

**IDSJ Working Paper 161**

**Emerging Pattern of Income and Consumption in  
Rural-Urban China**

**Surjit Singh**

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**Institute of Development Studies**  
8-B, Jhalana Institutional Area  
Jaipur-302 004 (India)  
Phone : 91-141-2705726 / 2706457 / 2705348  
Fax : : 91-141-2705348  
E-Mail : [idsj@dataone.in](mailto:idsj@dataone.in)  
visit us at : [www.idsj.org](http://www.idsj.org)

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Ph. : 2375909

# Emerging Pattern of Income and Consumption in Rural-Urban China

Surjit Singh

This paper tries looks at the emerging patterns in income and consumption in background of emerging inequalities in rural-urban China. It reveals that since the initiation of reforms and especially after 1990 China has witnessed high growth rates and rising inequalities and significant changes in per capita income, its sources and consumption levels and its structure. Rural China has also observed upward improvement in per capita incomes and consumption pattern, though farming and animal husbandry activities are the two main sources of income. The importance of food in total consumption expenditure is going down, expected, with increasing incomes across areas and regions. Rural areas are behind urban areas in terms of educational achievements and vocational training. Quality of life has improved especially in urban areas with increasing per capita floor area increasing. There are four types of dualities found in China that reinforce what is being observed and they are dual household registration system, dual employment system, dual system of income distribution and dual education system. The common notion that household are increasing using savings to incur expenditure is not observed as in both rural and urban areas households are borrowing for housing and business. There are various factors that have fuelled the income and consumption gaps in China, which range from policy restrictions, taxation regime, international trade, reform process itself as it has led to development of urban real estate interests and corruption, education, health and social security development problems, SOEs reforms and many such factors. However, growth has led to poverty reduction across areas and states with varying effects. Rural growth reduces inequality in both urban and rural areas, as well as between them. Wages are lagging behind profits in the recent times too. Not all are covered by social security.

China has transformed itself during the last 30 odd years, posting extraordinary rates of growth and increasing the living standards of nearly all its citizens. At the same time, China has become a far less equal nation, with vast differences emerging between those living in rural and urban areas, inland and coastal areas, and globally oriented and more insular areas. High growth coupled with rising inequality has fostered social tension, raising question about the sustainability of China's economic transformation. In the face of increasing income inequality among Chinese provinces over the past two decades, three important facts emerge. First, economic growth has lifted living standards throughout China, with all provinces gaining in absolute terms. Second, economic growth has benefited some provinces more than others, increasing regional income inequality. Third, no single explanation can account for the steady increase in inequality among provinces over time<sup>1</sup>. These observations suggest that China, like many industrialised nations, will continue to struggle to meet its growth goals while distributing the benefits of an expanding economy more equally. In this context, one of the top priorities of current Chinese economic policy is the increasing disparity in income, which is rightly perceived as stumbling block on the

path to a 'harmonious society'<sup>2</sup>. There is an almost universal consensus that economic disparities have grown relentlessly since the mid-nineties, and the issue is also related to big challenges in Chinese nation building, in particular with respect to the so-called western development issue (Goodman 2004). Thus, there is no doubt that now rural development is centre-stage of economic policies of China<sup>3</sup>. China had set a growth target of 7 percent for 2011-15 which is lower than it was in the previous plan, suggesting that the pattern of growth now matters as much as the speed. As per China's Prime Minister Wen Jiabao's speech in the National Peoples Congress (NPC) held on March 15, 2011, the country's development is neither balanced or coordinated nor sustainable. It relies too heavily on investment and on swallowing natural resources and too little on consumer spending. The income generated is unevenly divided: between profits and wages, rich households and poor, coastal provinces and inland regions, the cities and the countryside (see, Tao and Fang 2000). He squarely blamed the State Owned Enterprises' (SOEs) hunger for cheap credit from state banks and recycling of outsized profits as a cause of unbalanced development (The Economist 2011: 29). Also, the central government's spending on education, health care and social security was to increase by more than 16 percent and on subsidised housing by more than a third (The Economist 2011a: 28)<sup>4</sup>. This paper in this context tries to look at the emerging patterns in income and consumption in background of emerging inequalities in China.

### 1.0 Income Inequalities

China's high growth rates have allowed it to become the second largest economy in the world since 2010. However, high growth rates have also been accompanied by an unprecedented rise of income inequality. The Gini index of income inequality increased from 31.0 in 1981 to 44.73 in 2002 (Ravallion and Chen 2004). Besides this, the calculation by the International Institute for Urban Development in Beijing had put China's Gini coefficient at 0.438 in 2010, which meant China, was fractionally more unequal than in 2005, when the Gini coefficient was 0.425 (World Bank 2005). China's wealth gap raises concerns about China's development path as per the National Bureau of Statistics data show the top 10 percent of households control around 32 percent of income. The CHIP (Chinese Household Income Project) survey 2011, of 8000 households across China, suggests a much greater level of inequality, with the top 10 percent controlling 56 percent of income and controls 86 percent of wealth<sup>5</sup>. It is considerably higher share of income than one suggested by the official National Bureau of Statistics data and points to a worrying level of inequality. Similar surveys in 1995 and 2002 found that China's top 10 percent controlled 30 percent and 41 percent of wealth, respectively. Concentrating wealth in the hands of China's few has implications for both financial and social stability. According to Naughton (2007: 218) "There may be no other case where a society's income distribution has deteriorated so much, so fast". Not surprisingly, "In the course of two decades China has gone from being one of the most egalitarian societies about as equal as Japan, to being more unequal than the United States" (Naughton 2007). This increase in income inequality has attracted wide attention in recent decades. Ravallion and Chen (2004) also point out that pattern of growth matters and inequality has emerged as a concern for both growth and poverty reduction. They also found that inequality has been rising, though not continuously and more so in some periods and provinces. China no doubt has made strong strides to eradicate poverty, but the progress has been uneven<sup>6</sup>. Rural economic growth reduced inequality in both urban and rural areas, as well as between them. It is also found

that provinces with rapid growth did not bring more rapid increases in inequality. In fact during 1981-2001, the provinces that saw a more rapid rise in inequality saw less progress against poverty, not more. CHIP 2011 survey also found that 55 percent of China's households had little or no savings for the year. This is against the perception that the farmers and migrant workers save to pay for education, health care and pensions. Further, the Gini coefficient was 0.56 in urban households and 0.60 in rural households, compared with a global average of 0.44 in 2010 (CHIP Survey 2011)<sup>7</sup>. Fan and Sun (2006) find that there are three distinct phases in the trend in regional inequality in China- in the 1980s inter-provincial inequality declined, in the 1990s the eastern region grew rapidly and inter-regional inequality surged and during late 1990s and 2006 across provinces, regions growth rates of per capita GDP exhibited some convergence while Wu (2006) showed that regional economies have experienced different rates of convergence during 1978-1997 and convergence was fast in the late 1970s and early 1980s. The two non-coastal regions converged faster than the coastal economies.

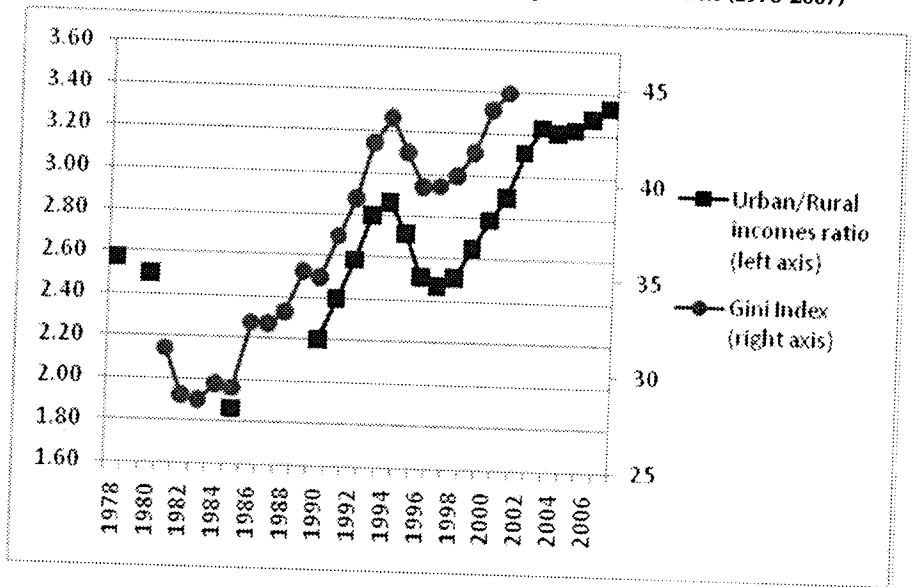
Many studies attribute rising inequality to varying general factors, mainly related to urban-rural inequality (see, Li, Zhao and Zhang 1998; Wu and Perloff 2005; Wang *et al* 2007; Xueliang 2010). In fact, the relationship between urban-rural income differences and overall inequality can be easily contrasted by reference to the parallel evolution of the urban-rural gap<sup>8</sup> and the Gini index (Figures 1 and 2).

### **1.1 Causes of the Emerging Inequalities**

China started out thirty- four years ago with everyone equally poor, as incomes rise it is natural that inequality should as well. But that benign inequality has been accentuated by policies that benefited factory owners, not the mass of workers. A growing divide between have and have-nots has far reaching implications for China's future growth<sup>9</sup>. The redistribution of income is the key to raising China's consumption because low-income households spend a higher share of their income than rich households. Household consumption in China was just 34.9 percent of gross domestic product in 2011 and came down from 46.0 percent in 2000 and substantially below the 70 percent rate in the U.S. With investment producing diminishing returns and export growth falling, raising consumption has become crucial to keeping growth on track. Inequality in the distribution of income also raises fears of social instability. It is also argued that the link is not straightforward; it is a subjective popular perception of fairness or unfairness, not objective income and wealth trends that contribute to instability. Thus, causes of rising unequal income distribution are related to many factors, including the impact of reforms and effectiveness of government policies to deal with emerging inequalities.

