



STRUCTURAL TRANSFORMATION, INEQUALITY, AND INCLUSIVE GROWTH IN CHINA

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Outline

- Introduction
- Trends in China's structural transformation (ST)
- Income inequality, employment, and inclusive growth
- Policies shaping ST, inequality, and inclusive growth
- Political economy (skip)
- Future trajectory

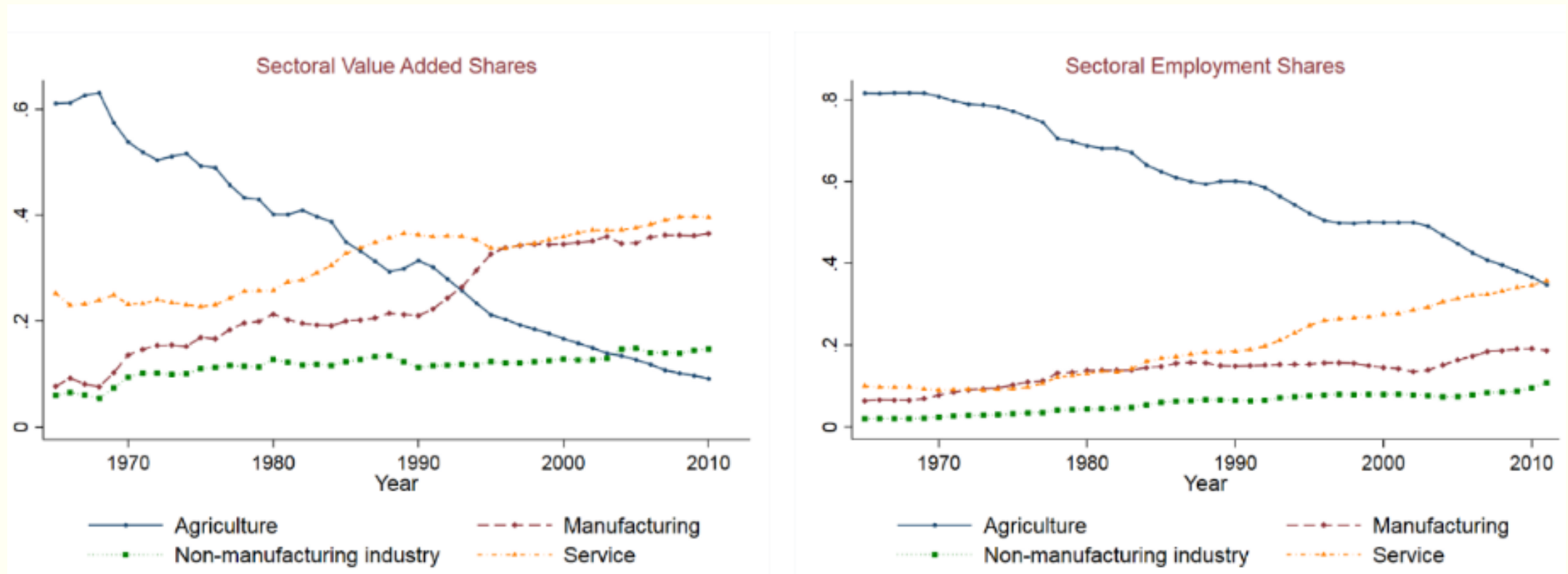
Overview of Structural Transformation, Inequality, and Inclusive Growth in China

- Time period: 1978-present
- Features of China's economic development
 - High economic growth
 - Significant structural transformation
 - Agricultural sector ↓ secondary and tertiary sectors ↑
 - Urbanization (rural-urban migration)
 - Privatization (ownership restructuring in urban areas)
 - Inequality
 - Stabilized and even declined since late 2000s
 - Inclusive growth
 - Poverty reduction



TRENDS IN CHINA'S STRUCTURAL TRANSFORMATION (ST)

