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Mainland Immigrants in Hong Kong: social mobility over Twenty years

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ABSTRACT

Based on four decades, 1981–2016, of Hong Kong census data, the study explored the income differences between local-born residents and migrants before and after 1997. Using decomposition analysis, we found that the endowment difference between recent migrants and local-born residents play an increasingly significant role in expanding the income difference between the two groups while the role of the income return of the endowment difference has diminished since 1997. We suggested that recent immigrants who arrived after 1997 benefited from the subsequent reduction in penalty for immigrants status in the labor market.

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Introduction

Are there any differences in the income attainments of local-born residents and migrants before and after the return of Hong Kong to China in 1997? This issue is of concern to the local government, citizens, and academics in the city. Since the return, the government of Hong Kong has made deliberate efforts to support the economic integration of Hong Kong with the mainland. As well as encouraging companies in China to invest and list in the stock market in Hong Kong, the government also promotes economic and social connections between China and Hong Kong. At the same time, segments of the local Hong Kong community have shown a negative reaction to this rapid economic and social integration with China. Protests and demonstrations have occurred in recent decades to express concerns about migrants from mainland China and the growing presence of the mainland migrants and tourists in Hong Kong. Given these opposite social forces, it remains to be seen whether the difference in income attainments of local-born residents and migrants from mainland China has decreased or increased.

The topic has theoretical significance for social scientists. First, economic integration is a key indicator of migrant adaptation. People move largely because of better economic opportunities. However, the case in Hong Kong is complicated by its post-colonial context. The topic on income attainment before and after the return of Hong Kong to China provides a good linkage to integrate colonial literature with the literature on economic attainment among migrants. Second, the study allows us to explore whether

findings related to migrant adaptation can apply to migrants in a post-colonial environment. The study will make an important contribution to our understanding of migrant adaptation in a post-colonial context, which has been rarely studied.

Our study is based on four decades of Hong Kong census data. We explore the income differences between local-born residents and migrants from mainland China over the years. We find that the income difference between recent migrants and local-born residents has narrowed. Using Blinder-Oaxaca decomposition technique of the income differences between local born and migrants, we find that the income difference has narrowed due to the increased importance of the difference in endowments of the two groups, and the decrease in the difference in the income return of the endowments of the two groups since 1997. We find the same patterns for early migrants before and after 1997. We also find the same patterns when we compare recent migrants and early migrants, and the income of migrants shortly after they arrived and after they had been in Hong Kong for seven years. The findings clearly suggest that recent migrants have benefited from the situation since 1997, wherein they are less penalized for being migrants in the labour market. We suggest that the rising importance of endowments and the reduced significance of the income return of endowments after 1997 are related to the de-colonization process.

Literature review

Our proposed framework for understanding the income of local residents and migrants in Hong Kong is to link three sets of well-established literature: post-colonial society, identity, and migration.

The emergence and nature of local identity in a post-colonial society has been the central theme of post-colonial literature. Beginning with Said's *Orientalism* (2006), the literature focuses on how the current identity of a post-colonial society is shaped by the past experience of the colony, the current power relationship with its former colonizer, and the collective memory of post-colonial experience (Alam, 1994; Kellner, Douglas, 1995). In other words, the current local identity of a post-colonial society is an interactive product of the response to and interpretation of the past within the current political and social context (Trovão, 2012). Thus, post-colonial identity emphasizes hybridity, ambivalence, or mimicry (Gandhi, 1998; Gutiérrez, Patricia Baquedano, & Tejeda, 1999). To foster the growth of post-colonial identity, the emphasis in the societal discourse is on 'cultural difference' rather than 'cultural diversity' through the process of 'enunciation'. (Bhabha, 1995)

To relate the understanding of post-colonial identity to the comparison of income attainment between local residents and migrants, we borrow from the work of Wimmer (2008) on group boundaries. Wimmer's (2008) group boundary concept developed from the early work of Barth and Tilly. From a constructive approach, Wimmer argued that group boundaries are created and maintained by individuals in the group (Wimmer, 2013). Thus, group boundaries can be shifted and extended. They can be rigid or flexible. When a group identity begins to emerge, there is an emphasis on differences, and so a high level of exclusion occurs (Wimmer & Soehl, 2014). Members of other groups have difficulty crossing the boundary, and are denied access to resources. The labour market discriminates against members of other groups. Membership in other groups is discounted in the labour market and the translation of their human capital to income is less efficient.

