two system' arrangement. In fact, the Hong Kong government adopted a seven-year criterion to distinguish new Chinese immigrants from earlier ones because under the Immigration Ordinance, one can become a permanent resident after living continuously in Hong Kong for

Table 2
Immigrants and Median Monthly Income by Ethnicity, 2001

<i>Ethnicity</i>	<i>Number</i>	<i>Median Monthly Income from Main Employment</i>	<i>%</i>	<i>Proportion of Ethnic Minorities in the whole Population (%)</i>
Asian (other than Chinese)				
Filipino	142,556	3,670	41.4	2.1
Indonesian	50,494	3,670	14.7	0.8
Indian	18,543	13,500	5.4	0.3
Thai	14,342	4,000	4.2	0.2
Japanese	14,180	33,750	4.1	0.2
Nepalese	12,564	10,000	3.7	0.2
Pakistani	11,017	9,200	3.2	0.2
Korean	5,263	30,000	1.5	0.1
Bangladeshi, Sri Lankan	1,718	NA	0.5	0.0
Other Asian	5,854	9,000**	1.7	0.1
European				
British	18,909	55,000	5.5	0.3
Other European	9,968	45,000	2.9	0.1
American/Canadian	9,334	55,000	2.7	0.1
Australian/New Zealander	6,883	59,000	2.0	0.1
Others	22,325	NA	6.5	0.3
Total	343,950	3,800	100.0	5.1
PMR (Chinese)*	266,557	6,000	100.0	4.0
Whole population	6,708,389	10,000		100.0

Source: Census and Statistics Department (2002a, 2002b).

Notes: * PMR is the short form for 'Persons from the Mainland having resided in Hong Kong for less than seven years'.

** The monthly median income represents the earnings of Bangladeshi, Sri Lankan and other Asians.

at least seven years. Thus, new Chinese immigrants are defined as 'persons from the Mainland having resided in Hong Kong for less than seven years' (hereafter PMR). In 2001, PMRs constituted about 4 per cent of the total population.

Consistent with the prediction on social polarisation, Chiu and Lui (2004: 1876–84) effectively demonstrate how income inequality is worsened by the over-representation of migrant workers in low-paid elementary occupations, particularly as domestic helpers. In fact, according to their estimation, foreign domestic helpers (hereafter FDHs) alone account for at least 55 per cent of the lowest income decile. In his research on Hong Kong's Thai migrant workers, Hewison (2004: 328) reports that 78 per cent of his informants are domestic workers, and the rest of them have other working-class occupations in shops (19 per cent), restaurants (8 per cent) and cleaning stores (4 per cent). The highest paid workers are working in restaurants with monthly incomes between \$9,000 and \$10,000. Aside from FDHs, it was found that quite a number of Nepalese work in the construction sector. In his survey of Nepalese construction workers, Frost (2004: 373) discovered that 24 per cent of them earn less than \$9,001 per month, about 9 per cent earn above \$15,000 and most of them earn between \$9,000 and \$15,000. At first glance, their income level seems comparable to the Hong Kong Chinese. However, nearly 62 per cent of them have to work for more than 60 hours per week and most of them are casual labourers paid on a daily basis. In their survey of Hong Kong Pakistanis, Ku et al. (2003) predictably find that among their respondents who are employed full-time, 75.2 per cent of them are engaged in elementary occupation, with 57 per cent as construction workers and 13.2 per cent as security guards. Shockingly, many Pakistani workers are over-worked: about 34.2 per cent of them work for more than 69 hours per week, and 32.5 per cent earn less than \$10,000 per month. In addition, most of the surveyed Pakistanis (81.9 per cent) regard employment as the most serious problem they have whilst living in Hong Kong and 19 per cent of them are unemployed.

The situations involving Hong Kong's non-Chinese immigrants do not tell the whole story of income inequality and occupational segregation because the largest immigration population comes from Mainland China. Indeed, Hong Kong was an immigrant society until those from the second generation of earlier immigrants grew up. Since the massive influx of Mainland Chinese would produce serious social and political problems, the colonial government implemented a quota system to restrict the entry of Chinese citizens in 1950. This quota system has continued until today (Lam and Liu 1998: 9).⁶ According to Law and Lee (2006), new Chinese immigrants or new arrival families constitute a major proportion of Hong Kong's impoverished group since new arrival families earn much less than the average Hong Kong family. Other than lower family income, the educational level of the new arrivals is also, on an average, lower than that of the overall Hong Kong population. With regard to

⁶ A detailed discussion of the quota system and its implementation is beyond the scope of this article. Interested readers can consult the studies of Lam and Liu (1998) and Siu (1996).

employment, new arrivals are mainly concentrated in either the sunset industry (manufacturing) or the low-paid and low-skilled services sector (wholesale, retail, import/export trades, restaurants and hotels).

As Siu (1999: 220) observes, the disadvantaged labour market position of new arrivals is due to local people's discrimination against their educational attainments and pre-migration working experiences. This observation is confirmed by Lam and Liu (1998: 104–10). They put forward the assumption that the widening earnings gap between Mainland immigrants and natives is the result of the widening differential in the rate of return to schooling and working experience. They further elucidate that since Mainland immigrants acquire most of their schooling and part of their work experience in China, their education and experience are priced increasingly less as Hong Kong turns into an economy that demands high value-added and knowledge-based skills. In a recent article, Chiu et al. (2005) also highlight that the labour market situation of Mainland immigrants is deteriorating because of de-industrialisation. Since a lot of better-paid services require language skills, local knowledge and cultural capital that the new arrivals usually lack, the only channel for them to get a better job is in the manufacturing sector. Unfortunately, de-industrialisation reduces their chances.

