Mainland Chinese Migrants in Hong Kong

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How Well Do They Fare?

By

Pak-Wai Liu and Kit-Chun Joanna Lam

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To Wendy and Carol, our beloved daughters

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FOREWORD

LAWRENCE J. LAU[1]

It is both my honour and my pleasure to write this foreword for the new book by my two old friends, Professors Pak-Wai Liu and Kit-Chun Joanna Lam, titled *Mainland Chinese Migrants in Hong Kong: How Well Do They Fare?* Both Professors Liu and Lam are economists who specialise in different aspects of economic development, labour economics and public finance, including, of course, migration. Their new book may be considered a sequel to their earlier book, Kit-Chun Lam and Pak-Wai Liu, *Immigration and the Economy of Hong Kong*, which was published in 1998 and has since become the standard reference for researchers interested in the economics of migration in Hong Kong.

Migration is a world-wide phenomenon and a perennial issue for researchers and policy makers alike. As long as there are differences in living standards and levels of socioeconomic development across countries, people will try to move to other countries to seek a better life or take refuge from famine, war, religious and political persecution. Migrants usually move from low-income countries to high-income countries. Migration from Mainland China to Hong Kong is, however, quite unique. Even though it is not a movement of migrants across countries, there is nevertheless a border to cross from Mainland China into Hong Kong under British rule before 1997, or into the Hong Kong Special Administrative Region under the "One Country Two Systems" after 1997. Unlike migrants who may have very different cultural, ethnic, linguistic and religious backgrounds from the native-born of the destination countries, Mainland Chinese migrants have much in common with the native Hong Kong-born. However, there are still significant differences in terms of the spoken language, the culture and the education they have received. After all, Hong Kong has been separated from Mainland China since 1841.

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[1] Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong, and Kwoh-Ting Li Professor in Economic Development, Emeritus, Stanford University.

Hong Kong was truly a migrant society in the 1950's and 1960's, when the Mainland Chinese migrants outnumbered the Hong Kong-born; but over time the percentage of Mainland migrants in the population has gone down to below 30% as new immigration from the Mainland slowed down and the children of the Mainland immigrants in Hong Kong would naturally be local born. The commonalities and differences between the Mainland Chinese migrants and the Hong Kong-born have interesting implications that are different from other studies on migration elsewhere. The issues of assimilation and economic integration of the Mainland Chinese migrants in Hong Kong are addressed in this book.

Professor Liu is a long-time friend and colleague of mine. We first met in the 1970's at Stanford University where Pak-Wai was working on his PhD degree in Economics. We subsequently became colleagues at The Chinese University of Hong Kong when I came back from the U.S. in 2004 to serve as the Vice-Chancellor and President of the University and its Ralph and Claire Landau Professor of Economics, and he was the Pro-Vice-Chancellor (Vice-President) and Professor of Economics. Professor Liu's research interest is in applied theory, economic development and labour economics with a focus on migration. He and Professor Lam, his co-author, have jointly written a number of journal articles and book chapters on the theoretical and empirical aspects of migration, as well as the influential book, *Immigration and the Economy of Hong Kong*, in 1998. Prof. Liu is currently Research Professor and Professor Emeritus, Department of Economics, The Chinese University of Hong Kong.

Professor Kit-Chun Joanna Lam is also a long-time friend whom I met through Professor Liu. She specialises throughout her academic career in the study of the economics of migration, starting with her doctoral dissertation at Harvard University. She is currently Professor Emeritus, Department of Economics, Hong Kong Baptist University.

In their new book, Professors Liu and Lam analyse the economic performance of the Mainland Chinese migrants in Hong Kong over the 45-year period from 1971 to 2016, using available census data. They cover a wide range of topics, including earnings, education, language proficiency, labour market participation, occupation and industry distribution, housing accommodation and intergenerational mobility. They examine how successful the Mainland migrants have been in integrating economically into Hong Kong and how well they have fared in relation to the Hong Kong-born within the context of the changing economic fortunes of Hong Kong.