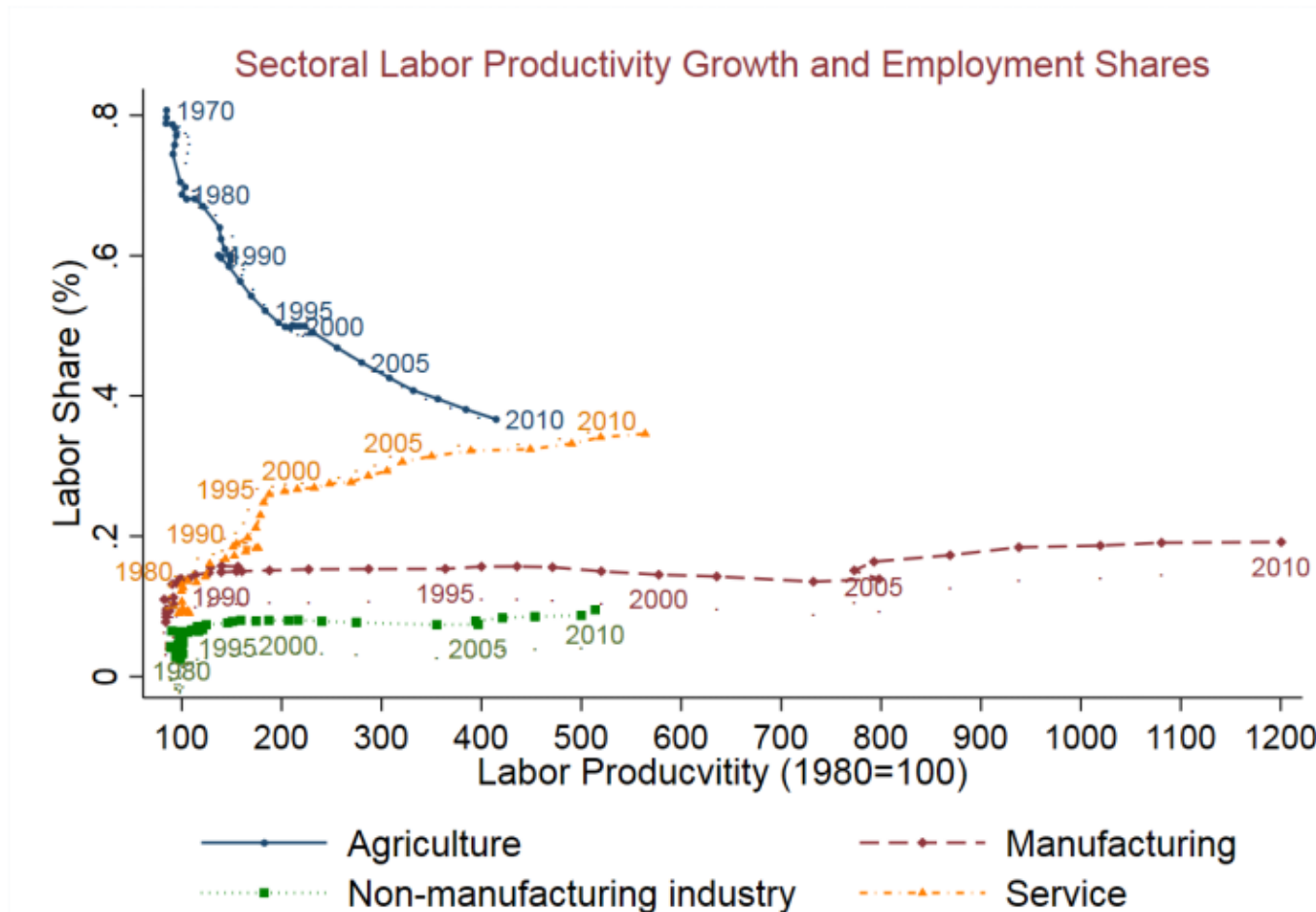
1. A large share of labor shifting from agriculture to non-agricultural sectors (1978-2010)



