

Income Inequalities in China : Future Challenges and Social Protection Policies

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www.oecd.org/els/social/inequality/emergingeconomies

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

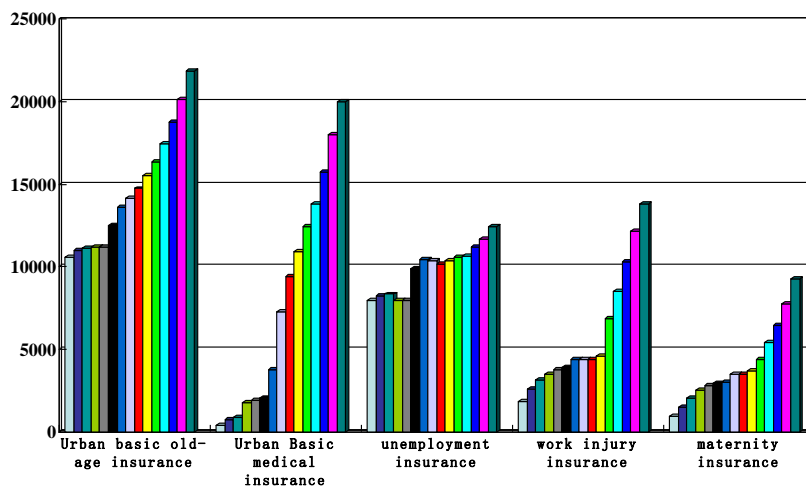
Future challenges cont.

- 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



• *Thanks*

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