

Chapter 3

Fast growth, but widening income distribution in China

by

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Although the growing income inequality taking place in China since the reform and opening-up has been widely discussed, there has been little empirical evidence based on nationally-representative surveys and reliable statistical methodologies to describe trends over the past three decades. This chapter discusses the potential bias of existing estimates of income inequality in China and considers how inequality would be affected by the recent changes in labour market and social policies.

The chapter presents the growing importance of income from labour in both rural and urban areas. Taking advantage of national data, the authors calculate biased and unbiased inequality indices respectively and find that ignoring the data on migrant workers would lead to overestimating inequality. In addition, poverty trends and China's social assistance system are also discussed.

The Chinese labour market has witnessed strict regulation in recent years. In addition to describing institutional changes in the Chinese labour market, the chapter also tests the impact of these changes on inequality, and concludes that recent labour market changes are promoting income equality.