

Income structure and income distribution of China

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Introduction

In China, the National Bureau of Statistics (NBS) is mainly responsible for income survey and statistics. There are income surveys of urban households and rural households.

Data on the income of the urban households come from the data collected through sample surveys on the urban households conducted by the Urban Socio-economic Survey Organization, of the NBS. The survey includes the size of the household and its composition, the cash income and expenditure of the household, the quantity of, and the expenditure on major commodities purchased, the employment of the household members, the housing condition and the possession of the durable consumer goods.

The survey on the urban households covers all households in urban areas and county towns. It is conducted in such a way that households selected by sampling method keep accounts for three successive years and are interviewed by the enumerators. By a rotational sampling scheme, one third of the old sample households are being replaced by the new sample households every year until the total sample size reaches over 50,000 households. Data on the income of the rural households come from the data collected through the sample survey on the rural households, which is organized by the Rural Socio-economic Survey Organization, of the NBS. The main content of the survey includes the basic condition of the rural households, the per capita total income and net income, the expenditure on housing, other consumption expenditures, the consumption of major consumer goods and the quantity of durable consumer goods owned.

The sample survey on the rural households is conducted by first selecting sample villages and then selecting households in the selected villages in each province, with all rural households in the province as the population for the sample. A combination of various sampling approaches are used to identify a total of 68,000 households selected from 7,100 villages throughout the whole country

It is required that the sampling error should not exceed $\pm 3\%$, with a confidence interval of 95%. In order to ensure the accuracy of the data of the survey on the rural households, two accounts are designed for the respondent households by the Rural Socio-economic Survey Organization, NBS, the cash account and the account on goods in kind. Nearly 10,000 assistant enumerators have been invited to help the households to keep good accounts and check and tabulate the data of the survey.

In order to reduce the burden for the respondent households in doing this additional account keeping, as well as to address the problem of aging samples, to make the sample more representative of the population, to reflect the rural social and economic situation more accurately and in a timely way, a rotational sampling scheme is implemented by the Rural Socio-economic Survey Organization, of the NBS. The cycle of complete rotation is five years.

¹ People's Bank of China.

Income structure of urban households

Through urban household survey and rural household survey, data on aggregate income per household and persons per household are collected and per capita income is calculated. Based on these calculations, the household income can be grouped into two categories, income of urban households and income of rural households.

Income of urban households includes:

- total income of urban households and per capita income of urban households
- disposable income of urban households and per capita disposable income of urban households

Income of rural households includes:

- total income of rural households and per capita income of rural households
- net income of rural households and per capita net income of rural households

Income distribution by type and source

The total income of urban households can be further classified as:

- Income from wages and salaries
 1. salaries and allowances
 2. compensation other than regular salaries and allowances
- Net income from management
- Income from property includes:
 1. interest income
 2. bonus stock and bonus capital
 3. insurance premium income
 4. income from other investments
 5. income from rent
 6. intellectual property income
 7. other income from personal property
- Transfers
 1. pension or retirement compensation
 2. social welfare payments
 3. compensation for dismissal
 4. other compensation
 5. income from unemployment insurance
 6. income support
 7. donations
 8. food compensation from families and friends
 9. accumulated savings drawn for housing
 10. sample household subsidy for keeping dairies
 11. other transfer income

Disposable income of urban households

Disposable income of urban households refers to the actual income which can be used for final consumption, other non-compulsory expenditure and savings. Disposable income is calculated using the following method:

Disposable income = total household income – income tax – personal contribution to social security – sample household subsidy for keeping dairies

Income structure of rural households

The total income of rural households includes:

- Wage income
 1. wages for labor provided to non-enterprise organizations
 2. wages for labor provided locally
 3. wages to local residents for labor provided to other regions
- Household business income
 1. agricultural income
 2. non-agricultural income
- Property income
- Transfer income

Net disposable income of rural households

Net income of rural households refers to the total income from all sources minus all corresponding expenses. Net income is calculated as:

Net income = total income – household operational expenses – taxes and fees – depreciation of fixed assets for production – subsidy for participating in household survey – gifts to non-rural relatives

Changes in income composition and levels in recent years

1. Income of urban households

The growth rates for urban household income were relatively high in recent years. The composition of income has also changed during this period.

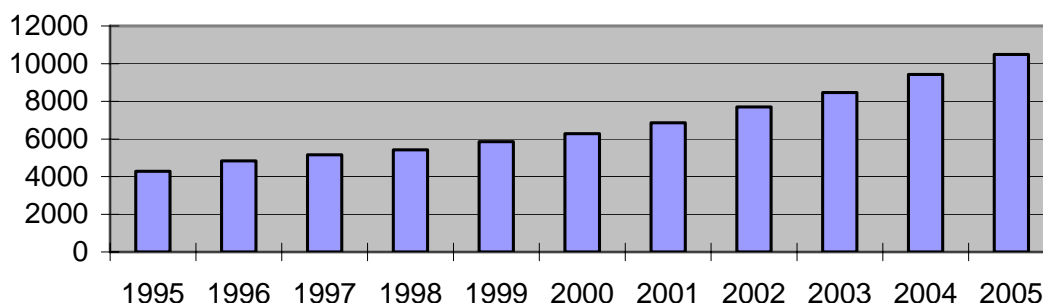
Rapid economic developments in recent years resulted in relatively high income growth rates for urban households. In 2005, per capita annual disposable income of urban households reached 10,493 yuan, which was the first time when the figure exceeded the 10,000 yuan mark. This was 4,213 yuan more than the per capita disposable income of 2000, which was 6,280 yuan. In real terms, the income grew by 58.3% cumulatively over the five years.

The composition of income for urban households has changed as well. The weights of wages and salaries and property income categories has declined while those of net income from management and transfer incomes has gone up. In 2005, wages and salaries accounted for 68.9% of total urban household income, which was 2.3% lower than in 2000. The share of net income from management was 6.0%, which was 2.1% higher than in 2000 while the

share of the property income at 1.7%, was 0.3% lower than in 2000. The share of transfer income was 23.4% in 2005, which was 0.5% higher than in 2000.

Disposable income changes of urban households

Unit: yuan



2. Income of rural households

Net Income of rural households continued to grow rapidly, going up from 2,253 yuan to 3,255 yuan between 2000 and 2005, which amounted to a 1002 yuan increase, and was equal to a 44.4% increase cumulatively. The average growth rate of net incomes was 7.6% per year during this period, and in real terms, incomes grew by about 5.2% annually.

The composition of the increase in rural households' income indicated that wage increase was the main source of the growth. In 2005, per capita annual wages income reached 1,175 yuan, which is a 473 yuan rise compared to 2000. Such increase s accounted for a 47.2% of the total increase in net income of rural households. In 2000, the share of per capita wage income was 31.2% of the annual net income, and it has gone up to 36.1% in 2005, an increase of 4.9%. In addition, the subsidy income of rural households increased greatly while their tax burden decreased sharply. During the two years of 2004 and 2005, the average per capita subsidy income of farmers was 34 yuan, which included grain subsidy, subsidy for better breeding and purchase and renovation of large-scale agricultural machines and appliances. The per capita tax burden of rural households decreased from 96 yuan in 2000 to 13 yuan in 2005, whose proportion in average per capital net income decreased from 4.2% in 2000 to 0.4% in 2005.

Pure income changes of rural households

Unit: yuan