The degrees of successful assimilation and economic integration of migrants have a direct bearing on the crucially important social harmony in Hong Kong. There are no better persons than Professors Liu and Lam to analyse these important issues and to write this book.

PREFACE

In 1998 we published a book on *Immigration and the Economy of Hong Kong*. The book gave a brief history of Chinese immigration in Hong Kong and a survey of the current issues on Chinese immigration. The most hotly debated issue then, at the eve of the changeover of sovereignty of Hong Kong in 1997, was the right of abode of children of Hong Kong residents born in Mainland China and family reunion in Hong Kong. The book documented the economic consequences of Chinese immigration in Hong Kong and the economic performance of the immigrants. It also made a number of proposals on immigration policies. Nearly a quarter of a century has elapsed. Hong Kong becomes a Special Administrative Region of China under the "One Country Two Systems" constitutional arrangement. The right of abode of children has been resolved but family reunion remains a contentious issue in the community. Meanwhile the economies of Hong Kong and Mainland China have evolved rapidly. We believe it is an opportune time to take stock and follow up on the new developments with another book.

The theme of this book is on the economic performance of Mainland Chinese migrants in Hong Kong in the last 35-45 years. It addresses the question: How well do Mainland Chinese migrants fare in Hong Kong. We investigate various aspects of economic performance and compare the migrants with the Hong Kong-born in earnings, labour market participation, language proficiency, self-employment and business ownership, occupation distribution and segregation, housing accommodation and homeownership, and intergenerational mobility. The answer to the theme question, as it turns out, depends on the sub-period under analysis as the quality of the migrant arrival cohorts and the economy of Hong Kong change over time.

The data we utilise are mainly drawn from the full Hong Kong censuses and by-censuses from 1981 to 2016, and where data are available also from 1971. By pulling together the data of eight or more censuses and by-censuses we put in one place a comprehensive dataset on the economic performance of Mainland Chinese migrants in Hong Kong over 40 years. This book serves as a reference book for researchers interested in the

analysis of Mainland Chinese migration in Hong Kong as well as a data resource book for the policy makers.

This book is the culmination of our research work over a number of years. We are most grateful to Professor Lawrence J. Lau for his encouragement, support, insightful ideas and comments, and in particular for taking the time from his busy schedule to write a foreword for this book. We are indebted to participants of a seminar of the Lau Chor Tak Institute of Global Economics and Finance at The Chinese University of Hong Kong, and a seminar of the Hong Kong Institute of Economics and Business Strategy at the University of Hong Kong for their comments on an earlier version of Chapter 9. We also would like to acknowledge the contributions of the participants of the Christian Economist Forum on "Economic and Social Integration of Arrivals from Mainland and the Role of the Church" organised by the same Institute at the University of Hong Kong on the earlier versions of Chapters 3, 4 and 6. We gratefully acknowledge the support of the Department of Census and Statistics of the Government of Hong Kong Special Administrative Region which has been very helpful in providing access to the full census data. We would also like to express our appreciation to Professor Terence Chong, Executive Director, and staff of Lau Chor Tak Institute of Global Economics and Finance for their support of this book project, and to Sophia Lok for her able research assistance in collecting data. Finally, we are most grateful to Ting Hin Yan of the Institute for doing most of the heavy work of massive data compilation, computation, tabulation, charting and formatting the manuscript for publication, as well as liaising with the Department of Census and Statistics. Without his dedication, tireless effort and highly capable assistance, this book would not have been possible.

