

Social Inequality, Family, and Intergenerational Transfer

**Welfare Regimes, Household Living Arrangements and Income
Inequalities in Hong Kong and Britain**

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Abstract

This paper compares the household living arrangements and their effects on income inequalities between households in two societies: Hong Kong and Great Britain. The former British colony is unique culturally and politically despite its colonial administration and the highly Anglicised civil service structure before 1997. Compared to Britain Hong Kong has a much more conservative and residual welfare regime and its taxation system is less progressive than the British one. One may then expect wider income inequalities between households in the territory than in the British society. The 1996 General Household Survey of Britain and the By-Census of Population in Hong Kong were analysed to investigate the relationship between household living arrangements and income inequalities. Our data show that there were far more male-headed than female-headed households in both societies and vast inequalities exist between them. Pensioner-headed and female-headed households are significantly worse off than couple-parent households or those with unrelated adults, but lone pensioners are better protected than lone parent households in Britain but in Hong Kong the opposite is true. However, there is also evidence that some forms of 'extended' household living arrangements appear to be protective against poverty, even when controlling for the number of earners and dependants in the households along with a range of characteristics of the head of household. Such living arrangements may be outcomes of different cultural practices and indeed responses to different welfare regimes and political and economic situations. The paper concludes with a discussion of the implications that household living arrangements and household strategies may have on income inequalities.

Introduction

Until 1997 Hong Kong has been a British colony since 1842. British administration in Hong Kong had lasted a century and a half. As with its other colonies, the British introduced a highly efficient colonial government, run by a combination of high-ranking diplomats and expatriates, and local elites produced by the colonial education system. The governing of Hong Kong was primarily driven by economic imperatives. The success of the free market system and the prosperity of the territory has always been (and continues to be) the government's key concern. Social inequalities and policy initiatives to reduce them rarely enter the government's agenda. Unlike in Britain, where social welfare and the development of a welfare state occupied a central place in politics throughout the twentieth century, an imperial residual welfare system was firmly placed in the colony by successive governments over this period (McLaughlin, 1993).

Despite Hong Kong shares a number of structural similarities with Britain, there has been remarkably little comparative research on the two societies. Among other things, the education and examination systems in Hong Kong are closely modelled after the British systems.¹ Recent expansion in higher education in both societies has brought about a qualified workforce, in particular for women. With the decline of manufacturing industry both economies are highly characterised by a fast expanding service sector. This has had significant impact on the occupational and stratification structure in both societies. The economic restructuring means more opportunities opened up at the top end of the occupational structure, a phenomenon known as 'the enlargement of the service class' (Erikson and Goldthorpe, 1992). However, increased opportunity does not necessarily mean access to these desirable positions is open to everyone in the society. The post oil crisis boom since the early 1980s saw a rapid increase of standard of living in both Britain and Hong Kong. Again some members

¹ The educational system in Hong Kong is virtually a "carbon copy" of the British system. Six years of primary schooling is followed by five years of secondary education. At the age of 16, students take a public exam called the Certificate of Secondary Education (equivalent to the GCSE in Britain) and those who wish to go to university usually take the Advanced level exam at age 18 (same as the GCE A-level in Britain). The pre-1995 higher education consisted of a mixture of degree and sub-degree programmes offered by universities and polytechnics. Since 1995 all polytechnics were upgraded to universities as part of the expansion in higher education policy, again a move that bears close resemblances of the British higher education system.

of the society are more able to reap the benefits of economic growth than others. In more recent years the shift towards 'a flexible workforce', decreased job security and slackened economic growth have posed threats to both societies.

As with many other post-industrialised societies, Hong Kong and Britain follow similar social and demographic trajectories. The most notable changes are the ageing population and the decline in traditional male-breadwinner family model. While both societies are subject to common forces and challenges, political and institutional factors play an important part in shaping national responses (Kersbergen, 2000). As this paper will illustrate major differences exist between Hong Kong and Britain in their welfare systems, taxation and housing policies, which may be responsible for the different levels of inequalities in the two societies. The last but not the least, Hong Kong has distinct cultural values that are not shared by western societies like Britain. Some of these are manifested in household arrangements a point I will return to later. This paper aims to compare the effects of household arrangements on income inequalities against the background of different welfare regimes.

Welfare regimes and Income inequalities

It would be quite impossible to examine income inequalities in any country without discussing its welfare institutions, labour market, family and taxation policies. However, a detailed examination of all these issues is clearly beyond the scope of this paper. Without compromising too much on clarity and details, in this section the key characteristics of the British and Hong Kong welfare systems and the patterns of income inequalities are outlined.

It is never easy to arrive at any kind of typology or classification of welfare regime as many countries rarely sit comfortably within one type against another. Britain is a good example of this (see Esping-Andersen 1990, for typology of different welfare regimes and Kwon 1997, for a critique of its limitation). Taken in its broadest sense and situated in a European context, the British system is considered as an uneasy mixture of universalism and the market and that it has shifted to a new hybrid model in the 1980s and 1990s where neo-liberal and social democratic principles can be

found with traces of corporatism (Clarke, Langan and Williams, 2001). In so far as unemployment protection, Britain comes under the liberal or minimal category, where the coverage for protection is rather incomplete, with little development of active employment policy (Gallie and Paugam, 2000: 5-6). However, the gender bias of the welfare provisions in Britain has been shown to disadvantage women both in entitlement and in coverage (Pedersen et al., 2000; Russell and Barbieri, 2000). International comparison shows that Britain has the highest income inequalities in Europe, with the Gini coefficient rising dramatically from 0.27 in 1971 to 0.37 in 1996. The only other developed country that has wider inequalities is the United States (Atkinson, 2000). The containment of welfare spending has accompanied the rapid intensification of social inequalities during the 1980s and 1990s (Dean and Melrose, 1998; Jones and Novak, 1999).

