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978-1-107-00291-3 - Rising Inequality in China: Challenges to a Harmonious Society

Edited by Li Shi, Hiroshi Sato and Terry Sicular

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RISING INEQUALITY IN CHINA

This book, a sequel to *Inequality and Public Policy in China* (2008), examines the evolution of inequality in China from 2002 to 2007, a period when the new “harmonious society” development strategy was adopted under Hu Jintao and Wen Jiabao. It fills a gap in knowledge about the outcomes of this development strategy for equity and inequality. Drawing on original information collected from the most recent two waves of nationwide household surveys conducted by the China Household Income Project, this book provides a detailed overview of recent trends in income inequality and cutting-edge analysis of key factors underlying such trends. Topics covered include inequality in education, changes in homeownership and the distribution of housing wealth, the evolution of the migrant labor market, disparities between public and nonpublic sectors, patterns of work and nonwork, gender and ethnic gaps, and the impacts of public policies such as reforms in taxation and social welfare programs.

Li Shi is China’s leading specialist on inequality and poverty. He has served as the acting director of the China Institute of Income Distribution at Beijing Normal University since 2011. His numerous published works include *Inequality and Public Policy in China* edited with Björn Gustafsson and Terry Sicular (Cambridge University Press, 2008); *Unemployment, Inequality and Poverty in Urban China* edited with Hiroshi Sato (2006); and numerous articles in Chinese and Western scholarly journals. He has won many academic prizes, including the Sun Yefang Prize for Economic Science (1994 and 2011) and the Zhang Peigang Prize for Development Economics (2010).

Hiroshi Sato has published many works on topics related to development economics and inequality in China. He is the coeditor of *Unemployment, Inequality and Poverty in Urban China* (2006) and author of *The Growth of Market Relations in Post-Reform Rural China* (2003), and he has contributed to numerous works including *Inequality and Public Policy in China*. He received the IDE Prize for Research on Developing Economies in 2004 for his Japanese book *Shotoku Kakusa to Hinkon (Income Inequality and Poverty, 2003)*.

Terry Sicular is a leading North American specialist on the Chinese economy and has written extensively on inequality, poverty, the labor market, and the rural economy in China. She is a coeditor of and contributor to *Inequality and Public Policy in China* (2008). Her works have appeared in the *Review of Income and Wealth*, the *Journal of Development Economics*, and *Economic Journal*. She is a recipient of the Zhang Peigang Prize for Development Economics (2010) and the Sun Yefang Prize for Economic Science (2011).

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Rising Inequality in China

Challenges to a Harmonious Society

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Preface

This book is the product of a long-term research effort supported through the years by many individuals and organizations. In the late 1980s, Keith Griffin and Zhao Renwei brought together a team of Chinese and international researchers to organize the first in a series of nationwide household surveys that are now known as the China Household Income Project (CHIP) surveys. Their goal was to collect household survey data that would make possible meaningful empirical analysis of trends in incomes, inequality, and poverty in post-Mao China. In the mid-1990s, Zhao Renwei and Carl Riskin took the lead in organizing a second round of the survey, and in the early 2000s Björn Gustafsson, Li Shi, and Terry Sicular organized a third round.

In the mid-2000s, the editors of this book, together with Meng Xin, organized a fourth round of the survey. The fourth CHIP survey took place in 2008 and gathered data for the year 2007. This round was carried out in conjunction with the Rural-Urban Migration in China and Indonesia (RUMiCI) project. As in earlier rounds, data collection was closely integrated with research analysis. This book contains analyses of incomes, inequality, and poverty based on the 2007 CHIP survey data; most chapters in this volume also use data from one or more of the earlier rounds.

We begin our acknowledgments by expressing gratitude to all those individuals who have contributed to and sustained this long-term body of work. Many of the contributors to this book have been trained and inspired by earlier generations of CHIP researchers, and many of the chapters in this book build upon the work of those researchers. We also thank the organizations that have provided ongoing support for the CHIP over the years. Here the Ford Foundation and the National Bureau of Statistics (NBS) in China deserve special mention.

