

# China Human Development Report 2005 ---Development with Equity



中国发展研究基金会  
CHINA DEVELOPMENT RESEARCH FOUNDATION



# One and half years' work on China Development Report 2005

- March 2004, UNDP and CDRF decided to work together on China Human Development Report 2005 and set the theme as “development with equity”.
- April 2004, CDRF organized a project team composed by the following famous scholars: Zhao Renwei, Li Shi, Wang Shaoguang, Hu An'gang, Cai Fang, Han Jun, Zhang Zhenzhong, Wang Rong, Shang Xiaoyuan and Bai Nansheng.
- July 2004, CDRF organized a field study trip to Shangluo Prefecture in Shaanxi Province and Wenzhou City in Zhejiang Province.
- October 2004, the team members contributed 10 pieces of background papers.
- January 2005, the first draft of “China Human Development Report 2005” was completed by the two leading authors, Professors Li Shi and Bai Nansheng.
- Since February 2005, based on the comments and suggestions from many experts, CDRF and the leading authors worked together to revise the report and completed the final report in September 2005.

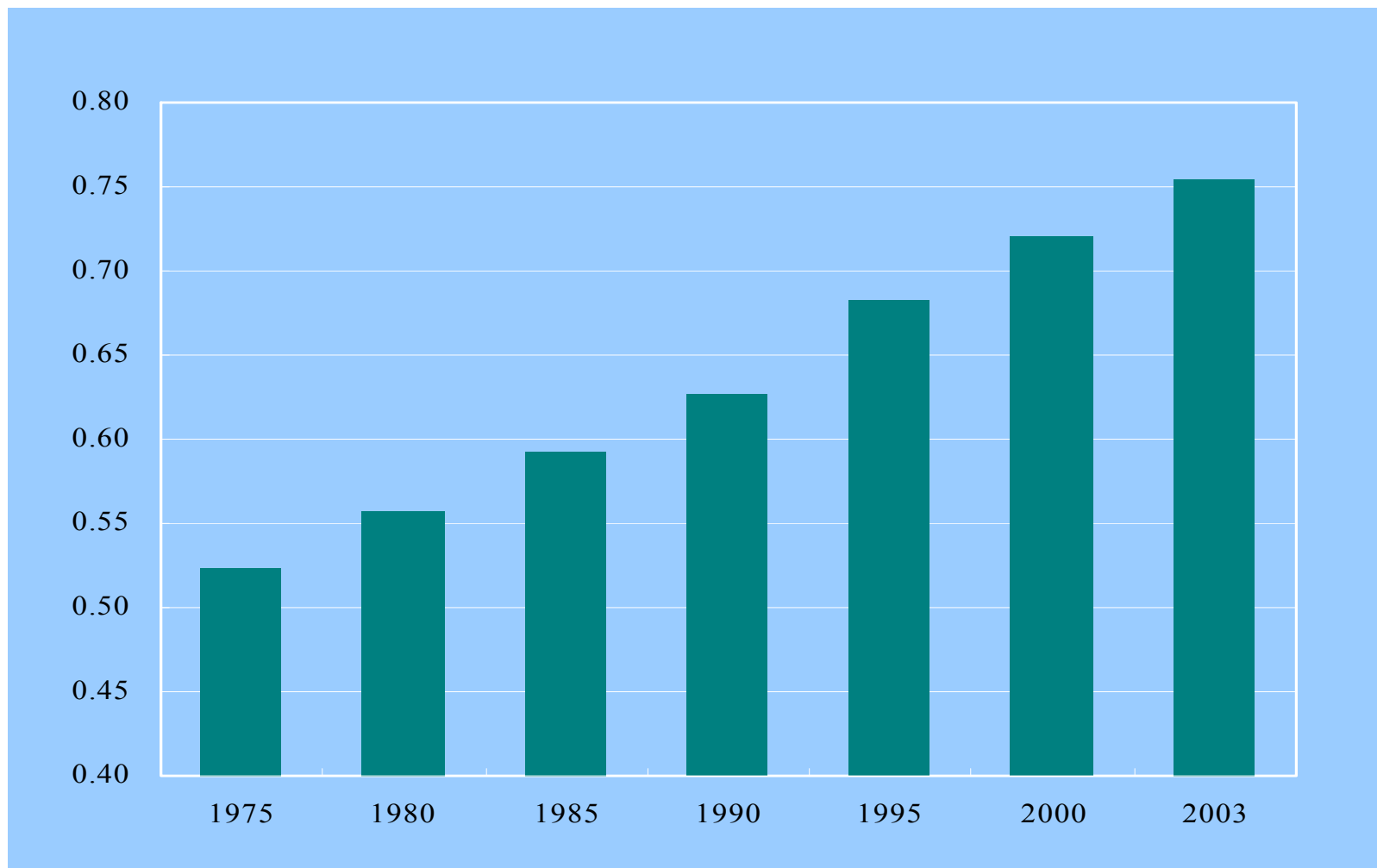
# Themes

- Advocating for development with equity in China.
- Human development and social equity are both the goals of a society, which are interdependent and inseparable
- China is now making great efforts in building a Xiaokang society and constructing a harmonious society of common prosperity. Social equity is indispensable in realizing these objectives.