The Hong Kong's welfare and taxation systems can be characterised as remedial, residual and regressive. A clear commitment to classic liberal principles is highly visible. Welfare is never considered as mainly the responsibility of the state. The family, the voluntary sector and the market have been actively encouraged to take primary responsibility for the delivery of welfare. Most Hong Kong Chinese regard welfare as a responsibility to be shared between the state and one's relatives and friends. The family, friends and neighbours are all expected to take a major share of it (Chow, 1998). A significant share of welfare is provided by voluntary organisations while the government provides formal assistance programmes (which are heavily means-tested) to prevent the aged, the sick and the disabled from living in poverty, only when the family is not capable for doing so.

Hong Kong's social security is very underdeveloped compared to other societies of similar levels of economic development. Less than 2% of the population (primarily the aged and the disabled) were receiving cash public assistance until the early 1990s. Non-means-tested special needs allowance was introduced in 1973; seen as only a gesture by many due to its nominal amount. Despite its name the new Comprehensive Social Security Assistance (CSSA) introduced 1992 has not increased the entitlement, level or coverage of state benefit. Provisions are still primarily aimed at the old and the disabled. In short residents are still expected to protect themselves individually when they face unemployment or lose their capacity to work.

Against the background of a residual welfare regime, Hong Kong has also one of the lowest taxation levels in the region. The highest band for income tax is 15% compared to 40% in Britain. Hence the steadily rising Gini-coefficient from 0.43 in 1971 to 0.52 in 1996 should not come as a surprise. Whilst Gini-coefficient gives a summary measure if all income is concentrated in the hands of a few, it does little to help us understand the extent of inequalities in different types of households. The differences in welfare regime in the former West Germany and the United States were found to have important effects on household income especially in times of family dissolutions and changes in labour market fortunes (DiPrete and McManus, 2000). The analysis in this paper focuses on the different living arrangements in Hong Kong and Britain and asks whether there are significant income inequalities between these household arrangements.

The family and the state

In Britain the family has a rather complex position in relation to state welfare. On the one hand the core presumption of the conventional nuclear family as the bedrock of social care prevails. On the other hand soaring divorce rates, the growing number of lone-parent families and births outside marriage, and the increasing numbers of elderly people dependent upon public rather than familial care have led to a progressive de-institutionalisation of the traditional family model (Clarke, Langan and Williams, 2001; Gallie and Paugam, 2000). Although Britain has a far more developed welfare state than Hong Kong, contrary to expectation the family has always had played an important role. The cost of informal and unpaid care is estimated to be between 15 and 24 billion pounds a year (Evandrou et al., 1990). In fact, successive British governments have been citing the 'East Asia welfare model' which emphasises the role of the family and self-reliance.² This has arguably been the underlying policy rhetoric of the Conservative government and has since been

² The New Labour Party has seen East Asia as instructive in its emphasis on the role of the govt in simultaneously stimulating economic growth, maintaining social cohesion and raising popular welfare standards. The Conservative Party, by contrast, has cited it in support of an image of an enterprise society based on low levels of govt expenditure and a spirit of individual self-reliance which avoids dependence on govt (White and Goodman, 1998).

adopted by the Labour government. State provision was to be cut back and at least contained.

In Hong Kong the family has always played a significant role in providing welfare. Looking after your own dependent elderly and children is widely accepted to be a 'virtue' consistent with the Confucian ideology. According to the Confucian ethics "taking care of vulnerable members in accordance with need and desert was intrinsic to proper family and community conduct" (Jones, 1993). Hong Kong, along with other East Asia countries such as Singapore, Taiwan and South Korea, fits into the notion of a 'Confucian welfare state', characterised by "conservative corporatism without (western-style) worker participation; subsidiary without the Church; solidarity without equality; laissez-faire without libertarianism. It can also be considered as 'household economy' welfare state – run in the style of a would-be traditional, Confucian, extended family." (Jones, 1990) The colonial government was quick to seize the opportunity to actively encourage and even expand the role the family as the key and primary provider of welfare. Such a heavy reliance on the family means that any increase in family dissolution would make people more susceptible to economic crises with the level of state provision kept to a bare minimum.

Household living arrangements

The nature of the family differs considerably between Hong Kong and Britain with respect to household living arrangements. The two societies vary considerably in their attitudes towards responsibilities to grown up children and the length of time over which they continue to live with their parents. In Britain the norm is to live separately. Young people are expected to leave home in order to achieve full independence from their parents despite some degree of financial dependence in some cases (Gallie and Paugam, 2000). This may explain the high levels of multiple occupancies in rental accommodations.

In sharp contrast in Hong Kong most grown up children reside with their parents until they get married. With an extremely limited landmass the cost of private housing is prohibitively high in the territory. In order to maintain a healthy supply of cheap labour and subsequently increase the economic competitiveness of Hong Kong the

government had little choice than to provide affordable housing for its residents. One of the direct results of cheap public housing for the less well off residents is higher disposable income. The former colony probably has the largest public housing scheme in the world. To many the provision of public housing is almost regarded as a social wage in Hong Kong and is seen to have some degree of re-distributive effects (McLaughlin, 1993). Eligibility to public housing is strictly means-tested and tenancy is non-transferrable between generations.³ The policy is also closely tailored for the 'nuclear family' model and the majority of public housing is designed for families with children. Single tenants are rare and they are most likely to be elderly living on public assistance. Over half of Hong Kong's population live in public housing. Without a hope to be able to afford living independently in the private rental market, grown up children usually reside with their parents even though they may be financially totally independent.