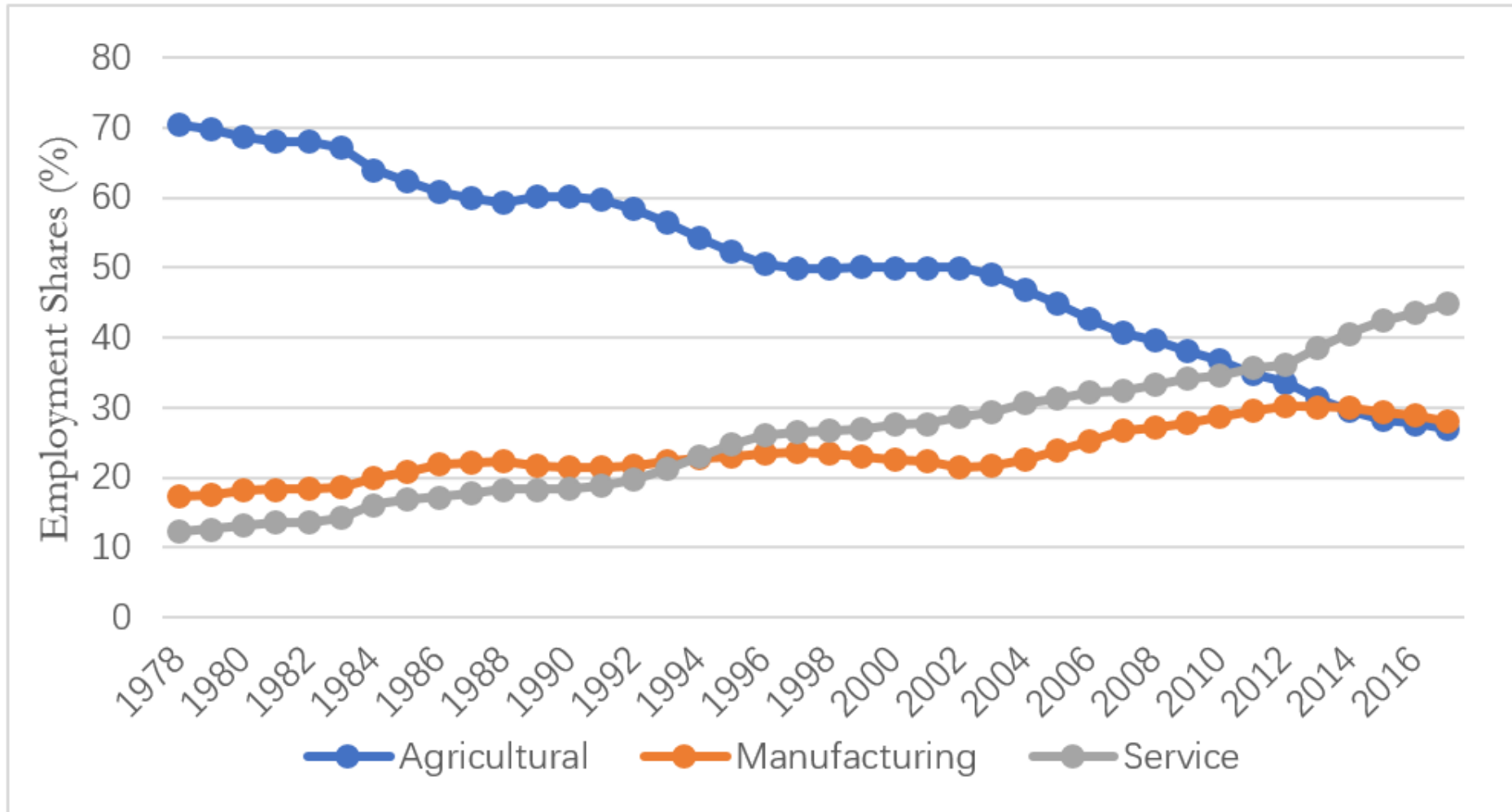
Data source: GGDC 10-sector database.

Productivity-enhancing structural change

Figure 4 Sectoral Labor Productivity Growth (constant price) and Employment Shares, China (1970-2010)

