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Immigrants or Imported Labourers?

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In reversing its position to allow more imported laborers into Hong Kong, the government has taken a positive step in providing much needed relief for the economy's tight labor market. It has also offended organized labor.

The current proposal to import labor introduces new measures that would lead to greater intervention in the labor market. In addition to fixing minimum wages for each category of imported labor, the proposal also tries to fix category-specific quotas. This is in sharp contrast to the policy on importing domestic helpers, which sets minimum wages but not quotas. Inconsistencies in setting wages and quotas will lead to an excess demand for imported labor in some categories. Industries and firms will naturally lobby intensely for these quotas. There is already concern that the new scheme favors large firms. Furthermore, quotas once granted are difficult to take away in the future. The scheme is also susceptible to abuse because of the incentive for firms to pay wages below the minimum level, a concern organized labor has not forgotten to remind us.

The quota element in the new scheme is probably a compromise solution designed to soften labor's opposition. But in so doing, the government has to establish an administrative apparatus for setting and assigning quotas. The very existence of such an apparatus is a threat to a competitive labor market. Is there a better alternative?

Hong Kong's acute labor shortage stems from the slow growth of the labor force. Three factors will continue to make this a permanent condition - the aging of the population, an accelerated rate of emigration, and a ceiling on the flow of immigrants from China. Among these factors, only the final one is a meaningful policy tool which the government can and should manipulate.

The termination of the so-called "touch base" policy in October 1980 in the wake of massive immigration from China in the late 1970s deprived Hong Kong of an important source of new immigrants. A fundamental shift in the attitude of the Hong Kong people towards outsiders occurred. The change is also reflected in the hostility towards Vietnamese refugees. It is worth recalling that, in the 1950s and 1960s, immigrants were welcomed. This

change in attitude has many causes, but one which is often neglected is the growing generosity of various social programs that developed during the MacLehose era. The provision of socialized medicine, free education, public housing, and other programs on a large scale created a tension between outsiders and the local population. The locals feel they are being robbed of the fruits of their labor when outsiders who have not contributed anything until that point are allowed to enjoy the benefits.

The fear that the social programs would be adversely affected was explicitly admitted in the decision to end the "touch base" policy. The conflict between a generous social program and a liberal immigration policy is not unique to Hong Kong, and is found in many parts of the world.

The growing interest in an active industrial policy is also related to the slow growth of the labor force. Labor has been calling on industry to invest in automation and industry has been urging government to provide more funding for research and development and the training of workers. There is a growing chorus of businessmen, labor unions, politicians, and academics calling on government to promote Hong Kong's competitiveness through an activist industrial policy.

In the past quarter century, we have witnessed growing government activism in the area of social policy. This has contributed to the abandonment of the "touch base" policy. The spillover into the areas of industrial policy and imported labor, while recent, will not be the last.

It is time for Hong Kong to consider as a matter of urgency a more liberal immigration policy to bring in a balanced composition of talents from the rest of the world, including China. Such a policy will allow more legal immigrants to arrive.

Immigrants and imported laborers differ in many respects, the most important being their commitment to their new home. Evidence from around the world and from Hong Kong's own experience as an immigrant society show that immigrants contribute greatly to economic growth. They work harder, make more sacrifices, are more entrepreneurial and innovative, and their children are often higher achievers. The economic and financial prominence of New York and London was not achieved by restricting labor inflow from the rest of the country, but because of the absence of such restrictions. Hong Kong would not be the prosperous city it is today if we had refused to take immigrants after 1945.