Hypotheses

The lack of a comprehensive social security system and the non-progressive tax system in this former British colony lead us to expect wider income inequalities in Hong Kong than in Britain, where a much more developed welfare state is in place. However, if the 'Confucian welfare state' is operating successfully as Jones (1993) has suggested, one should expect to see lower levels of inequalities between households in Hong Kong as a result of the majority of the population practising these 'proper family and community conduct'. Even with a better developed welfare state, the British system is strongly adhered to the male-breadwinner family model and is biased towards against women in terms of entitlement and coverage. We expect to see significant income inequalities between male-headed and female-headed households. Based on these observations, five hypotheses can be developed:

³ Due to the rapid economic growth since the late 1980s, the disposable income of many affluent public housing tenants has far exceeded the eligibility limit and they subsequently had to pay twice the amount of rent. The intergenerational transfer of tenancy was also abolished due to the unfairness to potential tenants who have to go through very stringent means-tested criteria.

- (1) The proportion of extended household arrangements is higher in Hong Kong than in Britain and the proportions of lone-pensioner and lone-parent households are higher in Britain than in Hong Kong.
- (2) Income inequalities between male-headed and female-headed households in Britain are similar to those in Hong Kong.
- (3) Income inequalities between households with different living arrangements are wider in Hong Kong than in Britain.
- (4) Lone-pensioner and lone-parent households are more likely to be protected from living in poverty in Britain due to the more developed welfare regime than in Hong Kong.
- (5) Extended household arrangements have a positive effect reducing income inequalities. Vertically and horizontally extended households are less likely to be living in poverty than non-extended households.

Methods and Data

Using data from the 1996 General Household Survey of Britain and the By-Census of Population in Hong Kong, the proportions of different household living arrangements in the two societies are compared. Then the gender distribution of the head of households and their characteristics is examined. This is followed by a comparison of the income quintiles of male-headed and female-headed households. Household income is defined as net weekly household income before housing cost⁴ and is equivalised using the McClements equivalence scales (Goodman, Johnson and Webb, 1997). Even when household income is equivalised it is open to debate whether grown-up children, elderly parents and other adults living in the same household can be assumed to be the same because it does not take into account of the economic activity of each household member. Therefore the equivalised log net household weekly income is modelled using the Ordinary Least Square linear regression controlling for the social class, education, ethnicity, gender and age of the head of household, and the number of earners, dependent children and dependent elderly in the household.

⁴ Unfortunately calculating household income after housing cost has not been possible using the General Household Survey in Britain. We therefore use net household income before housing cost for both countries.

Analyses

Household arrangements

In addition to the traditional classification of lone and couple parent households, various household living arrangements including vertically extended families in both societies and horizontally extended families are identified in Hong Kong. Table 1 presents the figures. Despite rapid industrialisation and the rise of nuclear families a surprisingly substantial proportion of extended families in Hong Kong still live within the same household.

TABLE 1 ABOUT HERE

In Hong Kong just over twelve per cent of all households in 1996 were vertically extended families with the presence of at least one grandparent. A further one per cent of other types of extended families were mostly horizontally extended where two families of the same generation reside together. In contrast, we can only find just over one per cent of these households in Britain. Moreover no horizontally extended households can be identified from the British data, which in itself may suggest a total lack of such living arrangements. Lone pensioner household was much more common in Britain than in Hong Kong. Our figures suggest that there were fifteen per cent of lone pensioners in Britain but only less than two per cent can be found in Hong Kong. A similar contrast is found for 2-pensioner households. There were nearly ten per cent of these households in Britain but only two and a half per cent were present in Hong Kong. Another major difference is lone parent households. Six and a half per cent of all households in Britain were lone parent with dependent children. The corresponding figure in Hong Kong is only just above two per cent. Other household arrangements refer to households containing unrelated adults with or without depending children. As was discussed earlier in Britain young people are expected to leave home at a much earlier age than their peers in Hong Kong. These young people whether in employment or in higher education tend to share privately rented accommodation. This is consistent with our evidence in that there were six per cent of other household arrangements with unrelated adults while only less than two per cent of similar arrangements are found in Hong Kong. Overall, hypothesis one is supported by our data.

Household arrangements and gender of head of households

In Table 2, household arrangements by the gender of the head of household are examined.

TABLE 2 ABOUT HERE

As can be seen in Table 2 the majority of lone pensioner households were female-headed. In couple households, including two-pensioner, couple-parent and non-pensioner couple households, there are much higher proportions of male-headed rather than female-headed households in both societies, with the exception of two-pensioner households in Hong Kong. Not surprisingly a much higher proportion of lone parent households were headed by females. A similar pattern can be found in Hong Kong, though the gender distribution is less extreme.

The gender distribution of head of households is much more extreme for couple parents, non-pensioner couples, and three-generations couple parent households in Britain than in Hong Kong. Another interesting observation can be made from Table 2: the proportion of female single non-pensioner households is twice as much as the male-headed ones whereas this contrast was not found in Hong Kong.

Characteristics of head of household by gender

It is not only the gender distribution of head of household that varies significantly between different household arrangements and between the two societies but the characteristics of head of household also differ vastly.

