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**INCOME INEQUALITY IN CHINA: SCALES AND
REGULATORY DIRECTIONS**
**НЕРАВЕНСТВО ДОХОДОВ В КИТАЕ: МАСШТАБЫ
И НАПРАВЛЕНИЯ РЕГУЛИРОВАНИЯ**

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Abstract. This article presents an analysis of income inequality in China. The study identifies areas of change in inequality as a consequence of the COVID-19 pandemic and authors propose the following directions for regulating income inequality: increase education equality and support human resource policies to increase skills and labour productivity; increase health equality; improve access to labour and financial markets; increase the progressivity of taxes; increase social spending; broaden the base of tax revenues; strengthen progressive non-income taxation; introduce green taxation; increase payout of dividends of SOEs; address the mismatch in revenue and expenditure at the local government level.

Аннотация. В статье представлен анализ неравенства в доходах в Китае. В исследовании обозначены направления изменений в неравенстве вследствие пандемии COVID-19, предложены направления регулирования неравенства в доходах, в том числе: обеспечение равенства в образовании и поддержку политики в области человеческих ресурсов; обеспечение равенства в здравоохранении; расширение доступа к рынкам труда и финансовым рынкам; совершенствование прогрессивного налогообложения; увеличение социальных расходов; расширение базы налоговых поступлений; введение «зеленого» налогообложения; устранение несоответствия доходов и расходов на уровне местных органов власти.

Income inequality refers to the unequal distribution of economic assets (wealth) and income among individuals in a group. The term generally refers to the income gap between individuals or groups in a society, and can also be used to point out international inequality. The issue of the gap between the rich and the poor is related to the concepts of economic equality, equal opportunity and equal outcomes.

The Covid-19 pandemic has exacerbated several forms of inequality within countries. It is still too early for a systematic understanding of the intra-country impact of the crisis on income and wealth inequality due to the lack of real-time data on the distribution of growth across all countries.

However, some data sources help us to understand the interplay between the Covid crisis and inequality within countries. From billionaire wealth records, we observe, for instance, that the gap between the very top of the wealth distribution and the rest of the population has widened dramatically during this pandemic. Between 2019 and 2021, the wealth of the top 0.001 % grew by 14 %, while average global wealth is estimated to have risen by just 1 %. At the top of the top, global billionaire wealth increased by more than 50 % between 2019 and 2021 [1].

In recent years, China's income gap has narrowed as a whole, but the Gini coefficient and the high-low income ratio are still at a relatively high level, the property-to-wage income ratio has continued to rise, and the income growth rate of the middle-income group lags behind that of the high- and low-income groups.

According to data from the National Bureau of Statistics, the Gini coefficient in 2019 was 0.465. The ratio of disposable income of high-income (top 20 %) and low-income (bottom 20 %) groups in 2020 was 10.20, down from 10.97 in 2018. But it is still at a high level; the average high-low income ratio from 2013 to 2020 is 10.64. The property-to-wage income ratio rose from 13.7 % in 2013 to 15.6 % in 2020 [2]. The proportion of property income increased from 2.3 % in 2009 to 8.7 % in 2020. Property income increased by 12.9 % in 2018, much higher than wage income of 8.3 % and operating income of 7.8 % [2].

Evidence demonstrates that serious income inequality can threaten a country's economic development and social stability. What is more, income inequality can lead to weak consumption and low efficiency, causing economic growth to slow. It can also make it hard for low-income people to bolster their own human capital, trapping them in a debilitating cycle of poverty with little upward mobility.

To solve the current problems of income distribution, China will need a holistic approach that includes designing a comprehensive and effective compensation and distribution policy framework but also the development of timely and equitable policy measures that curb these trends and address the problem of unequal income distribution in a fundamental way.

The following policy recommendations highlight three complementary avenues of reform to balance income distribution in the China: 1. Increase education equality and support human resource policies to increase skills and labor productivity; increase health equality; improve access to labor and financial markets; increase the progressivity of taxes; increase social spending; broaden the base of tax revenues; strengthen progressive non-income taxation; introduce green taxation; increase payout of dividends of SOEs; address the mismatch in revenue and expenditures at the local government level.

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