# Notable advances took place in China's human development

- Since the beginning of the reform era, China has made dramatic improvements in terms of HDI. China's HDI has risen continuously over the past 20 years, up from 0.557 in the year of 1980 to 0.755 in the year of 2003. ( [See Figure1](#) )
- China's HDI ranking has gone up, from 101st in 1991 to 85th in 2003.
- Education and health indices are higher than average levels in developing countries and the world as a whole, and roughly approaching those of the medium-income countries.

Figure 1. HDI in China



# The Unevenness of human development in China

- 1. The report showed clearly that the rural human development has been noticeably lagging behind compared with that of the urban areas. ([See Figure 2](#))
- 2. China's progress in human development has been obviously uneven among regions. ([See Figure 3](#))

Figure 2. The changes of HDI nationwide, in urban and rural areas

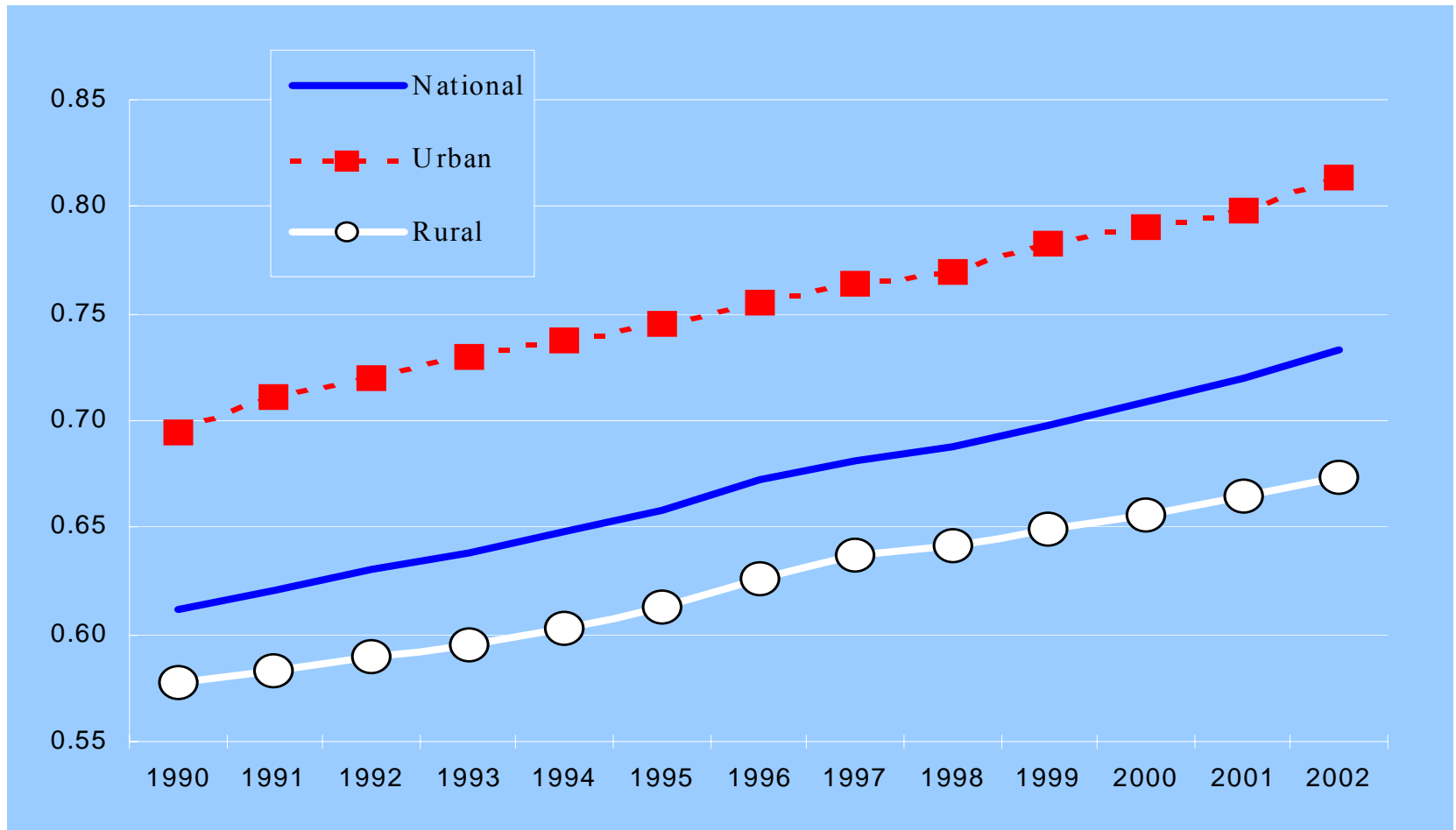
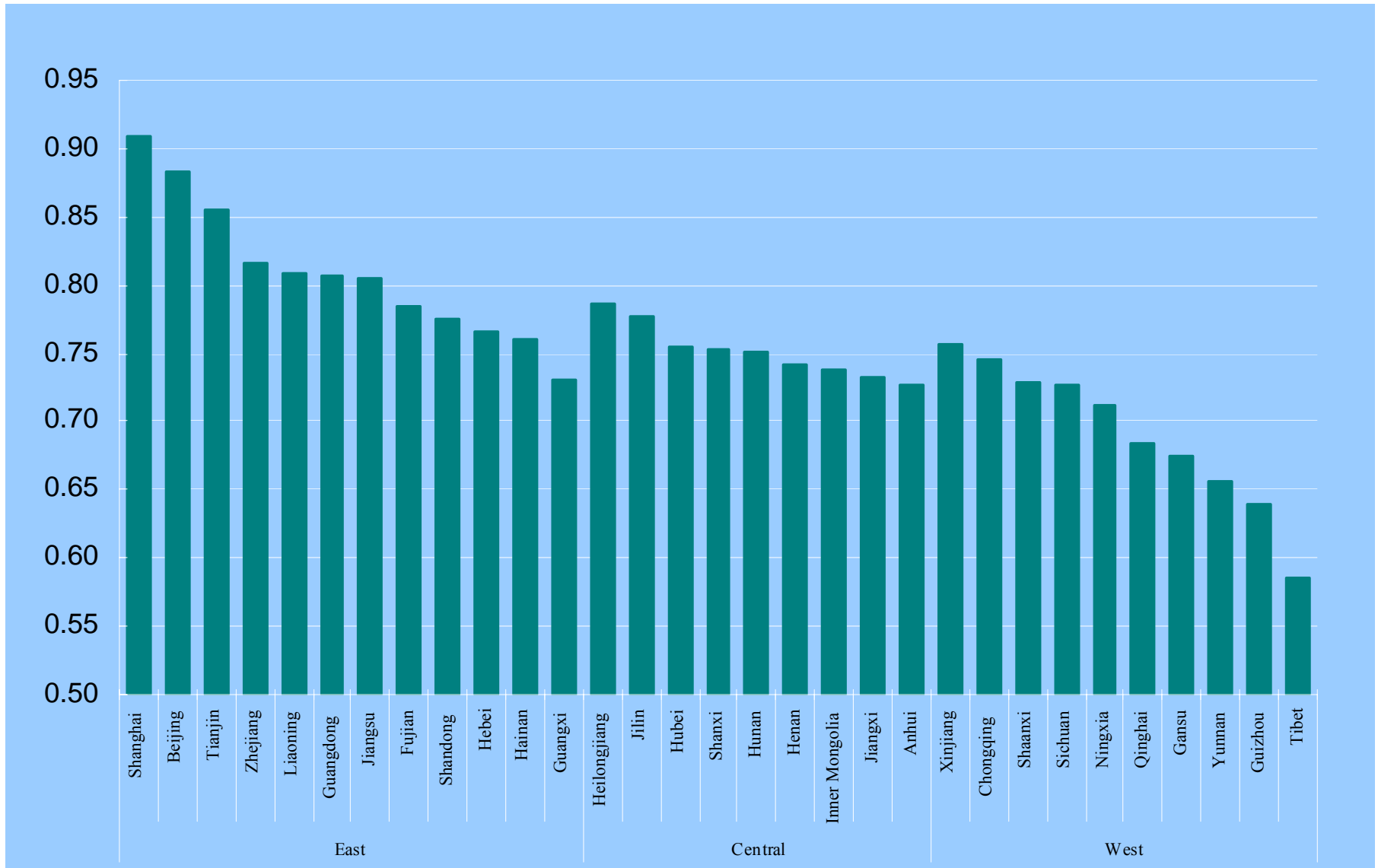


Figure 3. Chinese provincial HDI indices in 2003





# The analysis framework of social inequity

- 1. The unevenness of human development is closely linked to the social inequity, thus we have to solve the social inequality and inequity at a first stage.
- 2. It is necessary to build an analytical framework for the study and understanding of the inequality in China. ([See Table 1](#))

