

# The Present Situation, Reasons and Countermeasures of the Income Gap between Urban and Rural Areas in China

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**Abstract.** Since the reform and opening, China's economy has been developing at a high speed, and people's income level has been rising. However, the urban-rural income gap is also widening. Despite a series of measures taken by the government, the income gap between urban and rural areas remains high and various social problems still exist. In view of this, this paper, through the analysis of the influencing factors of the urban-rural income gap in China, explores the causes of the income gap, and puts forward relevant policy suggestions on this basis, to promote the balanced and healthy development of China's economy.

**Keywords:** Urban-rural income gap; cause; countermeasure.

## 1. Introduction

The urban-rural gap mainly refers to the disadvantage of rural residents in terms of economy, politics and culture compared with urban residents. The urban-rural gap is reflected in many aspects such as income, welfare and consumption. Among them, the urban-rural income gap is the difference in the number of residents' income in a certain period, which is the most core and urgent problem to be solved.

Since the reform and opening and China shifted the focus of work to economic construction, China's economy has developed rapidly, the degree of opening to the outside world has increased, the level of urbanization has increased, and a series of problems have been exposed. At present, the gap between urban and rural development has not been significantly narrowed and has become a key issue in China's development. If relevant measures are not taken, it will lead to more and more prosperity in urban areas and more and more poverty and backwardness in rural areas, which will seriously affect the balance of China's economic development.

At the beginning of reform and opening, China's urban-rural income gap was gradually narrowed from 2.57:1 in 1978 to 1.7:1 in 1983 by taking relevant measures. In the following years, with the rapid economic development, the income gap between urban and rural areas in China increased instead of decreasing, reaching 3.33:1 in 2009. In recent years, through a series of relevant measures to control, the urban-rural income gap has been significantly reduced to 2.71:1 by 2017.

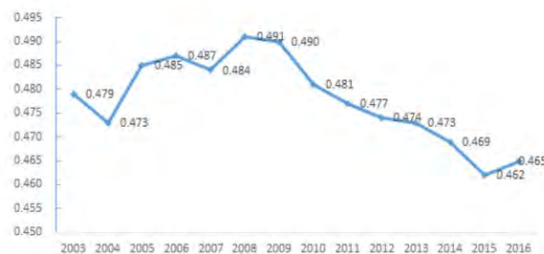


Figure 1. Gini coefficient of urban and rural residents' income in China from 2003 to 2016

As can be seen from the above chart, China's Gini coefficient fluctuated above 0.45 for 14 years from 2003 to 2016, and reached a peak of 0.491 in 2008. After that, the Gini coefficient remained above 0.46 although it declined somewhat. At the same time, there are many research methods of Gini coefficient in China, which lead to many different results. This is mentioned in Chen jiandong's "research on the Gini coefficient of Chinese residents' income decomposed by urban and rural areas" that currently there is no widely accepted measurement of the Gini coefficient of China. Gini

coefficient, as the basic data to explore income inequality in China, restricts the research on income inequality in China to some extent. He thinks there are many objections to the study of Gini coefficient in China due to different years and measurement methods. Although the Gini coefficient measurement is controversial, it can reflect that the income gap between urban and rural areas in China is increasing year by year. Both different calculation methods and different results can significantly reflect that the Gini coefficient is between 0.4 and 0.5, indicating that wealth is distributed unevenly among members of society and the gap between rich and poor is too large. This will not only affect the healthy economic development, but also affect social stability and justice. Therefore, it is of great significance to study the income gap between urban and rural areas to promote economic development and social stability.

## **2. Analysis of Causes of Urban-rural Income Gap**

The income gap between urban and rural areas in China is the result of the combined effects of economic status, cultural level and other aspects. There are several reasons as follows.

### **2.1 Difficulties in Increasing Farmers' Incomes**

As is known to all, in recent years, the problems of "three rural issues" have become an important contradiction in China's economic development, and the problem of increasing farmers' income is the focus of "three rural issues".

It is difficult for farmers to increase their income. The reasons are as follows: first, the backward infrastructure, poor medical and health conditions, poor transportation conditions and backward communication modes have all hindered farmers from increasing their income. Secondly, the structure of agriculture is not very reasonable, and agricultural science and technology development is not satisfactory. Although some achievements have been made in China's agricultural restructuring, the intensity is still insufficient, and the scientific and technological content of agricultural products is still low, unable to meet the requirements of market competition. Therefore, to narrow the income gap between urban and rural areas and promote the healthy economic development of China, the primary problem is to increase farmers' income.

