

Characteristics of Income Disparities and Strategies during Public Health Events

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Abstract: Amidst significant public health events, a trend of increasing income disparities has emerged among specific demographics in China. This is characterized by substantial gains in the income and wealth of high-income individuals, alongside a growing income gap both across different economic strata and among various industries. To address these challenges, it is advised that comprehensive macroeconomic policies be deployed to alleviate the financial pressures on China's middle and lower income groups. These policies should focus on securing employment and fostering income growth for wage earners, enhancing the impact of taxation and philanthropy on income distribution, tightening oversight of the capital markets to curb rapid asset price inflation, speeding up the development of a layered social security system in China.

Keywords: Public Health Event; Income Disparity; Strategies

In the wake of the COVID-19 pandemic, a significant public health event, China has managed to coordinate its epidemic control with economic and social development, thereby maintaining a trajectory of stable macroeconomic recovery. However, the post-pandemic phase has unveiled some imbalances in China's economic resurgence (Liao Qun, Xu Tianqi, 2022), which warrants special attention. Notably, there has been a

considerable increase in the wealth of a few high-income groups, while a vast number of middle and low-income individuals have suffered impacts on their employment and income (Bocage et al, 2023), leading to widened income disparities among different groups and showcasing clear signs of divergence. There is a pressing need for a multifaceted policy approach to further deepen reforms in China's income distribution system, provide targeted relief to middle and low-income groups, and foster common prosperity for all.

1. Trends of Diverging Income Disparities Among Specific Groups in China During the Post-COVID Period

Significant Rise in Wealth and Income Among High-Income Groups. According to the Credit Suisse Global Wealth Report 2021, China's wealth Gini coefficient increased from 0.697 in 2019 to 0.704 in 2020. During this period, the share of total wealth held by the top 1% of residents grew from 29% to 30.6%. The 2021 Forbes list data reveals that China's top 10 high-earning entrepreneurs witnessed substantial wealth growth, with their fortunes increasing by an average of fivefold during the pandemic, with the most notable growth observed in Nongfu Spring, which saw a 37.3-fold increase. The average wealth growth rate in 2021 was nearly 30 times that of 2019, indicating a significant surge in wealth accumulation among this cohort during the pandemic.

Table 1. Wealth Growth of High-Income Groups in China, 2021

No.	Name	Age	Wealth Rank	Wealth 2019 (Billion USD)	Wealth 2021 (Billion USD)	Wealth Growth (%)	Company Name	Industry
1	Zhong Shanshan	66	1/13	18	689	3727.78	Nongfu Spring	Food & Beverage
2	Ma Huateng	49	2/15	388	658	69.59	Tencent	Internet
3	Huang Zheng	41	3/21	135	553	309.63	Pinduoduo	E-commerce
4	Jack Ma	56	4/26	373	484	29.76	Alibaba	E-commerce
5	Wang Wei	50	5/35	121	390	222.31	SF Express	Logistics
6	He Xiangjian	78	6/37	198	377	90.40	Midea	Manufacturing

7	Zhang Yiming	37	7/39	162	356	119.75	ByteDance	Technology
8	Qin Yinglin	55	8/44	43	335	679.07	Muyuan Foods	Food & Beverage
9	Ding Lei	49	9/45	147	330	124.49	NetEase	Internet
10	Yang Huiyan	39	10/50	221	296	33.94	Country Garden	Real Estate

Data Source: Forbes Rankings, 2021

From the perspective of the sub-structure of residents' income, as illustrated in Figure 1, the growth rate of net property income has slowed down under the impact of the pandemic, but it continues to exceed the growth rates of other components such as wage income. In the third quarter of 2020, net property income was the first to recover at a relatively fast pace, while wage income was still in a phase of slow recovery. By the second quarter of 2021, the two-year average growth rate of net property income among Chinese residents' per capita disposable income was 9.47%, which is higher than the two-year average growth rate of wage income at 7.19%. Households with more property income gained more income during the pandemic period.

The income gap between different income groups has widened. Since 2019, the ratio of the average disposable income to the median disposable income of Chinese residents has been rising, indicating that the incomes of the high-income groups are increasing, while those of the middle and low-income groups are decreasing. This demonstrates an expanding disparity between different income groups.