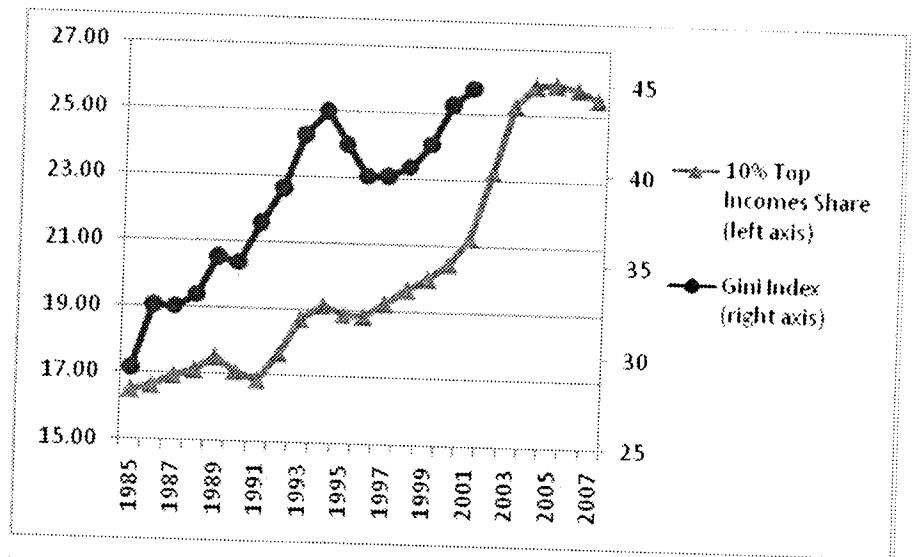
- Since the 1980s, ownership system in China has witnessed significant changes. The public sector's share has been declining since 1978, whereas the non-public sector has been growing. In this transformation of ownership, some people have accumulated a huge sum of wealth. Even the workers in the non-public sector earn more than those in the public sector.
- International evidence has proved that education has important influence upon income inequality in the medium- and long- run. Education plays a vital role in explaining the widening income gap in China today<sup>10</sup>.

Figure 1: China's Urban-Rural Inequality and Gini Index (1978-2007)



Source: Simarro (2012).

Figure 2: Top Incomes and Gini Index



Source: Simarro (2012).

- The reform process of the state-owned enterprises (SOEs) in China also influence the pattern of income distribution. In the reform process, some SOEs made great achievements

in terms of raising productivity and efficiency, thus making it possible to raise wages/ bonus for workers. Other SOEs, however, have been slow or even unable to make adjustment to adapt to the changing market conditions and failed to provide the workers with higher wages/ bonus. Many SOEs were closed leading to retrenchment of workers and thus no income.

- Some workers are afraid of being laid off; others are lucky enough to gain wealth through all means, legal or illegal. For example, some could acquire state assets by "buying" or "leasing" a SOE at a low price and runs it as a family business; others enriched themselves by smuggling, making faked goods, obtaining funds through bribery, monopolising the market, evading taxes, etc. This leads to resentment and anger against such rich and voices are loud to call upon the government to take effective measures to stop them from accumulating more wealth.
- Some experts blame the tax regime in China, which is not effective at improving income distribution<sup>11</sup>.
- As China had joined in the WTO in January 2002, its tariffs for more than 5300 items of imports were lowered, and the average rate cut being 15.3 percent to 12 percent. With its economy more integrated with the globalisation, China is facing new challenges in many areas, including the prospects of income distribution<sup>12</sup>.
- On the whole, WTO membership is positive for its economic development, but the distribution of benefits are not even across sectors and regions. Thus, some segments of the society is getting much better off than others, thus causing inequality of income distribution more conspicuous<sup>13</sup>.
- It is also argued that the widening income gap is being caused by restricting small and medium-sized companies from entering high-profit sectors, as well as by employment discrimination. The wage gap between finance and agriculture, which earn the highest and lowest wages respectively, has widened to a ratio of 4.2 in 2010 from 2.24 in 1997. Low standards for labour and environmental protection have increased the wealth of the rich at the cost of the health and income of the poor.
- Urban housing privatisation and the development of urban residential real estate markets, expansion of stocks and capital markets, the growth of private enterprise and other property right reforms are also cited as reasons for rising inequalities (see, Shi, Chuliang and Siculur (2001).

## **2.0 Trends in Income in China**

This section looks at urban- rural income and expenditure patterns in detail. China's rapid growth has produced remarkable improvements in the living standards of its citizens. Various international agencies point to three decades of extraordinary increases in income and consumption, vast reductions in poverty rates in both rural and urban areas, and improvements in adult literacy, infant mortality, and adult life expectancy. While such data clearly show that all provinces have benefited from growth, some provinces have fared better than others. Perhaps the most obvious divergence in incomes across China is between rural and urban areas. Incomes

in China's cities have grown faster than income outside urban centres, opening a rural-urban income gap that has widened continuously<sup>14</sup>. Although scholars have considerably studied China's rural-urban income gap, until recently the public showed little concern about the phenomenon. Several things have kept public dissatisfaction in check. First, rural residents had access to self-produced consumption goods, primarily food, which boosted their living standards but were not included in official income measures. Second, the Chinese government used several policy levers to reduce the rural-urban gap, including subsidising rural workers and providing price supports for agricultural commodities. Third, the gap between rural and urban incomes created an incentive for people who lived in the countryside to move to cities, which helped fuel China's growth. Finally, the gap was considered a short-run phenomenon associated with economic transformation and not something that would permanently leave rural residents behind (Candelaria, Daly and Hale 2009).

### **2.1 Urban Incomes**

Table 1 shows that per capita annual disposable income of urban households increased from 343.4 yuan in 1978 to 15780.8 yuan in 2008 (46 times increase) while the rural per capita net income increased from 133.6 yuan to 4140.6 yuan during the same period (31 times increase). In 1978, the urban per capita income was 2.57 times the rural per capita income and this ratio reduced to 1.86 in 1985, but then it increased till 1994 (2.863) and declined again till 1997 (2.469). The next peak emerged in 2003 (3.231) and then another at 3.330 in 2007. The figure 3 also shows that rural-urban per capita income gap is widening overtime. In 1978, the absolute income gap (per capita) was 209.8 yuan between urban and rural areas, which increased to 11020.2 yuan by 2008. Thus, economic reforms over the years have widened the income gaps in China. This means income inequality is on an increase. Besides, the average size of the urban households has gone down from 3.5 in 1990 to 2.91 in 2008; the result of single child policy. The average number of persons employed per household has also observed a decline since 1990 and stood at 1.48 persons in 2008. The proportion of employment per household too declined from 56.6 percent in 1990 to 50.9 percent in 2008. This would have extenuated rural poverty in China in the recent times.

Further, in 2008, 60 percent of households were lower middle- income households, middle-income households and upper income households (Urban Household Survey 2008). About 10 percent households were lowest income households and among it half were poor households. The average household size is slightly higher among lower poor. And among all income classes, the average number of employed persons per household is below 2 and it is lower among poor households. As one move up the income deciles, the proportion of employment per household goes up- 38.14 percent in the 1st decile group compared to 62.55 percent in the 10th decile group. However, number of dependents per employee reduces as one move up the income deciles. The ratio of per capita income between the lowest income household (1st decile) and the highest income households (10th decile) is 1:9.11. In case of per capita disposable income, the ratio of per capita disposable income between the lowest income household (1st decile) and the highest income households (10th decile) is 1:9.17. Excess income over expenditure per capita significantly goes up as one move up the income deciles.



**Table 1: Per Capita Annual Income and Engel's Coefficient of Urban and Rural Households**

Year	Per Capita Annual Disposable Income of Urban Households		Per Capita Annual Income of Rural Households		Urban Rural Income Gap (yuan)	Ratio of Urban to Rural Income	Engel's Coefficient of Urban Households (%)	Engel's Coefficient of Rural Households (%)
	Value (yuan)	Index	Value (yuan)	Index				
1978	343.4	100.0	133.6	100.0	209.8	2.570	57.5	67.7
1980	477.6	127.0	191.3	139.0	286.3	2.497	56.9	61.8
1985	739.1	160.4	397.6	268.9	341.5	1.859	53.3	57.8
1990	1510.2	198.1	686.3	311.2	823.9	2.200	54.2	58.8
1991	1700.6	212.4	708.6	317.4	992.0	2.400	53.8	57.6
1992	2026.6	232.9	784.0	336.2	1242.6	2.585	53.0	57.6
1993	2577.4	255.1	921.6	346.9	1655.8	2.797	50.3	58.1
1994	3496.2	276.8	1221.0	364.3	2275.2	2.863	50.0	58.9
1995	4283.0	290.3	1577.7	383.6	2705.3	2.715	50.1	58.6
1996	4838.9	301.6	1926.1	418.1	2912.8	2.512	48.8	56.3
1997	5160.3	311.9	2090.1	437.3	3070.2	2.469	46.6	55.1
1998	5425.1	329.9	2162.0	456.1	3263.1	2.509	44.7	53.4
1999	5854.0	360.6	2210.3	473.5	3643.7	2.649	42.1	52.6
2000	6280.0	383.7	2253.4	483.4	4026.6	2.787	39.4	49.1
2001	6859.6	416.3	2366.4	503.7	4493.2	2.899	38.2	47.7
2002	7702.8	472.1	2475.6	527.9	5227.2	3.111	37.7	46.2
2003	8472.2	514.6	2622.2	550.6	5850.0	3.231	37.1	45.6
2004	9421.6	554.2	2936.4	588.0	6485.2	3.209	37.7	47.2
2005	10493.0	607.4	3254.9	624.5	7238.1	3.224	36.7	45.5
2006	11759.5	670.7	3587.0	670.7	8172.5	3.278	35.8	43.0
2007	13785.8	752.5	4140.4	734.4	9645.4	3.330	36.3	43.1
2008	15780.8	815.7	4760.6	793.2	11020.2	3.315	37.9	43.7

Source : Statistical Year Book of China, various years.

**Table 2: Per Capita Annual Income (Yuan)**

Items	1990	1995	2000	2005	2008	Times
						change in 2008 over 1990
<b>Per Capita Urban Annual Income (yuan) (%)</b>	1516.21	4279.02	6295.91		17067.78	
	(100)	(100)	(100)		(100)	
Income from Wages and Salaries	75.83	79.23	71.17		66.20	9.8
Net Business Income	1.48	1.70	3.91		8.52	64.8
Income from Properties	1.03	2.11	2.04		2.27	24.8
Income from Transfer	21.66	16.96	22.88		23.01	12.0
Disposable Income	1510.16	4282.95	6279.98		15780.76	
% change over the previous year		183.61	46.63		14.47	
<b>Per Capita Annual Net Income of Rural Households (%)</b>						
Net Income (by source)	686.31	1577.74	2253.42	3254.93	4760.62	6.9
Wage Income	20.22	22.42	31.17	36.08	38.94	13.4
Property Income	0.00	2.60	2.00	2.72	3.11	3.6
Transfer Income	4.22	3.63	3.50	4.53	6.79	11.2
Net Income from Household Operations	75.56	71.35	63.34	56.67	51.16	4.7
Net Income from Household Operations	518.55	1125.79	1427.27	1844.53	2435.56	4.7

Source : Same as table 1.

Again, table 2 reveals that annual per capita urban disposable income has gone up by more than 10 times since 1990 and this growth has been more prominent during the nineties compared to the first decade of this century and the annual per capita rural income has grown at a slower rate during the nineties and almost halved during the first decade of this century. Besides, the income ratio in 1990 between urban- rural areas was little more than 2 while it almost touched 3 in 2000. Per capita annual disposable income in urban and rural areas has increased by almost 8 times though slightly at a lower rate in rural areas. However, urban per capita income has multiplied 46 times between 1978 and 2008 while rural per capita income has only multiplied 36 times. Thus, there is slower change in rural disposable incomes.