Group boundaries are usually formed from distinctive physical and social characteristics that serve as a cue to differentiate 'we' and 'they'. Thus, migrants with distinctive physical, cultural, and linguistic differences are often treated as outsiders. Alba and Nee (2003) argued that assimilation is the process by which migrants, treated as outsiders, cross the group boundary and are accepted as members of the local group. However, group boundaries between migrants and locals can be rigid (Massey & Magaly Sánchez, 2010). In such a situation, local identity is strong and it is difficult for migrants to integrate. At the same time, local residents may emphasize the importance of their local values and identity. Migrants thus suffer in every aspect of their lives, including their labour market experience. Migrants can be penalized in the labour market, and their ability to translate their human capital to economic outcomes is diminished. Drawing from the discussion, we hypothesize that

Hypothesis 1: The income difference of migrants from mainland and local born Hong Kong residents has remained similar level or increased since 1997.

Hypothesis 2: The return of education of Migrants from China to income has remained similar level or increased since 1997

In the discussion of identity, the literature on post-colonialism also emphasizes the process of 'decolonization'. According to the United Nations, decolonization is a conscious political process of rejecting and minimizing the influence of a former colonizer (United Nations, 1960). On the one hand, decolonization refers to the independence of the former colony. On the other hand, it is the unconscious and gradual small changes that minimize the influence of former colonizer (West, 1990). Our discussion takes the middle position that the current post-colonial government is actively 'undoing' the former colonial government's organizational and administrative arrangements that continue a cultural inheritance favourable to colonizers and their trained local elites.

As the labour market is the key institution that determines the flow of economic resources, one inevitable process of decolonization is to reduce the advantaged position in the labour market of people associated with the colonizer. At the same time, the labour market deliberately elevates the importance of individual background associated with the original culture and institutions that existed before annexation by the colonizer. In this context, we would expect migrants from the home country to be penalized less, and their human capital to be appreciated more in the labour market.

Hypothesis 3: The income difference of migrants from mainland and local born Hong Kong residents has been narrowed since 1997.

Hypothesis 4: The return of education of Migrants from China to income has been improved since 1997

In addition to the unique group relations between locals and migrants in the labour market in the post-colonial society, we would expect the economic integration of migrants to follow the well established patterns described in the literature, because the labour market still operates largely under the logic of profit maximization. Specifically, we expect that migrants who have higher levels of human capital and

who arrived a long time ago will be associated with higher income. As discussed in the literature on migration, migrants who have stayed at the destination longer usually have more familiarity with the labour market, larger social networks, and more local understanding and experience.

Hong kong as a post-colonial society

Hong Kong was returned to China by the British government in 1997. Before the return, the British and Chinese governments negotiated the arrangement that Hong Kong would continue to operate a free market-oriented economy, even though China still had a state-dominated socialist economy at the time. After long and difficult negotiations, the two governments agreed that the existing economic, political, legal, and financial systems in Hong Kong would continue within the framework of ‘one country, two systems’, and Hong Kong would make her own decisions in these areas.

Under the ‘one country, two systems’ mandate, Hong Kong has its own migration policies. Individuals from mainland China are required to apply to visit or stay in Hong Kong. Migration to Hong Kong from mainland China has been governed by a number of migration schemes. The one-way permit is a popular method through which many mainland Chinese have moved to Hong Kong. According to this programme, the government of China issues a maximum of 150 permits a day allowing people to move to Hong Kong. Between 1997 and 2001, about 93% of Hong Kong’s population growth was from this form of migration from mainland China (Fong, Jenny, & Chan, 2019). Between 1997 and 2014, about 879,000 migrants from mainland China arrived in Hong Kong through this scheme.

In addition to the one-way permit scheme, migrants from the mainland enter Hong Kong through the Mainland Talents Admission Scheme. This programme encourages migration to Hong Kong of ‘talented’ individuals in specific industries, mainly high-tech industries. In 2015, about 9,229 migrants from the mainland arrived in Hong Kong through this programme (Fong et al., 2019). The Quality Migrant Admission scheme attracts professionals from the financial services, commerce and trade, engineering, and academic research and education. The government of Hong Kong also encourages Chinese graduates of Hong Kong universities to stay in Hong Kong through Immigration Arrangements for Non-local Graduates. Finally, migrants with substantial financial capital have been recruited through investment immigrant categories. Taken together, migrants from mainland China have arrived in Hong Kong through a variety of programmes, and their numbers have increased rapidly (Chan, 2008).