Concerning residential segregation, at first sight, immigrants seem to be scattered all over Hong Kong (see Tables 3a and 3b) without any significant indication of spatial segregation. However, upon a closer look, one can find signs of the concentration

Table 3a
Proportion of Ethnic Minorities in the Whole Population by District, 2001

<i>District</i>	<i>Proportion of Ethnic Minorities</i>		<i>Proportion of Ethnic Minorities</i>		<i>Proportion of Ethnic Minorities</i>
	<i>District</i>	<i>District</i>	<i>District</i>	<i>District</i>	
Wan Chai	18.0%	Eastern	6.0%	Sham Shui Po	3.4%
Islands	15.4%	Sai Kung	4.9%	Kwun Tong	2.7%
Central and Western	14.6%	Tsuen Wan	4.6%	Tuen Mun	2.5%
Southern	10.3%	Yuen Long	4.2%	North	2.2%
Yau Tsim Mong	7.8%	Tai Po	3.6%	Kwai Tsing	2.1%
Kowloon City	7.4%	Sha Tin	3.6%	Wong Tai Sin	1.7%

Source: Census and Statistics Department (2002a).

Table 3b
Proportion of PMRs in the Whole Population by District, 2001

<i>District</i>	<i>Proportion of PMRs</i>		<i>Proportion of PMRs</i>		<i>Proportion of PMRs</i>
	<i>District</i>	<i>District</i>	<i>District</i>	<i>District</i>	
Yau Tsim Mong	7.9%	Tsuen Wan	4.3%	Tuen Mun	3.0%
Sham Shui Po	7.3%	Wong Tai Sin	4.1%	Tai Po	2.7%
Kowloon City	4.8%	Yuen Long	4.1%	Sha Tin	2.7%
Kwun Tong	4.8%	Sai Kung	3.3%	Wan Chai	2.6%
North	4.7%	Central and Western	3.1%	Southern	2.0%
Kwai Tsing	4.5%	Eastern	3.0%	Islands	1.9%

Source: Census and Statistics Department (2002b).

of disadvantaged immigrants in poor areas. In 2001, among the eighteen District Council districts, the Wan Chai district (18 per cent) had the largest proportion of non-Chinese immigrants, followed by Islands (15.4 per cent) and Central and Western (14.6 per cent). As shown in Table 4, all these districts are high-income districts. In contrast, Yau Tsim Mong (7.9 per cent) had the greatest proportion of Chinese immigrants, followed by Sham Shui Po (7.3 per cent) and Kowloon City (4.8 per cent); all of them are low-income districts. There are higher proportions of non-Chinese immigrants in high-income areas because most of the non-Chinese immigrants are live-in domestic helpers. Thus, it is not surprising to find them residing in high-income districts.

Table 4
Monthly Median Domestic Household Income (HK\$) by District

<i>District</i>	<i>Median Household Income</i>	<i>District</i>	<i>Median Household Income</i>	<i>District</i>	<i>Median Household Income</i>
Wan Chai	26,000	Sha Tin	20,925	Kwai Tsing	16,705
Central and Western	25,350	Islands	20,000	Wong Tai Sin	16,100
Eastern	23,705	Kowloon City	19,800	Yuen Long	16,000
Southern	23,200	Tai Po	18,500	Kwun Tong	15,750
Sai Kung	21,000	North	17,205	Yau Tsim Mong	14,705
Tsuen Wan	21,000	Tuen Mun	17,000	Sham Shui Po	14,000

Source: Census and Statistics Department (2001).

Note: The monthly median domestic household income of Hong Kong was \$18,705 in 2001.

Apart from the live-in domestic helpers who are mainly women from the Philippines, Indonesia and Thailand, other Southeast and South Asian ethnic groups have different residential patterns. In 2001, more than one-third of the Nepalese were living in Yuen Long, and another one-third in Yau Tsim Mong. The reason why most Nepalese lived in Yuen Long (at the northern part of Hong Kong) is that a lot of Nepalese soldiers, known as Gurkhas, were recruited by the colonial government and thus resided in the military camps located in northern Hong Kong. The Pakistanis mainly resided in three poorer districts, Yau Tsim Mong (13.2 per cent), Kwun Tong (11.6 per cent) and Kwai Tsing (10.8 per cent). Meanwhile, the residential pattern for Indians is interesting with 19.1 per cent in Kowloon City and 18.8 per cent in Yau Tsim Mong, but with 15.5 per cent in Central and Western, a rich district (Census and Statistics Department 2002a). The Indian residential pattern reflects the income inequality within the group. Another piece of information that reflects the spatial segregation of Hong Kong's ethnic minorities is their trend of internal migration or home moving, especially away from the poor districts. In 2001, only 17.9 per cent moved out of their homes, whilst most stayed put (*ibid*).