TABLE 3 ABOUT HERE

In both societies, the mean ages of female heads of households are higher than those of males, especially in Britain. The contrast in educational and social class profiles of male and female heads of household is remarkably similar between the two societies. Male heads of households were better qualified and had better jobs. The only exception is that 30 per cent of female heads of household had lower service class jobs in Hong Kong which is considerably higher than the 18 per cent found in Britain.

In terms of employment 64 per cent of the British male heads were in work compared to 30 per cent for women. The proportion of male heads in work is considerably higher in Hong Kong reaching 78 per cent while 37 per cent of female heads were also in work. Thirty six per cent of the British females head of household were retired compared to 27 per cent in Hong Kong.

With respect to marital status, of all the female heads of household, hardly any of them were married or cohabiting in Britain, whereas 48 per cent are found in this category in Hong Kong. There are much higher proportions of female heads of household who are single never married, divorced or separated in Britain. A further 44% female heads in Britain and 30% in Hong Kong are widowed. In contrast the majority of male heads of household in both societies are married or cohabiting. Roughly half of the Hong Kong heads of household were living in public housing. This is consistent with our expectation with the high proportion of public tenants in the territory. On the contrary, 41 per cent of female-headed households were living in council housing in Britain, compared to only 18 per cent of male-headed households. A further major difference in tenure can be identified. Over three quarters of male-headed households in Britain were owner occupiers, much higher than the 47 per cent of female-headed households. In Hong Kong these figures for both male and female-headed households are substantially lower at 29 and 36 per cent respectively. Private tenants in Britain, especially male-headed households, were not as common as they were in Hong Kong.

Finally there are interesting variations in the proportion of female-headed households within each ethnic group. In Britain the Afro-Caribbeans had the highest proportion (35%) of female-headed households whereas there is no significant difference between most ethnic groups in Hong Kong, except the 'whites and others' had the lowest (17%) of female-headed households.

Households below 60% median income

TABLE 4 ABOUT HERE

As can be seen in Table 4, 34 per cent of all households live below 60% of median income, whilst 30 per cent were in a similar position in Hong Kong. However, significant variations can be found between households with different living arrangements. In both societies lone pensioners were single non-pensioners were by far the worst off. Over 90% of lone pensioners were on low income and around three quarters of single non-pensioner households were also on low income. Next came the lone parents, over half of them in both societies also lived below this mark and male-headed lone parent families were slightly less worse off than their female counterparts.

There were also great between-country variations. Two-pensioner households, regardless of the gender of the head of household, were significantly worse off in Hong Kong than their counterparts in Britain. Significant proportions of households with three generation lone-parent; lone-parent with independent children as well as couple-parent households in Hong Kong, regardless of the gender of the head of households, were also living on low income. In contrast none of these households were on low income in Britain. Furthermore a quarter of the households with non-pensioner couples with no children and a third of pensioner households were also on low income. The corresponding figures in Britain are significantly lower. Finally the overall proportion of female-headed households living on low income is much higher in Britain than in Hong Kong. Nearly three quarters of female-headed households in Britain were in this category compared to only 20 per cent of male-headed households. In Hong Kong the corresponding figures were 39 per cent and 26 per cent with a much smaller contrast. The evidence clearly points to a much wider inequality between male and female-headed households in Britain than in Hong Kong. Hence hypothesis two is not supported.

In the following section, income quintiles are to examine the distribution of household income more fully by household arrangements. Tables 5a and 5b give the details.

TABLES 5A and 5B ABOUT HERE

Once disaggregated by quintiles we can immediately see a less polarised pattern in Britain. There were much higher proportions of households concentrated in the

bottom quintiles in Hong Kong than in Britain, most notably for lone pensioners, two-pensioner, single non-pensioner, pensioner with independent children and lone parent (with dependent or independent children) households. At the upper end of the scale, all households with three generations in Britain were found in the top income quintile along with couple-parent households. In Hong Kong a similar pattern can be seen with the exception of slightly lower proportions of lone parent households with independent children were found in the top quintile. Moreover both types of horizontally extended households in Hong Kong were also concentrated in the top two quintiles.

The staggering high proportion of pensioners (lone or couple) and single person households living on low income in Hong Kong is probably a direct result of low levels of social security protection. It also offers little, if any, support to Jones' (1993) notion of the 'Confucian welfare state'. Together, these three household arrangements constitute 13 per cent of all households and the majority of them were in the bottom income quintiles. The data also show that over half of the pensioner population live in one or two person households.⁵ Even if these pensioners do not live with their children, or that the single persons do not live with their parents, the fact that they live in severe poverty probably means that no other forms of informal or financial support was available to them. I shall return to this point in the conclusion.

Modelling Household Income

In this section the findings of two multivariate analyses of log household income are presented. Table 6a gives the results of Britain. The foregoing analysis examines the distribution of income between different household arrangements. However it does not taken into account the economic activity of each household member; whether they were in employment would make a significant difference in the overall household income. For example, in a vertically extended household where two possibly three adults are in work, the household income would almost certainly be higher than households with only one earner and a dependent elderly. In the statistical models a

number of characteristics of the head of households ranging from age, ethnicity, gender, education, social class and marital status are controlled for. Further controlled variables such as the number of dependent children, dependent elderly and the number of earners in the household are also introduced.