At the same time, the government of Hong Kong has made deliberate efforts to promote the linkage with mainland China, from encouraging business partnerships to professional exchanges in different industries. The Hong Kong government has positioned the city as the ‘super-connector’ or gateway between China and the world. The unique multi-lingual and highly trained labour force has been a key feature. Given the rapid economic integration of Hong Kong and mainland China, more companies in Hong Kong, whether owned by mainland Chinese or by local businessmen, have steadily increased the share of their business in mainland China. In this context, individuals who have connections with mainland China are at an advantage in the labour market and are highly valued. As employees, they are able to help their companies develop, maintain,

and extend business ties in China. Not only business cooperation, but also research cooperation with mainland researchers and students' visiting trips to mainland China are encouraged and financially supported by the government. Various levels of government officials, legislative council members, and members of district council members pay visit to cities in the mainland. At the same time, the government of Hong Kong has been actively trying to disassociate the city from the memory of its colonial past. The demolition of the Star Ferry pier and the Queen's pier in 2006 and 2007, respectively, has been suggested as removal of icons that appropriated the collective memory of the city's colonial past. (Ku & Mei, 2012).

With the increased presence of migrants from mainland China in Hong Kong after the 1997, local residents gradually developed strong negative sentiments towards the group (Fung, 2004). Local residents, especially the younger generation, have strong negative attitude towards the ruling party in mainland China, and the attitude has translated into negative sentiments towards being identified with mainland Chinese (Lui, 2017). Compounded by the gradual development over the years of a local Hong Kong identity, a strong group boundary between local residents and mainland migrants emerged. The sense of local identity vary by cohort as different cohorts of Hong Kong residents are associated with different political preferences and lifestyles (Lui, 2007). In particular, younger generation born and grew up in Hong Kong are more likely than their older counterparts to have strong local identity. At the same time, with the growing presence of mainland migrants, local residents feel their economic well-being are threatened. Local residents complained that migrants were overburdening the educational system and welfare services. The complaints reached the Hong Kong Court of Final Appeal in 1999. The Court of Appeal ruled that it was unconstitutional to deny applications for Comprehensive Social Security Assistance from new migrants who had been in Hong Kong less than 7 years. The ruling caused a large outcry from the public. A study conducted in 2013 found that over 60% of local respondents believed that the recent immigration from the mainland was affecting educational opportunities for local residents, increasing traffic congestion, and increasing the use of social assistance (Fong & Guo, 2018).

The growing social force of recognizing the importance in the labour market of individuals with background in mainland China is in conflict with the increasingly rigid group boundaries between migrants and local residents in Hong Kong. Labour market conflicts occur because local residents feel their economic well-being is threatened (Bonacich & Modell, 1980). Local residents try every means to 'reduce' the perceived economic threats coming from the growing presence of migrants (Bonacich, 1972). This conflict sets the context for understanding the change in the significance of migration status and human capital before and after the return of Hong Kong to China, a topic to which we now turn.

Data and methods

This study is based on the Hong Kong census from 1981 to 2016, collected by the Census and Statistics Department (C&SD) of the Hong Kong government. Complete headcounts were conducted every 10 years. Within each decade, about one-tenth of residential addresses was randomly sampled in the fifth year as a by-census. This study is based on census data since 1981 and by-census data since 1986. To be specific, our

study uses the 1981, 1986, 1991, 1996, 2001, 2006, 2011 and 2016 censuses. We obtained the 5% sample from the 1991, 2001, and 2011 censuses and from 1996, 2006 and 2016 by-censuses, and 1% of the sample from the census of 1981 and the by-census of 1986.

The key variable of the analysis is to differentiate local-born residents and mainland migrants. Mainland migrants included respondents who claimed their place of birth was in mainland China and identified their ethnicity as Chinese. We only included respondents between ages 18 and 60. Age 18 is the minimum legal age to work in Hong Kong, and most people retire at age 60. In order to make a sensible comparison, the local-born population included only respondents who were born in Hong Kong with Chinese ethnicity. Non-Chinese born in Hong Kong were not included in the study. In other words, we excluded around 1–2% of residents born in Hong Kong (around 5% in 1996). We are aware of the diversity in educational backgrounds and skill levels of migrants and local-born population. The purpose of our study is to explore the general patterns of the two groups. We will take the first step to disentangle the income differences between the two groups by exploring their average differences in income.