*Contribution to Urban Income:* It is interesting to observe a changing contribution to urban per capita income over the period; in 1990, the contribution of income from wages and salaries reduced from 75.83 percent in 1990 to 66.2 percent in 2008 while the contribution of business income improved from 1.48 percent to 8.52 percent during the same period. This reflects on changing occupational profile of urban population in China. The two other sources of income viz., income from properties and transfers have maintained their share, though incomes from transfers is significant at 23.02 percent in 2008 up from 21.66 percent in 1990.

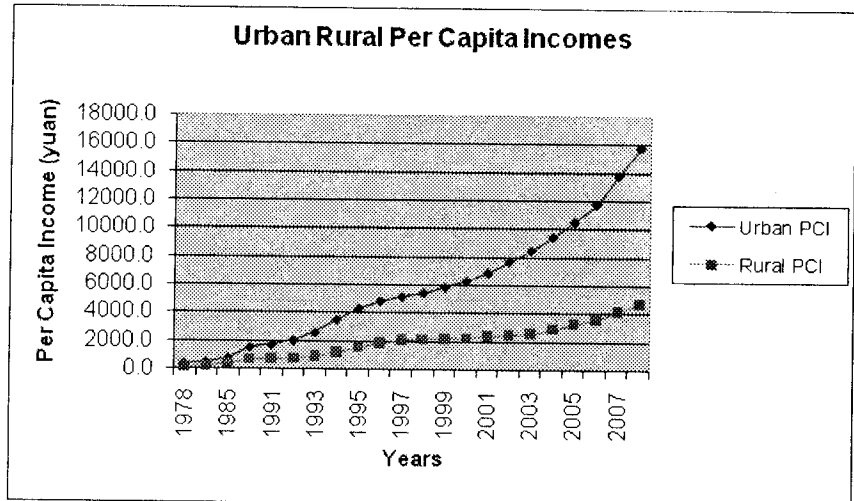
*Regional Incomes:* As regards the per capita urban annual income across regions is concerned, 20965.49 yuan was in the eastern region compared to 13917.01 yuan in the western region and the gap between the highest and lowest per capita income is 1.51 (table 3). The highest disposable income is in the eastern region and the lowest of 12971.18 yuan in the western region and the gap between the highest and lowest disposable income is 1.48.

**Table 3: Regional Differences in Per Capita Urban Annual Income**

Items	Eastern	Central	Western	North- eastern
Per Capita Annual Income (yuan)	20965.49	14061.73	13917.01	14162.02
Disposable Income (yuan)	19203.46	13225.88	12971.18	13119.67

Source : Same as table 1.

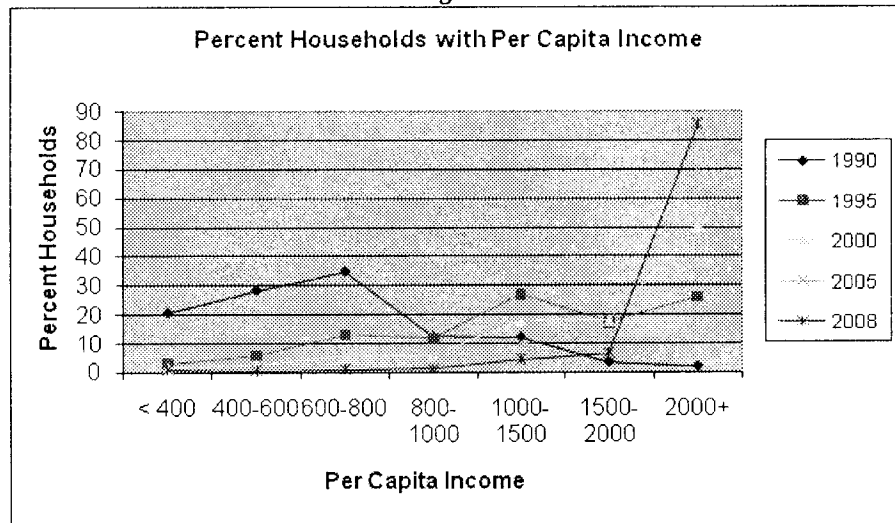
**Figure 3**



*Rural Incomes* : Incomes of rural households are changing, but there are still some households having meagre incomes. In 1990, there were 20.68 percent households with net per capita income of below 400 yuan, but this proportion went down to 2.82 percent in just five years (in 1995) and further reduced to 0.96 percent by 2008 (table 4). However, there are households with below 100 yuan per capita income (0.61% in 2008). There were 28.31 percent households with per capita net income of 400-600 yuan in 1990 while this percentage reduced to 5.67 in 1995 and further to 2.38 in 2000 and was just 0.44 in 2008. Further, 34.74 percent households in 1990 had per capita income of 600-800 yuan and this proportion went down to 1.06 percent in 2008 while another 12.49 percent households had per capita income of 800-1000 yuan in 1990 and this percentage was 1.23 percent by 2008. At the other extreme, there were mere 1.99 percent households with per capita income of yuan 2000 or more in 1990 and this proportion went up to 26.08 percent in 1995 and then up to 49.99 percent in 2000 and then to 70.56 percent in 2005 and finally touched 85.45 percent in 2008. It may also be noted that in 1995, there were 2.26 percent households with per capita income of 5000 yuan or more and steadily this proportion rose to 39.29 in 2008. One can argue that some of these changes may have been affected by the efforts made during the reforms and especially due to efforts made to implement State "8-7" programme designed to lift 80 million people out of absolute poverty during 1994 to 2000, and the Outline for Poverty Alleviation and Development of China's Rural Areas (2001-2010), at the end of 2007, the number of rural residents in absolute poverty was 14.79 million, averaging 8 million annual decline in number of poor since 1978. The impoverishment rate dropped by 29.1 percentage points from 30.7 percent in 1978 to 1.6 percent in 2007. Besides, in 2007, there were 28.41 million rural residents in the low-income bracket, which had just enough to eat and wear. This figure represents a decline by 33.72 million from the 62.13 million in 2000, or an annual average decrease of over 4 million. The proportion of low-income people in the rural areas had decreased to 3 percent from 6.7 percent in 2000. The number of rural residents who lived in poverty and thus were provided with a minimum standard of living increased from 3.002 million in 2000 to 35.66 million in 2007. In the recent years, the National Bureau of Statistics has been monitoring the progress made in building a well-off society in an all-round way in six aspects including economic development, social harmony, life quality, democracy and law, education, and resources and environment. The results show that between 2000 and 2007, China enjoyed fairly rapid economic growth, the quality of people's life noticeably improved, construction of social undertakings accelerated, and efforts made to "Build up a Well-off Society in an All-Round Way" paid off. The index of "Building up a Well-off Society in an All-Round Way" was 72.9 in 2007, up 13.6 percentage points from 2000, or an annual average increase of 1.93 percentage points. It can be predicted that by 2020, China will successfully build up a well-off society in an all-round way.

*Structural Changes in Rural Incomes*: Table 5 presents rural incomes over the years. In 1990, per capita annual net income of rural household stood at 686.31 yuan, which increased to 4760.62 yuan in 2008; 6.9 times increase. This has four components viz., wage income, property income, transfer income and income from household operations. It is found that in 1990, 75.56 percent rural income accrued from household operations while 20.22 percent accrued from wage income and the remaining was transfer income. The contribution of property income was non-existent.

Figure 4



Significant gradual changes have taken place since then as in 2008, 51.16 percent of rural income accrued from household operations while 38.94 percent accrued from wage income and the remaining was transfer income (6.79%) and property income (3.11%). Wage income rose more than 13 times since 1990 while transfer income increased by 11 times and property income by just 3.6 times when household operations income went up by 4.7 times only. These changes are more significant since 2000. Table 5 further shows that contribution of farming to per capita income from household operations was 66.45 percent in 1990, which declined to 58.59 percent in 2008 though it increased 4 times.

Table 4: Percentage of Rural Households Grouped by Per Capita Annual Net Income (yuan)

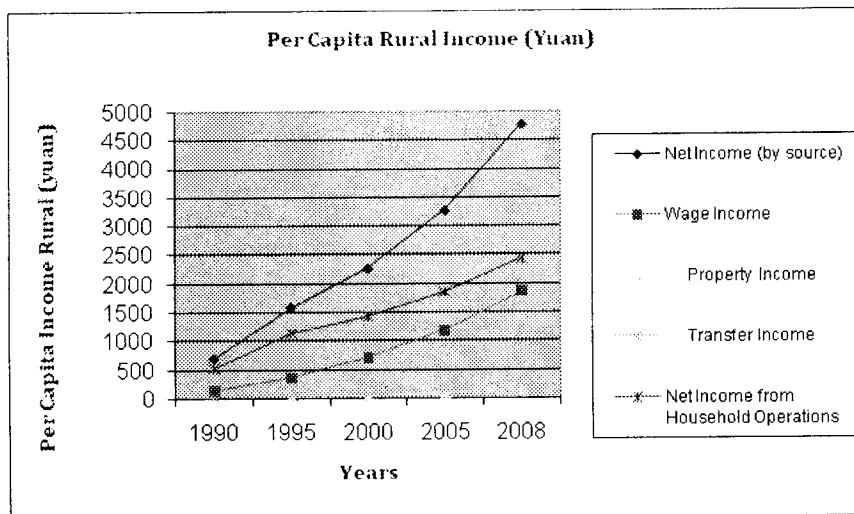
Percentage of Households Grouped by Per Capita Annual Net Income (%)	1990	1995	2000	2005	2008
< 400	20.68	2.82	1.63	1.27	0.96
400-600	28.31	5.67	2.38	0.98	0.44
600-800	34.74	12.91	5.81	2.45	1.06
800-1000	12.49	11.63	5.72	2.84	1.23
1000-1500	12.25	26.95	17.92	9.9	4.53
1500-2000	3.48	17.31	17.93	12.56	6.58
2000+	1.99	26.08	49.99	70.56	85.45
<b>or</b>					
2000-2500	1.99	10.29	14.54	12.49	7.95
2500-3000		5.89	10.29	11.42	8.63
3000-3500		3.49	7.11	9.55	8.13
3500-4000		1.95	4.76	7.57	7.93
4000-4500		1.34	3.44	5.93	7.06
4500-5000		0.86	2.40	4.64	6.46
Or 5000 +		2.26	7.45	18.96	39.29

Source : Same as table 1.