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of Social Sciences of China, the Social Sciences and Humanities Research Council of Canada, and AusAid. Additional funds were provided by the University of Western Ontario, Beijing Normal University, Hitotsubashi University, the Ontario Research Foundation, and the Japan Society for the Promotion of Science. We thank these organizations for their generous support.

Data collection and survey work were carried out by the NBS Urban and Rural Household Survey Teams. The NBS also provided helpful advice regarding sampling and survey design. We are grateful to all those at the NBS who contributed to the CHIP, and we extend particular thanks to Chen Xiaolong, Sheng Laiyun, Wang Qi, Wei Guixiang, and Yang Junxiong for their efforts.

From the initial design of the 2007 CHIP survey through to the completion of this book, we received helpful advice, ideas, and feedback from many individuals, including Cai Fang, Kathleen Hartford, Lai Desheng, Liu Zeyun, Meng Xin, Scott Parris, Scott Rozelle, Sun Zhijun, Wang Dewen, Wang Meiyang, Wang Sangui, Andrew Watson, Wei Zhong, Xing Chunbing, Yin Heng, Zhao Renwei, Zhao Yaohui, and Zhao Zhong. Meng Xin and her team at the Australian National University made great efforts in conducting the migrant household survey as a part of the Rural-Urban Migration in China (RUMiC) survey project. Deng Quheng, Ding Ning, Ding Sai, Huang Mian, Liu Hongbo, Luo Chuliang, Mao Lei, Mu Cuixia, Song Jin, Xiong Liang, Yang Sui, and Zhou Jin spent an enormous amount of time cleaning the data. We thank these individuals, as well as the anonymous referee, for their contributions.

One chapter of this book was published previously in a somewhat different form. Chapter 9, “Do Employees in the Public Sector Still Enjoy Earnings Advantages?” by Yang Juan, Sylvie Démurger, and Li Shi, is a revised version of “Earnings Differentials between the Public and Private Sectors in China: Exploring Changes for Urban Local Residents in the 2000s,” *China Economic Review*, 23 (1), 138–153, Copyright © 2012 by Elsevier. This chapter is reprinted with permission to be reproduced in a modified form.

We owe special thanks to Nancy Hearst, who carefully read and edited the chapters, put them in publishable form, and kept track of the many revisions and copyediting during the publication process. We also thank Leslie Kostal for assistance with Web-based aspects of the project. As always, we are indebted to the many households that took part in the CHIP survey. Without their cooperation, this project would not have been possible.

Li Shi
Hiroshi Sato
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Abbreviations

| | |
|--------|--|
| CCP | Chinese Communist Party |
| CHIP | China Household Income Project |
| CI | concentration index |
| CPI | consumer price index |
| CPPCC | Chinese People's Political Consultative Conference |
| FDI | foreign direct investment |
| FGT | Foster, Greer, and Thorbecke (poverty index) |
| FIE | foreign-invested enterprise |
| GAI | government agency or institution |
| MLD | mean log deviation |
| MOF | Ministry of Finance |
| NBS | National Bureau of Statistics |
| OECD | Organisation for Economic Co-operation and Development |
| PE | private enterprise |
| PIE | private or individual enterprise |
| PIT | personal income tax |
| PITL | Personal Income Tax Law |
| PPP | purchasing power parity |
| RUMiC | Rural-Urban Migration in China project |
| RUMiCI | Rural-Urban Migration in China and Indonesia project |
| SAT | State Administration of Taxation |
| SOE | state-owned enterprise |
| SSB | State Statistical Bureau |
| TVE | township and village enterprise |
| UCE | urban collective enterprise |
| VAT | value-added tax |
| WTO | World Trade Organization |