In 1991, almost one-third of Chinese immigrants lived in Kowloon City (12.2 per cent), Eastern (11.6 per cent) and Kwun Tong (9.9 per cent), where the first two districts have better living conditions than Kwun Tong. However, in 2001, more than a

quarter of Chinese migrants resided in the poorest districts: Kwun Tong (10.1 per cent), Sham Shui Po (9.7 per cent) and Yau Tsim Mong (8.4 per cent) (Census and Statistics Department 2002b).⁷ Remember that those Chinese migrants in 1991 were no longer classified as PMRs under the government's definition because they had lived for more than seven years in Hong Kong. Hence, in a broader sense, the poorest districts should have more Chinese migrants than the figures reflect. To summarise, spatial segregation, though not as serious as that of New York and London (as described by Sassen 2001) and Chicago (as described by Wilson 1987, 1996), does occur in Hong Kong. Notably, the Nepalese, Pakistani and new Chinese immigrants are concentrated in the poorest districts, Yau Tsim Mong, Sham Shui Po, Yuen Long and Kwun Tong.

SEGMENTED LABOUR MARKET AND THE LOW-INCOME-POVERTY TRAP

As we have shown, Sassen's social polarisation thesis can help us understand the increasing trend of Hong Kong's income inequality, as well as its occupational and spatial segregation. Although globalisation destroys a lot of manufacturing jobs, it also creates plenty of professional ones. In principle, low-income people still have a chance to move up as they acquire enough human capital. This is why all the governments in advanced cities emphasise lifelong learning and retraining. Nonetheless, poverty still exists and is even getting worse. One of the theoretical merits of social polarisation is the claim related to the disappearing middle. No matter how hard one learns and works if mid-level jobs are absent, then a person's chances of achieving upward mobility are very small. However, there is still a large number of mid-level service jobs, at least in Hong Kong, created by the global city economy, namely, associate professional jobs.

MARKET SEGMENTATION

Esping-Andersen (1993a: 24–5, 1999: 106–7) proposes that two different occupational hierarchies co-exist in a post-industrial society: an industrial hierarchy and a post-industrial hierarchy. The stratification principles of the two systems are quite different. Moreover, a post-industrial economy is always faced with a dilemma between professionalisation with exclusion and full employment with job polarisation because of the cost disease problem in services. His occupational classification scheme and the corresponding occupational categories in Hong Kong are presented in Table 5a.

⁷ The proportions of PMRs for Sham Shui Po and Yau Tsim Mong in 1991 are 8.5 per cent and 8.4 per cent, respectively.

Table 5a
Industrial and Post-industrial Occupational Hierarchies

<i>The industrial hierarchy</i>	<i>Corresponding Hong Kong categories*</i>
Managers and executives	Managers and administrators
Administrators, supervisors	
Skilled/crafts manuals	Craft and related workers
Unskilled and semi-skilled manuals	Plant and machine operators and assemblers
The service hierarchy	
Professionals	Professionals
Semi-professionals, technicians	Associate professionals
Skilled service	Service workers and shop sales workers, Clerks
Unskilled service	Elementary occupations

Source: Adopted from Esping-Andersen, 1993a: 24–25, 1999: 107.

Note: * The Hong Kong occupational categories are merely proxies to Esping-Andersen's schema.

It should be noted that the Hong Kong occupational categories do not exactly correspond to the industrial and post-industrial hierarchies, but are close approximations. In Hong Kong, the government divides the economy into six major sectors. We group 'manufacturing', 'construction', 'transport', 'storage' and 'communication' together to form the industrial sector and 'wholesale, retail, import/export trades, restaurants and hotels', 'financing, insurance, real estate and business services' and 'community, social and personal services' to form the post-industrial sector. We then cross-tabulate the occupational categories with the two other sectors and find that most categories fall into the expected sector, except 'managers and administrators'. This is because even service firms need managers to run the enterprises. The results are shown in Table 5b.

Table 5b
Occupation by Industrial and Post-industrial Sectors, Third Quarter of 2003*

	<i>Managers and Administrators</i>	<i>Professionals</i>	<i>Associate Professionals</i>	<i>Clerks, Service Workers and Shop Sales Workers</i>
Industrial	30.53%	15.85%	18.01%	13.40%
Post-industrial	69.13%	82.94%	81.11%	86.32%
Total employees in '000	262.4	196.9	589.8	998.8
	<i>Craft and Related Workers</i>	<i>Plant and Machine operators and assemblers</i>	<i>Elementary Occupations</i>	<i>Percentage of all Employees</i>
Industrial	76.55%	86.86%	17.21%	27.51%
Post-industrial	22.32%	12.85%	82.40%	71.75%
Total employees in '000	274.2	242.1	624.0	3194.8

Source: Census and Statistics Department (2003).

Note: * The 'others' categories in both occupation and industry, mainly for the agricultural sector, are not shown. Thus, the number of total employees and the percentage of all employees do not add up.

equivalent position with comparable compensation in the post-industrial job markets. They have to move to the expanding low-wage service sector, which is basically low skilled and labour intensive in nature, though some may acquire necessary skills through retraining in order to enter the skilled services labour market. Moreover, the upward mobility chances for professional jobs are very limited. Only a few young skilled service workers can achieve upward job movement into the semi-professional labour market after obtaining the necessary educational credentials.

In a global city, the industrial hierarchy is contracting. Top managers and executives can easily move to the post-industrial system because of their wealth, good education, high-quality general managerial skills and social networks. Meanwhile, the other labour market sectors are shrinking due to both post-industrialisation and globalisation. The workers can either move to a low-wage service market or become unemployed. In the expanding post-industrial hierarchy, there is a moderate degree of mobility between the professional and semi-professional labour markets, as well as between the skilled and unskilled services labour markets, but the mobility for skilled and unskilled service workers as compared to the semi-professional labour market is far more limited.