The second most important source of household income was animal husbandry in 1990 (18.67%), which too declined to 16.32 percent in 2008, though it had touched 11.35 percent in 1995 and increased thereafter continuously. It too quadrupled between 1990 and 2008. The others sources of household income were ranging between 1.26 percent (social services) and 2.59 percent (transport, postal & telecommunication services) in 1990. In 2008, the others sources of household income were ranging between 0.69 percent (culture, education & health care) and 5.83 percent (wholesale and retail trades and catering services). This shows that income from household operations still is dominated by farming and animal husbandry activities, though the decline in farming has marginally led to increase in contribution of other activities. The fastest growing activity is wholesale and retail trades and catering services; grew 11 times over 1990. Industry, forestry and fisheries follow it.

*Regional Rural Income Gap:* There are wide regional differences in per capita net income in rural China (table 6). Top five regions that had per capita net income of more than 1000 yuan in 1990 were: Shanghai, Beijing, Zhejiang, Tianjin and Guangdong while bottom five regions are Gansu, Guizhou, Henan, Shaanxi and Anhui (below 539 yuan). The gap between Gansu and Shanghai is 1476.34 yuan. In 2008, Shanghai, Beijing, Zhejiang, Tianjin and Jiangsu were the top five regions in terms of per capita income while the bottom five regions were Gansu, Guizhou, Qinghai, Yunnan and Shaanxi. The gap between Gansu and Shanghai is 8716.47 yuan. During the intermediate years, similar picture emerges with slight changes in bottom five regions. This shows that not only relatively positions of the regions have changed every five years period, but also the gap between the top and the bottom regions has widened. This is indicative of widening inequalities across rural regions.

Figure 5



### 3.0 Inter-provincial Real Wage Inequality

Income inequality is reinforced by wage differentials too. The gap between cities and the countryside has continued to widen, more recent studies have shown that Chinese inequality is

not limited to the rural-urban divide. There is an increase in urban wage inequality among Chinese provinces (Candelaria, Daly and Hale 2009). Several facts are worth noting: Both average nominal wages and average real wages are rising in China and are growing even in the provinces at the bottom of the distribution. At the same time though, nominal wages are rising fastest at the top of the distribution, reflecting more rapid growth in higher-wage than in lower-wage provinces. As a result, differences in average urban wages among provinces are increasing. To be sure, cost-of-living differences do offset somewhat the average wage differences. The gap between the highest-wage province and the lowest-wage province is half as large when measured in terms of real wages instead of nominal wages. Still, these increases in inter-provincial real wage inequality among urban residents suggest that structural and long-term drivers of wages and incomes may be at work.

**Table 5: Contribution to Per Capita Annual Net Income of Rural Households (%)**

Items	1990	1995	2000	2005	2008	Times change
Net Income (by source)	686.31	1577.74	2253.42	3254.93	4760.62	6.9
Wage Income	20.22	22.42	31.17	36.08	38.94	13.4
Property Income	0.00	2.60	2.00	2.72	3.11	3.6
Transfer Income	4.22	3.63	3.50	4.53	6.79	11.2
Net Income from Household Operations	75.56	71.35	63.34	56.67	51.16	4.7
Net Income from Household Operations	518.55	1125.79	1427.27	1844.53	2435.56	
	(100)	(100)	(100)	(100)	(100)	4.7
Farming	66.45	71.01	58.43	59.51	58.59	4.1
Forestry	1.45	1.20	1.57	2.48	2.72	8.8
Animal Husbandry	18.67	11.35	14.53	15.38	16.32	4.1
Fishery	1.37	1.39	1.89	2.31	2.27	7.8
Industry	1.76	1.21	3.69	3.31	3.35	8.9
Construction	2.35	3.07	3.27	2.55	2.77	5.5
Transport, Postal & Telecommunication Services	2.59	2.47	4.46	4.56	4.26	7.7
Wholesale and Retail Trades and Catering Services	2.45	3.04	5.50	5.88	5.83	11.2
Social Services	1.26	1.53	1.97	1.77	1.72	6.4
Culture, Education & Health Care			0.48	0.55	0.69	2.5
Others	1.64	3.73	4.21	1.69	1.48	4.2

Note: ( ) distribution of per capita annual net income by operations.

Source : Same as table 1.

One plausible explanation for regional disparity is that coastal provinces have had a growth advantage over inland ones. Coastal areas have posted faster wage growth than inland provinces (Ravallion and Chen 2004). This pattern is not especially surprising given that much of China's recent economic development was led by rapidly expanding exports, financed to a considerable extent by foreign direct investment. China established 15 free trade zones (FTZ) in coastal areas, most of which are located near cities with major ports. In addition, 15 export processing zones (EPZ) were established, mostly in coastal areas. Foreign companies, which often pay higher wages than domestic enterprises, quickly moved into these zones, perhaps pushing wage levels up throughout the coastal regions. The real wage difference between inland and coastal regions is high and rising.

A more surprising observation is that the difference between inland and coastal provinces is less pronounced than that across coastal provinces. In fact, the highest average real wage among the coastal provinces increased dramatically, while the lowest average real wage among coastal provinces remained similar to the average real wage in inland provinces. It appears, therefore, that the benefits of China's economic growth have been concentrated in a subgroup of all coastal provinces. Yao and Zhang (2001) also observe that groups of Chinese provinces diverge in terms of real per capita gross domestic product (GDP).

Table 6: Per Capita Net Income of Rural Households by Region

Region	1990	1990 Rank	1995	2000	2005	2008	2008 Rank	Time change in 2008 over 1990
National Average	686.31		1577.74	2253.42	3254.93	4760.62		6.9
Beijing	1297.05	2	3223.65	4604.55	7346.26	10661.92	2	8.2
Tianjin	1069.04	4	2406.38	3622.39	5579.87	7910.78	4	7.4
Hebei	621.67	19	1668.73	2478.86	3481.64	4795.46	12	7.7
Shanxi	603.51	21	1208.30	1905.61	2890.66	4097.24	22	6.8
Inner Mongolia	607.15	20	1208.38	2038.21	2988.87	4656.18	15	7.7
Liaoning	836.17	7	1756.50	2355.58	3690.21	5576.48	9	6.7
Jilin	803.52	8	1609.60	2022.50	3263.99	4932.74	10	6.1
Heilongjiang	759.86	10	1766.27	2148.22	3221.27	4855.59	11	6.4
Shanghai	1907.32	1	4245.61	5596.37	8247.77	11440.26	1	6.0
Jiangsu	959.06	6	2456.86	3595.09	5276.29	7356.47	5	7.7
Zhejiang	1099.04	3	2966.19	4253.67	6659.95	9257.93	3	8.4
Anhui	539.16	26	1302.82	1934.57	2640.96	4202.49	19	7.8
Fujian	764.41	9	2048.59	3230.49	4450.36	6196.07	7	8.1
Jiangxi	669.90	15	1537.36	2135.30	3128.89	4697.19	13	7.0
Shandong	680.18	13	1715.09	2659.20	3930.55	5641.43	8	8.3
Henan	526.95	28	1231.97	1985.82	2870.58	4454.24	17	8.5
Hubei	670.80	14	1511.22	2268.59	3099.20	4656.38	14	6.9
Hunan	664.24	16	1425.16	2197.16	3117.74	4512.46	16	6.8
Guangdong	1043.03	5	2699.24	3654.48	4690.49	6399.79	6	6.1
Guangxi	639.45	18	1446.14	1864.51	2494.67	3690.34	23	5.8
Hainan	696.22	11	1519.71	2182.26	3004.03	4389.97	18	6.3
Chongqing				1892.44	2809.32	4126.21	20	2.2
Sichuan	557.76	24	1158.29	1903.60	2802.78	4121.21	21	7.4
Guizhou	435.14	29	1086.62	1374.16	1876.96	2796.93	30	6.4
Yunnan	540.86	25	1010.97	1478.60	2041.79	3102.60	28	5.7
Tibet	649.71	17	1200.31	1330.81	2077.90	3175.82	26	4.9
Shaanxi	530.80	27	962.89	1443.86	2052.63	3136.46	27	5.9
Gansu	430.98	30	880.34	1428.68	1979.88	2723.79	31	6.3
Qinghai	559.78	23	1029.77	1490.49	2151.46	3061.24	29	5.5
Ningxia	578.13	22	998.75	1724.30	2508.89	3681.42	24	6.4
Xinjiang	683.47	12	1136.45	1618.08	2482.15	3502.90	25	6.9

Source : Same as table 1.

Another plausible reason is that China's economic growth is largely driven by exports, the access of a province to shipping facilities could be important in determining its performance in general

and its wage level in particular. It is observed that the gap between the highest and the lowest average real wage for two subgroups of provinces: one including those with large commercial port capacity (defined as having more than 10 berths of 10000 tons class), the other without such capacity. Just looking at coastal provinces excluding Shanghai and Tianjin (the provincial-level cities), the category with substantial port capacity includes six provinces, while the category without such capacity includes three: Fujian, Guangxi, and Hainan. In support of the port hypothesis, it is found that the coastal provinces without large commercial ports have a similar average real wage close to the average real wage in inland provinces. This lends support to the idea that access to the coast boosts wages more in those provinces that have large commercial ports. However, there remain large differences in average real income among the provinces with large ports, indicating that increasing export activity is not the sole explanation for growing regional income inequality. This needs to be further investigated. Wan, Lu and Chen (2007) show that while globalisation is a contributor to regional inequality in China, differences in physical capital, as well as speed of economic reform such as privatisation, play an increasing role in fuelling regional inequality. Moreover, Candelaria, Daly and Hale (2009a) find that cross-provincial differences in industry composition and availability of skilled and unskilled labour also account for some of the inequality.

Thus, there is an increasing trend towards wage inequality among cities in different regions of China. This likely reflects structural factors and therefore could be persistent. The Chinese government has taken the problem of rising income inequality seriously, responding with regional income redistribution. Still, the persistent nature of the rise suggests that more steps are required. One possible area of change would be to allow greater labour mobility. Such mobility in China remains relatively low given regional income disparities and is not sufficient to prevent regional wage differences from rising (Candelaria, Daly and Hale 2009a). Thus, removing formal barriers to labour mobility, providing skill training in low-income regions, and providing social services to workers who relocate may be useful in stemming regional inequality.

#### **4.0 Inequalities and Duality**

There are four types of dualities noted in the Chinese economy viz., in household registration system, in employment system, in system of income distribution and in education system.

*4.1 Dual Household Registration System:* For a long time, China has implemented an urban-rural division of the duality in household registration system. This household registration system was set up under the planned economic system, which is the product of urban-rural dual structure.

*Dual Employment System:* In the planned economy era, the urban employment problem by the government planned to make arrangements in urban areas, while the peasants were employed in the rural production teams. The jobs in urban are first offer to urban residents, only when the urban labour supply cannot meet the needs of urban jobs, then will offer to rural residents, so only a small number of peasants to the urban were fortunate sought the jobs. In addition to the planned recruitment and enrolment, the government strictly controlled the peasants into the urban centres.