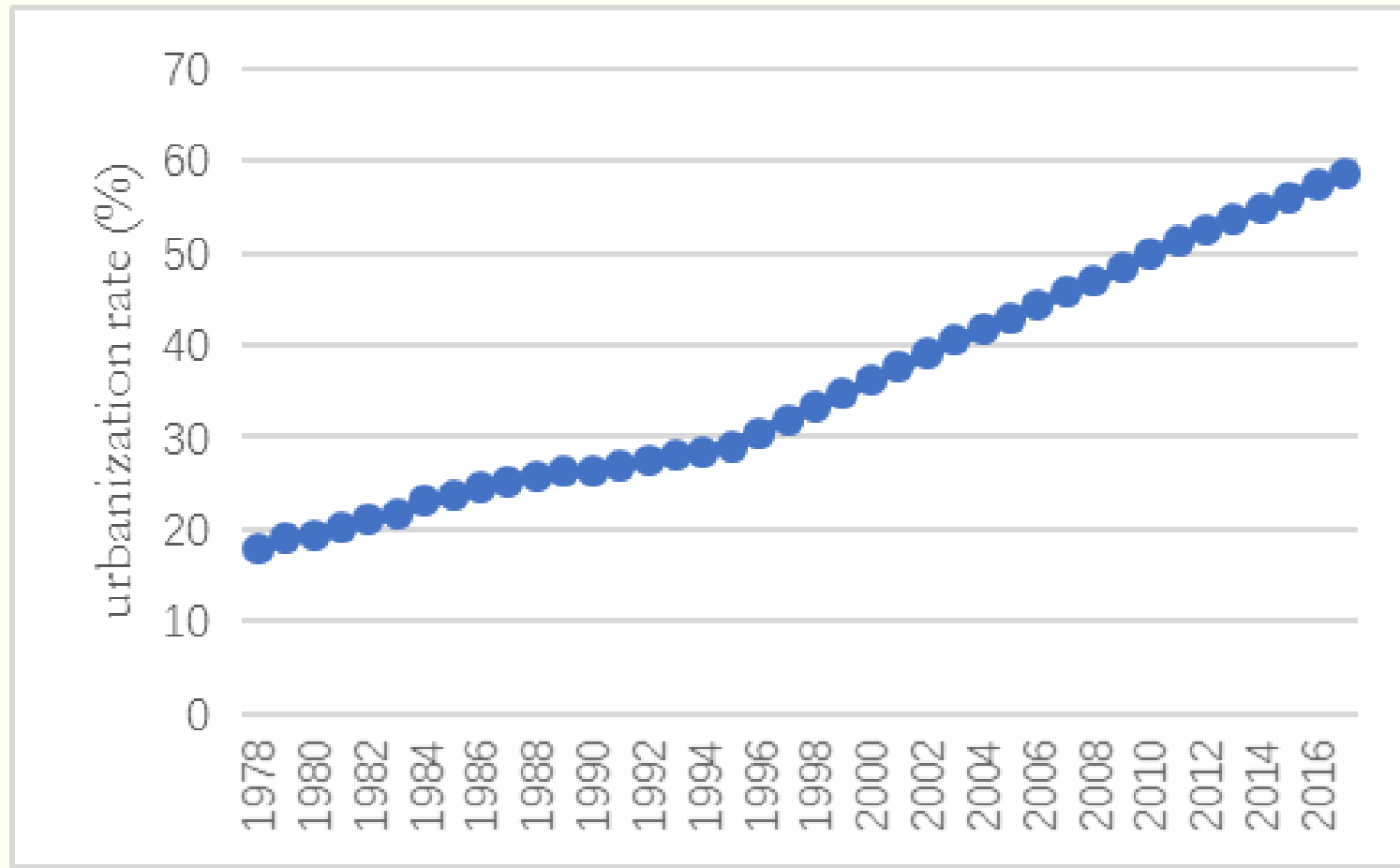


Since 2015, the size of agricultural employment has become smaller than the other two sectors, making China a “structurally developed” country, according to the definition by Sen (2019).



Source: China Statistical Yearbook.

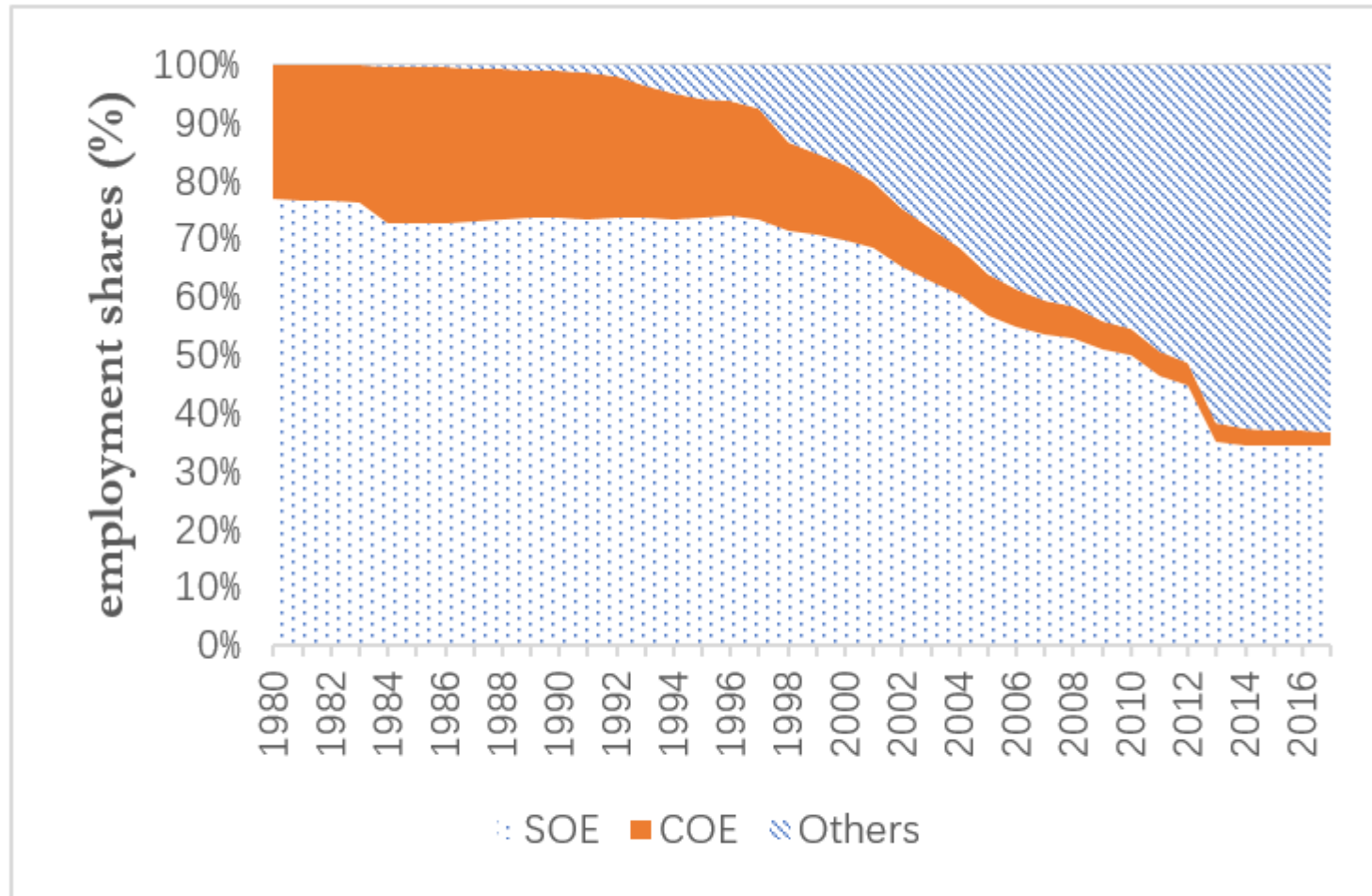
2. Rapid urbanization (1978-2017)