The professional and semi-professional labour markets normally recruit entrants from university graduates and sometimes from qualified migrants. Meanwhile, the skilled and unskilled services labour market recruit workers from various sources: high school graduates, non-university school leavers, workers from declining industrial sectors and migrant workers. The upward mobility chances for them are very few because of their limited opportunities in acquiring necessary knowledge, skills and credentials necessary for getting into the professional sectors. Most of the time, their limited opportunities are not due to their inability but their poor working conditions, low pay and long working hours that deprive them from attaining sufficient human, social and cultural capital to move up.

Finally, there is a group of unemployed workers which is considered as the casualty of the declining industrial sectors: dropouts from the low-wage service market for whatever reasons and school leavers and migrants who are unable to find a job. These unemployed people may, with luck, get into the market later. The longer they fail to do so, the higher the chance that they will become the chronic unemployed, or what Esping-Andersen et al. (1993: 41–42) call 'labour market outsiders', who are excluded from mainstream society.

RECASTING THE MIDDLE

Following the above model, we re-examine the occupational distribution in Hong Kong by using the government's projected employment figures in 2007 based on 2001 employment figures. From Table 6, we can see a huge, in fact, the largest among all the occupation categories, projected demand for associate professionals. In contrast, the projected demand for the traditional middle class (craft and related workers) and the traditional working class (plant and machine operators and assemblers) declines

Table 6
Projected Employment Requirement by Occupation Category

<i>Occupation Category</i>	<i>Actual Employment in 2001</i>		<i>Projected Requirement in 2007</i>		<i>Change in 2001 Over 2007</i>		<i>Average Annual % Change</i>
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>% Change</i>	
Managers and administrators	283,900	9.4	314,600	9.8	30,800	10.8	1.7
Professionals	191,500	6.3	234,500	7.3	43,000	22.5	3.4
Associate Professionals*	583,000	19.2	737,200	22.9	154,300	26.5	4.0
Clerks	586,500	19.4	515,100	16.0	-71,400	-12.2	-2.1
Service workers and shop sales workers	430,800	14.2	461,700	14.3	31,000	7.2	1.2
Skilled agricultural and fishery workers	9,700	0.3	6,600	0.2	-3,100	-31.7	-6.2
Craft and related workers	291,800	9.6	278,900	8.7	-12,900	-4.4	-0.8
Plant and machine operators and assemblers	235,100	7.8	225,500	7.0	-9,600	-4.1	-0.7
Elementary occupations#	417,100	13.8	448,300	13.9	31,200	7.5	1.2
All occupation categories	3,029,400	100.0	3,222,700	100.0	193,300	6.4	1.0

Source: Economic Analysis Division (2003d).

Notes: * Associate professionals are known to straddle a wide range of occupation categories. These include technicians, supervisors, survey interviewers, electrical draughtsmen, sales representatives, insurance brokers, merchandisers, marketing officers and assistants, state officers, quality controllers, computer graphic designers, credit analysts, Chinese medicine practitioners, dispensers, nurses and the like.

Examples are cleaners, messengers, watchmen and general labourers.

despite the increase of overall employment demand. Top managers and administrators, and professionals, are expected to have 10.8 per cent and 22.5 per cent growth rates respectively. For skilled services (service workers and shop sales workers) and service proletariat (elementary occupations) there are also modest projected increases of 7.2 per cent and 7.5 per cent respectively. However, 'clerks' will experience the greatest decline in demand, except negligible agricultural workers. This reflects that the technological upgrading associated with the development of global cities, notably that related to the information and communication technologies (ICT), will render the skills of clerks useless.

Overall, the figures suggest that there is an absolute decline of jobs in the industrial or Fordist hierarchy, but there is a dramatic boost of jobs in the post-industrial hierarchy.

The figures also indicate a trend of professionalisation: the projected increase of the number of associate professional jobs is 154,300. Unlike clerks, service workers need interpersonal skills and emotion labour, which cannot be replaced by ICT, to achieve their tasks. Thus, their projected demand is expected to have a positive change of 31,000. The projected decline of the number of industrial jobs comprising of craft workers and plant and machine operators is 22,500.

Professional and financial services are two of the most important growth sectors of a global city. When looking at the employment projection of these two growth sectors of Hong Kong, the evidence of professionalisation is obvious. According to the Census and Statistics Department, professional services include legal services; accounting services; information technology-related services; advertising, architectural, surveying, and project engineering services; engineering services; and business management and consultancy services. The government expects an annual 3.7 per cent employment growth rate for the sector from 2001 to 2007 (Economic Analysis Division 2003a). The projected employment requirement by occupations is presented in Table 7a. The demand for craft workers, plant and machine operators and clerks in the professional services sector, as expected, is declining. In contrast, the demand

Table 7a

Projected Manpower Requirement for Professional Services in 2007 by Occupation Category

	<i>Actual Employment in 2001</i>		<i>Projected Manpower Requirement in 2007</i>		<i>Change in 2007 Over 2001</i>		
	<i>Number</i>	<i>% Share</i>	<i>Number</i>	<i>% Share</i>	<i>Number</i>	<i>% Change</i>	<i>Average Annual % Change</i>
Managers and administrators	14,100	11.2	19,900	12.7	5,700	40.4	5.8
Professionals	39,100	31.0	54,800	35.0	15,700	40.1	5.8
Associate professionals	46,000	36.5	61,900	39.6	15,900	34.5	5.1
Clerks	23,200	18.3	16,400	10.5	-6,700	-29.0	-5.5
Service workers and shop sales workers	#	*	#	*	#	-12.9	-2.3
Craft and related workers	1,300	1.0	900	0.6	-400	-32.2	-6.3
Plant and machine operators and assemblers	500	0.4	300	0.2	-200	-44.1	-9.2
Elementary occupations	1,800	1.5	2,200	1.4	400	19.8	3.1
Overall	126,200	100.0	156,500	100.0	30,300	24.0	3.7

Source: Economic Analysis Division (2003a).