*Dual System of Income Distribution:* The city's industrial workers income comes from wages, while the income of peasants is mainly derived from agricultural income. Compared to urban industrial sector with a capital of a large scale, high level of accumulation, follow the rules of increasing returns to scale, advanced production methods, the technological progress is fast, high production efficiency, high economic efficiency, structure and other characteristics to change rapidly and so on, agricultural development has been remarkably weak position. This is because the farmers are engaged in agriculture has inherent weak nature: get the relatively large natural environment and climate influence, small-scale capital, per capita's cultivated lands are few, low levels of accumulation, backward mode of production, technological progress is slow, sale prices of agricultural products are lower than its value, etc. Therefore, the income level of farmers is often lower than urban workers, this also caused many farmers were abandoning agricultural work to work in cities. The related aspect is that the households are incurring debt to meet expenses and living standards.

*Debts Structure:* The CHIP survey 2011 reveals that household debt includes debts incurred through the household's agricultural, industrial or commercial undertakings, real estate mortgages, car loans, education loans, credit card debts, and other debts. Table 7 shows that the average total debts of the households for 8000 sample households was 62576 yuan. The figure is 100816 yuan for the urban households and 36504 for the rural households. It is observed that in rural areas, 46.43 percent debt is due to housing followed by business while in urban areas, the corresponding percentages are 41.55 and 50.96 percent respectively. There still appears to be a limited tendency to incur debt for purchase of cars, education, credit cards and other durables in both the areas, though urban household debt on these is higher than the rural areas in absolute terms.

**Table 7: Household Debt Structure (Yuan)**

Area	Housing	Business	Cars	Education	Credit	Others	Total
Rural	16950	15344	1702	717	57	1733	36504
Urban	41889	51377	2665	1262	351	3271	100816
Total	27060	29952	2092	938	176	2357	62576

Source : CHIP Survey 2011.

*Dual Education System:* In this duality system, most of China's spending on education has focused on the urban education, specially the higher education. The CHFS survey 2011 shows that there is still a relatively large group of people with elementary or under degree (table 8). Meanwhile, there exists a huge education disparity between the rural and urban population and across regions. People living in cities tend to have a higher level of education than those in rural areas, resulting in a higher literacy rate in cities. Those in the more economically developed eastern region also have a higher level of education than those in less developed western region. Vocational education is much lower in rural areas, which mean capacity to have greater employability is not there. The same is the case with higher education- junior college and bachelor degrees in rural areas. These educational achievements render rural population less capable to have higher incomes.

**Table 8: Structure of Education Degree in Urban and Rural Areas (%)**

Education Degree	Urban	Rural
Illiterate and Semi-illiterate	4.23	14.51
Elementary School	9.88	28.81
Middle School	25.86	37.98
High School	18.84	11.07
Vocational School	10.27	3.09
Junior College	13.77	2.75
Bachelor	15.09	1.76
Graduated School	2.07	0.03

Source: CHIP Survey 2011.

## 5.0 Consumption Differentials

As incomes gaps are widening, it would reflect on consumption pattern of rural and urban areas and regions. The average China's per capita living expenditure in 2008 stood at 11242.85 yuan and 37.89 percent is spent on food and lowest income households expend 48.14 percent on food and this proportion declines continuously as one move up the income deciles (29.18% in case of tenth decile, CHIP Survey 2011). Table 9 shows that per capita urban household expenditure multiplied 4 times in the nineties but grew 2 times since 2000 while rural per capita living expenditure grew 3 times in the nineties but 2 times since 2000<sup>15</sup>.

*Food Consumption:* The Engel coefficient (food expenses in consumption outlay) is generally used to evaluate people's living standard and when the Engel coefficient is above 60 percent, people are in poverty; a society is having enough to eat and wear when it is 50-60 percent, and below 40 percent means a well-off society (Carter and Zhong 1999). The Engel coefficient of China's urban residents remained over 57 percent until the early years of the reform programme. This means they had just shaken off poverty and were still struggling for "having enough to eat and wear". This lasted until the Sixth Five-Year Plan (1981-1985), when China enjoyed economic development and a booming market. People were making more money and coupon was no longer in need for the purchase of commodities. Engel coefficient saw a sudden fall to 53.3 percent in 1985 from 57.5 percent in 1978. The figure indicates that the Chinese people gained a secured life with enough food and clothes, and started to accomplish the goal of living a well-off life in 2000. In the 1990s, Engel coefficient decreased every year. It fell to 50.0 percent in 1994 for the first time and 44.7 percent in 1998. Engel coefficient of the rural people was 43.7 percent in 2008 and has observed sharper decline from 67.7 percent in 1978 (40.0%tage point fall) and that of urban people stood at 37.9 percent (19.6%tage point fall between 1978 and 2008). This does indicate improvement in standard of living but at a faster rate in rural areas. However, the standard of living is better in urban areas than in rural areas and is resultant of policy interventions like tax withdrawal on agriculture. This index indicates that urban people in China are living a comparatively better-off life (see also, Ravallion and Chen 2004).

Over the past 63 years since 1949, especially during the last 34 years, food available to urban residents gradually became great in variety and rich in terms of nutrition. In the early days of the 1950s, China worked hard for economic recovery and people's life improved greatly. However, political movements launched one after another after 1958 seriously undermining China's

economic development and resulted in the decline in people's standard of living. The 'cultural revolution' (1966 to 1976) pushed the Chinese economy to the verge of collapse and people's standard of living continuously declined. In 1957, urban per capita expenditure stood at 222 yuan. Of these, 130 yuan went to food and 27 yuan to clothes; these two items accounted for 70 percent of the total expenses. Remaining 30 percent was spent on other items. In 1964, urban per capita expenditure marginally declined to 221 yuan. However, if prices are accounted for, the decline amounts to 10.4 percent. Of these, 131 yuan was spent on food and 24 yuan on clothes; together again accounted for 70 percent share. In 1978, the urban per capita expenditure was 311 yuan. Allowing for inflation, this meant a real increase of 22.6 percent. Of these, 179 yuan were spent on food and 42 yuan on clothes. These two items combined to take up 71 percent, a slight increase from 1957. In 1990, the per capita urban expenditure stood at 1279 yuan (694 yuan on food and 257 yuan on clothes), which significantly increased to 11243 yuan in 2008 (4250 yuan on food and 1166 yuan on clothes). The above indicates that, from the founding of the PRC in 1949 to the introduction of reform and opening up in late 1978, the expenses of urban people were mostly paid to "having food to eat and clothes to wear". Commodities were in so short supply that coupons were issued for what was considered fair distribution. Over the past 34 years of reform and opening up, the urban residents have been enjoying an increasingly improved standard of living. The problem of food and clothing, which remained a big headache for 30 years before 1978, was completely solved during the 1981-1985. No coupon is issued for the supply of commodities. And the urban residents had begun to move into a well-off society<sup>16</sup>. Besides, the per capita living space in rural areas has almost doubled.

*Health Care:* The percentage of expenditure on health care in urban areas increased from 2.0 percent in 1990 to 6.4 percent in 2000 to go up to 7.0 percent in 2008. In absolute terms this expenditure went up by more than 30 times. The jump is significant between 1995 and 2000, but since then it has stagnated more or less. On the other hand, percentage of expenditure on health care in rural areas increased from 3.3 percent in 1990 to 5.2 percent in 2000 to go up to 6.7 percent in 2008. This shows that rural households tend to spend a higher proportion on health compared to urban areas in 1990 but fell short of urban proportion in 2000 and thereafter.

*Housing Expenditure:* Housing expenditure (residence and household facilities, articles and services) is going down in percentage terms (17.12% in 1990 to 16.34% in 2008), though expenditure share on residence has marginally gone up.

*Education, Cultural and Recreation Services Expenditure:* Education, cultural and recreation services expenditure share has only marginally improved over the period, though in absolute terms the increase has been 12 times between 1990 and 2008. This also shows that as the incomes have gone up there is diversification observed in expenditure pattern of urban households.

*Durable Consumer Goods:* The past 64 years witnessed changes in urban life, changes that find expression in the increasing demand of the people for better quality durables. Before 1978, people strove to own bicycles, sewing machines, wristwatches, and radios, and took pride in

owning these. In the early days of the reform and opening-up, owning refrigerators, washing machines, colour TV sets and tape recorders were in vogue. Nowadays, air-conditioners, home-computers and cars have begun to move into urban families. Per capita urban incomes have gone up over the years and expenditure on durable goods should a prior go up. In urban areas in 1981, every 100 urban families owned an average of 0.6 colour TV sets, six washing machines, 0.2 refrigerators, and 13 tape-recorders; and in the rural areas the durables were rarely seen then. In 1990, 1.94 motorcycles were owned per 100 urban households and this number rose to 21.39 in 2008 (table 9). In 1990, 78.41 washing machines were owned per 100 urban households and in 2008 this number was 94.65, almost every household having a washing machine. With regard to refrigerators, 42.33 refrigerators per 100 households were owned in 1990 that went up to 93.63 in 2008. Besides, some families started to buy hi-tech household electrical appliances for the purpose of study and entertainment. Colour televisions per 100 urban households stood at 59.04 in 1990 but rose to 132.89 in 2008, more than one colour television per household. Hi-fi stereo component system were 10.52 per 100 households in 1995 (none in 1990) and this number stood at 27.43 in 2008 while cameras per 100 households were 19.22 in 1990 and in 2008 the number was 39.11. Air conditioners were 0.34 per 100 households in 1990 and this number stood at 100.28 in 2008 (every household has one AC at least) while water heaters for shower were 30.05 in 1995 (none in 1990) per 100 households and in 2008 the number was 80.65.

In the 21st century, urban households turned to buy mobile phones, computers, and cars. Computers ownership is of recent origin, there were 9.7 computers per 100 households in 2000 but rose to 59.26 in 2008. Video camera is still not part of the household assets, just 1.30 per 100 households in 2000 and 7.12 in 2008. Microwave ovens were 17.6 per 100 households in 2000 and 54.26 in 2008. Mobile possession stood at 19.5 per 100 households in 2000 and 172.02 in 2008. Since 1949, China has been enjoying fast economic development and so modern transportation and telecommunication take a part of the public consumption expenditures in China. In 1981, per-capita annual expenditure on traffic and communication in the urban areas was only 6.6 yuan, of which 6.12 yuan went to traffic and 0.48 yuan to communication (postal service). In 1998, the public expenditure in this regard rose sharply to 257 yuan, a 38-fold increase. A significant rise in share of expenditure on transport and communication has been witnessed from 1.2 percent in 1990 to 12.6 percent in 2008 and 35 times increase since 1990 in absolute terms. The Chinese Government invested heavily in the construction of transportation and communication facilities and sounds networks have taken initial shape in the country. In the past, people contacted their relatives and friends by means of telegrams and letters, which today have been replaced by telephones, mobile phones and emails. The national penetration rate of the telephones was 1.11 per 100 persons in 1990. Transportation tools used include not only bicycles but also motorcycles, electrical motor cars and cars. To travel, people ride not only buses and trains but also taxis and aircrafts. Statistics shows that national passenger transport volume reached 22.27761 billion people in 2007, a 7.8-fold increase from 1978, up 7.8 percent annually on average. National passenger turnover totalled 2159.3 billion passenger kms, 11.4-fold increase, up by 9.1 percent annually on average. In 2011, approximately 14.53 percent of the households in the CHIP sample own cars, buses, or trucks. The car ownership of rural households is about 10.26 percent, i.e. 452 out of 4405 rural households. Comparatively, 19.23

percent of urban households own a vehicle, i.e. 758 out of 3914 urban households. Communication network improved significantly overtime. There were 82.01 telephones per 100 households in 2008, which were almost not there prior to that. Automobile ownership is marginal only, 0.5 per 100 households in 2000 and 8.83 in 2008<sup>17</sup>. This shows that asset ownership has improved in urban households but still not all households have all these durables.

