How Hong Kong Became One of the Most Unequal Places in the World


Conventional measures of inequality in Hong Kong are based on incomplete and highly fragmented data. By combining new data sources and analytic techniques, this study provides a more comprehensive analysis of the evolution and institutional drivers of income and wealth inequality in Hong Kong over the last four decades.

The data. The researchers focused their analyses on three measures: wage inequality, capital share, and wealth concentration. For wage inequality, researchers used census data from the Census and Statistics Department of Hong Kong from 1981 to 2016, combined with tabulated fiscal income data from Hong Kong Salaries Tax Assessment, published in the Hong Kong Inland Revenue Department Annual Reports from 1981 to 2018. They then estimated Hong Kong’s capital share for each year from 1993 to 2019 based on corporate profit tax data from the Hong Kong Inland Revenue Department, as well as national accounts reported annually by the Census and Statistics Department of Hong Kong. Finally, researchers used “Rich Lists” published in the Forbes magazine from 1988 to 2019 to create the first internationally comparable wealth concentration estimates for Hong Kong, supplemented with estimates of aggregate value of privately-owned housing in Hong Kong based on the housing statistics published by Hong Kong Rating and Valuation Department.

Researchers then measured the determinants of the political inclinations of business elites, using data from an opinion survey conducted biannually by the Hong Kong Public Opinion Research Institute from 2016 to 2021.

**INSIGHTS**

- In the past 40 years, the wage share earned by the top 1% of Hong Kong’s population has increased from 10.7% to 16.3%, while the share earned by the bottom 50% has dropped from 18.7% to 11.6%.
- Since 2001, the capital (versus labor) share of Hong Kong’s economy rose from 32% to 53%, mostly benefiting people in the highest income brackets.

Sharp rise in wage inequality. This study finds that the wage share earned by the top 1% of the population increased from 10.7% in 1981 to 16.3% in 2018, while the share earned by the bottom 50% dropped from 18.7% to 11.6%. In 1981, the bottom 50% of the population had about twice the total wages of the top 1%, while their wages are now 70% of the top 1%. Wage shares between the top 10% and the middle 40% have also been diverging, mainly driven by the strong rise in the wage share of the top 10%.

The authors also show that in the period prior to Hong Kong’s 1997 handover, the rate of average wage growth was 7.5%. After the handover, it dipped to 3.1%. Prior to the handover, wage inequality rose due to educational expansion and a shift from manufacturing to services.
Today, the total wealth of Hong Kong’s richest 0.001% accounts for over half of the city’s income, a larger share than for any country in the world.

Voter preference surveys suggest an alliance between business elites with disproportionate power in the legislature and the mainland-aligned government may drive inequality by denying political power to groups supporting redistributive policies.

Post-handover, the inequality was mainly driven by a surge in wages for professionals working in the finance and business service sectors. These results collectively point to a much larger rise in wage inequality than previous estimates suggest.

**Capital share of income dramatically increases.** Hong Kong’s capital share — i.e., the proportion of national income derived from returns on capital, including profits, rents, and interest — surged from 32% to 53% of national income. Hong Kong’s capital share reached such a high level by 2018 that it is no longer comparable to major high-income economies. Since 2010, for example, Hong Kong’s capital share has been more than twice as high as France’s.

**Hong Kong’s wealthiest garner over half of city income.** In 1988, the net wealth of the wealthiest 0.001% accounted for 17% of the city’s income. By 2020, it more than tripled to 55% of the city’s income. For comparison, most other countries’ top 0.001% wealth share accounts for less than 35% of national income. Today, Hong Kong’s top 0.001% wealth share is ranked at the very top of the world. In 2018, for example, the top 0.001% wealth share in Hong Kong far exceeded that of Russia, was more than twice that in the U.S. and China, and 10 times the level in France.

**Socio-economic status correlated with voting preferences.** The researchers found that business elites (roughly top 5% income earners of those surveyed) were more likely to vote for the mainland-aligned pro-establishment camp than any other socioeconomic class. Meanwhile, before the 2019 Hong Kong protests, the probability of the middle class voting pro-establishment was 81.3% of the probability for the upper class. After the 2019 protests, this likelihood dipped to 56.9%. The survey revealed that besides the wealthiest class, Hong Kong society has been moving toward the centrist and pro-democracy camp since 2019.

**Growing inequalities stem from Hong Kong's electoral politics.** Under Hong Kong’s partial democratic political structure, business elites carry disproportionate weight in the Legislative Council, which allows them to block policies that would limit their political influence or harm their economic interests — e.g., redistributive policies that might reduce inequality. These preferences match those of the typically mainland-aligned Hong Kong government, which places less emphasis on expanding democratization and more emphasis on stability and harmony. The researchers argue that this unique alliance of government and business elites is a plausible institutional root of Hong Kong’s rising inequality and political cleavages.