Notes: * Share of less than 0.05%.

Number involved being less than 50.

Figures may not add up exactly to the total due to rounding off.

for managers and administrators, professionals and associate professionals is increasing rapidly. Although the demand for elementary jobs is also increasing, these jobs only amount to a tiny proportion (1.5 per cent in 2001) of the whole sector.

The Hong Kong financial services sector can be divided into three: banking, investment and insurance services. As a whole sector, it is expected to have an annual 2.7 per cent employment growth rate from 2001 to 2007 (Economic Analysis Division 2003b). The projected employment requirement by occupations is presented in Table 7b. As expected, the demand for craft workers, plant and machine operators, and clerks in the professional services sector is declining, together with the elementary occupations. In contrast, the demand for managers and administrators, professionals and associate professionals is increasing rapidly.

Table 7b
Projected Manpower Requirement for Financial Services in 2007 by Occupation Category

	<i>Actual Employment in 2001</i>		<i>Projected Manpower Requirement in 2007</i>		<i>Change in 2007 Over 2001</i>		
	<i>Number</i>	<i>% Share</i>	<i>Number</i>	<i>% Share</i>	<i>Number</i>	<i>% Change</i>	<i>Average Annual % Change</i>
Managers and administrators	34,600	19.2	44,200	20.9	9,600	27.7	4.2
Professionals	11,800	6.5	16,200	7.6	4,400	37.4	5.4
Associate professionals	67,000	37.2	93,300	44.1	26,200	39.1	5.7
Clerks	60,700	33.7	52,900	25.0	-7,800	-12.8	-2.3
Service workers and shop sales workers	200	0.1	100	0.1	-100	-33.3	-6.5
Craft and related workers	400	0.2	400	0.2	#	-0.7	-0.1
Plant and machine operators and assemblers	1,000	0.6	800	0.4	-300	-26.4	-5.0
Elementary occupations	4,200	2.4	3,600	1.7	-600	-15.0	-2.7
Overall	180,000	100.0	211,500	100.0	31,500	17.5	2.7

Source: Economic Analysis Division (2003b).

Notes: # Change in number being less than 50.

Figures may not add up exactly to the total due to rounding off.

So far, the evidence confirms the expansion of the top and middle strata of the post-industrial hierarchy, but there is no such evidence for the growth of low-wage service jobs. However, when examining the projected figures for tourism, the picture is astonishingly different. The government expects an annual 5.9 per cent employment growth rate for the sector from 2001 to 2007 (Economic Analysis Division 2003c). The projected employment requirement by occupations is presented in Table 7c. All occupational positions are expected to grow, though again with the top and middle

Table 7c
Projected Manpower Requirement for Tourism in 2007 by Occupation Category

	<i>Actual Employment in 2001</i>		<i>Projected Manpower Requirement in 2007</i>		<i>Change in 2007 Over 2001</i>		
	<i>Number</i>	<i>% Share</i>	<i>Number</i>	<i>% Share</i>	<i>Number</i>	<i>% Change</i>	<i>Average Annual % Change</i>
Managers and administrators	6,500	6.2	10,400	7.1	3,900	61.0	8.3
Professionals	1,000	1.0	1,600	1.1	500	50.3	7.0
Associate professionals	8,500	8.2	15,100	10.3	6,700	78.9	10.2
Clerks	15,700	15.1	17,900	12.3	2,300	14.7	2.3
Service workers and shop sales workers	52,300	50.5	76,600	52.3	24,300	46.4	6.6
Craft and related workers	3,000	2.9	3,700	2.6	800	25.6	3.9
Plant and machine operators and assemblers	6,200	5.9	6,700	4.6	500	8.5	1.4
Elementary occupations	10,500	10.2	14,300	9.8	3,800	36.3	5.3
Overall	103,600	100.0	146,400	100.0	42,800	41.3	5.9

Source: Economic Analysis Division (2003c).

Note: Figures may not add up exactly to the total due to rounding off.

service jobs doing so at a faster pace. Why are the employment trends so different from those of professional and financial services? It is because tourism involves a lot of labour-intensive yet place-bound consumption activities comprising of hotel, dining, passenger transport, retail and personal services. Thus, a number of elementary and low-skilled service jobs can be created. Moreover, unlike manufacturing, they are still more difficult to be outsourced elsewhere. Yet, there is a trend of replacing these labour-intensive tasks through IT development such that the demand growth for these jobs is still less than that for managers, professionals and associate professionals.

In a way, the figures in tourism confirm Sassen's arguments that the consumption needs of the larger number of top occupations create more low-wage service jobs. However, the size of expansion, as compared to the real increase in Hong Kong's low-paid jobs, is far from what her arguments suppose. Of course, tourism is just one of the economic sectors that caters to the distinct lifestyle of top managers and professionals. Even if associate professionals are classified as the new middle class, they also share or imitate the lifestyle of their superiors. Thus, the low-paid service sectors will be boosted as a whole. Nevertheless, Sassen fails to explain how large the low-wage service sectors will become. Is it simply the principle of supply and demand that works? As the size of the high-income group grows, will their demands for a decent lifestyle create jobs for low-income workers?