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CHAPTER ONE

INTRODUCTION

Migration as a Contentious Issue

In many developed countries few socioeconomic issues are as contentious, engaging a significant fraction of the populace over an extended period of time, as migration. There are different types of migrants according to their reasons for migration. Migrants may enter a country to be re-united with their families, to take up employment legally, to seek a better life working under an illegal status, or to seek refuge from famine, war, religious and political persecution. Invariably one type of migrants or the other, becomes the focus of national and international politics in the developed countries which are the major destinations of migrants. The flow of refugees from Syria and North Africa across European countries has caused conflicts and fracture within the European Union and constitutes a major factor in Brexit. In the United States, illegal migrants from the south crossing the Mexican border are targets of contentious and partisan politics. In Canada and Australia, opposition to migration never fails to provide fodder for conflagration in electoral politics.

National politics aside, migration spawns a myriad of contentious economic, social, ethnic and cultural issues which need to be analysed and studied to inform the public and the migration policymakers. Over the decades, there has been a voluminous literature on the study and debate in many countries addressing the following issues. What are migrants' contributions to the economic development of the destination country? Are migrants integrating in the destination country? Should government be more proactive to facilitate integration? Are migrants occupationally segregated? Do migrants displace the native-born from high-skill jobs or do they mostly take up low-paid jobs unwanted by the native-born? Are professional migrants a significant supplement to the human capital of the destination country? Are migrants handicapped in the language of the destination country, in job search and in career advancement? Do migrants take up a disproportionate share of social welfare? Are female migrants participating

to the same extent as the native-born in the labour market or do they stay home as homemakers? Do migrants benefit from government-subsidised low-cost housing at the expense of the native-born? Are migrants residing in enclave communities or trapped in urban ghettos? Do migrants suffer from racial discrimination in the labour market and the housing market? Do migrants fare as well as the native born? Are they upwardly mobile? Do second-generation migrants fare better than their parents? Do they have equal educational opportunity? Does migration enrich diversity in the destination country, or does it engender ethnic conflicts? The list of issues goes on.

Scope of Study

Migration issues are so multi-faceted and wide-ranging that a single book cannot possibly do justice addressing all issues. In this book we focus only on the economic well-being of Mainland Chinese migrants in Hong Kong to analyse how well they fare relative to the Hong Kong-born in terms of earnings, language integration, labour market participation, occupation and housing. We study the economic integration of Mainland Chinese migrants in Hong Kong, as evidenced by the pace of convergence/ divergence of their earnings with the Hong Kong-born. Specifically, we address the issue whether their earnings gap with respect to the Hong Kong-born narrows or widens over time. We will examine the linguistic integration of the Mainland migrants and how their linguistic difference with the native population impacts their earnings. We will also study migrants' labour market participation to assess whether they are as active as the Hong Kong-born in the labour market. We analyse their job distribution by occupation and industry, and their housing accommodation in comparison to the Hong Kong-born to assess whether there is evidence of segregation. We are also interested in how well migrant children fare in relation to their migrant parents. In other words, to what extent has there been intergenerational mobility among migrants and how mobile their children are relative to the Hong Kong-born.

Methodology

Our analysis of the above issues is based on the data of the Hong Kong censuses and by-censuses from 1971 to 2016.[1] The span of 45 years enables

[1] The data in the 1971 census are limited compared with the later censuses. Not all aspects of the migrant economic performance can be analysed starting from 1971.

us to study the dynamics of the integration and the mobility of the migrants and their second generation in Hong Kong. The conventional approach for studying the intertemporal changes in the economic performance of migrants is to analyse the assimilation effect—the closing of the earnings differential between the migrants and the native-born as the former acquire country-specific skills after arrival in the destination country. In the case of Hong Kong, we should also be mindful of the cohort effect and the time effect. Over the period the Hong Kong government has revamped its migration policies and the characteristics of the new migrants have changed. Over the decades new Mainland migrant arrival cohorts are from different sources and of different composition. They are very different in quality, in terms of their education, work experience or other unobserved (or unmeasured) characteristics which affect their economic performance in Hong Kong. We label this the cohort effect. Meanwhile the structure of the economy has transformed and there have been macroeconomic changes in the economy. We collectively label their effect on migrant economic performance the time effect. Wherever feasible, we benchmark the economic performance of the migrants against that of the Hong Kong-born who have undergone the same period of changes to give a quantitative assessment of how well they fare after migration to Hong Kong.

