

10 Understanding chronic poverty in China

For the Chinese peasantry of the 19th and early 20th century, lifelong poverty, hunger and vulnerability were the norm. In the late 20th century, a unique combination of revolution, land reform and central planning, followed by the gradual opening up of the economy, has dramatically reduced the proportion of people trapped in poverty. Indeed, much of the achievement in global poverty reduction over the last 30 years is attributable to progress in China.

However, the benefits of recent rapid economic growth have been highly unequal, both between regions and across social groups. Growth, and its benefits, have been concentrated in urban and coastal areas while neo-liberal reforms, including the introduction of user fees in health and education, the closure of state-owned enterprises, and the withdrawal of the 'iron rice bowl' (guaranteed access to food)¹ have reduced the incomes of many poorer households while increasing their costs. The historical disadvantages that minority groups have faced continue and may well have deepened in recent times.

Poverty trends in China

Since the beginning of the economic reforms in 1978, China has experienced rapid economic growth: official figures suggest 9% on average between 1978 and 2000. This has been accompanied by a dramatic reduction in absolute rural poverty, at least until the mid- to late-1980s. Chinese statistics, which use an official income poverty line of about US\$0.67/day, indicate a massive decline in the number of rural Chinese in absolute poverty from 250 million in 1978 to 34 million in 1999. World Bank (2003b) estimates, US\$1/day poverty line, report a slightly more modest decline in poverty measured based on household incomes from 260 to 97 million over the same period.

However, much depends on the measure that is used. According to the most recent estimates, the number of rural poor with daily *expenditures* below US\$1 in 1999 was 235 million, more than twice that under the *income* poverty line.² Indeed, using the expenditure criterion, poverty in China actually increased in the late 1990s, from 214 million (1996) to 235 million (1999). The difference in these figures seems to be due to the large number of households clustered around the US\$1/day poverty line: minimal saving by those whose daily income is just above the poverty line pushes their

daily expenditure down just below.³

At the same time as per capita incomes have risen, income inequality has worsened markedly,⁴ and this is increasingly matched by inequalities in social indicators. The improvements in national human development indicators over the past three decades have been impressive, but not for everyone. The gaps in health outcomes between regions and social groups are enormous; for example, while the national infant mortality rate has dropped from 48 per 1000 live births in 1975, to 32 in 2000, IMR among the poorest quartile of the rural population remains 3.5 times higher than that among city dwellers.⁵ While the majority of the country's population may have experienced improvements in their well-being, a large minority are still waiting to see the benefits of growth 'trickle down'.

How many people are chronically poor in China?

In estimating numbers in chronic poverty in China, we take the US\$1/day poverty estimates based on household expenditures, to be consistent with other countries. There are no national-level panel data for China, and limited reliable data of any kind on urban poverty. Best

estimates are that between 40 and 65 million people live in persistent poverty, or between about one-fifth and one-quarter of the country's absolute poor. Chronic poverty may be on the rise as the 'new poor' join the ranks of those left behind by growth.

Available panel data covering five consecutive years between 1991 and 1995 in rural Sichuan,⁶ shows that only around 6% of households were consumption poor in all five years, compared to 44% who were poor in at least one year. But there is still a high degree of persistence, once a household has fallen below the poverty line.⁷

On the basis of panel data from four southern provinces⁸, almost 60% of rural poverty in the three poorest provinces, but less than 20% in the better-off province, is chronic.⁹

Other indicators suggest that chronic poverty remains a significant problem in China. For example, on the 'preventable death' criterion of chronic poverty, China has tens of millions of 'missing women'. Huge numbers of children – about one-quarter according to a 1993 survey – are malnourished.¹⁰

Who are the chronically poor in China?

The chronically poor in China tend to have several characteristics that combine to trap them in poverty. Some of these can be seen as 'historically' predisposed to chronic poverty while others are the 'new poor', impoverished by recent processes, many of whom seem likely to form tomorrow's chronically poor.

Ethnic minorities: China's non-Han populations have faced discrimination for centuries, and despite the profound socio-economic changes in the country over the last 50 years, this discrimination appears to be a constant thread in patterns of impoverishment. There are more than 50 ethnic groups, comprising only 9% of the total population, but 40% of the absolute poor in the country.¹¹ Their difficulties are exacerbated by the remote and rugged areas in which a large majority of minority peoples live.

Older, sick, or disabled people, and households with high dependency ratios: In rural areas, the poorest households are those who support older, sick and, increasingly, disabled family

members. Poverty is particularly persistent in households where one or two economically active people have to support both young children and ageing parents.

In urban areas, chronic poverty has been identified with the 'three "Nos" ... no ability to work, no savings and no friends or relatives to depend on'.¹² While the old age pension system limits the extent of chronic poverty in old age and reduces the pressure on households with older members, the introduction of user fees for health care has increased the likelihood of households with older, sick or disabled members becoming trapped in poverty.