FEMALE LABOUR PARTICIPATION AND EXPANSION OF THE SERVICE ECONOMY

Our doubt is why high-income people would want the services provided by low-paid workers who may not satisfy their peculiar high tastes. In his discussion about defamilialisation, Esping-Andersen (1999) argues that many services (like cooking, cleaning and child care) provided via markets, in principle, can be self-provided by households. Therefore, the expansion of the service economy is in large part contingent upon households' make-or-buy decisions and whether or not households will self-serve or buy the services in turn depends on the market prices of the services. The main factors affecting household market purchases are levels of income, relative prices and time constraints. Those time-strapped households with adequate disposable income constitute a counterweight to the forces that repress labour-intensive services. Accordingly, the rise in female participation in the labour market, especially for those married and with children, may reduce the importance of servicing costs which offset the growth of the service economy.⁸ From the German case, Esping-Andersen (1999: 109) observes that 'High labour costs crowd out private social services; low levels of female participation make them less demanded'. Hence, the lower the cost of low-skilled services, the bigger the service economy will be.

These features explain why the urban post-industrial economy necessarily perpetuates a large low-wage service sector to serve directly or indirectly the transnational capitalist class. In order to attract and retain the transnational 'elites', high-end services which fit their classy consumption tastes set up a whole chain of demands to low-end services. The service sector for the transnational capitalist class is definitely very small. However, with their great amount of disposable incomes, relative prices do not constitute any constraint for them to consume expensive services. Indeed, they deliberately purchase position goods and services (Hirsh 1977), so as to reflect their status. As a result, a medium size of the new middle class population is drawn and employed to support this luxury service sector.

Most often, these middle class families are either dual-earner families or single families and time constraint becomes salient for them. Since the services they provide are high value-added, their amount of disposable incomes allows them to trade self-servicing for market purchase. Thus, a larger but smaller value-added service sector is created because middle-class families do matter when it comes to relative prices. People in the lower class are the ones who serve the middle class. When more and more lower-class families become dual-earner families, they need to purchase services from the market. Since they are severely concerned with time and relative price factors, a much bigger service sector with very low added value has to be created in order to maintain the everyday living of lower-class families. In order to drive the labour cost even lower, just like what has been happening in the manufacturing sectors, migrant

⁸ To be fair, as Bruegel (1996: 1434) argues, Sassen's thesis does emphasise the role of female labour participation in high-level jobs to fuel demands for services. In our view, however, her arguments are quite insufficient.

workers from developing countries are recruited. To some extent, this low value-added service sector is self-expanding, along with lowering relative prices, to equilibrium such that no more low-income families can trade self-servicing for market purchase.

With Esping-Andersen's ideas, we can make sense of Hong Kong's phenomenal increase in FDHs and its increasingly feminised low-wage service labour market as discussed in the study of Chiu and Lui (2004). From the mid-1970s onwards, Hong Kong manufacturing was developing rapidly, and the service economy began to grow. More and more women were participating in the labour market because of their elevated educational levels and career aspirations. Particularly, female labour participation rate rose from 47.5 per cent in 1982 to 51.9 per cent in 2004. The number of female labour was about 897,800 in 1982 and rose to 1,566,300 in 2004 with an increase of 74.5 per cent.⁹ As more and more women were able and became eager to work, the make-or-buy decision about household services became salient. In Hong Kong, the decision was very difficult for working women because the strong ideology of Confucian familism puts a great burden on them and the colonial government did not defamilialise or provide any social services to release them from their domestic responsibilities. Unless they considered that their current or future salaries and career prospects were enticing enough to compensate for the costs of purchased domestic services, otherwise due to their feminine instincts or guilt invoked by their belief of Confucian familism, they were confronted with a great dilemma. Thus, in the late 1970s and early 1980s, it was very common for young couples, after having kids, to have their mothers live with them so that they could serve as caretakers for their children.

The importation of FDHs helped Hong Kong women resolve this make-or-buy dilemma. The lowering of service costs released many women from their domestic responsibilities so that they could pursue their careers. As a result, the proportion of FDHs in the total labour supply rose from 1 per cent in 1982 to 7 per cent in 2001. Moreover, in 2001, it was found that 61 per cent of FDH employer households had two economically active members (likely to be dual-working households) as opposed to the proportion of 32 per cent for non-FDH employer households (Census and Statistics Department 2003: 26). However, it is not surprising to find that some households living in public housing also hire FDHs. One may wonder whether or not these public housing households belong to the professional class. Indeed, it is not uncommon for traditional male-breadwinner families to employ FDHs, so that the mother can be released from most of the housework and can concentrate instead on building up the children's human, social and cultural capital. Sassen is often criticised on the ground that she emphasised too much on exogenous factors like globalisation, but ignored endogenous elements such as the welfare state. One ignored endogenous factor is important in understanding the expansion of Hong Kong's service sector, namely, the changing household consumption pattern alongside economic development.

⁹ Retrieved 1 August 2005, from www.info.gov.hk/censtatd/eng/hkstat/fas/labour/ghs/labour2.xls.