Censuses and By-censuses

Our analysis is mainly based on data from the Hong Kong censuses. To have a better appreciation of the census data, it is pertinent to understand the census definition of resident population, its approach in enumeration and its coverage. Hong Kong census is conducted every ten years in which the entire resident population is enumerated (by a short form) with a fraction of it being enquired of their detailed characteristics (by a long form). At the mid-point between two censuses, a by-census is conducted. A by-census differs from the census in not having a complete enumeration of the population. It focusses only on surveying the detailed characteristics of a fraction of the population by the long form. The size and the characteristics of the entire population in a by-census are inferred from the sample results.

In 1971 only a one percent sample of the population census is available. In 1981 one-fifth of the population are surveyed in the census by the long form. This fraction is reduced to one-fourteenth in 1986 and one-tenth in

Also the 1976 census is not available. For all practical purposes, most of the analyses begin from the 1981 census.

2011 and thereafter as the population grows larger. These constitute the full census datasets on which our analyses are based. In the censuses and by-censuses only residents of Hong Kong are surveyed. Over the decades, the approach to enumerating residents changes. In the 1991 census and before, residents present in Hong Kong are enumerated under the de facto approach. All persons who are present in Hong Kong at the reference moment and residents who are temporarily away from Hong Kong are enumerated but only the former is asked detailed questions on demographic and socioeconomic characteristics.

In the 1996 census, the de facto approach is replaced by the de jure approach. Residents are defined to include members of the household usually living in Hong Kong in the six-month period either before or after the reference moment, and those who usually work in Mainland China and Macao. Both groups are enumerated and enquired of their detailed socioeconomic characteristics. Multiple visits are made to interview all members of a household. Information of a household member who is absent for the entire census period may be supplied by other members as far as possible.[2]

From the 2001 census and onward, residents are more finely categorised under the "resident population" approach. The resident population encompasses "Usual Residents" and "Mobile Residents". "Usual Residents" refer to (1) Hong Kong Permanent Residents who have stayed in Hong Kong for at least three months during the six months before or after the census moment, regardless of whether they are in Hong Kong or not at the census moment; and (2) Hong Kong Non-permanent Residents who are in Hong Kong at the census moment. As for "Mobile Residents", they are Hong Kong Permanent Residents who have stayed in Hong Kong for at least one month but less than three months during the six months before or after the census moment, regardless of whether they are in Hong Kong or not at the census moment. The change in approach in enumerating Hong Kong residents gives a more precise categorisation of Hong Kong Permanent Residents into those residing and working in Hong Kong and those residing in Hong Kong but usually working across the border, as well as Non-permanent Residents who are residing and working in Hong Kong.

[2] If all members of a household cannot be reached, a self-administered questionnaire which only enquires of their basic characteristics will be left in their mailbox. From 2006 onwards, sampled households can opt to provide information via electronic questionnaires.

Despite the change in the enumeration approach, overall coverage of the residents does not seem to change materially across the censuses and should have little effect on our results as our analysis is mostly based on the very large complete dataset of the censuses.

Mainland Chinese Migration in Hong Kong

Like many great cities which start from a humble origin and develop into a metropolis, Hong Kong was truly a migrant society in the 1950's and 1960's as Mainland Chinese migrants outnumbered the local born. Over the decades there had been many influxes of Mainland Chinese migrants who migrated to Hong Kong both legally and illegally, to pursue a better life, to flee from wars, famines and political upheavals and to seek an opportunity for onward migration to other countries. Lam and Liu (1998) gives a brief history of Chinese immigration to Hong Kong since the Peking Treaty between the Qing Dynasty and Britain in 1898 and a full account of the immigration issues up to the return of sovereignty of Hong Kong to China in 1997. In the early years before 1950, the movement of the population across the border between Hong Kong and Guangdong Province was free. In May 1950 the Hong Kong government implemented a quota on the entry of Chinese citizens. With the agreement of the Mainland Chinese authorities, only people granted exit permits (which came to be known as One-way Permits) by the Chinese government were allowed entry into Hong Kong for residence. Despite the implementation of the quota system restricting entry, over time there had been large (at time overwhelming) influxes of migrants who came to Hong Kong illegally.