TABLE 6A ABOUT HERE

It is not surprising that higher social class and educational level of the head of households in Britain bring a higher level of household income. Male-headed households also enjoy an advantage over female-headed households. In contrast the ethnicity of the head of household does not make any significant difference on household income. However controlling for the number of earners and dependants, the net effect of different household arrangements is still significant. The results suggest that pensioner (lone or couple) and single person households were significantly worse off than couple-parent households. Furthermore, lone parent and pensioner households with no dependent children were also significantly worse off. The only households that were better off compared with couple parent families were households with three generations and no dependent children, and households with unrelated adults (other household arrangements). Other three-generation households such as lone parent and couple parent households with grandparent(s) residing with them were not significantly different from couple parent families. This may be due to the small number of observations in these household arrangements. However, as we have seen in Table 5a, nearly 80 per cent of couple parent families were concentrated in the top two income quintiles. In other words these three generation-households were as better off as couple parent families.

TABLE 6B ABOUT HERE

In Hong Kong, a similar pattern can be found where pensioner, single person and lone parent households were all significantly worse off than couple-parent families in their household income, with the exception that all extended household arrangements had significantly higher household income. As with the British the education and social

⁵In the 1996 Hong Kong Census data, 10.7% of the pensionable age population (65 for men and 60 for women) lived in single households, and 40.7% of them lived in 2 persons unextended family nucleus,

class of the head of households have similar positive effects on the level of household income. However, contrary to the British case, there were some ethnic variations. Households with heads born in Mainland China or abroad had significantly lower household income, whereas other Asians and the White expatriates fared better than the local born Hong Kong Chinese. Again male-headed households had significantly higher household income than female-headed ones controlling for their education, age and social class.

Table 7 presents an extract of a further multivariate analysis of the log household income in Hong Kong and Britain with a collapsed version of household arrangements. Here we can see more clearly the net effects of the extended household arrangements in that they have a significant positive effect on the level of household income. With respect to the amount of variance explained in the model the number of earners in the household is found to explain the most (partial Eta square being 0.26 for Britain and 0.29 for Hong Kong). It accounts for 40 to 50 per cent of the total variance explained in both statistical models. It is not surprising that the number of household members being in work is positively correlated with the level of household income. What is more unexpected is the amount of variance accounted for by household living arrangements in Britain which far exceeds the variance explained by the sex social class and education of the head of households. However in Hong Kong the social class of the household head is more important than household arrangement per se in explaining the amount of variance in the model.

TABLE 7 ABOUT HERE

These modelling results have raised a number of interesting questions. Firstly, in theory we would expect households with dependent children and elderly to have lower household incomes. The findings suggest the otherwise. This may suggest that economically dependent elderly and children may be more 'resourceful' than first impression would have us believe. More often than not the presence of an elderly in the household can be a source of free childcare. In return these dependent children may also provide care for the elderly and indeed for the younger siblings while the

whereas 37.4% of all pensioners live in vertically extended households.

adults are out earning a living. Secondly the difference in household income accounted for by household arrangements also deserves more attention. It is clear from the results that household arrangements have an additional effect over and above the other characteristics of the head of households and the household itself. Living alone is far more expensive than living together and this is true in most societies. The fact that single person households (pensioner or not and lone parent) were most disadvantaged in both societies may suggest that the benefit systems have not done enough to lift them out of poverty in both societies. In other words the benefit system may be operating in favour of households based on the model of couple-parent families.

In summary, the findings on income quintiles show a slightly more polarised pattern in Hong Kong, where much higher proportions of lone pensioners, two-pensioner, single person and lone parents households were concentrated in the bottom quintile. Furthermore the modelling results confirm this as the income gap between couple-parent households and lone pensioners is found to be wider in Hong Kong. However they also show that the income gap between lone and couple-parent households is much bigger in Britain. Therefore hypothesis three only receives some support in that income inequalities in Hong Kong are wider between some, but not all, household arrangements. Similarly hypothesis four is only partially support because lone pensioners but not lone parent households are better protected in Britain. Finally hypothesis five is supported where some forms of extended household arrangements have an positive effect on household income level.

Discussion and Conclusion

It is increasingly widely recognised that development in any single country cannot be fully understood without taking into account of the wider or global context. This comparative study of Hong Kong and Britain hopes to identify similarities and differences of their welfare regimes and household arrangements on the one hand and to understand the mechanisms and processes underlying income inequalities in the two societies on the other.

Research on income inequalities has made major contributions in outlining trends in inequalities over time. International comparison of income inequalities is fraught with

difficulties. Fortunately the advance of methodology in recent years has also made this possible. This paper is a rather modest attempt to compare income inequalities between two societies. It is perhaps rather more appropriate to say it is a comparison of inequalities between households first of all within each society and then between the two. Households living below 60% of median income were most likely to be lone-pensioner or lone-parent households. Rightly so the focus of research has always been on the more disadvantaged groups in our society but we know relatively little the dynamics within households who choose to live under a different set of arrangements. This paper has only just begun to scrape the surface in understanding the effect of household arrangements on income inequalities. Lone parents, lone pensioners and single person households appear to be the worst off and it does not seem hasty to conclude that the welfare system has disadvantaged these groups. It could be that some families were more able to take advantage of existing welfare provisions through certain household arrangements. It could also be that governments have either failed to recognise the more expensive living costs for single-person households, or they have simply chosen not to address it.