**Table 9: Ownership of Major Durable Consumer Goods per 100 Urban Households at Year-end**

Items	1990	1995	2000	2008
Motorcycle (unit)	1.94	6.29	18.80	21.39
Washing Machine (set)	78.41	88.97	90.50	94.65
Refrigerator (set)	42.33	66.22	80.10	93.63
Colour Television Set (set)	59.04	89.79	116.60	132.89
Hi-Fi Stereo Component System (set)		10.52	22.20	27.43
Camera (set)	19.22	30.56	38.40	39.11
Air Conditioner (unit)	0.34	8.09	30.80	100.28
Water Heater for Shower (unit)		30.05	49.10	80.65
Computer (set)			9.70	59.26
Video Camera (set)			1.30	7.12
Microwave Oven (unit)			17.60	54.57
Mobile Telephone (unit)	0.002		19.50	172.02
Telephone (set)				82.01
Automobile (unit)			0.50	8.83

Source: Same as table 1.

*Income and Expenditure Nexus:* The per capita income of urban households increased from 1516.21 yuan in 1990 to 4279.02 in 1995 (182.22% increase) but the growth slowed down significantly to 47.13 percent between 1995 and 2000 to go up again during 2000 and 2008. The per capita income of urban households stood at 17067.78 yuan in 2008; more than 11 times the 1990 figure. On the other hand, the disposable income of urban households, increased from 1510.16 yuan in 1990 to 15780.76 yuan in 2008; a 10.5 times the 1990 figure. Besides, per capita annual consumption expenditure as percentage of disposable income declined from 84.69 percent in 1990 to 71.24 percent in 2008 while that of per capital income declined from 84.35 percent in 1990 to 65.87 percent in 2008. In absolute terms, per capita annual consumption expenditure increased from 1278.99 yuan in 1990 to 11242.85 yuan in 2008; 8.8 times the 1990 figure. Though as the per capita income and disposable income has been going up, the share of expenditure on food has been declining from 54.25 percent in 1990 to 37.89 percent in 2008, but expenditure expended on clothing has also observed a declining share and stood at 10.37 percent in 2008. This had stood around 10 percent since 2000, however.

Before 1978, the urban residents were told to "lead a simple life" and the slogan was that a new garment should be used for three years; when it becomes "old", it be worn for another three years; and when it is worn out, one should refrain from buying new ones and instead patch it to wear for the next three years. In 1957, people bought 0.7 ready-made clothes and 7.3 metres of clothes (not enough to make a quilt which the Chinese usually made themselves) on average. In 1964, a citizen bought an average of one ready-made clothes and 4 metres of cloth. After 1978,

a dazzling variety of clothes were available on the market, and people are better dressed. In the past, they bought cloth and hired tailors to make clothes for them. Today, however, they purchase readymade clothes in supermarkets. Almost no one is doing what individuals used to do decades ago. In the urban area, the per capita clothing expenditure in 1990 was 71 yuan, which went up to 479 yuan in 1995 and then up to 500 yuan in 2000 and to 1166 yuan in 2008<sup>18</sup>. In the rural areas, the per-capita clothing expenditure increased from less than 6 yuan in 1983 to 130 yuan in 2007, rising 21.8 times, and the number of clothes purchased increased from 0.7 per person to 2.4 per person, a rise of 2.3 times.

**Table 10: Per Capita Annual Consumption Expenditure of Urban Households**

Items	1990	1995	2000	2008
No. of Households Surveyed	35660	35520	42220	64675
<b>Per Capita Annual Consumption Expenditure (yuan) (%)</b>	(100)	(100)	(100)	(100)
	1278.89	3537.57	4998.00	11242.85
Food	54.25	20.09	39.44	37.89
Clothing	13.36	13.55	10.01	10.37
Residence	6.98	8.02	11.31	10.19
Household Facilities, Articles and Services	10.14	7.44	7.49	6.15
Health Care and Medical Services	2.01	3.11	6.66	6.99
Transport and Communication	1.20	5.18	8.54	12.60
Education, Cultural and Recreation Services	11.12	9.66	13.40	12.08
Miscellaneous Goods and Services	0.94	3.25	3.44	3.72

Note: ( ) distribution of per capita annual consumption expenditure.

Source: Same as table 1.

### **5.1 Rural Consumption Expenditure**

Table 11 shows that in rural areas of China, in 1990 expenditure on food constituted 58.80 percent of per capita consumption expenditure and this went down to 43.67 percent in 2008 and decline in share of clothing also has declined marginally since 1990. However, share of expenditure on residence has marginally improved from 17.34 percent in 1990 to 18.54 percent in 2008 and it is the second most important item of rural consumption expenditure. Share of household facilities, articles and services has declined while the share of transport and communications has improved from 1.44 percent in 1990 to 9.84 percent in 2008 and that of education, cultural and recreation & services has gone up from 5.37 percent to 8.59 percent during the same period. Education expenditure is of some rigidity, meaning a certain amount of money has to be spent to meet minimum requirements. This rigidity in education expenditure therefore implies a heavier burden for low-income households. Households do borrow for education and thus, education expenditure is a serious financial burden for low-income groups. Health care and medical services expenditure constituted 6.72 percent in 2008 up from 3.25 percent in 1990. This shows that with changing incomes in rural areas, consumption basket has undergone changes and people are spending more on education, health, transport and communications. Telecom service is relatively underdeveloped in the rural areas. In 2007, however, the administrative villages with access to the postal service accounted for 98.5 percent of the total. Some 99.5 percent of the administrative villages have been installed with home phones. But still housing expenditure is significant may because expansion in floor area with time.

**Table 11: Composition of Per Capita Consumption Expenditure of Rural Households (%)**

Items	1990	1995	2000	2005	2007	2008
Consumption Expenditure	100	100	100	100	100	100
Food	58.80	58.62	49.13	45.48	43.08	43.67
Clothing	7.77	6.85	5.75	5.81	6.00	5.79
Residence	17.34	13.91	15.47	14.49	17.80	18.54
Household Facilities, Articles and Services	5.29	5.23	4.52	4.36	4.63	4.75
Transport and Communications	1.44	2.58	5.58	9.59	10.19	9.84
Education, Cultural and Recreation & Services	5.37	7.81	11.18	11.56	9.48	8.59
Health Care and Medical Services	3.25	3.24	5.24	6.58	6.52	6.72
Miscellaneous Goods & Services	0.74	1.76	3.14	2.13	2.30	2.09

Source : Same as table 1.

Table 12 shows that as one moves up the income quintiles, the per capita consumption expenditure goes up- it is 1088.41 yuan for the lowest income quintile and 2521.54 yuan for high income quintile. The same happens for clothing expenditure across quintiles of income. Food expenditure gap difference between low and high income households is 2.3 times in 2008 while that for clothing it is 3.3 times, 4.4 times for residence, 2.9 for household facilities, articles and services, 4.8 times for transport and communications, 4.2 times for education, cultural and recreation & services, 3.1 times for health care and medical services and 4.2 times for miscellaneous goods & services.

### **5.2 Other Features of Rural Living Standard**

*Housing Conditions:* There are various indicators available to understand rural household living standards. The per capita floor space of rural houses newly built in the year was 0.82 sq. metres per person and this has marginally improved to 0.99 sq. metres per person in 2008 (table 13). However, the value of houses had gone up from 92.32 yuan per sq. metres in 1990 to 533.66 yuan per sq. metres in 2008. This means cost of housing has gone up. On the other hand, if we consider per capita floor space of rural houses at year-end, it was 17.83 sq. metres per person in 1990 and this has improved to 32.42 sq. metres per person in 2008. However, the value of houses had gone up from 44.60 yuan per sq. metres in 1990 to 332.83 yuan per sq. metres in 2008.

Further, in case of houses newly built this year, reinforced concrete structure was 0.23 sq. metres per person in 1990 that increased to 0.66 sq. metres per person in 2008 while brick and wood structure was 0.47 sq. metres per person in 1990 and it was lower at 0.28 sq. metres per person in 2008. In case of houses at year-end, reinforced concrete structure was 1.22 sq. metres per person in 1990 that increased to 13.40 sq. metres per person in 2008 while brick and wood structure was 9.84 sq. metres per person in 1990 and it was higher at 14.89 sq. metres per person in 2008. This shows that older houses have lower value in 2008 compared to such houses in 1990 and per capita floor space improved in older houses. Households have been making modification during the year.

**Table 12: Per Capita Consumption Expenditure of Rural Households by Income Quintile (2008) Yuan**

Items	Type of households					Gap between Low and High Income	Times difference between Low and High Quintile
	Low Income	Lower Middle Income	Middle Income	Upper Middle Income	High Income		
Consumption Expenditure	2144.78	2652.77	3286.44	4191.25	6853.69	4708.91	3.2
Food	1088.41	1293.70	1526.96	1815.70	2521.54	1433.13	2.3
Clothing	121.64	149.34	192.20	247.56	397.04	275.4	3.3
Residence	348.24	428.34	538.77	764.25	1518.67	1170.43	4.4
Household Facilities, Articles & Services	88.24	122.55	155.31	205.27	342.96	254.72	2.9
Transport & Communications	168.35	224.25	302.35	410.75	806.13	637.78	4.8
Education, Cultural & Recreation & Services	147.00	194.58	277.07	383.47	662.17	515.17	4.2
Health Care & Medical Services	145.93	187.27	224.18	273.53	451.47	305.54	3.1
Miscellaneous Goods & Services	36.96	52.74	69.60	90.72	153.71	116.75	4.2

Source : Same as table 1.