# Table 1. Analytical Framework for inequity

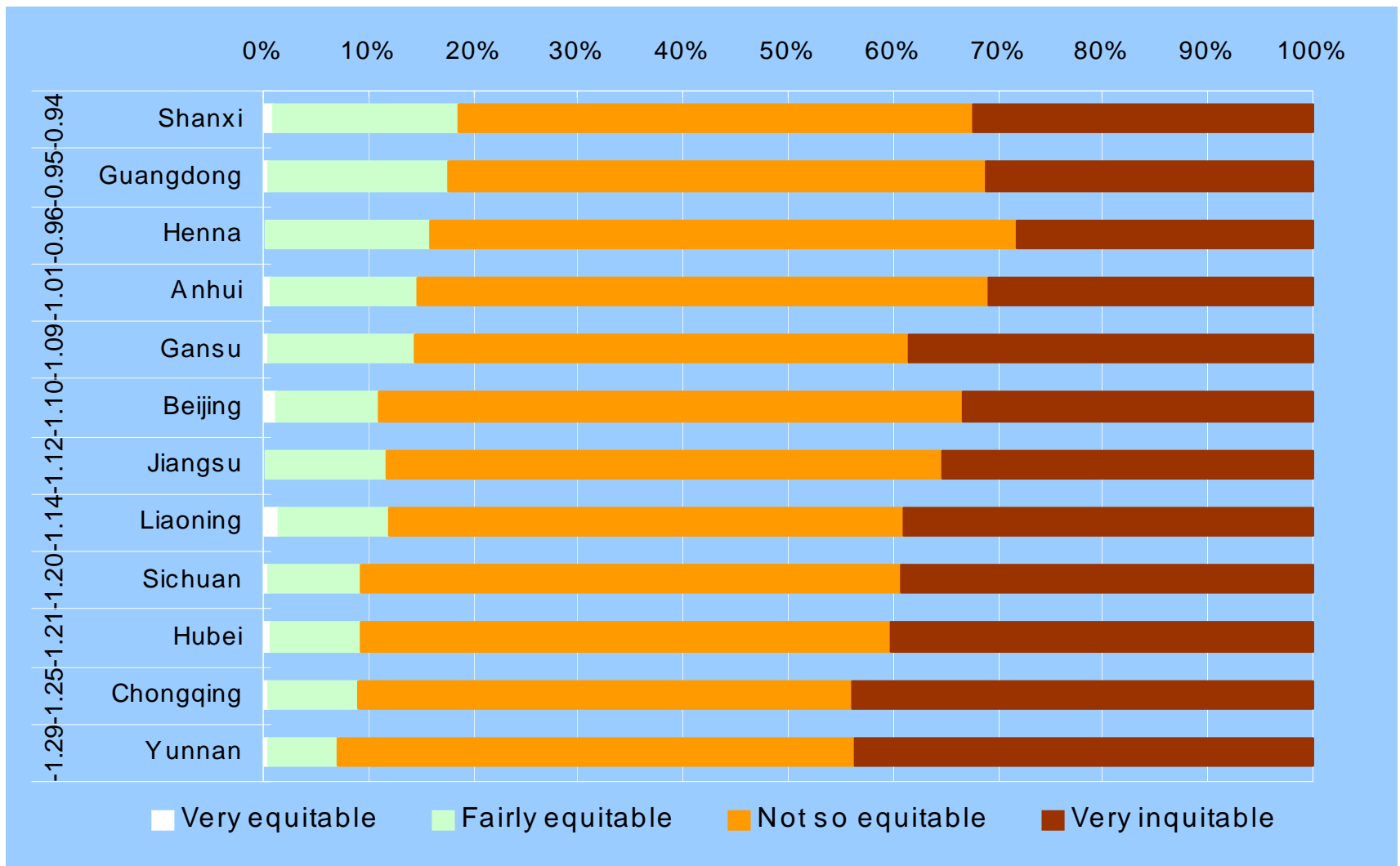
|   | (1)<br>Between<br>urban &<br>rural<br>areas | (2)<br>Between<br>regions | (3) Between Social groups                          |                            |                               |                |
|---|---|---------------------------|--|----------------------------|-------------------------------|----------------|
|   |   |                           | (3a)<br>Between<br>Migrants and<br>urban residents | (3b)<br>Between<br>genders | (3c)<br>Vulnerabl<br>e groups | (3d)<br>Others |
| <b>Distribution outcome</b>                             |   |                           |  |                            |                               |                |
| Income distribution                                     | Δ   | Δ                         | Δ  |                            | Δ                             | Δ              |
| Wealth distribution                                     | Δ   | Δ                         |  |                            | Δ                             | Δ              |
| <b>Opportunities and Capabilities</b>                   |   |                           |  |                            |                               |                |
| Job opportunities & remuneration                        |   | Δ                         | Δ  | Δ                          | Δ                             | Δ              |
| Educational attainment & public education resources     | Δ   | Δ                         | Δ  | Δ                          | Δ                             | Δ              |
| Physical health & public medical care                   | Δ   | Δ                         |  | Δ                          | Δ                             | Δ              |
| <b>Rights and others</b>                                |   |                           |  |                            |                               |                |
| Social security   | Δ   | Δ                         | Δ  | Δ                          | Δ                             | Δ              |
| Taxation system & fiscal revenue and expenditure system | Δ   | Δ                         |  | Δ                          | Δ                             | Δ              |

