STRUCTURAL TRANSFORMATION, INEQUALITY, AND INCLUSIVE GROWTH IN CHINA

Yanan Li, yananli@bnu.edu.cn
Chunbing Xing, xingchb@bnu.edu.cn.
Beijing Normal University
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.

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)

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