China

Sources:
Dowling and Soo 1983, Table 2 in the appendix
Chai and Chai 1994, Table 1
Ying 1995
Khan and Riskin 1998
Statistical Yearbook 1998, for rural households, Table 10-14 p.344 and for urban households, Table 9-9 p.284-285 and Table 10-8 p.328-329
Bramall 2001
World Poverty Monitoring Database 2002
Chotikapanich et al 2005
Zhang Ping

Surveys:
Rural and Urban Household Income Survey 1977, 1978, 1979, 1980, 1981-1991, 1995-2000, 2003
The surveys are conducted by the State Statistical Bureau and the results are reported in grouped form in the Statistical Yearbooks of China.

The survey of the urban households is conducted by The Urban Socio-economic Survey Organisation in the SSB. After the Cultural Revolution, the first survey was undertaken in 1977-78 but it was not until 1980 that the survey was fully restored with a sample of 7962 households. In 1985 the sample size was already 24338 and in 1989, 35235, which is the approximate sample size also for later samples. For later surveys, the respondent households are selected by a two-stage stratified systematic random sampling scheme. At the first stage, the cities and counties are classified into 5 categories by their population size; secondly they are grouped into 6 administrative regions. In each administrative region, the cities and counties are arranged in the order of the average wages of the staff and workers in urban areas; the cities and counties are then selected by a systematic sampling scheme. At the second stage, the sample households are selected by a multi-stage two-phase sampling scheme. Different schemes are applied depending on the size of the city. Totally 226 cities and counties and 36000 households are selected. The selected households should keep accounts for three successive years. By a rotating sampling scheme, one third of the old sample households are replaced by the new sample households every year.

The survey of rural households is conducted by the Rural Socio-economic Survey Organisation in the SSB. After the Cultural Revolution, the survey was resumed in 1977. From 1985 on, the sample size is approx. 67000 households; in 1980 only 15914 households were included and in the 1970's even less. The survey was also otherwise improved in 1985; the methodology was altered to provide more systematic measurement of income and expenditure. Further significant changes occurred in 1990 when an annual replacement of a proportion of the sample was introduced. By the late 1990's this ensured that the entire sample was replaced every four years. For the later surveys, the households

are selected with a multi-stage balanced systematic sampling scheme with a random start. In the sampling process the sample counties are selected from the provinces, the sample villages from the counties and the sample households from the villages. Totally 857 counties, 9000 villages and 67000 households are included. The per capita net incomes in the recent three years are used to order the villages and later the households for the sampling. The average population in the three recent years is used as auxiliary data. The selected households are asked to keep a record of their income and expenditures. The problem with this method is that it easily excludes illiterate households which mean that a significant proportion of poor households are excluded.

The income concept is disposable income "adjusted by transfer payments and receipts". Imputed rents are not included and the coverage of income in kind and subsidies is less than comprehensive. The average incomes are therefore systematically underestimated. Transfers from enterprises, price subsidies, child allowances, pensions and other welfare benefits should be included. Social benefits in kind are not included.

The expenditure aggregate includes expenditure for various commodities and expenses for non-commodity items such as culture and service etc. It excludes fines and confiscation, loss and tax payments. The consumption of commodities includes food, clothing, household appliances and services, health care and medical services, transport and communication, recreation, education and cultural services, housing and miscellaneous goods and services. Durable items are included with their purchase value.

The quality of these surveys is reported to be exceptionally poor in the early 1980s but they still suffer from quality problems (these problems are pointed out by Bramall, 2001). Geographical coverage is one problem; the 1978 rural survey covered only 20 provinces. The urban survey has similar problems with county towns still being underrepresented. Changes in the Gini coefficient might therefore partly be related to the inclusion of provinces over the years. Occupation coverage is another problem in the survey. The rural surveys of the 1980's sampled only peasant households (this was changed only in 1994), whereas the urban surveys in the early 1980's were restricted to staff and worker households only, excluding self-employed and retired households. A third problem is the narrow definition of income. The provision of income in-kind in China heavily favors the urban population and a large part of the wages and salaries for the urban households are subsidies. The underreporting of in-kind incomes and subsidies might have an impact on the urban estimates.

The Ginis reported from the Statistical Yearbook (1998) are estimated by WIDER using Povcal Beta. For rural areas they are estimated from quintiles/deciles and for urban areas from income classes. The number of income classes in 1980 is only 6 (51.80% of the households is in one of them). For 1985-1996 the income classes are 11 and for 1997, 20.

In Chotikapanich et al (2005), the estimates are calculated from grouped data using a generalized beta distribution that accounts for the within-group inequality. For the rural estimates, the goodness of fit is not as good as for the urban distributions so these should be used with care (the rural distribution results are despite of this close to results from

other sources). To derive the national distribution, regional income shares are combined using population shares as weights.

Sample Survey by the Economics Institute of the Chinese Academy of Social Sciences 1988, 1995

This is a survey where both the urban and the rural sub-samples are drawn from the samples of the surveys conducted by the State Statistical Bureau (see above), but where the income concept is more extensive.

The 1988 CASS survey included 10258 rural households in 28 provinces (only 2 rural provinces of China excluded) and 9009 urban households in 10 provinces. The 1995 survey included 7998 rural households in 19 provinces and 6931 urban households in 11 provinces. There might be biases in the sample since not all provinces are selected and the small sample sizes might cause undesirably high sampling error.

The components of rural disposable income included in the CASS survey are:

1. Income from wages, pensions and other form of labour compensation accruing to individual members of the household in cash and in kind (valued at market prices).
2. Income from private, individual and joint venture enterprises accruing to individual household members, plus income from the collective welfare fund. In 1988 this income is expected to be under-estimated.
3. Net income from farming. This includes all output, whether sold or consumed by the household and net of all costs of purchased inputs, including non-household labour.
4. Net income from non-farm household enterprises and subsidiary activities less the cost of purchased inputs including non-household labour.
5. Income from property: interest in savings deposits and bonds, dividends, rents on leased-out land, houses and other property.
6. Imputed rent from owner-occupied dwellings.
7. Net transfer from the state, local government and the remnants of the old collective. This includes all welfare and relief payments and subsidies received by the household less all taxes and compulsory payments to the state and the collectives.
8. Other income: remittances made by migrant members, gifts from private donors and miscellaneous sources not included elsewhere.

The components of urban disposable income are:

1. Cash labour compensation from primary and secondary jobs of all working members of the household. This includes wages, bonuses, overtime payments, subsidies and any special cash payments.
2. Income of retired members: pensions and income from post-retirement jobs.
3. Income from private and individual enterprises owned/operated by the household.
4. Income from property (same as rural property income)

5. Housing subsidy in kind. This consists of the difference between market rent and the actual rent paid by all those who are occupying public housing.
6. Other net subsidies including all subsidies and payments in kind, including in kind compensation from labour. It also includes relief payments and hardship subsidies. All direct taxes and fees have been subtracted.
7. Imputed rent from owner-occupied dwelling.
8. Other income: private transfers and other minor sources.

There are some minor differences in the income definitions of 1988 and 1995 mainly due to institutional changes. Property as well as self-employment income is under-reported.

The SSB survey (see above) does not include imputed rents from owner-occupied dwellings and the coverage of income in kind is less comprehensive than in the CASS survey. It also includes fewer items of income from household production activities. As a result, the mean incomes from the CASS survey are considerably higher.

Mean incomes are in yuan per year deflated by the rural/urban consumer price index (1988=100). The overall distribution of income was obtained by weighting the rural and urban sample of the survey as to represent the relative shares of the urban and rural population.