Source: China Statistical Yearbook.

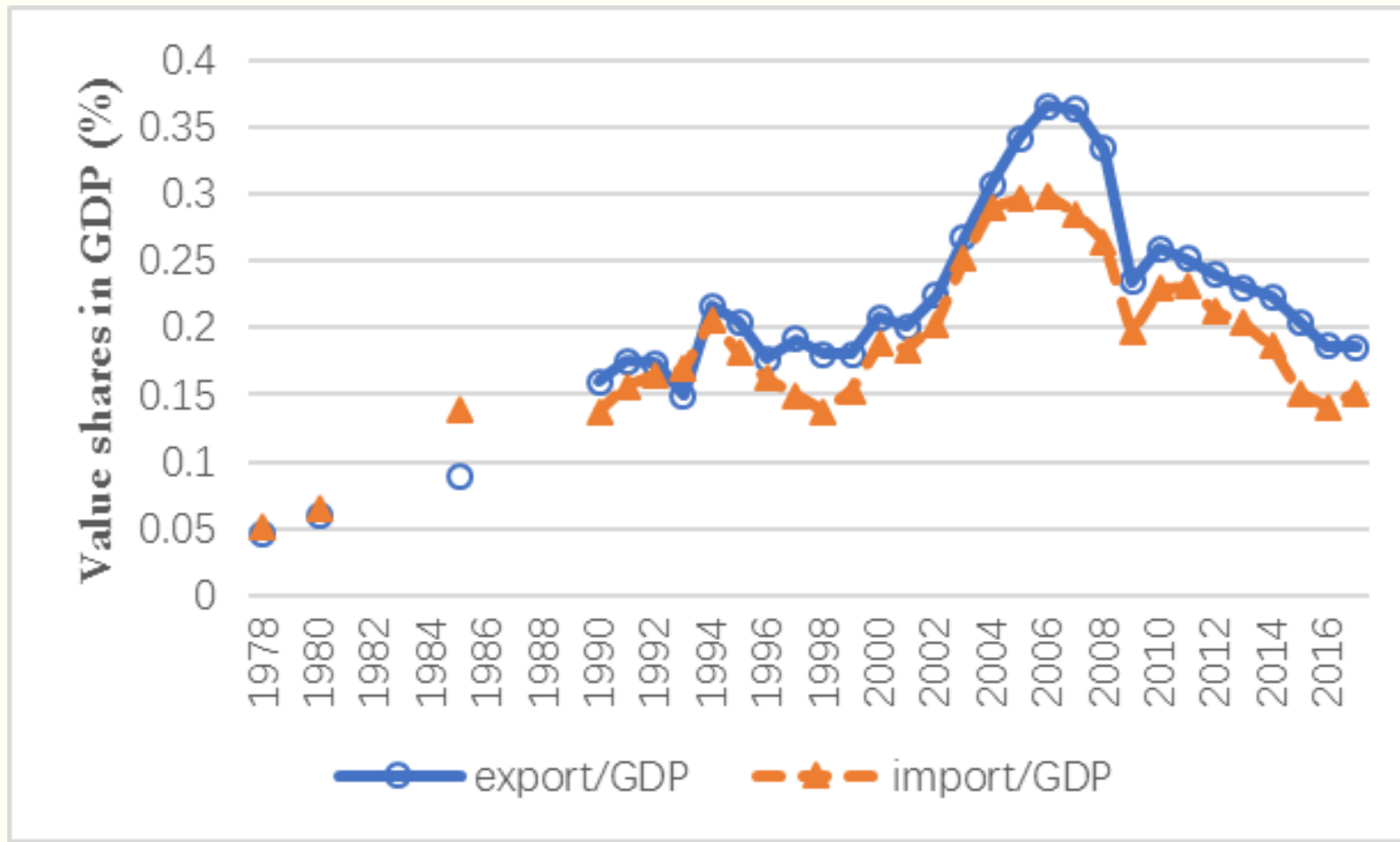
3. Privatization of the public sectors ----

A decline of share of employment in state owned enterprises (SOEs) and collectively owned enterprises (COEs).



