Hong Kong: A tale of two cities

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A sharp rise in house prices and rents, which have doubled in the last five years, is fueling social discontent in Hong Kong. As a result of government policies that have favoured property speculators—low interest rates, an open door policy for foreign investors, and tight control over the amount of land available for construction—the University of Hong Kong All Residential Price Index climbed by 28.4 percent from January to August 2010.

While the popular image of Hong Kong is one of a forest of skyscrapers, what few people realise is that just 24 percent of the land is available for construction as a result of policies set in place by Britain as the colonial power and maintained by China after the handover in 1997. These land policies have concentrated wealth and power in the hands of a few property developers.

A huge expansion of public housing in the 1970s and ‘80s provided cheap rentals to low-income families, as part of a bid to quiet social discontent. However, this measure enabled Hong Kong’s employers to justify paying low wages. After 1978, the Home Ownership Scheme made it possible for more prosperous workers to buy their homes, leaving less public housing available for rental by poorer families.

In a move intended to boost real estate values, after the 1997 Asian crisis and the collapse of the property market, the Hong Kong Housing Authority froze public housing programmes on Hong Kong Island and Kowloon, while selling land for luxurious residential high-rise apartments.

In breach of China’s restrictions on transferring more than US$50,000 a year out of the country, many luxury apartments and villas in Hong Kong have been bought as “trophy” homes in a speculative frenzy by China’s wealthy elite. Unoccupied, as evidenced by the unlit blocks after nightfall, they have priced local people out of the housing market and ratcheted up prices for everyone, making housing unaffordable for many.

As well as fancy apartments, Hong Kong is awash with luxury shopping malls replete with the top international brands and ice rinks. These stores have forced out traditional low-cost market traders. So busy are they that it is not uncommon to see queue marshals controlling entry into the top jewellery and watches stores, until there are shop assistants ready to deal with the customers, many of whom come from China.

Hong Kong’s much depleted public housing sector has been unable to cope with rising demand. Many people live in small apartments subdivided into three or four units, while others live in illegal makeshift huts on tenement roofs without sanitation. It is not unusual for people to live in caged bunk beds, although these were supposedly banned some years ago.

Michael Tien Puk-sun, chairman of the international garment retailer G2000 and vice chairman of the New People’s Party, wrote in the *South China Morning Post* of his brief experience of swapping his office to work as a street cleaner. He said that he spent HK$1,300 of his HK$5,000 monthly wage for his caged bed. His 15 square foot space worked out at HK$85 per square foot, far higher than rates in highly desirable areas. Cheaper rooms were small, damp and smelly with no lighting, gas or hot water.

As well as an increase in housing costs, families have faced soaring food prices, with some rising by as much as 30 percent in the last 12 months, leading some people to go without meals. This prompted the Democratic Alliance, the biggest party in the legislature, to call on the government to expand its aid to food banks by an extra HK$500 million.

While Hong Kong has a per capita GDP of US$42,800, this is skewed by the enormous incomes of a tiny layer. In 2009, Hong Kong’s 550,000 cleaners, who make up 15 percent of the work force, earned on average HK$7,960 a year. More than one million of

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Hong Kong’s seven million people live in poverty.

Following the shift of manufacturing jobs to mainland China, the Asian financial crisis and the outsourcing of public services, wages in Hong Kong are low. Manual workers in the public sector who were paid HK$10,000 a month in 2005 now do the same job in the private sector for HK$4,800. They work a nine-hour day. Hong Kong will finally introduce a minimum wage of HK$28 an hour in May, which will boost the pay of 314,600 workers.

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