# The striking manifestations of the social imbalances in China

## 1. Inequity in the income distribution

- (1) China's national Gini coefficient in terms of the income distribution rose from 0.30 in 1982 to 0.45 in 2002, a 50 percent increase in two decades.
- (2) The widening income disparity is more clearly represented by the enlarging gap between urban and rural areas .
- (3) The widening of income disparity is becoming harder for the public to accept.

# Figure 4. Public Opinions in Different Provinces on National Income Distribution.



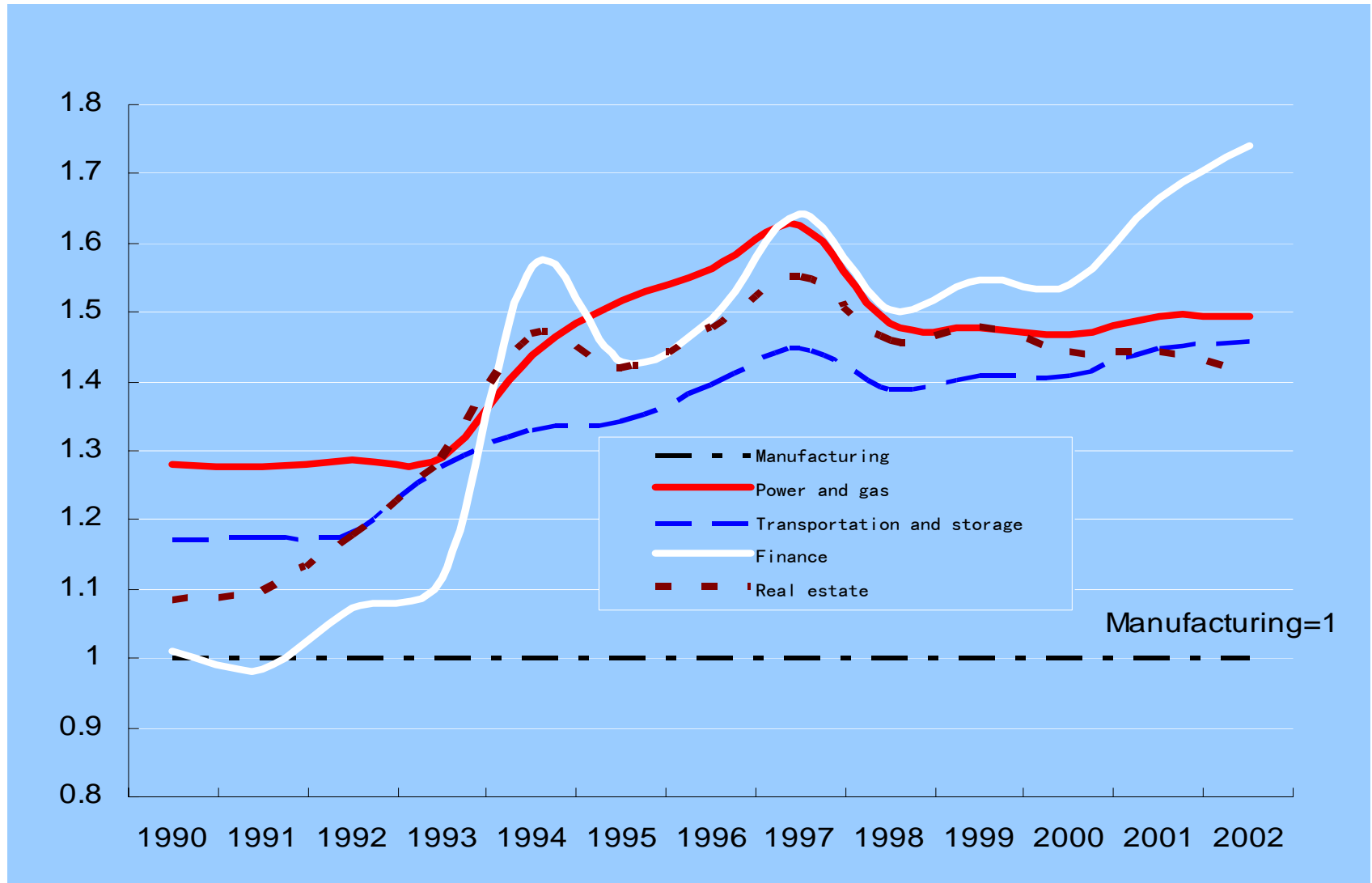
## 2. The disparity in wealth distribution

- China's national Gini coefficient for wealth distribution rose in a tremendous way, from 0.40 in 1995 to 0.55 in 2002, or an increase of 37.3 percent.
- The inequality in the national wealth distribution exceeds the national income distribution.
- The discrepancies in the wealth distribution between rural and urban areas are rather noticeable as well, since the latter is almost 3.7 times of the former.