Source: China Statistical Yearbook (2018)

4. Rapid growth in export sectors in the 2000s; Declining trade reliance since the 2010s.



Source: China Statistical Yearbook (various years)



INEQUALITY, EMPLOYMENT AND INCLUSIVE GROWTH

Rising income inequality until late 2000s

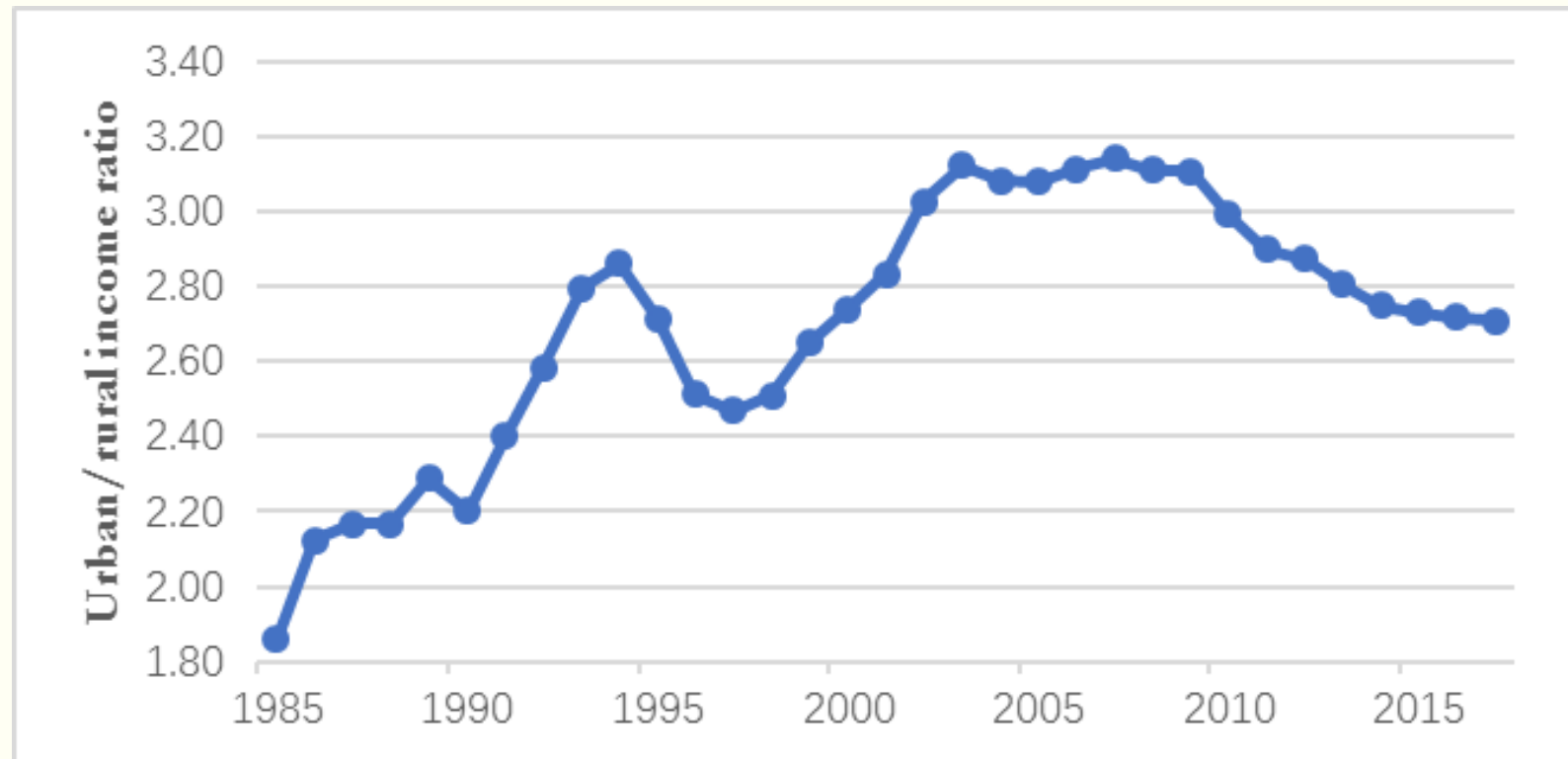
- Turnaround or not?
- Yes
 - Official statistics (NBS);
 - Piketty, Yang, and Zucman 2019;
 - Kanbur, Wang, and Zhang 2017;
- No
 - Xie and Zhou (2014)

Income Gini coefficients



Source: Ravallion and Chen (2007), NBS (2017).

