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Where have all the gemstones gone? The success and failures of the human capital investment approach in Hong Kong

Wong Yu-cheung, PhD
Nov 2009
Importance of human capital investment
Hong Kong: investment and output comparing to OECD
Hong Kong case study: what happened to young adults with mainland connections
Importance of human capital to knowledge economy

- Education system from selection of talent, into identify and develop talents for all students (OECD, 2009, p.3)
- OECD Secretary-General Angel Gurria: Investments in human capitals will contribute to the economic recovery from the recent global financial crisis
- World economy is increasingly driven by innovation, making skills outdated at a much faster pace than ever. Education is the best response to this change
- Should help young individuals to constantly adapt and grow, to develop their capacity and motivation, expand their horizons and transfer and apply knowledge in new settings.
In OECD countries

- A male degree holder can look forward to a gross earnings premium over his lifetime of more than US$186,000 compared to those with only secondary school.
- Average net public return from providing a male student with a university education, after factoring in all the direct and indirect costs, is almost US$52,000 or 2 times the investment.
Education performance PISA 2006
Programme for International Student Assessment
Science ranked 2 542 (next to Finland 563)
Reading ranked 3 536 (next to Korea 556 & 547 Finland)
Mathematics ranked 3 547 (next to Taipei 549 & Finland 547)
Upper Secondary School Attained

Chart A1.2. Population that has attained at least upper secondary education (2007)
Percentage, by age group

% 100 90 80 70 60 50 40 30 20 10 0

△ 25-34 year-olds  □ 55-64 year-olds

OECD average

Korea
Czech Republic
Slovak Republic
Poland
Canada
Sweden
Finland
Switzerland
United States
Austria
Israel
Hungary
Denmark
Germany
Ireland
Norway
France
Netherlands
Belgium
Australia
New Zealand
United Kingdom
Greece
Iceland
Italy
Spain
Chile
Brazil
Portugal
Mexico
Turkey
Tertiary education attained

Chart A1.3. Population that has attained at least tertiary education (2007)
Percentage, by age group

% 25-34 year-olds  55-64 year-olds

36.0

8.6
## Public education expenditure

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<tbody>
<tr>
<td>Public expenditure as a % of GDP</td>
<td>16.7</td>
<td>21.9</td>
<td>18.2</td>
</tr>
<tr>
<td>Education expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of public expenditure</td>
<td>21.5</td>
<td>19.2</td>
<td>17.6</td>
</tr>
<tr>
<td>% of GDP</td>
<td>3.59</td>
<td>4.20</td>
<td>3.20</td>
</tr>
</tbody>
</table>
2006 Education as a % of public expenditure
2006 Education Expenditure as a % of GDP
Hong Kong 2006

- Sub-sample of 11,777 households
- 34,295 individuals
- 4,932 (14.4%) aged 19 – 28 in 2006
- Born in 1978 to 1987
- Among them, 74.9% live with their parents
- Information regarding SES of their parents are available
- Purpose: study their education trajectory after secondary education
% Live with a parent

Age

19 20 21 22 23 24 25 26 27 28

% Live with a parent
% born in mainland China
Among those (19–28) living with a parent in 2006

% Born in China

% Born in China
Father’s education & mother’s place of birth

$\chi^2 (1, N=2164) = 33.58, p < .001.$
Age and % of studying

% Studying

Age

HK

Mainland
Place of birth & degree holder (23–25yrs)

$\chi^2 (1, N=1140) = 10.45, p = .001$. On an ordinal scale, Mann–Whitney U-test, $z = -2.73, p < .01$
Income & Education attainment

Mean Income

<table>
<thead>
<tr>
<th>Education Attainment</th>
<th>Age Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary or below</td>
<td>23 – 25</td>
</tr>
<tr>
<td>Post-secondary</td>
<td>26 – 28</td>
</tr>
</tbody>
</table>
Place of birth and income

Mean Income
Association with father’s education attainment

$\chi^2 (1, N = 973) = 37.678, p < .001$.

On an ordinal scale, Mann–Whitney U–test, $z = -7.132$ ($N = 973$), $p < .001$

Spearman’s $\rho = .274$ ($N = 973$), $p < .001$
Association with mother’s education attainment

$\chi^2 (1, N = 1116) = 24.611, p < .001.$

On an ordinal scale, Mann–Whitney U–test, $z = -7.539 (N = 1116), p < .001$

Spearman’s $\rho = .257 (N = 1116), p < .001$
Association with father’s placement birth

$\chi^2 (1, N = 926) = 4.522, \ p = .033.$

On an ordinal scale, Mann–Whitney U–test, $z = -1.297 (N = 926), \ p = .195$.
Association with mother’s place of birth

$\chi^2 (1, N = 1053) = 0.002 \quad p = .942$.

On an ordinal scale, Mann–Whitney U-test, $z = -0.484 (N = 1116), p = .628$. 

![Bar chart showing the distribution of mother's place of birth and educational attainment in Hong Kong and Mainland China.](chart.png)
Regression: education attainment of young adults (23–25) living with both parents

<table>
<thead>
<tr>
<th>Measures</th>
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<th>Beta</th>
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<tbody>
<tr>
<td>Father’s education attainment</td>
<td>.269</td>
<td>.061</td>
<td>.164</td>
<td>4.45***</td>
</tr>
<tr>
<td>Mother’s education attainment</td>
<td>.355</td>
<td>.082</td>
<td>.160</td>
<td>4.39***</td>
</tr>
<tr>
<td>Place of birth (1=HK, 2=Mainland)</td>
<td>-.718</td>
<td>.220</td>
<td>-.116</td>
<td>-3.26**</td>
</tr>
<tr>
<td>Mother’s place of birth (1=HK, 2=Mainland)</td>
<td>.320</td>
<td>.158</td>
<td>.073</td>
<td>2.03*</td>
</tr>
</tbody>
</table>

R^2  .088  
R^2_{adj}  .084  
F (df1, df2)  20.948*** (4, 871)  

***p < .001. **p < .01. *p < .05.
Discussion

- Hong Kong spent less in social services, including education
- The outcome, however is still good (PISA 2006, education attainment for younger cohorts)
- However, social mobility is still a question
- Male with lower education attainment, tends to have spouse in mainland China, also with lower education attainment
- Children born in mainland China had less chance of success in the present education system (as far as those 23–25 cohort is concerned)
- More investment is needed
- Investment among the disadvantaged had the biggest pay off...