According to Engel's law, when people's real income increases, they will spend more on non-essential consumption. As the economy industrialised and grew, Hong Kong people had more disposable income to spend, for instance, for dining out frequently. In addition, as more families became dual-earner households, they had even more to spend. As a result, even before Hong Kong became a global city, the service economy had grown and the manufacturing sector had declined relatively. For instance, services had contributed 67.3 per cent to the Hong Kong Gross Domestic Product in 1980, in contrast to the 23.6 per cent contributed by manufacturing.¹⁰ Although post-industrialisation, referring to the rise of services and the decline of manufacturing, is often intertwined with globalisation, they are analytically separable. A city without any interference from globalisation can also experience post-industrialisation. According to Esping-Andersen (1999: 56), whether or not post-industrialisation will lead to a large amount of low-paid service jobs is an empirical question depending on the relative price of services, which is in turn determined by both global and local factors (especially state and labour institutions). To summarise, the expansion of Hong Kong's low-paid service jobs is caused by a number of factors, of which its global city status is one. However, it is not the only factor.

JOB MOBILITY AND LOW-INCOME-POVERTY TRAP

Wage inequality and professionalisation can co-exist if low-paid service workers and lay-off workers from the industrial hierarchy have limited opportunities to move to the professionalised labour market as illustrated in Figure 1. Examining the job mobility of Hong Kong in 2004, we find that the professionalised labour market, comprising of managers, administrators, professionals and associate professionals, is relatively closed-end. As can be seen from Table 8, 88 per cent of job-changers in professionalised labour retained their occupational status, whilst 5.5 per cent moved down to become clerks and 3 per cent to become service and sales workers. However, not all skilled service workers have equal chances to move up in a post-industrial hierarchy. For instance, clerks (12.2 per cent) have higher chances than service workers (5.0 per cent) to move up to the professionalised labour market. This is because they are more likely to be replaced by ICTs and thus they also have a stronger motivation to upgrade themselves. Moreover, despite their higher risk of job insecurity, clerks' working environment may be better than that of service and shop sale workers, thus better conditions for learning new skills and gaining additional educational credentials as well. The horizontal mobility between clerks and service workers is moderate: 6.1 per cent for clerks becoming service workers and 7.5 per cent for service workers converting to clerks.

For workers from the industrial hierarchy and low-paid service workers (that is, elementary occupations), their mobility chances were merely 1.5 per cent and 1.2 per cent, respectively. This indicates that there are sharp market segmentations between

¹⁰ Retrieved 1 August 2005, from www.info.gov.hk/censtatd/eng/hkstat/fas/nat_account/gdp/gdp6.xls.

Table 8
Job-Changers by Present Occupation and Occupation of Last Job, 2004

Present Occupation	Occupation of Last Job						Total
	A	B	C	D	E	F	
	Number of Persons ('000)						
A	80.0	5.6	3.6	1.4	1.0	0.2	91.7
	87.91%	12.20%	4.99%	1.53%	1.21%	50.00%	23.91%
B	5.0	35.2	5.5	0.6	1.4	–	47.7
	5.49%	76.69%	7.63%	0.65%	1.70%	–	12.44%
C	2.7	2.8	55.0	1.7	5.9	–	68.2
	2.97%	6.10%	76.28%	1.85%	7.16%	–	17.78%
D	1.9	0.6	2.8	84.0	4.6	–	93.8
	2.09%	1.31%	3.88%	91.50%	5.58%	–	24.46%
E	1.3	1.7	5.3	4.0	69.3	0.2	81.7
	1.43%	3.70%	7.35%	4.36%	84.10%	50.00%	21.30%
F	–	–	–	0.2	0.2	–	0.4
	–	–	–	0.22%	0.24%	–	0.10%
Total	91.0	45.9	72.1	91.8	82.4	0.4	383.5

Source: Census and Statistics Department (2005).

Note: Occupational categories:

- (A) Managers, administrators, professionals, and associate professionals.
- (B) Clerks.
- (C) Service workers and shop sales workers.
- (D) Craft and related workers, plant and machine operators and assemblers.
- (E) Elementary occupations.
- (F) Others, including employees from the agricultural sector.

professionalised labour markets and low-skilled service markets, as well as between professional labour markets and industrial labour markets. However, only 1.9 per cent of industrial workers and 7.1 per cent of elementary workers changed to service workers so it is interesting to find that only 4 per cent of industrial workers became elementary workers, whilst most of them remained in the same job category. Moreover, 5.6 per cent of elementary workers went back to being industrial workers. This implies that quite a number of industrial workers were circulating between industrial and elementary jobs. In sum, industrial workers were more likely to become elementary workers once they changed their jobs, whilst elementary workers were more likely to become service workers, followed by industrial workers. However, both of them had few chances to turn into clerks who had greater opportunities to move into the professionalised labour market.

With regard to poverty and the unemployed, we rely on the government's Comprehensive Social Security Assistance (CSSA) caseload figures. As mentioned in the Commission on Poverty website, 'There is no official poverty line in Hong Kong. However, the Comprehensive Social Security Assistance (CSSA) level is practically the de facto "poverty line" for Hong Kong'.¹¹ Table 9a shows the general trends of the

¹¹ http://www.cop.gov.hk/eng/concept_indicator.htm retrieved 1 August 2005.

increasing caseloads of unemployment and low earnings from 1995 to 2004. The dramatic increase of unemployment cases between 1997 and 1998 and between 2001 and 2002 reflects how the Hong Kong economy was seriously hit by the Asian financial crisis and the incident of Severe Acute Respiratory Syndrome (SARS). Nevertheless, we witness a growing trend of the working poor from the figures of low earnings cases which increased almost ten-fold from 1995 to 2004.