Orphaned and abandoned children, and street children: Official Chinese estimates in 1999 suggested there were about 100,000 abandoned children, primarily girls, but also disabled boys.¹³ There are also 150,000 street children, most of whom are not included in the 'orphan' statistics. These figures are likely to grow as HIV/AIDS rates continue to rise. Chinese children living outside families are often severely and variously deprived, with extremely limited access to education and poor nutritional status. Contracting social expenditures have begun to turn around, and are increasing both in absolute terms and relative to total government expenditure and to GDP alongside transfer expenditures.¹⁴

The 'New Poor'. Over the 1990s, many have become poor *because* of economic restructuring. As in the transitional economies, the collapse of state-owned industries, particularly in one industry towns and cities, has meant that millions of people have lost their livelihoods and their social security at the same time.¹⁵

They have the ability and willingness to work, but economic growth is insufficient and there are no jobs available. The government introduced a 'minimum income guarantee' (MIG) for urban poor in 1996. The number of people under its coverage has increased rapidly.¹⁶

People resettled for major infrastructural projects often face similar problems when their livelihood is lost and new opportunities are not made available to them.¹⁷ There is also emerging evidence that a proportion of rural to urban migrants are becoming part of this 'new poor' group. These *wai di ren* ('outsiders') '... are more likely to take up odd, informal jobs and become the bottom segment within the migrant population'.¹⁸ In 1997 an official estimate for Beijing was that 88% of the school age children of *wai di ren* were not enrolled at school.

Where are the chronically poor in China?

Aggregate figures conceal the enormous variations in poverty and well-being that now characterise China. The growing provincial inequalities in economic growth rates and per capita incomes are matched by increasing differences in social indicators. In terms of life expectancy and income, Shanghai is comparable to Portugal, and Beijing to Costa Rica, while the poorest regions are at the level of Tajikistan, Vietnam and Bolivia, and approaching the low income countries of South Asia.¹⁹

Chronic poverty in rural areas: The available evidence indicates that chronic poverty is highest in rural areas and that it is particularly concentrated in north-west, west and south-west areas, away

from the dynamic coastal region. Often such areas are remote from growth centres, of low agro-ecological potential,²⁰ and have large ethnic minority populations. Any industry the area once had was largely state-owned and likely to have been closed during the economic restructuring. It is likely that chronic poverty is greatest in the counties officially classed as 'poor'; the government has increased the number of these from 258 in 1986 to 592 in 2003. However, evidence is emerging of the large numbers of people trapped in poverty in 'non-poor' counties. The growing economic and social inequality of rural China means that substantial numbers of chronically poor people live in areas that have been prospering.²¹

Chronic poverty in urban areas: An estimated 5% of the urban population (or 14 million people) experience US\$1/day income poverty²² – confirming the broad consensus that poverty in China remains mainly a rural problem. However, urban poverty is probably underestimated because 100 million of China's urban population are still recorded as living in their home villages.

While poverty is lower in urban areas, and much more likely to be transitory, there is evidence that the 'old' urban long term poor are now accompanied and even outnumbered by significant numbers of 'new poor'²³ – those who have moved to cities but are unable to meet their minimum needs due to the low paid casual work into which they are forced, and the very limited access to state-provided services. In areas away from the coastal zone, factory closures have created deep concentrations of persistent poverty.

Notes

1. Cook 2003.
2. World Bank 2003.
3. Hussain 2003.
4. The national Gini coefficient rose from 28.8 in 1981, to 32.1 in 1990 and 41.6 in 1999.
5. World Bank 2003b, in LeBrun 2003.
6. China's most populous province, with over 100 million people.
7. McCulloch and Calandrino 2003: 624, 620.
8. Yunnan, Guangxi, Guizhou, and the better-off Guangdong.
9. Jalan and Ravallion 1998; they use a components approach, and a consumption-based poverty line for this estimate.
10. LeBrun 2003. This is an extremely complicated issue. For a detailed discussion, see Yong Cai and William Lavelly, 'China's Missing Girls: Numerical Estimates and Effects on Population Growth,' *The China Review*, Vol. 3, No. 2 2003, pp. 13–30. [www.chinesepress.com].
11. World Bank 2001.
12. Hussain 2003.
13. LeBrun 2003.
14. Shaoguang Wang, The Chinese University of Hong Kong, Dept. of Government and Public Administration (pers. comm.).
15. Despite China's recent economic growth, 9 million of the 26 million workers who lost jobs in state owned enterprises between 1998 and 2002 had not found new employment (World Bank 2003).
16. Shaoguang Wang, The Chinese University of Hong Kong, Dept. of Government and Public Administration (pers. comm.).
17. The most obvious example is the Three Gorges Project, which is disrupting the livelihoods of more than a million people who have been moved to upland areas that are agro-ecologically fragile.
18. Wu 2001. Urban migrants may be poor by urban standards, but it is not clear whether their living standards improve or worsen by moving into urban areas (Shaoguang Wang, The Chinese University of Hong Kong, Dept. of Government and Public Administration, pers. comm.).
19. UNDP 2003.
20. McCulloch and Calandrino 2003 found that chronic poverty was significantly more likely to occur in upland areas in Sichuan than lowland areas.
21. For example, in Shanxi Province 3.8 million poor people live in the 34 designated poor counties. Another 1.5 million are recorded in the province's non-poor counties (Cook and White 1997). See also Riskin 1994.
22. Using an expenditure poverty line of US\$1/day raises this to 12% or 37 million people. Hussain 2003.
23. Hussain 2003.