

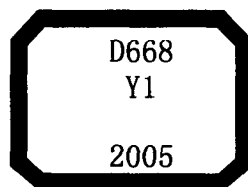
China Human Development Report 2005

Development With Equity



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





China Human Development Report 2005

中国人类发展报告 2005

Development With Equity

追求公平的人类发展

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电 话 / (010) 68002481 68002482
邮 编 / 100044
传 真 / (010) 68002480
电子邮件 / ctpc@public.bta.net.cn
网 址 / www.ctpc.com.cn

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Preface

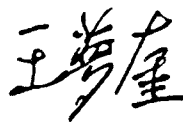
The developmental goal set by the Chinese Government is to build up a Xiaokang society in the first two decades of the 21st century. The Xiaokang society refers to the stage of development during which people generally are not rich but have adequate food, clothing, and other material belongings necessary for a decent life. It is a stage China must pass through in its drive for modernization. Our next goal is to achieve overall modernization by the mid-21st century.

What China is struggling for in promoting modernization is not just economic growth but overall social progress based on economic development that allows everyone to benefit. To achieve this, China has put forward the idea of building a harmonious society, emphasizing policy goals such as balancing development among regions and between urban and rural areas; creating job opportunities; improving social security and public health; and developing cultural, educational, and social programs. As the UNDP report indicates, China's human development index has risen continuously, reflecting marked social progress in the past decades. During the 11th Five-Year Plan (2006-2010), China is expected to devote more attention to the issue of social equity and take more actions to promote social development.

Along with economic reforms and rapid growth, China has witnessed dramatic changes in its social and economic structure. The country is making the transition from a bipolar urban-versus-rural system to a more balanced and integrated modern society. This change is shifting hundreds of millions of peasants into non-agricultural sectors through the processes of industrialization and urbanization—processes accompanied by a social restructuring of unprecedented depth and breadth. In a country with a population of 1.3 billion, achieving rapid and sustainable economic growth, structural change, and social transformation simultaneously is a daunting task. Accomplishing these historical tasks will take a long time, and will require that many policy issues and practical problems be addressed. As these problems and difficulties emerge, they will be resolved with measures aligned with development and reform. China has great potential for development and has a bright future, but historical transformation is often fraught with conflict.

The present “China Human Development Report” tells of China's achievements in social development and the policy options the government should consider to promote further development. I believe the report will help China build a Xiaokang society, and help the international community gain a better understanding of China's development.

Unlike the previous three reports written by foreign experts and institutions, this fourth “China Human Development Report” was written by a Chinese team of experts organized and coordinated by the China Development Research Foundation. We owe them our thanks for their fine work.



Wang Mengkui

President

Development Research Center of State Council, PRC
Chairman

China Development Research Foundation

Oct. 15, 2005

Foreword

China's rapid development raises the pressing need to confront the challenges that have arisen in terms of equity in ensuring equal opportunities and capabilities among its large population. It is now China's policy goals of Xiaokang to build a well-off and harmonious society and become an essential part of the global effort to attain the Millennium Development Goals.

Since adopting the groundbreaking reform and opening-up policy in the late 1970s, China has made considerable progress in human development as measured by the rise in almost all human development indices. Although it is still a low-income country, China's achievements in literacy and life expectancy have placed it among the ranks of middle-income countries. China now no longer has a single province or autonomous region in the low human development category.

Despite such progress, China faces great challenges. Disparities between those who benefit from economic advancement and those who are left behind are sharpening, and statistics at the macro level cannot disguise the vast gaps in development between regions, urban and rural areas, as well as between men and women and social groups.

The China Human Development Report 2005 catalogues the imbalances in China's current development and sets forth a set of policy recommendations to help China chart its path of "*Development with Equity*."

The issue of equity is essential to sustainable human development and indispensable to China's Xiaokang goals. The report argues that inequity, if unaddressed, could penalize China's economic development and undermine the extent and sustainability of future progress. To achieve inclusive and sustainable development, China needs to integrate proactive equity and pro-poor policies into future national macro-economic policy frameworks.

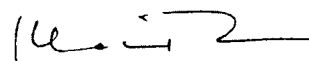
Inequity, the issue of primary concern in this report, is viewed as the inequality of basic rights and opportunities. In China, it surfaces as a nexus of selective disenfranchisement that includes institutionalized differences between regions, areas, and groups in terms of income, property ownership, employment opportunities and wages, education, health care, social security, and government fiscal expenditure.