Table 9a
Number of CSSA Cases by Low Earnings and Unemployment Categories

<i>Year</i>	<i>Low Earnings</i>	<i>% of all Cases</i>	<i>Unemployment</i>	<i>% of all Cases</i>	<i>Total Cases</i>
1995	1,656	1.28%	8,816	6.82%	129,245
1996	2,871	1.80%	14,185	8.87%	159,837
1997	4,148	2.22%	16,976	9.08%	186,932
1998	7,348	3.23%	30,290	13.32%	227,454
1999	8,008	3.47%	28,085	12.17%	230,681
2000	8,432	3.70%	23,573	10.34%	228,060
2001	9,008	3.73%	28,886	11.95%	241,673
2002	10,607	3.98%	40,513	15.20%	266,571
2003	13,534	4.66%	50,118	17.27%	290,206
2004	16,176	5.47%	45,231	15.30%	295,694

Source: http://www.cop.gov.hk/eng/concept_indicator.htm.

Note: Figures refer to the end of the year.

According to the government, as of November 2004, there were 46,029 CSSA unemployment caseloads and 16,033 CSSA low earnings caseloads, making up 15.5 per cent and 5.4 per cent of the total CSSA caseloads respectively. There were 5,256 CSSA cases which moved from the unemployment category to the low earnings category, whilst 575 cases reverted to the unemployment category during the period between December 2003 and November 2004 (Table 9b). The reduction of unemployment cases was the result of the introduction of the Support for Self-reliance (SFS) Scheme, a sort of welfare-to-work programme, and the gradual improvement of Hong Kong's labour market. However, this simply indicates that the government intends to reduce the unemployment rate by forcing the unemployed into the low-wage service labour market.

As previously mentioned, there are a few upward job mobility chances for low-paid workers and industrial workers and forcing the unemployed to re-enter the labour markets is simply turning them into working poverty. With the expansion of both professionalised and low-paid service labour markets, the increasing income inequality and poverty problems cannot be solved because there is significant market segmentation between these two markets. As a result, most working-class people are trapped in a low-income-poverty cycle with very few chances to escape.

Table 9b
The Number of CSSA Cases Circulating between Unemployment and Low Earnings

<i>Month/Year</i>	<i>No. of Cases Changed from Unemployment to Low Earnings</i>	<i>No. of Cases Changed from Low Earnings to Unemployment</i>
December 2003	439	167
January 2004	348	170
February 2004	421	183
March 2004	508	239
April 2004	439	209
May 2004	456	199
June 2004	437	189
July 2004	432	192
August 2004	393	179
September 2004	439	207
October 2004	453	196
November 2004	491	193

Source: http://www.cop.gov.hk/eng/concept_indicator.htm.

CONCLUDING REMARKS

In sum, our article shows that social polarisation, in its narrowest definition of absolute income polarisation and the disappearing middle, does not happen in Hong Kong. However, there are serious problems on income inequality: a low-income-poverty trap against the lower class and the spatial and economic segregation towards migrant groups.

The labour market segmentation created, maintained and reinforced by global economic forces allows limited upward mobility chances for the lower classes. Although a few lower-class people can be employed in associate professional jobs because of their educational attainment, most of them are trapped in a low-income-poverty vicious cycle. As the HK welfare system becomes harsher and switches towards workfare, there are little chances therefore for the lower classes to escape from the trap. The economic hardship of lower-class families forces women to enter the labour market, especially when their husbands are unemployed. This further pushes down the wage level of already low-paid service jobs, thus reinforcing the bondage of the low-income-poverty cycle by reducing available resources to help lower classes escape from the trap.

For HK ethnic minorities, they were first recruited into the labour market in order to release the middle-class female labour force and to solve labour shortage problems. As post-industrialisation proceeds in HK, they become competitors with the local working classes for low-paid jobs. Politically, this helps the government and capitalists use them as scapegoats for the deterioration of the living conditions of the lower classes. Socio-culturally, these ethnic minorities suffer from racial discrimination and exclusion from mainstream Chinese society.

Poverty can be considered as one of the phenomena in which the 'global' meets the 'local'. Because of the influence of globalisation processes on individuals' everyday lives, poverty in 'affluent' global cities has involved various ways of adaptation and forms of social coping, producing complexity in the way poverty is perceived and experienced: a place where isolation and destitution is a lived everyday phenomenon, but at the same time it is a place where opportunities are available even to the 'worse-off'. A variety of forms of social coping and capabilities is built up, in a puzzled socioscape constituted by sociospheres of uneven access to resources. Poverty, as lack of material and cultural resources which restricts the ability to socialise, in globalised setting results in a shifting reality, which in turn means that 'poverty' as a concept has to undergo constant rethinking (Buffoni 1997: 110, 125).

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Authors' Addresses: Kim-ming Lee is a lecturer in Division of Social Studies, City University of Hong Kong, Tat Chee Avenue, Kowloon, Hong Kong; Hung Wong is an assistant professor in Department of Social Work, Chinese University of Hong Kong; Kam-ye Law is an associate professor in Department of Asian & International Studies, City University of Hong Kong. This research project is funded by City University of Hong Kong (Project No.: 7001273).