Income Inequalities in China:
Future Challenges and Social Protection Policies

Huang Huabo
Political Department of Chinese Mission to European Union
General Department of Ministry of Human Resources and Social Security

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Future Challenges

• Efficiency and equality
  – Changing policy priorities and PA principle
    • Before: efficiency first, with considering social equality
    • Now and future: balancing efficiency and equality in income distribution and redistribution
  – But: how and what extend?

• Special interest groups
  – Distribution:
    • Monopoly industries: high overall wage and fringe benefits
  – Redistribution:
    • Rich people; Privileged groups
    • Speculators: stocks, properties. Golden income?
  – Legal frameworks:
    • Regulate grey incomes
    • Punish illegal income

• Economic structure transition
  – Current model not sustainable
    • Manufacturing: low tech, export oriented, will last for a long time.
    • Agriculture: small scale; huge number of underemployment.
    • Increase of the return of capital.
  – Limitations and Challenges:
    • Employment pressure
    • Essential resources
    • Uncertainty of international economy recovery:
      – Financial, economical, public debt, what’s next?
      – Chinese economy is more and more deeply interlinked with the global market, tens of millions labours lost jobs 2008.
Future challenges cont.

- Equalization on public services provision
  - Compulsory Education: Children of rural migrant workers
    - 58 million at home without the care from parents
    - Millions with parents: many in simple and temporary schools with very poor quality of education
  - Medical care:
    - Rural migrant workers: many in 3D jobs and low pay, more easily to fall into poverty after 40s.
    - Rural medical insurance: low level compensation under New Rural Cooperative Medical Care Insurance
  - House and accommodation protection
  - Equalization: limited capacity of public finance, selective, incrementalism
  - Poverty circle and generation poverty

- Demographic aging
  - Old poverty:
  - Accelerating aging
  - Increasing pressure on public finance: pensions, medical care, etc.

- Approach of urbanization
  - Farming Land requisition
    - Farming land: low price of requisition
    - High prices of housing in urban
  - From rural to urban citizens:
    - Low social protection coverage for rural migrants
    - Employment opportunities: relevant skills, knowledge and experiences,
    - Informal employment, temporary work, low pay jobs in family services, construction, self-employment, etc.

Employment and social protection policy towards income distribution

- Employment: Improve active employment policies
  - Put employment as a priority: employment is the basic source of livelihood
  - Promote self employment and entrepreneurship: to actively promote employment
  - Focus on 3 priority groups: rural migrants, new college graduates, most disadvantaged in cities.
  - Strengthen vocational training: departments, enterprises, schools and target groups
  - Strengthen public employment services: ICT, grass root agencies, standards, etc.
  - Extend benefits from layoffs of SOEs to all disadvantaged groups: privileged to universally covered, esp extended to rural migrants

- Labour relations: establish harmonious labour relations
  - Improve collective bargaining: for wages, benefits, layoffs, restructuring
  - Guarantee wages paid fully and timely: esp for rural migrants, huge effects.
  - Improve minimum wages gradually:
    - at least every 2 years, 20% more in some cities 2010.
    - Pegged to CPI
  - Issue guidelines of wage levels for society, for industries, for enterprises, new wage regulation

- Social protection: all Chinese civilians have basic SP in 2020
  - Expand coverage: cover all civilians in 2020
  - Improve the benefits
  - Coordinate between different systems

- Equalization of basic public services
  - Education: rural and urban, esp children of migrants
  - Social protection:
    - new rural cooperation medical care; new rural old age insurance; policies to ensure portability of pensions and medical insurance;
    - Minimum living standards security system established in both rural and urban
  - Health care
  - House and accommodation
  - Public employment services
Participants in basic social security systems
1994—2008 10,000

- Urban basic old-age insurance
- Urban Basic medical insurance
- Unemployment insurance
- Work injury insurance
- Maternity insurance

• Thanks
  • huanghuabo@mohrss.gov.cn
  • http://www.mohrss.gov.cn/
  • http://www.chinamission.be/eng/