We divided migrants further into ‘recent migrants’ and ‘early migrants’. Recent migrants included ethnic Chinese born in mainland China who had lived in Hong Kong for less than 7 years. We used 7 years as the cut-off point because migrants can apply for permanent residence status after the seventh year of their stay in Hong Kong. With permanent residence status, they are entitled to all the benefits enjoyed by local-born residents. However, the census of 1981 and the by-census of 1986 did not include a variable to identify how long migrants had been in Hong Kong. Therefore, we used their residential address for 5 years to approximate whether individuals were recent immigrants. If individuals identified themselves as Chinese, not born in Hong Kong, and their residential addresses 5 years ago were not in Hong Kong, they were categorized as recent migrants. We are aware of the differences in defining recent migrants in these two census years. Therefore, we interpret the results with caution.

The dependent variable of this analysis is the monthly income from main employment. To facilitate comparison across periods, the monthly income for each year was adjusted by the consumer price index (CPI) in 2010 Hong Kong dollar. The CPI data were sourced from World Development Indicators of the World Bank.

The independent variables include level of education completed, age, gender and status of migration. Education completed is grouped into four categories: no formal schooling or primary education completed, secondary education completed, post-secondary education completed (except university completion), and university completed. Age is categorized into three groups: 18–30, 31–50, and 51–60. Gender is a binary variable with 1 indicating male and 2 indicating female. Status of migration is a key independent variable to differentiate the status of respondents. It is categorized into locally born, recent migrants (living in Hong Kong for less than 7 or 5 years), and early migrants (living in Hong Kong for 7 or 5 years or more).

We employed Blinder-Oaxaca decomposition for our linear regression model analyses. This method decomposes income differences between two groups into three components: the difference in qualifications or credentials (endowments) between two groups, the difference in the return of the endowments (coefficients) between two groups, and the difference in the simultaneous effect of endowments and coefficients.

In our study, endowments include the level of education attained, age, and gender. Given the return of age and gender on income should remain similar level, any change largely reflects the return of education on income. We included three pairs of comparison for each census year: local-born vs. recent migrants, local-born vs. early migrants, and recent migrants vs. early migrants. The income of recent migrants should be more sensitive than the income of early migrants to the current labour market situation. In addition, the historical context suggests that most early migrants arrived in Hong Kong during the civil war in the late 1940s and right after the Communist party took control of the mainland in 1949. Their demographic background, the political context of their move, and the social context after their arrival were different from the circumstances of migrants who arrived after 1980.

For each census year, we report the decomposition results of the income difference between two groups in comparison with the proportion explained by endowments (E%), coefficients (C%) and the simultaneous effect (EC%). In addition, the decomposition analysis was applied to compare those aged 18 to 60 in the first census and the subsequent census to explore whether staying in Hong Kong longer will lead to better income and whether the change has increased since the handover of Hong Kong to China.

Results

The descriptive statistics of dependent and independent variables by duration of stay in Hong Kong and nativity are reported in [Table 1](#). We also plotted the adjusted income by duration of stay in Hong Kong and nativity in [Figure 1](#). In general, income increased steadily before 2001, no matter whether respondents were local-born, early migrants or recent migrants. Among the three groups, recent migrants usually are the lowest paid in comparison to earlier migrants and locally born residents. However, income remains at almost the same level after 2001 for local-born residents and early migrants, while the income level of recent migrants continues to grow. In 2001, the difference in incomes of recent and early migrants was about \$4,164. The difference dropped to only \$150 in 2016.

It is worthwhile to mention that the income of locally born residents was higher than that of all migrants except in 1996. In 1996, early migrants earned more than local-born residents. This anomaly could be the result of the large waves of emigration that occurred before the handover in 1997. The peak of emigration was in 1992 with 66,000 people (Skeldon 1994). Thereafter, more than 50,000 people emigrated from Hong Kong each year until 1997. Most of these emigrants were professionals or from higher income groups. Their emigration created a short period of 'brain drain' in Hong Kong before 1997. A large number of high-ranking vacancies were available in the labour market. Earlier migrants benefited from the situation and moved up the occupational ladder. Thus, it is important that interpretation of the results of the 1996 census consider the context at that time. However, having encountered difficulties in adaptation at their new destinations, a large number of emigrated people returned to Hong Kong after 1997, having seen that little change had occurred there. The incomes of local-born residents and migrants returned to their original patterns. From 2001 to 2016, the difference in income between locally born and earlier migrants stabilized.

[Table 1](#) also shows the educational attainment of local-born residents, recent migrants, and early migrants. It is clear that over the years, more members of each group completed

Table 1. Means of monthly income, percentage completed university, percentage female, and age of the employed, 1981–2016, by nativity.