Reasons behind such inequities are complex, with roots in history, past policies, and the still-less-than adequate markets. To address them, this report puts forth a set of policy suggestions for creating opportunities and fostering abilities, enhancing social security

services to reduce vulnerability, and promoting empowerment and improving governance.

The report is produced by a team of eminent national authors under the coordination of the China Development Research Foundation. It is the first time the production of the China Human Development Report has had such strong national ownership, a process of special significance for China's development community. A big thank you for their hard work and insightful analysis. I also wish to take this opportunity to thank the Department for International Development, the Swedish Embassy and Shell (China) Ltd. for their kind sponsorship.

There are no easy answers to the equity challenges that China faces. However, it is our hope that, taken together, the changes suggested within this report can help China harness fully the large potential of its economic miracle for the benefit of all its citizens. These, in turn, can reinforce stability and sustain the development of China.



Khalid Malik

UN Resident Coordinator and
UNDP Resident Representative

Acknowledgements

The “China Human Development Report 2005” is the result of collaborative research efforts and a production to which many partners have contributed. In the past two decades, China has not only achieved rapid and sustained economic growth, but has also made substantial progress in human development. But along with the rapid growth, the issue of social inequity has also become increasingly tangible. Social inequity not only constitutes a barrier to human development, but also threatens China’s sustainable economic development and long-term social stability. In recent years, research institutions and scholars have become aware of the severity of inequity and inequality in China, and some valuable studies have been conducted from a variety of perspectives. These studies provide important support for this report.

The framework and structure of this report have been developed gradually. A number of experts and scholars actively participated in the discussions and provided many constructive suggestions. Besides their roles as coordinators, Secretary-General Lu Mai and Deputy Secretary-General Wang Xu of the China Development Research Foundation have worked closely with the two chief editors in designing the structure of the report. Professors Wang Shaoguang, Hu Angang, Cai Fang, Han Jun, Shang Xiaoyuan, Wang Rong, Gao Yu, Shahrbanou Tadjbakhsh, Omar Noman and Calla Wiemer also provided valuable suggestions on the report’s general framework. During the initial stage of this study, UNDP’s Beijing Office and the China Development Research Foundation jointly held a workshop in June 2004 to solicit advice from scholars and government officials. Participants freely aired their views and put forward many worthy suggestions, some of which are contained in the report.

In addition to helping design the report, the China Development Research Foundation entrusted selected Chinese experts to contribute 10 background papers. These include “Analytic Framework for Equality” (Wang Shaoguang), “Inequality in Income Distribution in China and Policy Suggestions” (Li Shi and Yue Ximing), “Wealth Distribution of Chinese Residents” (Zhao Renwei and Ding Sai), “Educational Disparities and Inequality of Public Education Resource Distribution” (Wang Rong), “Health Discrepancy and Inequality of Public Health Conditions” (Zhang Zhenzhong, Gao Guangying, Han Youli and Ren Jing), “Employment Opportunities in Urban and Rural Areas and Inequality in Wage Payment” (Cai Fang, Du Yang and Wang Meiyang), “Inequality in Social Security”

(Shang Xiaoyuan), “Inequality in China’s Public Finance and Public Service Provision” (Hu Angang), “Developmental Goals and Guiding Principles for the Future” (Hu Angang), and “Employment and Social Security for Landless Peasants” (Han Jun). These background papers constituted a major source of ideas and data for this report. To give contributors of these background papers a better understanding of the real social and economic situation in China, in July 2004 the China Development Research Foundation organized a field study trip to Shangluo Prefecture in Shaanxi Province and Wenzhou City in Zhejiang Province. Experts on the survey team included Zhao Renwei, Lu Mai, Li Shi, Bai Nansheng, Du Yang, Gao Guangying, Han Youli, and Du Zhixin. Some of their investigations have been incorporated into this report.