The evidence firmly points to the direction that extended household arrangements bring higher levels of household income. This could well be explained by the unaccounted cost of the unpaid informal care provided by both the elderly and the children for each other. While it may be “cheaper” for individuals to rely on the family as the main provider of welfare and the state plays a residual role, but the quality and quantity are both in question. The issue of social capital in the family and its impact on social inequalities, be it negative or positive, is still very under-researched. Furthermore household arrangements can also be conceptualised as household strategies. The concept of household strategies has widely been used in both theoretical and empirical work. Gershunny and Pahl, (1979) Pahl, (1980); Pahl and Wallace, (1986) focus on informal work and the domestic division of labour as a form of household strategies. It has also been found that household strategies help the urban poor to survive in Latin America (Roberts, 1991) and in the post-Communist countries (Mikova, 1992; Sik, 1993; Walker, 1998). These household strategies, conscious or not, have implications on formal, informal and household work (see Warde 1990 for a ‘strong’ and ‘weak’ definition of household strategies). To

understand these mechanisms and processes more fully we will need better quality data to be able to put these to empirical test.

As was explained earlier, Jones's notion of 'Confucian welfare state' receives little support from our evidence. Even if she was right, rather than a prevailing Confucian ethics, family dissolutions⁶ and increasing expectation on the state to provide formal welfare (especially caring for the elderly) have become more important in explaining the mismatch between the 'norm' and the 'reality'. White and Goodman (1998) argue that 'cultural' explanations in terms of Confucianism is unhelpful in their attempts to understand the evolution of East Asian welfare systems (Hong Kong included). They wrote, 'when measured against the strategic impact of basic political, economic and demographic factors, 'culture' proved to be of residual explanatory value...welfare systems may reflect deep-seated elements of social structure and values, it is hard to establish this empirically and take analysis beyond mere assertion or analogy (White and Goodman, 1998:15)

It would be wrong to assume that it is in the author's intention to encourage the family to take an even larger share of the responsibility in providing welfare and provide a handy excuse for the state to further roll back the welfare state. It would also be misleading to say that the West should borrow the experience from the East (in this case Hong Kong) as some politicians suggest since the Hong Kong experience reflect considerable learning from the west. As White and Goodman (1998) argue in the case of the East Asian welfare model, "certain elements of the Far East experience – most notably the ideology of self-reliance may be attractive to the West, these elements are part of a much broader model of state-dominated industrialisation and authoritarian politics which is unacceptable or unfeasible in the West". A similar conclusion can be made here with the Hong Kong experience.

The heavy reliance of the welfare role of the family as in the case of Hong Kong has serious implications for gender relations and the position of women. This tends to reinforce socio-economic inequalities. The model rests implicitly on a context in which women are the main carers within the family and therefore potentially imposes

an extra load on top of their 'double burden' of housework and paid employment (White and Goodman, 1998).

The impact of welfare and family policies on income inequalities cannot be underestimated. As we have seen the gender bias in welfare provision in the two societies has been to some extent responsible for most lone pensioner and lone parent households (mostly female-headed) being in severe poverty. With rising expectations from the public of state provision of formal welfare in Hong Kong, the continuation of extended household arrangements is doubtful. Indeed, the steady decline in average household size from 3.4 in 1991 to 3.3 to 1996, and to 3.1 in 2001 (Hong Kong Census, 2001) means that extended household arrangements may become history before long. Meanwhile, the increase of single person households in both societies also means that the need for the state to address the loopholes in the current welfare system has become more urgent.

For better or worse?

The relationship between the state, the family and income inequalities is a complex one. Understanding the mechanisms and processes requires more space than is possible here, but it seems safe to conclude that welfare and family policies, and household strategies both play a significant role, individually and collectively, in affecting income inequalities. The rapidly changing economy and the looming recession have attracted concerns over social provisions in both societies.

In Hong Kong a recent attitude survey has shown that people are now more receptive to the idea that the government should be held responsible for welfare (Tam and Yeung, 1994). Social movements, urging the government to step up its social welfare programmes, have increased dramatically in recent years as people have higher expectations of what the government can do to improve their welfare (Chow, 1998). In fact, the recession in Hong Kong since 1998 was likely to have hit the population hard, especially the more disadvantaged section of the population. To assess if the income gap has been widening we need to examine changes over time, an issue I shall attempt to address in the next paper.

⁶ The proportion divorced and separated persons in the population has risen steadily from 1.2% in 1991 to 1.9% in 1996 and it continues to rise to 2.7% in 2001 (Hong Kong Census, 2001).

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Table 1: Household living arrangements in Britain and Hong Kong

	Britain	Hong Kong
Lone pensioner	15.2	1.7
2 pensioners only	9.7	2.5
Single non-pensioner	12.1	9.1
Lone parent with depch	6.5	2.2
3 generations lone parent, depch	0.1	0.3
Lone parent with indepch	1.4	6.6
Couple parents with depch	24.9	28.4
3 generations couple parent depch	0.5	8.5
Non-pensioner couples no depch	20.3	30.2
Pensioner household no depch / indepch	6.9	6.6
3 generations no depch	0.5	3.5
Horizontally extended family depch	-	0.7
Horizontally extended family no depch	-	0.4
Other household arrangements	1.8	6.0
N	9158	18617