In the early years before and after World War II, many Mainland migrants who came to Hong Kong were sojourners, living on borrowed land, biding their time to return to the Mainland or to move on. As time went by, the Mainland migrants settled in Hong Kong built their families and raised their children as second-generation migrants (born in Hong Kong of first-generation migrant parents). Meanwhile political developments on the Mainland after the 1960's prevented further large influxes of migrants into Hong Kong. With the cessation of influxes, the demographic mix (in terms of the place of birth) of the Hong Kong population changed. By the 1960's the Hong Kong-born had exceeded the Mainland-born in number. Statistically, Hong Kong was no longer a migrant society. The last wave of migration ended in October 1980 when the Hong Kong government abolished the "reached-base" policy. Henceforth illegal immigrants were not allowed to stay or work in Hong Kong. The door to illegal immigration

from the Mainland was closed. Since then, Mainland Chinese migrants can enter Hong Kong only through legal channels, including the One–way Permit (OWP) scheme for family reunion and various professional and talent schemes for employment.[3]

Mainland Chinese Migrants

In view of the diversity in the background and the intention of the residents originally from Mainland China who arrive Hong Kong through numerous channels, for the purpose of this book we adopt a simple definition of a migrant. A migrant is defined by his/her place of birth. We classify Mainland-born residents in the Hong Kong censuses as Mainland Chinese migrants, regardless of when they arrive in Hong Kong, whether their entry into Hong Kong is legal or illegal, whether their purpose is for family reunion, employment or study, whether their intention is to stay for a short period or long enough to acquire permanent residence status, and whether they enter Hong Kong directly from Mainland China or via another country where they may have stayed a certain length of time and may have acquired citizenship. In short, a Mainland China-born who came to Hong Kong at a certain stage of his/her life cycle and surveyed as a resident by the census is considered, for the purpose of this book, a Mainland Chinese migrant.

For the purpose of some of the analyses in this book, it is convenient to categorise Mainland Chinese migrants into "old migrants" and "new migrants". The qualifiers "old" and "new" are not related to age but the duration of residence in Hong Kong. Old migrants are those who have been in Hong Kong for seven or more years. The seven-year duration of residence is a natural demarcation categorising the migrants into "old" and "new" because in Hong Kong a residency of seven years qualifies a migrant to apply for permanent residence. The census does not have information on the permanent residence status but except for the 1986 by-census, it contains information on the year of arrival of the migrants. It is believed that most Mainland Chinese migrants do apply after seven years and become permanent residents of Hong Kong. By corollary, new migrants are those who have been in Hong Kong less than seven years. There is no information on whether the new migrants, especially those who come for education or

[3] The different channels of Mainland Chinese migration to Hong Kong after 1980 and the changing characteristics of the migrants will be the subject of Chapter 3.

employment under various schemes, intend to stay beyond seven years and become old migrants with permanent residence status.[4]

Table 1-1 shows the distribution of the Hong Kong-born, the Mainland migrants (sub-classified into old and new) and others born outside of Mainland China and Hong Kong in the entire population and in the working age population of age 15-64 by census. It should be noted that while the Hong Kong-born constitute 57-61% of the population over the period 1971 to 2016, the percentage of the Mainland Chinese migrants in the population is rather large, even though it declines from 41% in 1971 to just below 30% in 2016. This percentage is high even compared to other countries that receive large numbers of migrants. Regarding the working age population age 15-64, the Mainland Chinese migrants account for as high as 61% of the total in 1971, contributing to the bulk of the low-skill labour force in the 1970's. As Hong Kong immigration policy changes, this figure falls rapidly in the 1970's and 1980's, and thereafter gradually to 27% in 2016. These percentages highlight the importance of studying how well the migrants fare in Hong Kong as their economic performance has a significant impact on the well-being of the Hong Kong society.