Year	Adjusted monthly income			Completed university or above %			Female %			Age		
	Local	Earlier	Recent	Local	Earlier	Recent	Local	Earlier	Recent	Local	Earlier	Recent
1981	6539.59	6552.78	4916.93	3.52	3.04	4.72	41.77	28.83	31.33	27.74	41.75	28.93
1986	8652.76	7887.28	5030.63	5.21	3.70	5.62	41.70	30.02	52.90	29.19	41.66	35.14
1991	12,261.23	9591.98	6221.93	7.11	3.79	6.28	41.30	27.23	61.37	31.18	42.48	34.37
1996	14,356.47	16,783.92	9591.83	11.76	15.52	10.56	40.86	42.46	58.08	33.47	40.12	35.53
2001	18,421.13	13,664.66	9500.58	16.87	7.79	11.98	43.25	34.81	70.46	35.51	43.17	36.56
2006	18,251.37	13,188.66	10,012.42	21.53	10.50	10.06	43.86	41.36	70.95	37.43	43.20	36.06
2011	18,912.22	12,919.27	12,078.86	27.22	11.31	20.70	44.63	47.95	62.38	39.25	42.88	35.59
2016	19,565.20	14,187.12	14,036.81	34.36	17.38	29.43	44.35	50.64	59.70	40.41	42.77	36.11

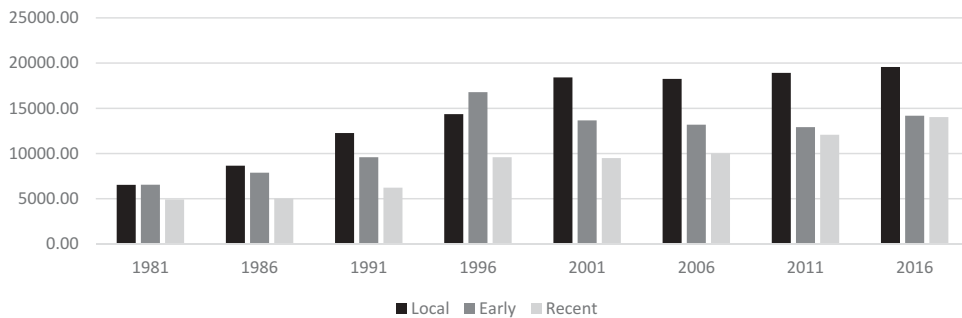


Figure 1. Adjusted Income by Nativity, 1981–2016.

university. The increase accelerated rapidly after the return of Hong Kong to China in 1997, and was especially drastic among recent migrants. Their representation jumped from 10.56% in 1996 to 29.43% in 2016. The increase partly reflects that Hong Kong has attracted a large number of migrants with high levels of education from mainland China since 1997 through various schemes discussed earlier. The increase may also suggest a strong need for individuals with mainland Chinese background and higher education to develop connections with the market in China for companies in Hong Kong. As well, individuals with high levels of education may have been attracted by the social and political environment in Hong Kong that is different from mainland China.

Yet at the same time, the difference between local-born and migrants, both recent and early, has widened in regard to university completion. In 1981, the percentage of local-born who had completed university was 3.52%, for early migrants 3.04%, and for recent migrants 4.72%. In 2016, the percentages for the three groups were 34.36%, 17.38% and 29.43%, respectively.

Finally, recent migrants have a higher percentage of females than other groups. This pattern may reflect the one-way permit scheme through which a large proportion of females have moved to Hong Kong to reunite with their families. The average age of local-born residents is higher than the average age of migrants. This finding is not unusual, as most studies show that migrants usually are younger.

Table 2 reports the results of the Blinder-Oaxaca decomposition of the income difference between local-born residents and recent migrants. We report the income difference between the two groups in relation to their differences in human capital

Table 2. Blinder-oaxaca regression decomposition of local born and recent migrants, 1981–2016.

Year	Differences	Endowments	Coefficients	Interaction	% Difference in endowments	% Difference in return of endowments	% Difference in simultaneous effects of endowments and return
1981	1622.67	−192.81	1940.24	−124.77	9%	86%	6%
1986	3622.13	−47.19	4445.22	−775.90	1%	84%	15%
1991	6039.30	666.06	5205.88	167.36	11%	86%	3%
1996	4764.64	1200.91	3611.10	−47.37	25%	74%	1%
2001	8920.56	2417.11	5398.78	1104.67	27%	61%	12%
2006	8246.65	3353.23	4397.40	496.03	41%	53%	6%
2011	6772.69	2779.84	3088.54	904.31	41%	46%	13%
2016	5488.27	3243.76	1502.96	741.55	59%	27%	14%

resources (endowments), the returns of the endowments (coefficients), and the simultaneous effect of endowments and coefficients. We report both the contribution of the decomposed income value and the corresponding percentages of the three components for the income differences between the two groups.