Key to Table: ‘depch’: dependent children; ‘indepch’: independent children

Table 2: Household living arrangements by gender of head of household

	Britain		Hong Kong	
	Female	Male	Female	Male
Lone pensioner	43.5	5.6	2.3	1.5
2 pensioners only	0.9	12.8	1.9	2.8
Single non-pensioner	19.5	9.6	8.4	9.1
Lone parent with depch	23.4	0.8	5.2	1.1
3 generations lone parent, depch	0.4	0.04	0.1	0.1
Lone parent with indepch	4.2	0.4	13.2	4.2
Couple parents with depch	0.1	33.4	14.8	33.6
3 generations couple parent depch	0.3	0.6	10.6	7.7
Non-pensioner couples no depch	0.2	27.2	29.6	30.6
Pensioner household no depch / indepch	4.8	7.6	0.1	0.1
3 generations no depch	0.2	0.6	4.0	3.3
Horizontally extended family depch	-	-	0.5	0.7
Horizontally extended family no depch	-	-	0.4	0.4
Other household arrangements	2.6	1.6	8.9	4.8
N	2332	6806	4946	13432

Key to Table: ‘depch’: dependent children; ‘indepch’: independent children

Table 3: Descriptive statistics of characteristics of head of household

	Britain		Hong Kong	
	Females	Males	Females	Males
Mean age (S.D.)	56 (21)	50 (16)	52 (17)	48 (14)
Social Class (column %)				
Upper service class	6	21	2	4
Lower service class	18	16	30	33
Routine non-manual	29	6	25	9
Petty bourgeoisie	5	13	5	7
Manual supervisors, skilled manual	7	26	17	33
Semi or unskilled manual	36	18	21	14
Education				
Degree or above	7	14	8	14
Lower tertiary (below degree) Higher education	8	13	3	3
A-level or equivalent	9	13	4	7
Secondary (up to 16)	24	22	28	42
Primary or none	51	38	58	34
Marital Status				
Married or cohabiting	0.7	81	48	85
Single never married	26	8	15	11
Widowed	44	5	30	3
Divorced/separated	29	6	8	2
Economic Status				
Working full-time	18	59		
Working part-time	12	4	37	78
Unemployed	4	5	3	3
Retired	36	23	27	15
Keeping house	24	1	29	0.3
Other inactive	7	7	4	3
Housing Tenure				
Owner occupiers	47	74	29	36
Private tenants	12	8	16	21
Local authority tenants	41	18	55	44
	Ethnicity (row % of female-headed households)			
India	10	Asians		29
Pakistan, Bangladesh	13			
Africa, Caribbean	35	Mainland born Chinese		28
Chinese	22	Foreign born Chinese		24
British and non-British white	26	Hong Kong Chinese		26
Others	30	Whites, others		17
Total number of households⁷	2335	6823	4947	13434

⁷ The total number of households for male and female-headed households is presented in the bottom row. However, education has a large number of missing values. The observation for men and women in Britain on educational attainment are 5129 and 1498 respectively. In Hong Kong, social class has the highest number of missing data. The observations are 10478 and 1851 for male and female heads of households.

Table 4: Households below 60% of median income by gender of head of household

	Britain		Hong Kong	
	Female	Male	Female	Male
Lone pensioner	95.1	90.0	91.9	94.6
2 pensioners only	11.8	27.1	77.0	74.3
Single non-pensioner	78.0	66.6	71.8	72.8
Lone parent with depch	57.6	43.8	54.9	47.2
3 generations lone parent, depch	0	0	28.6	30.8
Lone parent with indepch	0	3.5	65.0	41.6
Couple parents with depch	0	3.7	37.9	16.5
3 generations couple parent depch	0	7.0	9.6	6.5
Non-pensioner couples no depch	18.2	17.2	24.7	19.6
Pensioner household no depch / indepch	20.3	8.0	33.3	10.5
3 generations no depch	0	0	8.1	5.9
Horizontally extended family depch	-	-	0	3.3
Horizontally extended family no depch	-	-	0	6.1
Other household arrangements	11.9	11.4	34.2	25.1
% households below 60% median income by gender of HOH	72.7	20.3	38.5	26.0
% household below 60% median income	34.0		29.5	
N	2046	5806	4548	13251

Key to Table: 'depch': dependent children; 'indepch': independent children

Table 5a: Net household income quintiles by household arrangements in Britain

Total N: 7889	Bottom quintile	4 th quintile	3 rd quintile	2 nd quintile	Top quintile
Lone pensioner	76.1	20.1	3.0	0.5	0.2
2 pensioners only	1.1	44.1	41.4	11.2	2.2
Single non-pensioner	41.5	39.7	16.6	1.4	0.7
Lone parent with depch	27.2	39.9	22.2	8.1	2.9
3 generations lone parent, depch	0	9.1	36.4	18.2	36.4
Lone parent with indepch	3.8	18.1	43.8	19.0	15.2
Couple parents with depch	0.8	5.3	15.3	33.8	44.7
3 generations couple parent depch	0	5.9	17.6	20.6	55.9
Non-pensioner couples no depch	2.3	7.7	23.0	35.8	31.2
Pensioner household no depch / indepch	2.2	21.8	34.2	25.3	16.5
3 generations no depch	0	0	5.0	5.0	90.0
Other household arrangements	4.9	8.1	26.8	30.1	30.1