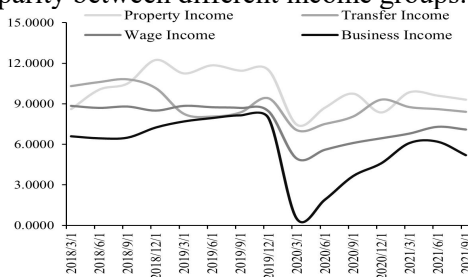


Figure 1. National Per Capita Disposable Income by Category (Average Two-Year Growth Rate %)

Data source: National Bureau of Statistics

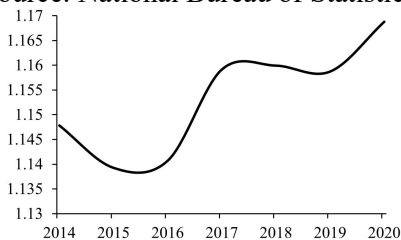


Figure 2. Income Gap (Average Per Capita Disposable Income / Median)

Data source: National Bureau of Statistics

At the same time, the income gap between different income quantiles continues to widen. In 2015, the per capita disposable income of high-income households was 5.32 times that of low-income households. By 2020, this gap had expanded to 6.16 times. Before the pandemic (in 2019), the income growth rates for families at different income quantiles were roughly similar, fluctuating around 7.5%, with the lower-middle and low-income families experiencing the highest growth rates of any group. Since 2020, families with higher incomes have seen higher growth rates, while those with lower incomes have experienced lower growth rates, indicating a widening trend in the income disparity among different income groups.

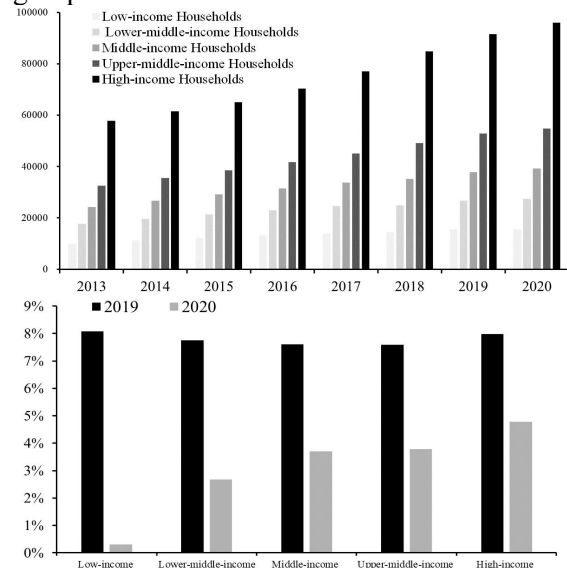


Figure 3. Urban Household Income Levels by Different Income Quantiles (Top)(Unit Yuan)

Urban Residents' Per Capita Disposable Income Growth Rate by Quintiles (Bottom)

Data source: National Bureau of Statistics

The income disparity among different sectors has widened. Since 2016, average salaries in China's information technology, finance and insurance, and science and technology sectors have significantly outpaced those in other fields. The divergence in wages across sectors has

intensified since 2019, influenced by the pandemic and other factors. The differentiation in average wage growth rates across industries during the post-pandemic period has exceeded pre-COVID levels. Sectors such as accommodation and food services, which rely heavily on consumer contact, have been particularly hard hit. The labor-intensive nature of these industries has resulted in more pronounced income reductions for the lower-income population, who have been disproportionately affected by the impacts of the COVID-19 pandemic.

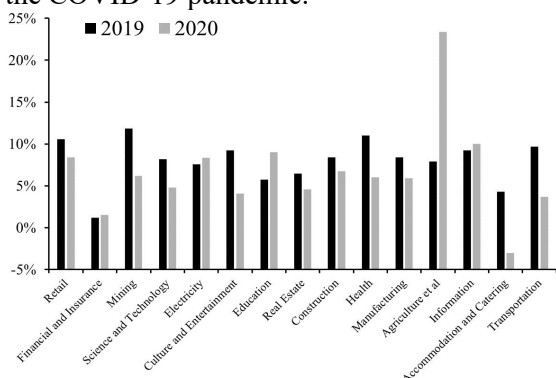


Figure 4. Annual Growth Rates of Average Wages by Industry

Data Source: National Bureau of Statistics

2. Comprehensive Policy Recommendations to Support China's Middle and Low-Income Populations

The income disparities among specific demographics in China have become a growing concern. These disparities are influenced by the uncertainties of global economic recovery and shifts in global industrial configurations, as well as by changes in the employment market and income distribution patterns triggered by the pandemic. It is advisable to deploy a coordinated approach across various macroeconomic policies to progressively refine China's income distribution structure, aiming specifically to benefit the middle and low-income groups.

