SUBJECTIVE WELLBEING INDICATORS DROP IN
HONG KONG IN 2009:
GAP BETWEEN RICH AND POOR SEEMS TO BE
NARROWING

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The recent financial crisis has started a new wave of global recession, vaporized much wealth and melted main financial markets. In sum, it has “destroyed our money”. As inhabitants of a small but open international city, the people of Hong Kong have experienced a powerful impact from this crisis. Recent economic figures\(^1\) when compared with those from last year show that the seasonally adjusted unemployment rate rose from 4.6% in November 2008 - January 2009 to 5.3% in April 2009 - June 2009 and the value of retail sales in March 2009 fell by 7.7% compared to those values from the same month a year earlier. The value of total exports contracted by 21.1% in March 2009 compared with the value from the same month a year earlier. In nominal terms, wages in March 2009 dropped by 0.9% relative to the same month a year earlier. The Hang Sang Index closed at 25,816 on 17 March 2008 while the figure recorded one year later was 15,927, representing a 38% drop.

The focus of this paper is to investigate the impact of the financial crisis on happiness (subjective wellbeing) of the people in Hong Kong. A growing volume of economic literature points out that income or money alone is not solely responsible for an individual’s happiness, especially for people who live in rich cities such as Hong Kong\(^2\). In light of the fact that

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\(^1\) Census and Statistics Department, Government of the Hong Kong Special Administrative Region

happiness emerges due to many variables besides accumulated wealth, it is logical to assume that people may not necessarily have become depressed as a result of their savings having been destroyed by the financial crisis.

Methods
Data were collected by means of a survey conducted by the Economics and Wellbeing Research Project at Hong Kong Shue Yan University during the last two weeks of February 2009 using randomly selected telephone numbers from residential telephone directories. A total of 1255 respondents were successfully interviewed.

Statistical Results

<table>
<thead>
<tr>
<th></th>
<th>Certainly not happy</th>
<th>Not quite happy</th>
<th>Quite happy</th>
<th>Certainly happy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>5%</td>
<td>21%</td>
<td>57%</td>
<td>16%</td>
</tr>
<tr>
<td>2008</td>
<td>4%</td>
<td>16%</td>
<td>60%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Table 1 shows a 6% drop (79% 2008; 73% 2009) in respondents describing themselves as ‘certainly happy’ or ‘quite happy’ when compared to data gathered during the same period of the preceding year.

The core component of the Happiness survey in this paper ranks respondents’ various positions on a model resembling Maslow’s Hierarchy of Human Needs. Using a hierarchical model successfully deepens the definition of happiness for purposes of measuring a society’s wellbeing inequality. It is assumed that in a wealthy city such as Hong Kong, most people have their physiological needs met. The survey therefore begins at the second level of the hierarchy concerned with security and safety needs. The number of respondents secure in the knowledge that they are protected from violence and crime dropped significantly from 39% in 2008 to 35% in 2009. It is likely that the collapse of Lehman Brothers brought home the realization that crimes had been perpetrated in Hong Kong after 12 billion dollars in bonds evaporated from local portfolios. The respondents also demonstrated less certainty this year than last that their social network could provide care for them at home in the event of a serious illness. This may be due to family members who were home-based in 2008 having to seek out part time jobs to make ends meet in 2009. The indomitable Hong Kong spirit can be seen in the data which reveals virtually no change in levels of self-esteem and positive self-image among respondents compared to last year. Overall, Hong Kong morale, resiliency and hardiness may be responsible the maintenance of these levels. Indeed, it is in ‘tough times’ that we learn about the substance and character of people around us who carry on with
a fighting spirit.

Table 2: Self-realization Needs

<table>
<thead>
<tr>
<th></th>
<th>Certainly not</th>
<th>Maybe not</th>
<th>Maybe</th>
<th>Certainly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you on track to realizing your full inner potential?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>7%</td>
<td>24%</td>
<td>50%</td>
<td>19%</td>
</tr>
<tr>
<td>2008</td>
<td>11%</td>
<td>25%</td>
<td>45%</td>
<td>19%</td>
</tr>
</tbody>
</table>

One of the only increases in this year’s survey is represented by levels of confidence in the respondents’ overall direction in life. Surprisingly, Table 2 shows that 5% more respondents (64% 2008; 69% 2009) believed they might be on the right track towards realizing their true potential compared with last year’s results. This may be attributed to the ‘levelling’ of the playing field that has resulted with the disappearance of billions of dollars in stock values among the most wealthy thus providing those who may have had ‘nothing to lose’ before a belief that they now have solid footing.

Analysis among different income groups:

When broken down by income levels, the contrast further supports this hypothesis. The number of respondents living in households with an annual income of US$46,153 or greater in 2009 showed a four point percentage point drop (27% 2008; 23% 2009) in the number of those who felt certain of being ‘on track’ towards realizing their full potential. Those in the lowest income bracket, however (annual income of US$6,152 or less) showed a nine percentage point increase in the number of respondents who felt more certain that they were on track towards realizing their full potential (11% 2008; 20% 2009).

Using a hierarchical model to deepen the definition of wellbeing is accomplished by targeting the extent of the respondent’s self-reported needs met as a microcosmic indicator of a given society’s collective state of self-realization. Expressed numerically, this is the Gross National Realization (GNR)³.

The following weighted average formula is applied to calculate the GNR:

$$GNR = \sum_{i=1}^{4} WiCi$$

where $Ci$ are the percentage of certainty of the four ‘Needs’ questions; $CI=\text{Needs for Security}$,

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$C_2= \text{Love/Relationship, } C_3=\text{Self-Esteem and } C_4=\text{Self Realization. } W_i$ represents the respective weighting; $W_1=0.1, W_2=0.2, W_3=0.3, W_4=0.4$

Hong Kong’s overall GNR dropped less than significantly over the last year (0.328, 2008; 0.315, 2009). It seems that although the recent financial crisis may have “destroyed our money” it has had little effect on our collective state of happiness.

Figure 1 shows that the GNR for the income group in the lowest two levels actually increased while those in the highest group remain more or less unchanged. In the recent financial crisis, the poor may actually have nothing to lose but their feeling of being relatively better off has improved their subjective well-being. Indeed they have a better chance to catch up with the upper class in terms of wealth. For the rich, their wealth is perhaps large enough to buffer against the fluctuations of financial markets and has done little harm to their intrinsic abilities to fulfill their needs. The observed gap between rich and poor in terms of exploring and realizing one’s inner potential seemed to be narrowing.

The one group which appears to have suffered most is the middle income group. Since Hong Kong is a financial center, most of the middle income group works in fields that are directly or indirectly related to the financial sector. Thus they suffer from the high probability of being unemployed. Moreover, unlike the rich, they do not have enough wealth to buffer against fluctuations in the financial markets. This causes their ability to fulfill their needs to drop dramatically, thus sparking a reduction in their subjective well-being. This is another reason for directly or indirectly believing that ‘potential’ and perhaps even happiness, in Hong Kong may result directly from opportunities for wealth accumulation.