Key to Table: ‘depch’: dependent children; ‘indepch’: independent children

Table 5b: Net household income quintiles by household arrangements in Hong Kong

Total N = 18022	Bottom quintile	4 th quintile	3 rd quintile	2 nd quintile	Top quintile
Lone pensioner	90.7	7.7	1.0	0.6	0
2 pensioners only	69.1	15.1	12.7	2.2	0.9
Single non-pensioner	61.3	24.9	7.7	4.5	1.7
Lone parent with depch	44.4	27.3	16.5	8.3	3.5
3 generations lone parent, depch	13.2	30.2	26.4	17.0	13.2
Lone parent with indepch	49.2	12.0	10.4	13.3	15.1
Couple parents with depch	5.9	24.9	26.5	21.7	20.9
3 generations couple parent depch	3.4	10.5	19.4	30.0	36.8
Non-pensioner couples no depch	9.5	18.2	22.5	25.7	24.1
Pensioner household no depch / indepch	13.6	4.5	4.5	36.4	40.9
3 generations no depch	2.7	9.2	19.4	29.3	39.4
Horizontally extended family depch	0.8	5.0	20.2	31.9	42.0
Horizontally extended family no depch	2.8	2.8	16.7	38.9	38.9
Other household arrangements	23.9	23.6	20.9	16.2	15.4

Key to Table: ‘depch’: dependent children; ‘indepch’: independent children

Table 6a: OLS regression of log household net weekly income of Britain

Intercept	9.32 (.08)
Household arrangements	
(ref.= Couple parents with depch)	
Lone pensioner	-1.21 (.13)
2 pensioners only	-.80 (.20)
Single non-pensioner	-.79 (.08)
Lone parent with depch	-.48 (.08)
3 generations lone parent, depch	-.04 (.23)
Lone parent with indepch	.05 (.10)
3 generations couple parent depch	.17 (.17)
Non-pensioner couples no depch	.12 (.03)
Pensioner household no depch / indepch	-.32 (.12)
3 generations no depch	.87 (.11)
Other household arrangements	.24 (.09)
Ethnicity of HoH (ref.= native born British, whites)	
Chinese, others	-.06 (.08)
Indian, Pak/Bang	.02 (.07)
African, Caribbean	.02 (.07)
Sex of HoH (reference female)	
Male	.15 (.03)
Education of HoH (ref.= none or primary)	
Degree or above	.32 (.03)
Sub-degree FE	.11 (.03)
A Level or equivalent	.16 (.03)
Secondary	.09 (.02)
Social Class of HoH (ref.= semi & unskilled manual)	
Upper service class	.45 (.03)
Lower service class	.24 (.03)
Routine non-manual workers	.15 (.03)
Petty bourgeoisie	.11 (.03)
Technicians, supervisors of skilled manual	.09 (.03)
Marital status of HoH (ref.= divorced, widowed, separated)	
Married	-.10 (.07)
Single	.04 (.03)
Age of HoH	.002 (.002)
Age squared HoH	-.003 (.00)
Number of earners in household	.51 (.01)
Number of dependent elders	.56 (.09)
Number of children <16	.24 (.02)
Total sums of squares (d.f.)	4242 (31)
Adjusted R-square	.65
N	5698

All coefficients significant at .05 level are in bold.
Standard errors are in parenthesis.

Table 6b: OLS regression of log household net weekly income of Hong Kong

Intercept	7.07 (.04)
Household arrangements	
(ref.= Couple parents with depch)	
Lone pensioner	-1.34 (.09)
2 pensioners only	-.74 (.09)
Single non-pensioner	-.67 (.03)
Lone parent with depch	-.13 (.05)
3 generations lone parent, depch	.39 (.19)
Lone parent with indepch	-.17 (.04)
3 generations couple parent depch	.15 (.03)
Non-pensioner couples no depch	.03 (.20)
Pensioner household no depch / indepch	.06 (.20)
3 generations no depch	.24 (.05)
Horizontally extended family depch	.27 (.06)
Horizontally extended family no depch	.32 (.08)
Other household arrangements	.06 (.03)
Ethnicity of HoH (ref.= HK Chinese)	
Foreign born Chinese	-.26 (.05)
Mainland Chinese	-.14 (.01)
Other Asians	.18 (.04)
Whites and others	.31 (.03)
Sex of HoH (ref. = female)	
Male	.18 (.02)
Education of HoH (ref.= none or primary)	
Degree or above	.41 (.02)
Sub-degree FE	.21 (.04)
A Level or equivalent	.18 (.03)
Secondary School	.06 (.02)
Social Class of HoH (ref.= semi & unskilled manual)	
Upper service class	.98 (.04)
Lower service class	.71 (.02)
Routine non-manual workers	.23 (.02)
Petty bourgeoisie	.25 (.03)
Technicians, supervisors of skilled manual	.22 (.02)
Marital status of HoH (ref.= divorced, separated /widowed)	
Married	.04 (.03)
Single	.25 (.04)
Age of HoH	.01 (.00)
Age squared HoH	-.001 (.00)
Number of earners in household	.47 (.01)
Number of dependent elderly	.19 (.02)
Number of children <16	.13 (.01)
Total sums of squares (d.f.)	6628 (34)
Adjusted R-square	.59
N	12246

All coefficients significant at .05 level are in bold.
Standard errors are in parenthesis.

**Table 7: Extract of OLS regression of log household log weekly income
(Collapsed household arrangements)**

	Hong Kong	Britain
Intercept	7.02 (.04)	8.97 (.05)
Household arrangements (ref.= Couple parents with depch)		
Lone or 2 pensioners only	-1.05 (.07)	-.49 (.07)
Single non-pensioner	-.68 (.03)	-.47 (.05)
Lone parent with depch	-.09 (.05)	-.16 (.05)
All 3 generations households	.19 (.03)	.72 (.08)
All adult households no depch	.01 (.02)	.12 (.03)
Same generation extended households	.27 (.06)	-
Other household arrangements	.06 (.03)	.55 (.08)

All coefficients significant at .05 level are in bold.
Standard errors are in parenthesis.