### 3. Inequity in employment opportunities and payment

- The migrant workers have been discriminated against to a certain extent in terms of employment and wage determination.
- The gender disparities concerning employment and wage in urban areas are more obvious than ever before, particularly the discriminations against the female.
- The widening wage inequality across industries could not be separated from the fast growing wage in some monopolistic industries. ([See Figure 5](#))


Figure 5. The wage disparities between monopolistic industries and manufacturing industry



## 4. The inequity in education opportunities and educational resource allocation

- (1) The noticeable disparities of educational development indices in the Chinese urban and rural population; The illiterate population mainly concentrated in the rural areas.
- (2) It is also noticeable in the disparities of the regional educational levels; the counties which haven't implemented the 9-year compulsory education are all located in the poor rural areas.
- (3) The gender disparity of educational opportunities is widening in accordance with the upgrade of educational level. The proportion of the female in the higher education is far lower than that of the male .



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- (4) Remarkable imbalances in the allocation of compulsory educational resources between rural , urban areas and among regions
    - ▣ The public educational resources per head is decreasing from large cities to small ones, and then to rural areas.
    - ▣ The government's inputs of the educational expenditures is uneven among regions, especially the input in the poor areas is very limited .

# 5. Discrepancies in Health and Public Medical Care

(1) Great differences lie in the health standard of urban and rural residents.

- Rural child and maternal mortality are twice as high in rural areas as that in the cities.
- The chances of getting infectious diseases in the rural areas on the basis of two weeks is higher than that of the urban areas; More cases of getting infectious diseases in two-weeks time are reported in the rural areas than in the urban areas.
- The rate of low-weight cases of under-5 in the rural areas is 4 times that of the urban cities.
- The ratio of growing retardance of under-5 is 6 times as much as that of the urban areas.


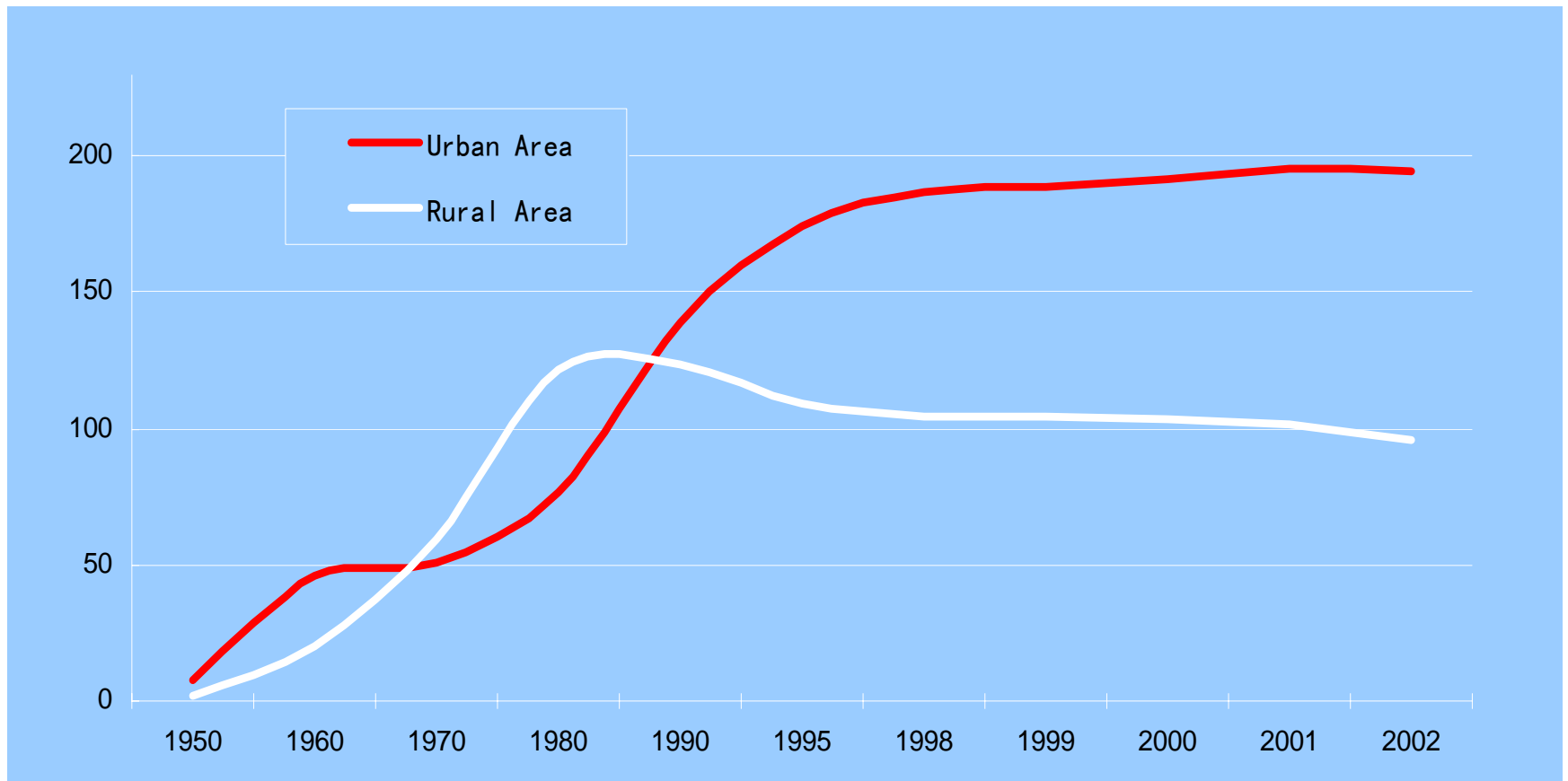
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- (2) The allocation of public health and medical care resources have inclined to the urban or developed areas, while neglecting the rural and undeveloped area.
- The number of doctors per 1,000 residents relied on in the cities amounted to 2.3, but in the countryside the figure was only 1.2.
  - The number of hospital beds per 1,000 residents allocated in the cities was 4 times as much as the figure in the countryside in 2002. ([See Figure 6](#))
  - The number of rural doctors and health care personnel per 1,000 rural residents decreased from 1.79 in 1980 to 1.41 in 2001.