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Glossary

- anju gongcheng* (安居工程) welfare-oriented housing projects
- bingzhen bingcun* (并镇并村) merger and reorientation of townships and villages
- chengfen* (成分) class background
- chengzhen jumin jiben yiliao baoxian zhidu* (城镇居民基本医疗保险制度) basic medical insurance program for urban residents
- chengzhen zhigong jiben yiliao baoxian zhidu* (城镇职工基本医疗保险制度) basic medical insurance program for urban employees
- chun shouru* (纯收入) net income
- chuzhong* (初中) junior middle school
- cun tiliu* (村提留) administrative village levy
- daiye* (待业) waiting for employment
- daxue benke* (大学本科) four-year college
- daxue zhuanke* (大学专科) junior/specialized college
- dazhuan* (大专) junior/specialized college
- dianda/hanshou/yuancheng jiaoyu* (电大/函授/远程教育) TV/correspondence/long distance university
- dibao* (低保) minimum living standard guarantee
- dishouru* (低收入) low income
- duoyu shaoqu fanghuo* (多予, 少取, 放活) giving more, taking less, and allowing more flexibility
- fanggai fang* (房改房) housing-reform housing
- fangwu chanquan dengji* (房屋产权登记) registration system for housing property
- feiigaishui* (费改税) local levies replaced by formal taxation
- fuli fenfang* (福利分房) Mao-era system of subsidized rental housing
- fupin daohu* (扶贫到户) poverty alleviation given directly to poor villages and households

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Glossary

- fupin kaifa* (扶贫开发) rural poverty reduction and development of poor areas
- gaozhong zhongji (xiao zhongzhuan)* (高中中技) (小中专) senior middle technical school (junior middle technical school)
- gongfei yiliao* (公费医疗) government employee health insurance program
- gongwuyuan* (公务员) civil servant
- gouzhi nongji butie* (购置农机补贴) subsidy for the purchase of farm machinery
- hexie shehui* (和谐社会) harmonious society
- Hu-Wen xin zheng* (胡温新政) Hu-Wen new policies
- hukou* (户口) household registration
- jingji kaifaqu* (经济开发区) local economic development zones
- jingji shiyong fang* (经济适用房) economically affordable housing
- jiti gongyijin* (集体公益金) collective welfare fund
- jiuji kuan* (救济款) relief funds
- jumin hukou* (居民户口) unified local resident household registration
- jumin shenfen zheng* (居民身份证) resident identification card
- ke zhipei shouru* (可支配收入) disposable income
- kexue fazhanguan* (科学发展观) scientific outlook on development
- lanyin hukou* (蓝印户口) blue stamp household registration
- laobao yiliao* (劳保医疗) labor health insurance program
- laonianren butie* (老年人补贴) subsidy for the elderly
- liangmian yibu* (两免一补) exemption from tuition/school fees and subsidy for dormitory fees
- liangshi butie* (粮食补贴) food grain production subsidy
- liangzhong butie* (良种补贴) subsidy for improved seeds
- lianzu fang* (廉租房) subsidized rental housing
- likai hukou dengji di shijian* (离开户口登记地时间) how much time since he/she left the place of his/her household registration
- maiduan gongling* (买断工龄) work units buy out middle-aged and older employees with a lump sum related to their cumulative future earnings up to regular retirement
- minsheng* (民生) people's welfare
- minzu* (民族) ethnic group, nationality
- nongcun shuifei gaige* (农村税费改革) rural tax and fee reform
- nongye chanyehua* (农业产业化) industrialization of agriculture
- nongye, nongcun, nongmin wenti* (农业,农村,农民问题) agricultural, rural, and peasant problems [see also *sannong*]