Our discussion focuses on the panel on the right side that reports the percentage contribution of the differences in endowments, coefficients, and their simultaneous effect to the income differences between local-born residents and recent migrants. Before the return of Hong Kong to China in 1997, the contribution of the differences in the returns of endowments to the income differences between the two groups is considerably higher, ranging from 86% in 1981 to 74% in 1996, than the contribution from the differences in endowments. Excluding 1996, the contribution from 1981 to 1991 is always about 80%. The contribution of the income difference related to the differences in endowments is considerably lower before the return of Hong Kong, but rapidly gaining in importance. The return rises from 9% in 1981 to 11% in 1991, and reaches 25% in 1996.

After the return of Hong Kong, the growing importance of the differences in endowment between the two groups becomes more important in contributing to the differences in income. At the same time, the return of endowments narrows after 1997. It decreases from 61% in 2001 to 27% in 2016. It is clear that recent migrants from China are less penalized, as there is less difference between the income return of their endowments and that of the local-born.

In Table 3, we report the OLS coefficients of predicting the income of local-born and recent migrants. We are particularly interested in the specific return of education for local-born and recent migrants controlling for other factors. If recent migrants have benefited from the return of Hong Kong since 1997, we should expect that the return of education has improved for them. Our results reflect that pattern. More specifically, in 1981, recent migrants have a higher income return only for completion of university education. The income return of recent migrants who had completed post-secondary education (except University) or high school is no different from that of recent migrants who had no formal education or had completed primary education only. Though the income return for recent migrants completing university is significantly higher than for those with no formal education or primary education only for recent migrants, it is only about half of the income return for local-born who completed university education. It is clear that the income return of education was in a disadvantaged position among recent migrants at that time. This pattern continues to 1986. After 1997, the income return of

Table 3. OLS regression analysis of income by local born, recent migrants, and year, 1981–2016.

	1981			1986			1991			1996		
	Local born	Recent migrant		Local born	Recent migrant		Local born	Recent migrant		Local born	Recent migrant	
Intercept	4364.14 ***	4840.81 ***		4088.96 ***	4665.89 ***		3963.65 ***	6218.80 ***		4194.64 ***	7417.86 ***	
Education: completed university	13762.84 ***	8822.29 ***		18587.46 ***	3034.37 ***		24097.68 ***	5919.76 ***		20798.32 ***	16227.28 ***	
Education: completed post-secondary (except university)	6472.81 ***	1105.66 ***		8242.54 ***	599.50 ***		12236.70 ***	2961.38 ***		13102.51 ***	6982.34 ***	
Education: completed high school	2100.71 ***	461.67 ***		3429.76 ***	732.88 **		5630.26 ***	1034.82 ***		5895.02 ***	2428.64 ***	
Education: no formal education or completed primary education (ref)												
Age: 51–60	3678.52 ***	2971.80 ***		6026.17 ***	812.36 ***		6309.78 ***	76.44 ***		6548.41 ***	3661.45 ***	
Age: 31–50	3516.85 ***	-638.44 ***		4848.74 ***	876.08 **		6288.20 ***	614.04 **		6298.08 ***	1907.05 ***	
Age: 18–30 (ref)												
Female	-1753.20 ***	-1716.70 ***		-2193.91 ***	-1535.53 ***		-2790.75 ***	-2339.64 ***		-2353.29 ***	-4610.58 ***	
N	9873	1532		13378	569		73229	2881		84004	2641	
R ²	0.23	0.11		0.27	0.14		0.25	0.14		0.19	0.16	
	2001			2006			2011			2016		
	Local born	Recent migrant		Local born	Recent migrant		Local born	Recent migrant		Local born	Recent migrant	
Intercept	1060.28 ***	6733.05 ***		-104.33 ***	8158.11 ***		-2255.33 ***	5025.61 ***		-2769.54 ***	4118.18 ***	
Education: completed university	30231.36 ***	18804.14 ***		26362.20 ***	19977.99 ***		28532.27 ***	23207.55 ***		25823.20 ***	22202.97 ***	
Education: completed post-secondary (except university)	18215.07 ***	8558.41 ***		15446.24 ***	6678.03 ***		15418.74 ***	7522.45 ***		14710.75 ***	7937.52 ***	
Education: completed high school	8179.68 ***	1891.65 ***		7783.11 ***	929.97 *		7949.12 ***	1479.88 *		7585.00 ***	1926.27 **	
Education: no formal education or completed primary education (ref)												
Age: 51–60	12518.94 ***	3022.77 ***		13446.29 ***	949.96 ***		13859.99 ***	4777.43 ***		14626.86 ***	8140.26 ***	
Age: 31–50	10275.80 ***	2486.08 ***		10744.05 ***	1424.08 **		10893.49 ***	4914.77 ***		10949.84 ***	8064.00 ***	
Age: 18–30 (ref)												
Female	-3328.75 ***	-3705.41 ***		-2941.29 ***	-2837.63 ***		-2861.88 ***	-3874.00 ***		-2948.92 ***	-5656.97 ***	
N	96969	4682		105618	4146		111378	3583		105182	4370	
R ²	0.29	0.24		0.24	0.21		0.29	0.29		0.28	0.31	