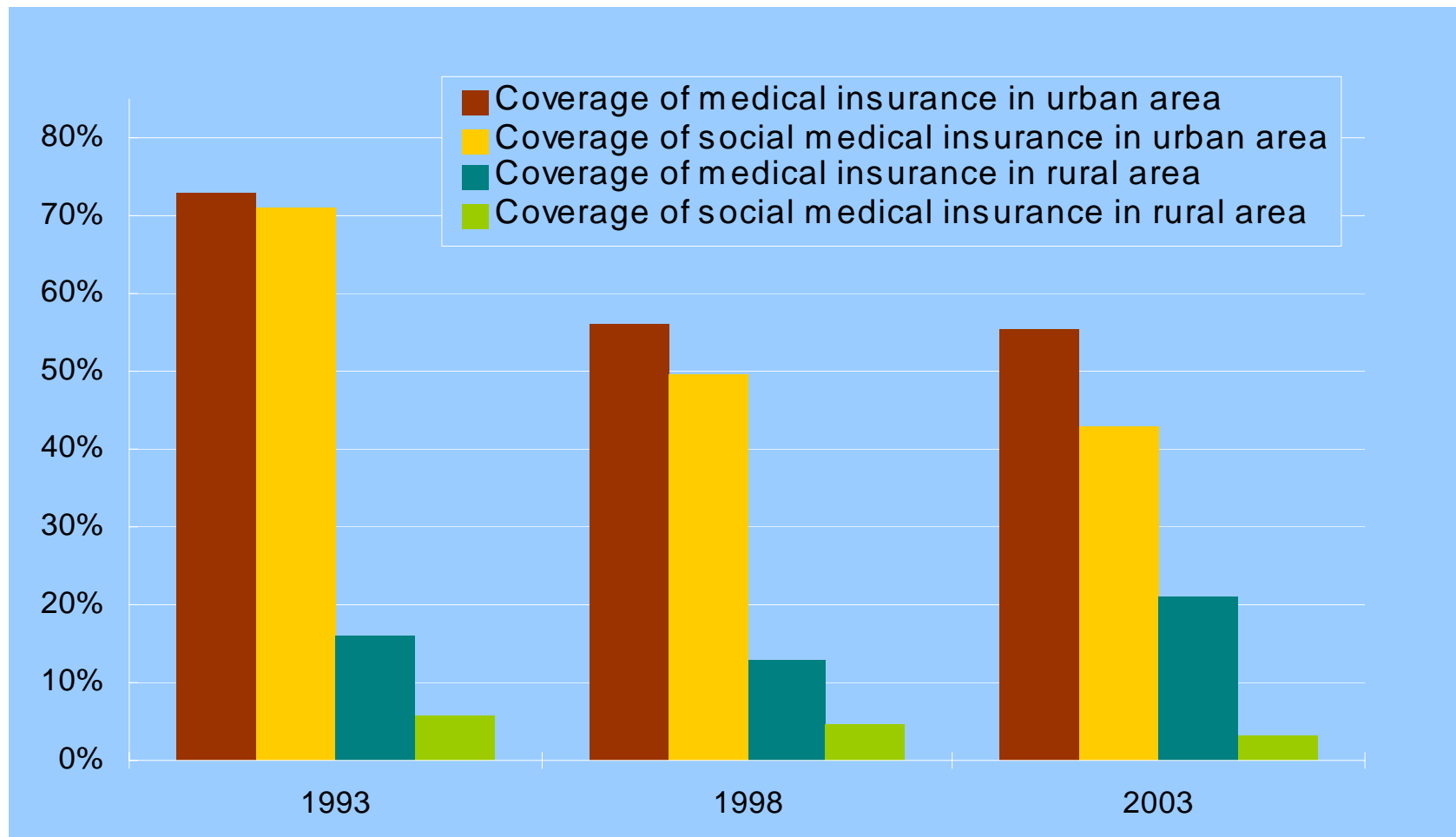
Figure 6. The number of hospital beds in urban and rural areas between 1995-2002 (in tens of thousands)