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- nongye ziliao butie* (农业资料补贴) agricultural input subsidies
nongzi zonghe butie (农资综合补贴) comprehensive subsidy for agricultural inputs
pinkuncun (贫困村) poor village
qiye zhigong jiben yanglao baoxian zhidu (企业职工基本养老保险制度) basic pension insurance program for enterprise employees
sandai tongtang (三代同堂) three-generation family
sannong (三农) agricultural, rural, and peasant problems
saomang ban (扫盲班) literacy class
shangpin fang (商品房) commodity housing
shehuihua (社会化) socialization
shequ (社区) neighborhood community
siying qiye (私营企业) privately owned firms that employed eight or more workers
tekun (特困) extreme poverty
tekun jiuzhu (特困救助) subsidies for destitute households
tiefanwan (铁饭碗) iron rice bowl
tongchou chengxiang (统筹城乡) integrated and balanced urban-rural development
toushui qing, ershui zhong, sanshui shi ge wudidong (头税轻, 二税重, 三税是个无底洞) the first tax is light, the second is heavy, and the third is a bottomless pit
tudi caizheng (土地财政) land-dependent local public budget
tudi gufen hezuozhi (土地股份合作制) land shareholding system
tuigeng huanlin (退耕还林) sloping land conversion
waichu renkou (外出人口) individuals who are members of households in a location and have a household registration in that location but were away
wubao (五保) five-guarantee program
xiangang (下岗) workers who are laid off but keep their ties with the work unit
xiangang butie (下岗补贴) benefits for laid-off workers
xiangcai xianguan (乡财县管) direct administration of township government budgets by county governments
xiangzhen tongchou (乡镇统筹) township levy
xiaochanquan zhufang (小产权房) commodity housing built on rural land without a formal deed to use the land
xiaochengzhen (小城镇) small cities and towns
xibu dakai fa zhanlüe (西部大开发战略) western development strategy

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- xinxing nongcun hezuo yiliao baoxian* (新型农村合作医疗保险) new rural cooperative medical insurance program
- xinxing nongcun shehui yanglao baoxian* (新型农村社会养老保险) new rural pension system
- yi xian weizhu* (以县为主) county based
- yihao wenjian* (一号文件) Document Number One
- yishi yiyi chouzi* (一事一议筹资) one-issue-one-discussion fee collection
- yulu jihua* (雨露计划) Rain and Dew Program
- za tiefanwan* (砸铁碗饭) smashing the iron rice bowl
- zai 2002 nian nin zonggong zai chengzhen juzhu shijian duoshao yue?* (在 2002 年您总共在城镇居住时间多少月?) how many months did you stay in an urban area in 2002?
- zai jiuye peixun* (再就业培训) retraining
- zai xiao xuesheng* (在校学生) enrolled students
- zanzhu renkou* (暂住人口) temporary resident
- zaotui* (早退) early retirement
- zhaijidi* (宅基地) rural land for housing use
- zhaijidi zhihuan* (宅基地置换) the exchange of rural-housing land-use rights for urban commodity housing
- zhengcun banqian yimin* (or *shengtai yimin*) (整村搬迁移民) or (生态移民) whole-village migration
- zhengcun tuijin guihua* (整村推进规划) comprehensive village-level development program
- zhenxing dongbei* (振兴东北) revival of the Northeast strategy
- zhiye gaozhong* (职业高中) vocational senior middle school
- zhongbu jueqi* (中部崛起) rise of the central region
- zhongzhuan, zhiye gaozhong* (中专), (职业高中) specialized (vocational) senior middle school
- zhuanye hezuo zuzhi* (专业合作组织) specialized production cooperative
- zhufang gongjijin* (住房公积金) housing provident fund
- zhufang gongjijin dixi daikuan* (住房公积金 低息贷款) low-interest bank loans for housing
- zhufang shangpinhua* (住房商品化) commercialization of housing
- zijian ziguan ziyong zimie* (自建自管自用自灭) individually built, individually owned, individually used, and individually abandoned
- zili kouliang hukou* (自理口粮户口) household registration with own responsibility for food grain
- zuidi gongzi* (最低工资) minimum wage
- zuidi shenghuo baozhang* (*dibao*) 最低生活保障 (低保) minimum living standard guarantee

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zuidi shenghuo baozhangxian (最低生活保障线) minimum living
standard guarantee line

zujin gaige (租金改革) rent reform

*zuijin 12ge yue nei, zai waichu wugong jingshang di yigong shenghuole jige
yue?* 最近十二个月内, 在外务工经商地一共生活了几个月? how
many months have you stayed outside your hometown for work or
business?