* $p < 0.5$, ** $p < 0.01$ and *** $p < 0.001$

Table 4. Blinder-oaxaca regression decomposition of local born and early migrants, 1981–2016.

Year	Differences	Endowments	Coefficients	Interaction	% Difference in endowments	% Difference in return of endowments	% Difference in simultaneous effects of endowments and return
1981	−13.19	−134.55	1431.74	−1310.38	5%	50%	46%
1986	765.48	59.99	2057.96	−1352.48	2%	59%	39%
1991	2669.26	364.21	2930.24	−625.19	9%	75%	16%
1996	−2427.45	−1571.19	−907.39	51.12	62%	36%	2%
2001	4756.47	1747.37	3389.06	−379.96	32%	61%	7%
2006	5062.36	1626.02	3604.27	−167.93	30%	67%	3%
2011	5969.80	3519.23	2584.50	−133.92	56%	41%	2%
2016	5356.08	3414.21	1577.02	364.85	64%	29%	7%

any higher education for recent migrants is significantly higher than the income return for recent migrants with no formal education or only primary education. In addition, the income return gap between local-born residents and recent migrants narrows considerably after 1997. In 2016, the differences in income return for those who completed university is only about 10% less between the two groups.

Table 4 shows the Blinder-Oaxaca decomposition of the income difference between locally born residents and earlier migrants. Given that most early migrants were already in the job market, the changes in the labour market may have had less impact on their income than that of recent migrants. The results support the case. Though the difference in the return of endowments has narrowed over the years, from 50% in 1981 to 29% in 2016, the decline is less drastic than the gap between local-born residents and recent migrants. At the same time, the results show the increased contribution of the differences in endowments to the income differences between two groups. Even among early migrants, the findings suggest that differences in endowments, but not differences in the income return of endowments, play a more important role in explaining the income difference with locally born residents after 1997.

In Table 5, similar to the previous analysis, we report the OLS coefficients of predicting income of locally born and early migrants. As before, we focus on the specific return of education for local-born residents and early migrants. The results show a similar pattern for local-born and early migrants. Thus, any increase in educational level will significantly increase the income return for both groups. The findings suggest even early migrants are able to benefit from situation that the migrants are less penalized in the labour market after 1997.

Conclusion

Based on four decades of Hong Kong census data, our study explored the income differences between local-born residents and migrants before and after 1997. Using decomposition analysis, we found that the endowment difference between recent migrants and local-born residents plays an increasingly significant role in explaining the income difference between the two groups, while the role of the income return of the endowment difference has diminished since 1997. We found the same patterns in less dramatic form for early migrants, even though they were already in the labour market. We also found that the patterns apply to the income difference between recent migrants and early migrants, and to the difference in income when migrants had just

Table 5. OLS regression analysis of income by local born, early migrants, and year, 1981–2016.