Widening rural-urban inequality in China until the early-2010s

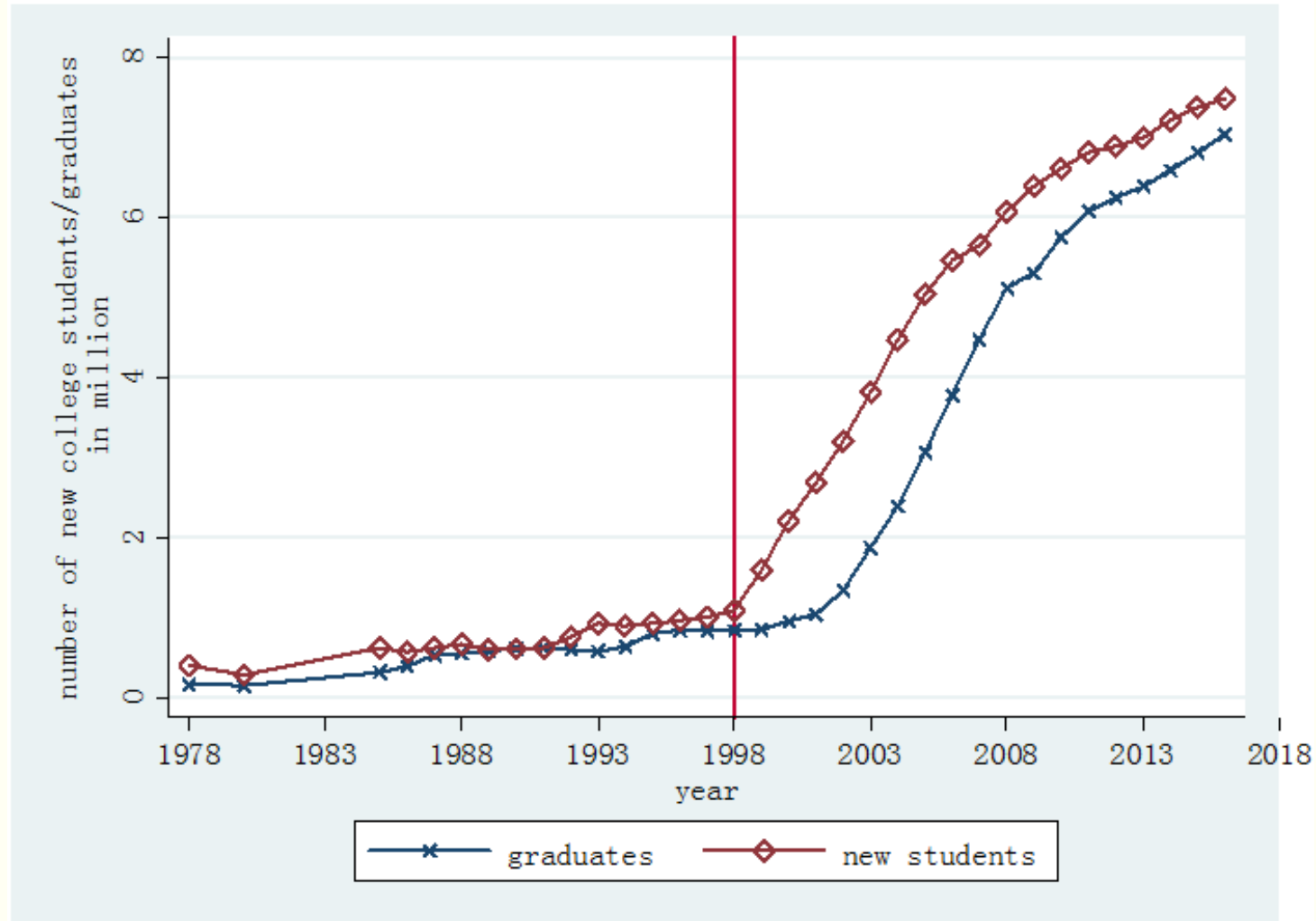


Note: The vertical axis is the ratio of per capita disposable income in urban areas divided by per capita disposable income in rural areas.
Source: China Statistical Yearbook (2018, 2000)

Employment

- Declining labor force participation for both male and female
- Increasing rural-urban migration
 - Manufacturing boom
 - Lewis turning point?
- Higher education expansion and the increase in educated workers