The first draft of “China Human Development Report 2005” was completed before the 2005 Spring Festival (Chinese Lunar New Year). The following months saw an uninterrupted process of comment, solicitation, and revision. Mr. Wang Mengkui, President of the State Council’s Development Research Center and Chairman of the China Development Research Foundation, and Mr. Khalid Malik, UN Resident Coordinator and UNDP Resident Representative, put forward many important and constructive suggestions for revising the report. Other experts who presented valuable opinions include Professors Wu Jinglian, Zhao Renwei, Mao Yushi, Chen Xiwen, Lu Mai, Wang Xu, Wang Shaoguang, Hu Angang, Cai Fang, Jia Kang, Han Jun, Yao Yang, Wang Sanguai, Shan Xiaoyuan, Wang Rong, Wei Zhong, Du Yang, Gao Yu, Peter Nolan, Omar Noman, Calla Wiemer, Constance Thomas, Mark George, and Nafis Sadik. At the final stage of revision, Lu Mai, Wang Chunhua, and Zhang Changdong carefully edited the entire Chinese draft. China Translation & Publishing Corporation translated the report into English. Shahrbanou Tadjbakhsh and Winter Wright helped with English Editing. We would like to express our gratitude to all of them.

Last but not least, as the editors of this report, we would like to take this opportunity to express our particular appreciation to the working staff of our research team for their kind assistance over the past year, an incomplete list of whom includes Li Tonglian, Cui Xin, Chu Hung-lam, Xie Maosong, Du Zhixin, Luo Chuliang, Wang Yake, Deng Quheng, Chou Ting, Feng Wei, Huang Haili, and Zhang Yan.

Li Shi
Bai Nansheng
October 2005

China Human Development Report 2005 Project Team

Consultants

Wang Mengkui	President, Development Research Center, State Council
Wu Jinglian	Senior Research Fellow, Development Research Center, State Council
Chen Xiwen	Deputy Director, Office of Central Leading Group for Finance and Economics

Coordinator

Lu Mai	Secretary General, China Development Research Foundation
--------	--

Chief Editors

Li Shi	Professor, School of Economics and Business, Beijing Normal University
Bai Nansheng	Professor, School of Agricultural Economics and Rural Development, Renmin University of China

Principal Authors of Background Reports

Cai Fang	Director and Senior Research Fellow, Institute of Population Studies, Chinese Academy of Social Sciences
Han Jun	Director, Rural Research Department, Development Research Center, State Council
Hu An'gang	Director, Center for China Study, Chinese Academy of Sciences
Li Shi	Professor, School of Economics and Business, Beijing Normal University
Shang Xiaoyuan	Professor, Institute of Social Development and Public Policy, Beijing Normal University
Wang Rong	Professor and Head, Department of Education Economics and Administration, Peking University
Wang Shaoguang	Professor, Department of Government and Public Administration, Chinese University of Hong Kong
Zhang Zhenzhong	Vice Director, Institute of Health Economics, Ministry of Health
Zhao Renwei	Senior Research Fellow, Institute of Economics, Chinese Academy of Social Sciences

Director of Project Office

Wang Xu	Deputy Secretary General, China Development Research Foundation
---------	---

Members of Project Office

Wang Chunhua	China Development Research Foundation
Zhang Changdong	China Development Research Foundation
Du Zhixin	China Development Research Foundation

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Abstract

Equity as a Development Goal

To reach its human development goals, China must achieve social equity. The first step toward this goal is to establish a concept of social equity accepted by all of society and comprising two main objectives. The first is equality in fundamental human rights and opportunities. These include political rights such as the right to participate in public affairs, and to vote and be eligible in elections; freedom of expression and belief; and social and economic rights. The second objective is the universal ability of people to improve their capabilities. This assumes every citizen is guaranteed a basic standard of income, medical care, and access to education.

Social equity is sometimes understood to mean equality of income; and indeed, widening income disparities are perhaps the most dramatic manifestation of inequity in China. But this report goes beyond income distribution by examining the extent to which rights and capabilities fundamental to the establishment of social equity are (or are not) being realized. It examines unequal rights and capabilities among different population groups, reflected in such factors as freedom of migration, the right to employment, and the right of equal pay for equal work. When combined with income distribution, such issues form the threads

that make up the fabric of social equity, and therefore of balanced and complete development.

Amid impressive growth, growing disparities

China has made remarkable progress in human development since reform and opening up began in the late 1970s. Its HDI ranking has risen continuously over the past 20 years, to 85th in 2003 among 177 countries. Life expectancy and some other health indices are higher today than average levels in developing countries and roughly the same as in medium-income countries. China's primary school enrollment rate was 11 percent higher than the average level of developing countries in 2002, and was at the same level as medium-income countries. Adult and youth literacy rates are also above average levels in developing countries and equal to those in medium-income countries. In the past 26 years, GDP has grown 9.4 percent a year on average, and the absolute poor population in rural areas has dropped from 250 million to 26.1 million.

Nevertheless, China remains plagued by imbalances in development — most notably between ur-