	1981			1986			1991			1996		
	Local born	Early migrant	Local born	Early migrant	Local born	Early migrant	Local born	Early migrant	Local born	Early migrant	Local born	Early migrant
Intercept	4364.14 ***	5426.47 ***	4088.96 ***	4967.38 ***	3963.65 ***	6417.14 ***	4194.64 ***	4566.03 ***				
Education: completed university	13,762.84 ***	10,874.50 ***	18,587.46 ***	15,387.80 ***	24,097.68 ***	14,289.48 ***	20,798.32 ***	22,659.88 ***				
Education: completed post-secondary (except university)	6472.81 ***	9192.49 ***	8242.54 ***	11,677.53 ***	12,236.70 ***	10,776.30 ***	13,102.51 ***	17,569.43 ***				
Education: completed high school	2100.71 ***	2100.57 ***	3429.76 ***	2638.77 ***	5630.26 ***	2820.62 ***	5895.02 ***	6260.07 ***				
Education: no formal Education or completed primary education (ref)												
Age: 51–60	3678.52 ***	829.01 ***	6026.17 ***	1904.85 ***	6309.78 ***	1476.49 ***	6548.41 ***	6832.67 ***				
Age: 31–50	3516.85 ***	1108.05 ***	4848.74 ***	2548.93 ***	6288.20 ***	2720.69 ***	6298.08 ***	7244.54 ***				
Age: 18–30												
Female	–1753.20 ***	–3127.56 ***	–2193.91 ***	–3070.72 ***	–2790.75 ***	–3704.21 ***	–2353.29 ***	–4458.36 ***				
N	9873	8537	13,378	8721	73,229	36,299	84,004	2475				
R ²	0.23	0.15	0.27	0.14	0.25	0.14	0.19	0.17				
	2001			2006			2011			2016		
	Local Born	Early Migrant	Local Born	Early Migrant	Local Born	Early Migrant	Local Born	Early Migrant	Local Born	Early Migrant	Local Born	Early Migrant
Intercept	1060.28 ***	6754.48 ***	–104.33	5698.49 ***	–2255.33 ***	4425.65 ***	–2769.54 ***	4743.33 ***				
Education: completed university	30,231.36 ***	22,825.54 ***	26,362.20 ***	19,411.94 ***	28,532.27 ***	23,589.27 ***	25,823.20 ***	19,558.81 ***				
Education: completed post-secondary (except university)	18,215.07 ***	14,544.30 ***	15,446.24 ***	9994.89 ***	15,418.74 ***	9476.13 ***	14,710.75 ***	8067.53 ***				
Education: completed high school	8179.68 ***	3887.02 ***	7783.11 ***	3365.97 ***	7949.12 ***	3079.77 ***	7585.00 ***	2729.82 ***				
Education: no formal education or completed primary education (ref)												
Age: 51–60	12,518.94 ***	4505.93 ***	13,446.29 ***	5823.50 ***	13,859.99 ***	6521.19 ***	14,626.86 ***	7126.14 ***				
Age: 31–50	10,275.80 ***	4611.07 ***	10,744.05 ***	5307.52 ***	10,893.49 ***	6145.49 ***	10,949.84 ***	7704.88 ***				
Age: 18–30												
Female	–3328.75 ***	–4519.79 ***	–2941.29 ***	–4139.27 ***	–2861.88 ***	–3987.36 ***	–2948.92 ***	–4332.93 ***				
N	96,969	35,397	105,618	34,294	111,378	36,473	105,182	35,199				
R ²	0.29	0.18	0.24	0.16	0.29	0.26	0.28	0.25				

* $p < 0.5$, ** $p < 0.01$, *** $p < 0.001$

arrived and their economic performance after they had been in Hong Kong for seven years. We suggested that recent migrants who arrived after 1997 benefited from the subsequent reduction in penalty for immigrant status in the labour market.

To explain the pattern, we suggested that migrants from China benefited from the de-colonization process after Hong Kong returned to China. The government is acting deliberately to reduce the influence of the former colonizer and, at the same time, to place more emphasis on the importance of linkages to China. The patterns reflect the politics of identity in a post-colonial society.

The findings have significant implications. First, we demonstrated the usefulness of the concept of post-colonial identity in understanding the economic integration of migrants. The politics of identity, as discussed in the post-colonial literature, is a useful conceptual tool for understanding the dynamics of economic integration for migrants. However, the extent to which it can be applied to other dimensions of migrant adaptation remains to be seen. Second, our study supports the findings of research in other countries that migrants with higher education who have been in the new society longer improve their economic standing despite the context of post-colonial society. In other words, markets still value individuals with higher levels of education. Migrants still benefit from broader networks and increased familiarity with the labour market as they stay in the new place longer.

However, it is possible that the continued expansion of higher education in Hong Kong after 1997 and the concurrent expansion of higher education in China had the effect of depressing the value of university education. This is compounded by the fact that many migrants from China started obtaining postgraduate university training by taking advantage of the proliferation of self-financing postgraduate university programs. They obtained highest levels of education in Hong Kong, which enhanced their competitiveness in the labour market in Hong Kong.

Nevertheless, our findings show that Hong Kong as a post-colonial society can provide a good starting point for understanding migrant adaptation in such a context. As most countries today have a colonial past, Hong Kong is a case for understanding a post-colonial society at the beginning stage. However, Hong Kong as a city is different from most cases discussed in post-colonial literature, because it reverted back to China. Thus, it becomes more important to understand how this political experiment plays out in the years to come.

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