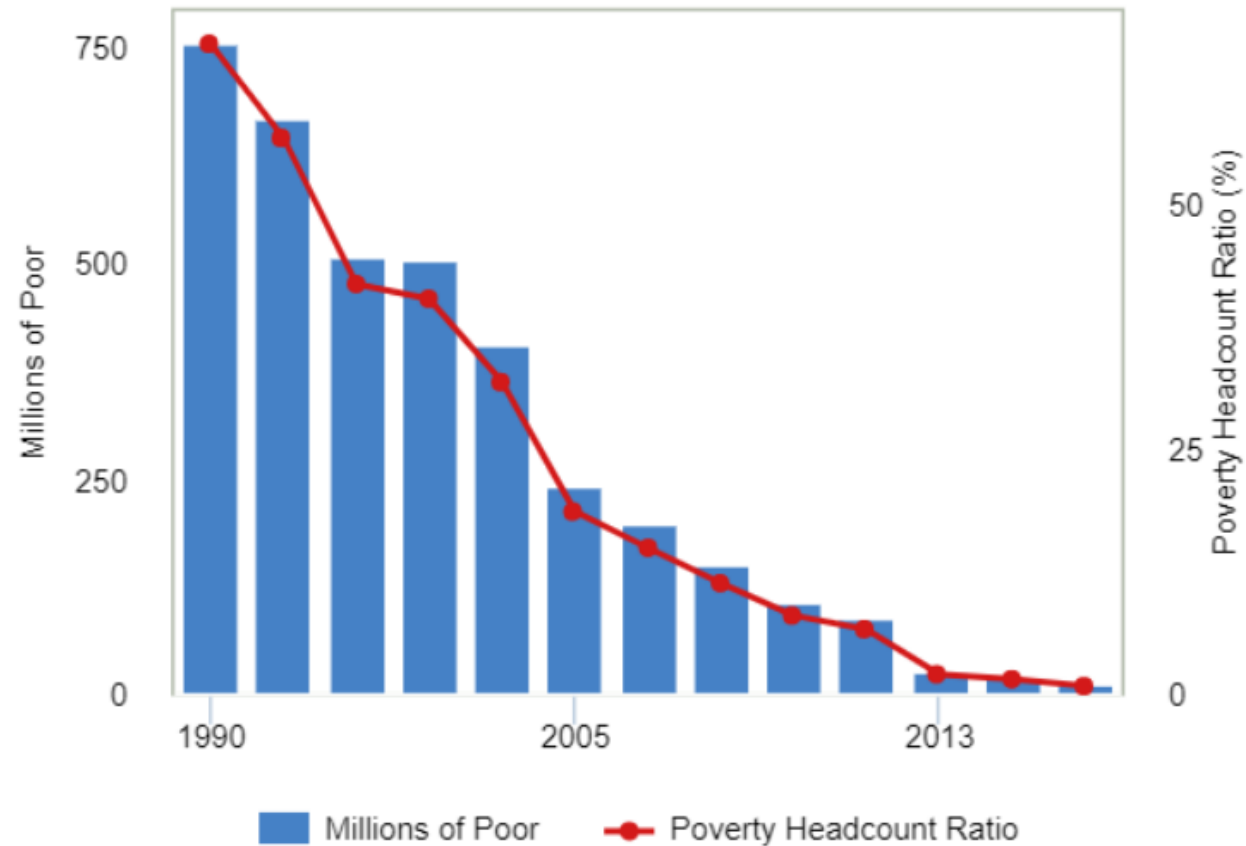
Figure 15 Number of new college students and college graduates



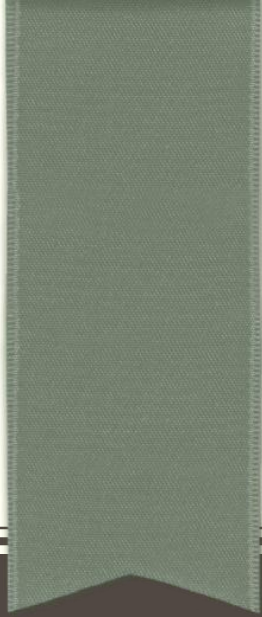
Source: Authors calculate based on statistics from China Statistical Yearbooks.

Inclusive growth with impressive accomplishment in poverty reduction

Figure 17 Poverty trend (by international standards, poverty line=\$1.90 a day, 2011 PPP)



Source: Poverty & Equity Databank and PovcalNet



POLICIES

Underlying forces of the structural transformation

- Technological change, institutional reforms and globalization
- Stage 1, labor reallocation from agriculture to industry between 1978-1990
 - Reform of the “household-responsibility system”
 - Reform of the household registration (Hukou) system
 - Reform and the opening up policy
- Stage 2, the early 1990s and 2000
 - Privatization -- the ownership restructuring of SOEs
- Stage 3, 2001-2010
 - China’s entrance into WTO and trade liberalization
- Stage 4, 2010 onward
 - Rise of the service economy, declining manufacturing and export sectors
 - Improved social security policies



FUTURE TRAJECTORY

Future trajectory

- **Structural transformation**
 - Automation and robot adoptions in manufacturing sectors,
 - Rise of the service economy
 - Rise of the gig economy -- logistics and food delivery, and ride-hailing services (DiDi)
- **Inequality --- influence factors**
 - Service sector job opportunities, high vs low skill jobs
 - Urbanization
 - Education and migration opportunities
- **Inclusive growth**
 - “Poverty reduction with precision”
 - Need to pay more attention to the disadvantaged groups