Emphasize protecting employment and income growth for wage earners. For China's middle and low-income populations, wages are a principal source of income. Ensuring stable employment for these groups is critical in bridging the income gap. Prioritize high-quality job opportunities for key demographics such as college graduates, migrant workers, and other vulnerable employment groups. Increase the proportion of labor compensation in the

national income, establish fair mechanisms for wage growth, and secure steady income growth for wage-dependent sectors; enhance market competition mechanisms, elevate industry regulatory standards, dismantle emerging monopolies in sectors like internet finance, and lessen the wage disparities across industries (Duan Weihua et al., 2022). Likewise, improve the asset allocation for middle and low-income groups by refining their predominantly cash and homeowner-based asset configurations, thus broadening their avenues for asset value appreciation.

Strengthen the roles of taxation and charitable efforts in redistributing income. Bolster the regulatory impact of taxation on income distribution by advocating for a robust, integrated big data system for personal income taxes, and refining tax systems that blend comprehensive and tiered categorical approaches. Enhance the property tax framework, intensify the enforcement of taxes on capital earnings, and continually advance the tax collection mechanisms for real estate and inheritance taxes; alleviate the tax load on economically weaker sectors. Proactively promote the auxiliary role of philanthropy in income distribution, encourage the growth of volunteer services, private donations, and charitable foundations (Lü Xin, 2022), advance the institutionalization of public-sector organizations, enhance tax incentives for charitable institutions, perfect legal frameworks for public welfare trusts, explore innovative financial models like philanthropic venture capital and equity donations, and persistently advocate for income redistribution favoring middle and low-income groups, underdeveloped areas, and low-income industries.

Enhance the supervision of capital markets to curb excessive rises in asset prices. Uphold a prudent monetary policy to effectively mitigate the impact of global capital market volatility on China's markets; bolster the oversight of international capital flows; deepen the marketization of interest rates (Lu Jun, Huang Jia, 2021), and smoothly proceed with the benchmark conversion for existing floating-rate loans, ensuring the yuan remains stable at a reasonable and balanced level. Intensify regulation of the capital market, directing liquidity precisely to foster real economic growth; rigorously combat speculation in the

real estate sector, adhere to careful financial oversight principles in real estate, and ensure orderly credit distribution in the property market. Through the stable progression of both capital and real estate markets, adjust the distribution of residents' incomes effectively, optimizing the structure of income distribution further.

Expedite the development of China's tiered social security system. Harness social security's role in aiding low-income groups by providing a broader, more diverse, and more substantial multi-tiered protection system for middle and lower-income groups (Wu Yufeng et al., 2024). Enhance the support for major illness cover within social security to lower the risk of medical impoverishment for these income groups; aim for greater coordination of pension funds, quickening the establishment of a three-pillar pension system; earnestly push forward the "dual reduction" in education and the equalization of educational resources, reducing substantial educational expenses for middle and low-income families; prioritize integrating migrant workers into urban social security systems, strengthen labor rights for those with flexible employment, and promote a more equitable provision of public services across urban and rural areas. Considering the aging population trend, further develop an integrated system of elderly care and healthcare services, advance the elder care service industry, and improve the incomes of those working in this sector.

Further accelerate the modernization of China's industrial structure. Continue to strengthen the advantages of China's manufacturing base, pushing Chinese manufacturing up the global value chain to create globally recognized, high-quality, cost-effective products. By boosting the overall strengths of Chinese manufacturing firms, further raise the income levels of relevant workers, particularly addressing the income gaps among different skill levels. Foster the integration of cutting-edge information technology with

manufacturing to continually enhance productivity in the sector, which in turn drives wage growth. Further develop a high-level open market, engaging in technological partnerships and product innovations with multinational corporations at the forefront of global technology, enhancing the overall development of the manufacturing sector through a robust exchange of technology, talent, and market strategies, thus boosting the overall income levels of industry workers.

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