[4] Those who arrive under the One-way Permit scheme and some other schemes like Capital Investment Entrant scheme probably have more clear motivation to come to Hong Kong to settle, eventually to become permanent residents, but less so for those who arrive under the General Employment Policy for Mainland Professionals Residing Overseas, for instance. For details see Chapter 3.

Table 1-1: Distribution of Migrant Groups (%)

	1971*	1981	1986	1991	1996	2001	2006	2011	2016
All Age									
Hong Kong-born	21,661	2,854,482	3,203,165	3,299,597	3,749,332	4,004,894	4,138,844	4,278,126	4,451,493
	(56.6%)	(57.2%)	(59.4%)	(59.8%)	(60.3%)	(59.7%)	(60.3%)	(60.5%)	(60.7%)
Mainland Migrant	15,880	1,973,976	1,926,093	1,901,914	2,026,212	2,180,153	2,215,780	2,190,973	2,186,537
	(41.5%)	(39.6%)	(35.7%)	(34.4%)	(32.6%)	(32.5%)	(32.3%)	(31.0%)	(29.8%)
Old Migrant	…	1,682,719	…	1,708,626	1,793,578	1,846,184	1,941,135	1,956,107	1,943,156
		(33.7%)		(30.9%)	(28.8%)	(27.5%)	(28.3%)	(27.7%)	(26.5%)
New Migrant	…	291,257	…	193,288	232,634	333,969	274,645	234,866	243,381
		(5.84%)		(3.50%)	(3.74%)	(4.98%)	(4.00%)	(3.32%)	(3.32%)
Others	742	158,102	266,739	320,770	442,012	523,342	509,722	602,477	698,555
	(1.94%)	(3.17%)	(4.94%)	(5.81%)	(7.11%)	(7.80%)	(7.43%)	(8.52%)	(9.52%)
Age 15-64									
Hong Kong-born	8,261	1,694,890	2,022,418	2,189,974	2,626,819	2,949,573	3,170,843	3,347,770	3,319,398
	(36.4%)	(49.5%)	(54.1%)	(56.3%)	(59.2%)	(60.8%)	(62.5%)	(63.1%)	(62.1%)
Mainland Migrant	13,892	1,597,658	1,493,043	1,426,267	1,435,205	1,456,806	1,468,998	1,442,422	1,428,710
	(61.1%)	(46.7%)	(39.9%)	(36.7%)	(32.3%)	(30.0%)	(29.0%)	(27.2%)	(26.7%)
Old Migrant	…	1,372,003	…	1,285,508	1,273,975	1,237,604	1,271,599	1,252,269	1,223,708
		(40.1%)		(33.1%)	(28.7%)	(25.5%)	(25.1%)	(23.6%)	(22.9%)
New Migrant	…	225,655	…	140,759	161,230	219,202	197,399	190,153	205,002
		(6.59%)		(3.62%)	(3.63%)	(4.52%)	(3.89%)	(3.58%)	(3.84%)
Others	570	129,696	225,047	272,084	374,939	445,541	432,034	516,512	594,869
	(2.51%)	(3.79%)	(6.02%)	(7.00%)	(8.45%)	(9.18%)	(8.52%)	(9.73%)	(11.1%)
Sample size	38,283	4,986,560	5,395,997	5,522,281	6,217,556	6,708,389	6,864,346	7,071,576	7,336,585
Population proportion	1%	20%	1/7	1/7	1/7	1/7	1/7	10%	10%

* Micro census dataset