

Social Issues February 16, 2007, 6:56AM EST

China's Widening Income Gap

With city-dwellers now earning 3.2 times what rural residents do, workers are demanding more rights—and Beijing is starting to worry

by [Dexter Roberts](#)

As the National People's Congress prepares to meet in early March for its annual policy-setting meeting, economic and social issues are looming large in China, and one overshadows the rest: the mainland's widening income gap. In both the state press and the independent blogosphere, the media are abuzz with reports on just how serious the problem has become.

Several recent reports add fuel to the fire. At the end of December a survey came out showing that 90% of Chinese believe the gap between rich and poor is "serious," while 80% agree that the government must take action to redress the inequity.

The survey hardly focused on the disadvantaged—one would presume they are more sensitive to the issue. The Beijing-based *China Youth Daily* and Internet portal Sina.com questioned 10,250 people, ages 20 to 30, all of them with a college education and a job.

And on Jan. 31, China's National Development & Reform Commission showed the concern is justified. Urban incomes now are 3.2 times those of rural residents (who only earned \$413 per year in 2005, the last year data were available), up from 2.5 in 1978, when China started to reform its economy and open it to the world.

Making Opinions Known

The inequality problem is only getting worse. The top 10% of urban Chinese earn 9.2 times as much as the bottom tenth, up from 8.9 times the previous year. In rural China, the multiple was 7.3, compared with 6.9 one year before. China is facing an "alarming" situation, said Labor & Social Security Ministry official Su Hainan, according to a Feb. 2 report by official news agency Xinhua.

In response, policy makers and citizens are debating a host of new laws intended to strengthen the rights of workers, including regulations on social security and labor disputes, and an employment promotion law. All of these will be discussed at the Congress that starts on Mar. 5, and then will likely be enacted throughout the rest of this year. A key employment-contract law likely to pass in May elicited more than 190,000 comments from

individuals, institutes, and companies, including foreign employers eager to influence its final form.

Meanwhile, China is continuing its drive to unionize foreign and private employers across the mainland. Chinese unions have traditionally focused on minimizing labor disputes in order to support the Communist Party but are increasingly active supporting workers' rights. That push was behind Wal-Mart ([WMT](#)) allowing the official All China Federation of Trade Unions to open branches in its mainland stores in August of last year.

Hurts Social Stability

Why does Beijing care about inequity? One obvious reason is that it is sparking social unrest. Protests by workers angry about unpaid wages and farmers concerned over land seizures by local governments have helped fuel the estimated 87,000 major protest incidents that occurred in 2005, up from only 11,000 a decade before, according to China's Public Security Ministry.

"When a country has such high disparity it cannot sustain social stability," says Li Ping, chief representative of the Beijing office of the Rural Development Institute, a Seattle-based nonprofit that focuses on rural land issues.

To show Beijing's concern about widening social inequity, Premier Wen Jiabao on Feb. 6 met with a group of farmers, construction workers, and unemployed laborers. The purpose: to get their input before he presents the government's annual work report at the upcoming March Congress.

"It is [a government] of the people, for the people, and by the people. This is our objective," said Wen according to official news agency Xinhua following the meeting.

Little Enforcement

It's noble goal in principle, but all too often pretty words like Wen's don't translate into any real policy change. Meanwhile, new regulations often don't get implemented fully in the far reaches of China.

"Even when China has very good laws, implementation lags far behind," says RDI's Li Ping. Adds Kent D. Kedl, executive director of Shanghai-based business consultancy Technomic Asia: "They talk about the law, then they issue the law. Then it is another two or three years before it is finally enforced, and then only selectively."

The problem is, Beijing may not have that time to spare. Already China's richest 10% of the population owns 40% of all private assets, while 2% of total wealth goes to the bottom tenth, according to a survey released by the Chinese Academy of Social Sciences in January. With stark differences like that, it's no wonder income disparity increasingly is seen as the most pressing issue for the mainland.

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