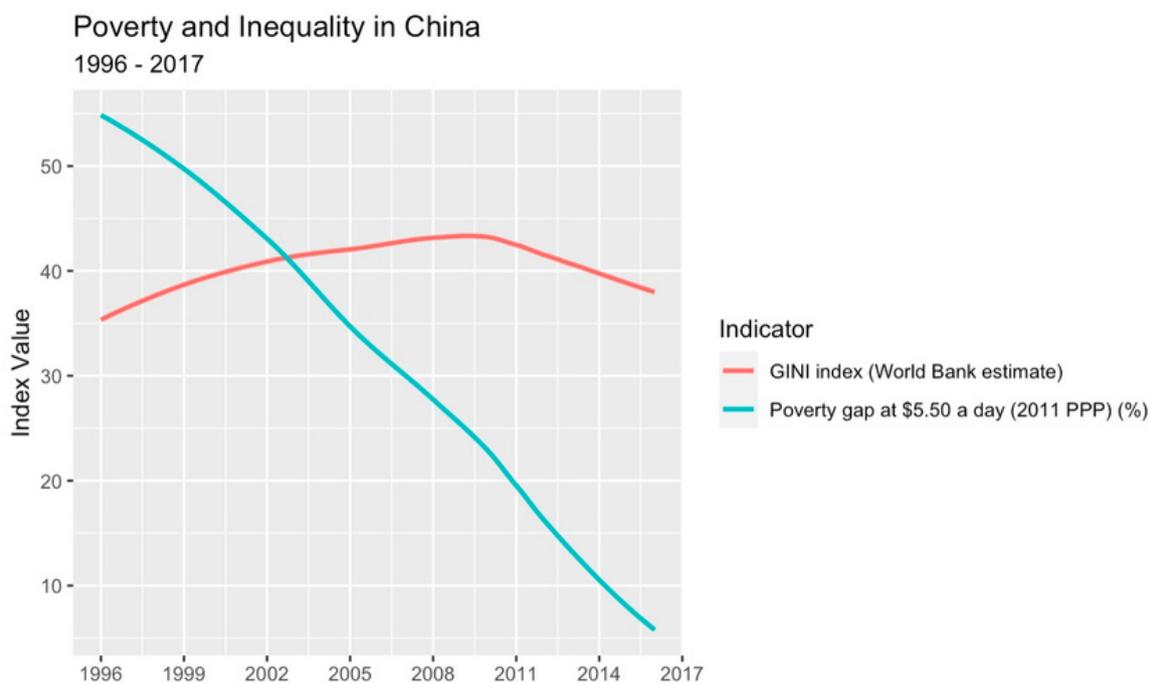


ANALYSES AND POLICY RECOMMENDATIONS ON RURAL-URBAN ECONOMICAL INEQUALITIES IN CHINA

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Status Quo

Since the 1980s, China has accelerated its pace in reducing poverty, as a result of institutional reform and opening up policy and its subsequent economy soaring. Poverty rate declined dramatically: from 88% in 1981 to 0.7% in 2015(measured by the US \$1.9 or less per day). However, challenges still exist. First, due to the large population size, the number of people in poverty still remains high, as of 30.46 million in 2019; Second, while the overall economy soared, inequality within the country increased. China's Gini coefficient has increased from 0.28 in the 1980s to about 0.467 in 2017.



As shown in the diagram above, there is a steady and continuous decrease in poverty rate. It is mainly due to the Chinese poverty reduction framework, which includes pro-poor economic growth policies, a rural social safety net and development-orientated poverty alleviation strategies and programs. Besides, the GINI index has been relatively stable from 1996 to 2016, indicating that income inequality hasn't been improved much in the recent years.

Poverty: Financial deficiency and subsequent impact

Rapid urbanization and industrialization have yielded tremendous bonus for the Chinese economy while

inequality has also been accelerated.

As the industrial structure has gradually transformed from primary industry to tertiary industry, those who heavily depended on traditional farming inevitably suffer from insufficient source of income.

Disadvantages in rural areas are obvious, as financial deficiency affects the overall living standard of rural residents: from transportation to Internet infrastructure, from health to education.

Poverty: Insufficient social security expenditure

Redistribution plays an important role in reducing the poverty gap. It includes poverty tax, insurance

payment, social welfare and other transfer expenditure. Research shows that increasing transfer expenditure in low-income group is crucial in reducing the income inequality. However, current redistribution is unbalanced with regards to size and structure.

- China's social security expense is insufficient. In comparison with countries at the same level of economic development, China spent 3.3% lower than the average.
- While basic living allowance is most effective in narrowing overall poverty gap, it holds relatively small proportion in social security spending. It also concentrates mainly on pensions for administrative institution and urban enterprise employees.
- Urban residents received nine times as much retirement pay as rural residents did and 1.3 times as much medical reimbursement as rural residents did.

Solutions

Policies already enacted by the government

The key solution to narrow the gap between rich and poor is to increase overall wellbeing of the poor, especially in rural areas.

The 16th CPC National Congress (2002) urged the government to establish a system that should help to gradually change the urban-rural divide and improve employment, income distribution and social protection. Since then, The medical relief system for rural areas has been established in 2006, a full coverage minimum guarantee system in 2007, a new rural pension insurance system in 2009 and so forth.

China's targeted poverty reduction policy was being implemented after 18th CPC National Congress (2012). It had significantly improved the development capabilities of the poor through industrial poverty alleviation developing, fixed-point poverty alleviation and vocational training etc.

Recommended possible solutions

1. Promoting the interaction and integration between urban and rural

Research indicates that though the Gini coefficient had declined during 1990-2010, the income mobility between countries was mainly limited in the interior of the low-income groups. To further mitigate the income gap, it's necessary to promote the interaction between the urban and rural population. This includes process of larger scale industrial transfer, frequent communication between rural and urban talents, easier mobility, better welfare guarantees of rural workers, etc; Besides, the reform of household registration is also essential.

2. Accelerating the pace of help-the-poor

Pay more attention to environmental conservation in the rural area to promote economic development

Statistics show 95% of the poor areas are located in ecologically fragile and sensitive areas. To coordinate poverty alleviation with improving of ecological environment, the government needs to avoid the "green paradox", and takes advantages of the local ecology to boost the local economy.

Accelerating the development of e-commerce and information network technology in rural areas

In the era of big data, it's necessary to build an open service-oriented platform, and establish a development model based on "Internet + all walks of life". The improvement of infrastructure will help to boost the industrial development in rural area.

Promoting education in rural areas in multi-dimensional ways

Chinese government has put great weight on promoting education in rural areas. Central government has provided free training at thousands of designated vocational schools. Targeted enrollment programs for poverty-stricken regions also help to increase the enrollment rate of poor students. It's also recommendable for local government to innovate in line with local conditions, such as the '9+3' free education program for Tibetan areas, and special subsidies for students from registered poor households in Guizhou Province.

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