**Table 13: Housing Conditions of Rural Households**

Items	1990	1995	2000	2005	2008
<b>Houses Newly Built this Year</b>					
Per Capita Floor Space of Houses (sq. m/person)	0.82	0.78	0.87	0.83	0.99
Value of Houses (yuan/sq. m)	92.32	200.30	260.23	373.31	533.66
<i>Structure of Houses (sq. m/person)</i>					
Reinforced Concrete Structure	0.23	0.33	0.47	0.51	0.66
Brick and Wood Structure	0.47	0.37	0.36	0.29	0.28
<b>Houses at Year-end</b>					
Per Capita Floor Space of Houses (sq. m/person)	17.83	21.01	24.82	29.68	32.42
Value of Houses (yuan/sq. m)	44.60	101.64	187.41	267.76	332.83
<i>Structure of Houses (sq. m/person)</i>					
Reinforced Concrete Structure	1.22	3.10	6.15	11.17	13.40
Brick and Wood Structure	9.84	11.91	13.61	14.12	14.89

Source : Same as table 1.

*Rural-Urban Comparison:* In recent years, there has been a popular saying to the effect that whether the China has entered a well-off society and it depends on whether the Chinese have a good housing to live. There are improved housing conditions and it is important. Housing is one of the most complicated problems, which have yet to be solved. Before 1949, families with 3-5 persons sharing the same title-roofed accounted for 70 percent of the total population in the urban areas. The rent was extremely high for those who had no houses. Since 1978, people's living standard has improved significantly. In 1981, there were only 13.5 percent of the total urban households with a living space averaging eight square metres per capita, which rose to 48.1 percent in 1988 and 76.8 percent in 1998. Before 1978, most of the urban residents lived in the houses, which belonged to the leasing units or the housing authority, and only a small number of people had their own houses. In a populous country, it is common to see people enjoy small living space and, in many cases, three generations of the same family had to live under the same roof. That was a true of the housing situation at that time. After 1978, the State



attached great importance to improving living conditions in the urban areas, and has been investing in construction of apartment buildings. In recent years, the State has tried all possible means to solve the housing problems through construction of low-rent houses and economically affordable houses. Many apartment buildings have been built, making it possible for large numbers of urban households to stay in low-lying, shabby houses and move to the spacious ones with large windows and bright kitchens and toilets. In 2008, the living space of the urban residents reached 22.6 square metres per capita, as against 4.2 square metres in 1978. Meanwhile, there is great improvement in the surroundings of the dwelling quarters in the urban area.

The rural residents also enjoy better living conditions and environment. The per capita share of the living space in the rural areas increased from 8.1 square metres in 1978 to 31.6 square metres in 2007, a 2.9-fold increase. So far as the type of buildings are concerned, the brick and wood houses and those of the reinforced concrete structure account for 86.4 percent, an increase of 37.8 percentage points from that of 48.6 percent in 1981. In 2008, the living conditions have also improved remarkably. In 2007, for instance, 16.4 percent of the rural residents had houses equipped with the flush toilets, 25.7 percent had access to electricity, clean fuel, and fuel gas, and 41.3 percent had access to tap water.

*Quality of Life:* People are spending more on travel in China today. As the Government allows its people to work five days a week and enjoy long holidays on May 1 and October 1, started in 1998, the people not only have money but also time to spend on travelling. In response, the travel services are organising weekend tour of the surrounding beauty spots, and tour of scenic spots in other provinces. Overseas visits are also available to the Chinese. The year 2007 saw 1.61 billion domestic tourists, 2.1 times over the figure of 1994. Also in 2007, some 34.924 million people made overseas visits, a figure which is 2.5 times more than in 2002 and an annual average increase of 28.3 percent.

More cultural facilities have been set up to cope with the growing needs for diversified cultural activities. With improved life, people who used to watch TV at home and now go to cinemas, visit teahouses, bars, cafe bars, reading rooms, and holiday resorts. In public places nearby communities, fitness facilities have been added for the public use. There is mushrooming of many sports centres, such as stadiums, natatoriums, gyms and yoga houses. In the face of the sharp market competition, many adults, young students and even children attend knowledge enhancement training classes. The per-capita expenditure on entertainment and education in the rural areas was only 10.1 yuan in 1981 that touched 305.7 yuan in 2007, an annual average increase of 14 percent. The figure was 35.8 yuan in 1981 in the urban areas, and 1329.2 yuan in 2007, an annual average increase of 14.9 percent.

*Regional Situation:* Table 15 presents regional information on basic conditions of urban households in 2008. The average household size is highest in western region (2.92) and the lowest size is in north-eastern region (2.77). Average number of employed persons per household is 1.37 persons in north-eastern region while it is 1.53 persons in eastern region. Thus, percentage of employment per household is 51.86 in eastern region and 49.46 percent in north-eastern region. Number of dependents per employee (including the employee himself or herself) stood

at 2.02 persons in north-eastern region while it was 1.93 persons in eastern region. Per capita annual living expenditure for consumption is highest in the eastern region and the lowest of 9249.02 yuan in the central region and the gap between the highest and lowest per capita annual living expenditure for consumption is 1.45. Across regions the per capita annual expenditure on consumption as proportion of per capita income varies between a low of 64.1 percent in the eastern region and a high of 70.9 percent in the north-eastern region while per capita annual expenditure on consumption as proportion of per capita disposable income varies between a low of 69.9 percent in the central region and a high of 76.5 percent in the north-eastern region. Across regions share of food expenditure in per capita annual expenditure varies between 36.68 percent in the eastern region and 40.75 percent in the western region. Across regions share of clothing expenditure in per capita annual expenditure varies between 9.21 percent in the eastern region and 12.09 percent in the north-eastern region.

**Table 14 : Floor Space of Newly Built Residential Buildings & Housing Conditions of Urban & Rural Residents**

Year	Floor Space of New Built Residential Buildings in Urban Areas (100 million sq. m)	Floor Space of Newly Built Residential Buildings in Rural Areas (100 million sq. m)	Urban Rural diff. %	Per Capita Floor Space of Residential Buildings in Urban Areas	Per Capita Floor Space of Residential Buildings in Rural Areas (sq. m)	Urban Rural Diff. %
1978	0.38	1.00	-163.2	6.70	8.10	-20.9
1980	0.92	5.00	-443.5	7.18	9.40	-30.9
1985	1.88	7.22	-284.0	10.02	14.70	-46.7
1986	2.22	9.84	-343.2	12.44	15.30	-23.0
1987	2.23	8.84	-296.4	12.74	16.00	-25.6
1988	2.40	8.45	-252.1	13.00	16.60	-27.7
1989	1.97	6.76	-243.1	13.45	17.20	-27.9
1990	1.73	6.91	-299.4	13.65	17.80	-30.4
1991	1.92	7.54	-292.7	14.17	18.50	30.6
1992	2.40	6.19	-157.9	14.79	18.90	-27.8
1993	3.08	4.81	-56.2	15.23	20.70	-35.9
1994	3.57	6.18	-73.1	15.69	20.20	28.7
1995	3.75	6.99	-86.4	16.29	21.00	28.9
1996	3.95	8.28	-109.6	17.03	21.70	27.4
1997	4.06	8.06	-98.5	17.78	22.50	26.5
1998	4.76	8.00	-68.1	18.66	23.31	24.9
1999	5.59	8.34	-49.2	19.42	24.20	-24.6
2000	5.49	7.97	-45.2	20.25	24.80	-22.5
2001	5.75	7.29	-26.8	20.80	25.70	-23.6
2002	5.98	7.42	-24.1	22.79	26.50	-16.3
2003	5.50	7.52	-36.7	23.70	27.20	-14.8
2004	5.69	6.80	-19.5	25.00	27.90	-11.6
2005	6.61	6.67	-0.9	26.10	29.70	-13.8
2006	6.30	6.84	-8.6	27.10	30.65	-13.1
2007	6.88	7.75	-12.6		31.63	
2008	7.60	8.34	-9.7		32.40	

Source : Same as table 1.

Share of residence expenditure in per capita annual expenditure varies between 9.29 percent in the western region and 11.63 percent in the north-eastern region while in case of share of household facilities, articles and services expenditure in per capita annual expenditure varies between 5.02 percent in the north-eastern region and 6.57 percent in the central region. The share of health care and medical services expenditure in per capita annual expenditure varies between 6.41 percent in the eastern region and 8.94 percent in the north-eastern region when the share of transport and communications expenditure in per capita annual expenditure varies between 9.92 percent in the central region and 14.48 percent in the eastern region. Further, the share of education, cultural and recreation services expenditure in per capita annual expenditure varies between 10.47 percent in the north-eastern region and 13.11 percent in the eastern region. This shows that variations are found across regions as far as distribution of per capita annual expenditure on different items is concerned, though relative differences are not significant.

### 6.0 Social Security Coverage

The CHIP survey 2011 shows that 44.2 percent of the residents do not have any retirement insurance. The data also shows social welfare coverage is higher in the cities than in the rural areas. Among rural residents, 65.51 percent don't have any retirement insurance, 32.09 percent have social retirement insurance, and only 2.4 percent have a retirement salary (table 16). In contrast, among urban residents, only 13.05 percent of them don't have any form of retirement benefits, 43.33 percent have social retirement insurance, and 43.62 percent have a retirement salary. Among the rural residents who purchased commercial health insurance, 63.91 percent bought it for themselves and 28.73 percent for their family members. For the urban residents, the figures are 75.91 and 17.46 percent respectively<sup>19</sup>.

Table 15: Regional Basic Conditions of Urban Households (2008)

Items	Eastern region	Central region	Western region	North-eastern region
Number of Households Surveyed	28417.58	10989.08	17268.42	8000.00
Per Capita Annual Living Expenditure for Consumption (yuan) (%)	13434.72	9249.02	9604.04	10038.24
	(100)	(100)	(100)	(100)
Food	36.68	38.89	40.75	37.11
Clothing	9.21	11.72	11.32	12.09
Residence	10.08	10.56	9.29	11.63
Household Facilities, Articles and Services	6.21	6.57	6.13	5.02
Health Care and Medical Services	6.41	7.64	6.92	8.94
Transport and Communications	14.48	9.92	11.35	10.36
Education, Cultural and Recreation Services	13.11	11.33	10.78	10.47
Miscellaneous Goods and Services	3.82	3.38	3.47	4.38

Note: ( ) distribution of per capita annual living expenditures for consumption.  
Source : Same as table 1.

Table 17 shows that number of employees joining urban basic pension insurance stood at 616.6 million persons and this number increased to 2189.1 million by 2008. Besides another, 520.1 million employees joined basic endowment in 1990 insurance and this number rose to 1658.8 million in 2008. In case of retirees joining basic endowment insurance, the number increased

from 96.5 million in 1990 to 530.4 million in 2008. Further, persons and retirees joining urban basic improved from 378.7 million in 2000 to 1999.6 million in 2008. In 2000 the number of employees joined unemployment insurance was 1040.8 million that increased to 1240 million by 2008. Number of employees that joined injury insurance in 2000 stood at 435 million, which increased to 1378.7 million. Another 300.2 million persons joined maternity insurance in 2000 and this number improved to 925.4 million. Finally, the revenue of social insurance fund stood at 18700 million yuan in 1990 that significantly went up to 1369600 million yuan by 2008.