## 6. The inequality of social security

- (1) The social security expenditures for the urban employees are becoming increasingly high which is beyond the financial capacity of the companies and society; meanwhile, the majorities of the labor force including the migrant workers, the TVE employees and the farmers are almost excluded from the social security system. ([See Figure 7](#))
- (2) The coverage for the male employees in the social security system is wider than that for the female.

Figure 7. Various medical insurance coverage in the urban and rural areas.



# 7. An Unequal Fiscal Revenue and Expenditure System

- During a very long period in the past , the rural residents have been unfairly treated in terms of tax paying .
- The allocation of the national fiscal revenues is unequal; in some urban areas , the per capita fiscal expenditure is 5 times as much as that in the rural areas.
- Not only did the disparities of the government fiscal revenues between provinces and counties contract, but rather in an expanding manner.
- The proportion of fiscal expenditures by the county and township government decreased to only 40 percent, the rest mainly rests on the provincial and city government.

# Vulnerable Populations

- *The rural poor:* The absolute rural poor population is 26.1 million;  
According to World Bank's practice about the poverty line which is 1 dollar per person per day, the rural population will exceed 85 million in 2002.
- *The urban poor:* those living on the basic living allowance in the urban and rural areas amount to 22 million.
- *Land-expiration farmers:* roughly 40 million
- *Rural migrant populations in cities:* around 150 million.





# Establish a fair view on a harmonious society


- The equity of basic human rights and opportunities.  
Men's basic rights  
includes political rights (The right to participate public affairs, the right to vote and to be elected, freedom of speech and expression, freedom of religion).
- The ultimate goal of the society is the human development , or the upgrading of men's capability. Every citizen is entitled to the basic living allowance or salary allowance, basic medical care and compulsory education.
- The social equity should acknowledge the existence of disparity in terms of the revenue and wealth distribution which is acceptable by the public.


# Policy Proposals

- Allocating public resources to promote human development. Keeping pace in promoting the human development and the economic development. Making sure that the human development in the under-developed areas being faster than in developed areas. Likewise, faster in rural areas than in urban areas.
- Unifying labor market & promoting informal sector development. Implementing pro-poor economic growth and the principle of employment first to create more job opportunities for the society.

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- Improving rural infrastructure and living environments. Making investment in the rural infrastructure to develop a better condition for the all-round development in the rural areas.
  - Investing in the education to improve people's development capability. The central government is responsible in helping those regions with poor public education and promoting people's capabilities for development. Making their education expenditures to be equal to other areas. The central and provincial governments should join efforts with the county governments in financing the rural elementary education.

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- Strengthening public health and improving basic medical. Making investments in the public health and health sector to reduce the inequity of access to health services. In a step-by-step manner, the public health sector should be developed in the rural and under-developed areas as priorities and with an eye to the vulnerable population, so as to overcome the imbalances in the public health development across regions.
  - Improving the social security system and lowering the risks in the social development. The target for establishing a new social security system is to create a unified compulsory system characterized by wide coverage and low standards.

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- Eliminating social discriminative barriers and promoting social harmony and mutual assistance. It is essential to grant the same rights and protections to all the citizens.
  - Improving the rule of law and transparency. Perfecting the law system and establishing a rule-of-law society. Enacting and altering laws concerning the vulnerable group to ensure a better protection to their rights.

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- Reforming the taxation and fiscal systems for equitable redistribution. Public fiscal system should transform from the economic-development-oriented to public-service-oriented. Improving the inter-government transfer system to promote the public expenditure equalization at various levels of government.
  - Promoting government reform and improving public governance. The purpose of the reform rests on building a service-oriented government to serve better the public.



■ Thank You