DURABLE INEQUALITY:
WHO ARE CHINA’S NEW URBAN POOR?*

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Abstract

This paper focuses on a new aspect of China’s rising inequality: the emerging trend and underlying patterns of poverty in Chinese cities. We ask and attempt to answer the question “who are more likely to fall under the poverty line.” Results based on household survey data show that China’s urban poverty by relative measures has reached an internationally comparable level by the late 1990s, and a set of individual, household, and structural factors combined contributes to the risk of falling under poverty. By examining the prevalence of poverty and especially the characteristics of China’s newly poor in the cities, we intend to gain some insights about the capabilities of those falling into the poor category, and about their implications for the durability of inequality.

Following more than two decades of spectacular economic growth and rapidly rising economic inequality, a new social reality has emerged in urban China: a recently formed group of poor households and individuals. There is no question that economic growth in China in the last few decades has drastically improved the standards of living of the population and has moved hundreds of millions people out of absolute poverty. It is at the same time also an indisputable fact that China has joined the ranks of the more unequal societies in the world (World Bank 1997). In slightly over a decade’s time, income inequality measured by Gini coefficient nearly doubled, from about 0.2 in the mid 1980s to 0.4 by the late 1990s (Khan and Riskin 1998, 2005, Riskin, Zhao, and Li 2001).

Notwithstanding China’s impressive economic growth and income increase, comparable measures of poverty show that urban China is

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now on par with some other former socialist countries that had suffered severe economic contraction and income reduction in their early years of reforms. China’s better economic growth record, in other words, was not matched by a record of less economic polarization. Much of the rising inequality can be attributed to the enlarging gaps between China’s urban and rural populations and to the gaps among Chinese provinces and cities (Wang 2008). Within each of China’s sectors, however, inequality and poverty have also risen. In the backdrop of rising standards of living and rapid poverty reduction, a newly formed poverty group has also been born. The recent increase in inequality, in other words, may turn from a relatively fluid to a more permanent process, making a segment of the population into a more or less permanent underclass, as inequality has in other parts of the world.

Poverty is part of the overall profile of inequality in a given society, but it also merits special examination and understanding. In any society, there are always those who fall below the average income line, and those who occupy the extremes of income distribution. Unlike income distribution that can be fluid, however, poverty often associates with it a nature of permanency. If those at the bottom of the income distribution form a distinctive social class, not only deprived economically but also excluded socially and politically, poverty then matters much more than simple economic inequality (Sen 1992, Townsend 1979, 1993). By examining the prevalence of poverty and especially the characteristics of those who fall within this group, one gains insights about the capabilities of those falling into the poor category, and about the production and reproduction of inequality.

In this paper, we examine the emerging trend and underlying patterns of poverty in Chinese cities in the last two decades of the twentieth century, focusing on the decade of the 1990s. We ask and then attempt to answer the question of “who are more likely to fall under the poverty line” as our way to understanding the emerging patterns of an urban poor class. We begin in the following with a brief discussion of the concepts of poverty, and a discussion of three different perspectives on the underlying causes of poverty. That section is followed by a description of the data and the method used for this study, and then followed by a presentation of the results of our analyses. In the conclusion section, we address the implications of our study findings for the formation of an underprivileged social class in urban China.