**Table 16: Distribution of Social Welfare (%) 2008**

Items	Rural	Urban	Eastern	Central	Western
Without Retirement Insurance	65.51	13.05	30.60	63.36	61.32
With Retirement Insurance	34.49	86.95	69.40	36.64	38.68
Social Retirement Insurance	32.09	43.33	48.05	22.62	22.85
Retirement Salary	2.40	43.62	21.35	14.02	15.83

Source : Same as table 1.

**Table 17: Social Security (10000 persons)**

Items	1990	2000	2008
Number of Employees Joining Urban Basic Pension Insurance	6166	13617	21891
Number of Employees Joining Basic Endowment Insurance	5201	10447	16588
Number of Retirees Joining Basic Endowment Insurance	965	3170	5304
Number of Persons and Retirees Joining Urban Basic		3787	19996
<i>Medical Care System</i>			
Number of Employees Joining Unemployment Insurance		10408	12400
Number of Employees Joining Injury Insurance		4350	13787
Number of Persons Joining Maternity Insurance		3002	9254
Revenue of Social Insurance Fund (100 million yuan)	187	2645	13696

Source : Same as table 1.

## 7.0 Conclusions

The paper reveals that since the initiation of reforms and especially after 1990 not only China has witnessed high growth rates but they have been accompanied by rising inequalities and significant changes in per capita income, its sources and consumption levels and its structure. Rural China has also observed upward improvement in per capita incomes and consumption pattern. However, still the two major sources of rural income are farming and animal husbandry activities. The importance of food in total consumption expenditure is going down, expected, with increasing incomes across areas and regions. There are still laggard regions and even within coastal regions some provinces are performing better than others. Rural areas are behind urban areas in terms of educational achievements and vocational training. Quality of life has improved especially in urban areas with increasing per capita floor area increasing. There are four types of dualities found in China that reinforce what is being observed and they are dual household registration system, dual employment system, dual system of income distribution and dual education system. The common notion that household are increasing using savings to incur expenditure is not observed as in both rural and urban areas households are borrowing for

housing and business. There are various factors that have fuelled the income and consumption gaps in China. These range from policy restrictions, taxation regime, international trade (WTO), reform process itself as it has led to development of urban real estate interests and corruption, education, health and social security development problems, SOEs reforms and many such factors. However, growth has led to poverty reduction across areas and states with varying effects. Rural growth reduces inequality in both urban and rural areas, as well as between them. Wages are lagging behind profits in the recent times too. Not all are covered by social security.

Given the above, the government needs to protect the property rights of low-income people and create equal opportunities for smaller companies to enter all sectors. It is articulated that greater urbanisation may help ease the income gap. China needs to boost economic transformation and improve social security. China's poor have acquiesced in an iniquitous system because their income is also rising; if that stops, they might not be so tolerant of entrenched privilege. The state has to address China's consumption-light growth model. The government's efforts have been focused on extending public health, education and pension services to reduce the need for household precautionary saving and to free up income to enhance expenditure, but it may not be enough. The reason the mass of China's households aren't spending isn't because they save too much, it's because the incomes are too low. The reason the rich are saving isn't because they want to, it's because they have too much money to spend all of it. The best way to boost consumption in China is not through extending public services but through a more equitable distribution of income. A high Gini coefficient is not disastrous and is commonly seen in the process of rapid economic growth. In the short-term, the government can narrow the wealth gap through transfer payments including welfare, social security and government subsidies, and in the long-term, better education can effectively equalise opportunity. Tax increases are not necessary to increase social security and welfare. Increased consumption and the retained profits of state-owned enterprises can provide the means for income redistribution, which means 3.8 trillion yuan each year and transfer payments can help ease a widening income gap while expanding domestic demand. Need would be to restructure expenditures to focus on increasing social welfare instead of building roads and bridges.

#### Notes

1. These changes were originally a series of progressive political reform-driven. The late 1970's observed the agricultural sector reconstruct known as the "agricultural reform" that lasted for eight years. The subsequent second period known is known as the "urban reform" beginning 1985 and still continuing. The rapid development of industrialisation, restructuring of state-owned enterprises, trade openness increased export tax rebates and financial assistance links, as well as the gradual liberalisation of the financial markets are the characteristics of this period. The urban reform also brought the negative impact: it caused the inequalities between urban and rural increased again. The causes of inequality caused by urban and rural China is multifaceted, but the main reason is that "duality system".
2. Carstern Herrmann-Pillath and the China Center for Monitoring Regional Development (2006). Also see Hertel and Zhai (2004).
3. Rural population is to be paid back for the forced accumulation in favour of industry (the gongye fan bu nongye formula (Chi ed. 2005).
4. A survey revealed that only 6 percent of citizens felt happy.
5. China is more unequal than the United States and even more unequal than African societies. The CIA also publishes a calculation of the Gini coefficient, which it puts at 0.48 in China in 2009- substantially higher than the institute's calculation for 2010. The CIA put the Gini coefficient for the U.S at 0.45 in 2007 (The Wall Street Journal 2012 'China's Inequality Gini Out of the Bottle' September 17).

6. The percentage of population living below new poverty line declined from 53 in 1981 to 8% in 2001, but some provinces made greater progress against poverty than others (Ravallion and Chen 2004).
7. China's official Gini coefficient was 0.412 for both rural and urban residents in 2000. Since then only the Gini data for rural areas had been released, standing at 0.3897 in 2011 ([http://www.chinadaily.com.cn/cndy/2012-12/11/content\\_16004398.htm](http://www.chinadaily.com.cn/cndy/2012-12/11/content_16004398.htm)).
8. The income gap between urban and rural, between communities, and lack of middle class are factors that could affect social stability (China Daily 2012: December 11).
9. Pan Jiancheng, deputy director-general of the China Economic Monitoring and Analysis Centre points out that the country would steadily push forward its urbanisation process and economic transformation in an effort to tackle the disparity. But China must continue to raise the educational level to improve both the income level and employment rate ([weitian@chinadaily.com.cn](mailto:weitian@chinadaily.com.cn)- (China Daily 12/11/2012: 16).
10. Generally speaking, a worker with higher education background is much less likely to "leave the workplace" than a worker with less education. In the countryside, a farmer who has completed high school education (12 years of schooling) is much easier to locate sources of income from non-agricultural activities than his illiterate counterpart, whereas a closer look at the poor households shows that their members have had little education.
11. For instance, wages and salaries are levied progressively at rates between 5% and 45%, and private business at rates between 5% and 35%; but savings interests, returns from stocks exchanges, dividends and profits from property leasing or transferring, among others, are taxed at a fixed rate of 20 percent. That is to say, tax rate for incomes from work are the highest (45%), then comes the incomes from semi-work (35%), and the lowest rate is for incomes from non-work (20%).
12. For instance, while the urban consumers will enjoy more varieties of imported agricultural products, some of the Chinese farmers will face more fierce competition, which will worsen the on-going tendency of declining incomes.
13. The government is determined to minimize the social costs of WTO membership by speeding up reforms of the social security system and improving the social welfare safety net.
14. A factor that played a role was the State Council promulgated the Regulations on Guaranteeing Urban Residents' Minimum Standard of Living in 1999. A system has since been introduced to ensure a minimum standard of living for the urban residents. A total of 4.026 million urban residents were benefited in 2000 and 22.72 million in 2007.
15. The above can be due to average number of persons employed in an urban household has continuously declined since 1990; average number of persons employed in a rural household is higher than the urban household, though declined during the nineties to rise again; number of dependents per employee of urban household has been rising since 1990 while it has been declining in rural households; urban unemployment rate has been rising and; registered job seekers having multiplied almost 3 times.
16. The same period also saw improvement in terms of the variety and nutrition of the food consumed. From 1978 to 2007, for example, food consumption of the rural residents reduced from 248 kg to 199 kg, while that of the urban residents experienced a decrease from 205.3 kg to 77.6 kg. In the aspect of nutrition, meat, poultry, egg and milk consumed are on the increase. The pork consumption of the rural residents per capita rose from 5.2 kg in 1978 to 13.4 kg, and that of egg from 0.8 kg to 4.7 kg. As for the urban residents, there was a rise in pork and egg consumption from 13.7 kg and 1.97 kg in 1978 to 18.2 kg, and 10.3 kg.
17. In 2007 every 100 urban households owned an average of 6.1 cars, a 9.1-fold increase from that in 2001.
18. Of these, expenditure on readymade clothes was 748-yuan per-capita, accounting for 71.8 percent of the total in 2007. The number of readymade clothes bought by the urban residents rose from 3.13 in 1978 to 7.82 in 2007. Fashions in vogue among the public serve as a window on modern life in China.
19. In case of total retail sales of consumer goods, it reached 8921 billion yuan in 2007, an increase of 56.2 fold compared to 1978, or an annual average increase of 15 percent. As far as the balance of bank savings is concerned, the year-end balance of savings deposits of the urban and rural residents was 17253.42 billion yuan in 2007, or 818.3 times more than the figure of 1978, or an annual average increase of 26 percent.

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**Appendix Table 1: Basic Statistics on People's Living Conditions**

Items	1990	2000	2008
<b>Per Capita Balance of Saving Deposit</b>	623	5076	16407
<b>Residence Condition</b>			
Per Capita Building Space in Urban Areas (sq. metres)	13.7	20.3	
Per Capita Living Space in Rural Areas (sq. metres)	17.8	24.8	32.4
<b>Traffic Condition</b>			
Number of Automobile Per 100 Urban Households (unit)		0.50	8.83
Number of Motor Cycles Per 100 Rural Households (unit)	0.89	21.94	52.45
<b>Communication Condition</b>			
Telephone Popularisation Rate (including Mobile Telephone) (set/100 persons)	1.11	20.1	74.29
Mobile Telephone Popularization Rate (set/100 persons)	0.002	6.77	48.53
<b>Per Capita Domestic Expenditure on Tour (yuan)</b>		427	511
Urban		679	849
Rural		227	275
<b>Culture, Education and Health Care</b>			
<b>Culture</b>			
<i>Number of Colour TVs per 100 Households (set)</i>			
Urban	59.0	116.6	132.9
Rural	4.7	48.7	99.2
<i>Number of Computers per 100 Households (set)</i>			
Urban		9.7	59.3
Rural		0.5	5.4
<i>Percentage of Household Expenditure on Education, Culture &amp; Entertainment (%)</i>			
Urban	11.1	13.4	12.1
Rural	5.4	11.2	8.6
Rate of Radio Broadcast Coverage of the Population (%)	74.7	92.5	96.0
<b>Health Care (Percentage of Resident Expenditure on Health Care (%))</b>			
Urban	2.0	6.4	7.0
Rural	3.3	5.2	6.7

Source : Same as table 1.