### **2.2 Urban Biased Policies**

The so-called urban biased policy means that in the process of formulating policies including fiscal allocation, investment orientation and land use price, the government unreasonably inclines to the city and benefits the city. Urban biased policies are more common in developing countries. The basic idea is to concentrate high-quality resources to develop cities and industries first, and the government believes that after their full development, they will drive the development of rural areas and agriculture. The root of urban biased policy lies in two aspects. First, when the objective environment is relatively inferior, developing countries, including China, must give priority to industrial development as the only way to revitalize or even catch up with developed countries. Second, there is no doubt that the urban class has a greater influence in politics. Under the pressure from the urban class, the government sometimes must make various policies in favour of the city.

For China, the urban-rural income gap continues to grow largely as a result of urban biased policies. Moreover, according to the research, the urban biased policy in China is not due to the pressure from the urban class, but due to the urgent desire to catch up with developed countries and the belief that the development of industry is the best way to achieve this goal. No matter what the reasons are, this urban biased policy is undoubtedly unfair. The longer the implementation time of the policy, the more serious the consequences will be, and the greater the urban-rural income gap will be.

### **2.3 Large Gap between Urban and Rural Cultural Level**

There is a big gap between urban and rural areas in many aspects, especially education. First, there is a gap in the level of teachers. In the past, normal university students were allocated, those with urban residence stayed in the city, and those with rural residence stayed in the countryside. Later,

most outstanding graduates will choose to teach in cities, which leads to a growing gap between urban and rural teaching levels. Secondly, there is a gap in hardware facilities. Most of the city is multimedia teaching. Teachers can utilize various hardware facilities to easily achieve classroom efficiency. At the same time, even though rural schools are equipped with multimedia teaching facilities, they are still not very sound. And finally, education resources have gaps. In the city, many children can enjoy one-to-one counselling, can sign up for a variety of interest classes to develop special skills and hobbies. And even if there are so-called cram schools in rural areas, most of them are just tutoring children in their lessons.

It is precisely because of this vicious circle that the gap between the quality of rural residents and urban residents becomes larger and larger. It is with this advantage that urban population can get better jobs and higher incomes, and the urban-rural income gap has emerged.

## **2.4 Gap in the Social Security System**

Social insurance, social relief and social welfare are the main contents of China's social security. With the development of society, China's social security system is becoming more and more perfect, and the security projects are becoming more and more complete. However, there is a big gap between urban and rural social security systems. So far, the social security system is only targeted at cities to a large extent, and similar social security system does not exist in rural areas. Few rural residents can enjoy the same social security benefits as urban residents. In rural areas, due to the lack of various social security, farmers basically rely on their own savings or children for old-age care. After the accident, the related medical expenses are all raised by themselves. The overall low income of farmers, coupled with the imperfect social security system, has made the urban-rural income gap become more and more large.

## **3. Countermeasures to Narrow the Urban-Rural Income Gap**

A large income gap between urban and rural areas will not only affect the sound economic development, but also undermine social justice and disrupt social order. Based on the above reasons, in order to narrow the urban-rural income gap in China, maintain social justice and promote economic development, this paper puts forward the following policy recommendations.

### **3.1 Build Agricultural Infrastructure and Increase Farmers' Income**

Only by building agricultural infrastructure and increasing farmers' income can we narrow the income gap between urban and rural areas. The construction of agricultural infrastructure mainly includes the construction of water conservancy and key facilities for the circulation of agricultural products, which are of great significance for increasing farmers' income and are important measures to promote rural economic development.

At the same time, the government should continue to strengthen agricultural incentive policies. The government should increase material and financial support for farmers who grow crops and provide technical training for livestock farmers. Secondly, the government should strengthen relevant skills training and information communication for farmers. For rural residents, access to information is often patchy. By strengthening information transmission, the government can enable farmers to participate in other work in their spare time and directly and rapidly increase their income.

### **3.2 Strengthen Education Investment in Rural Areas and Improve the Quality of Rural Residents**

Only when the education level keeps up with it can the quality and income of farmers be improved and the income gap between urban and rural areas gradually narrow. In view of the current situation, the government should improve rural education level from the following aspects. First, increase education investment, improve school hardware facilities, and give rural students a better learning environment. Second, improve the salary level and welfare of rural teachers, so that more outstanding teachers are willing to stay in rural areas, to strengthen the teaching force of rural schools. Third,

improve the financial aid system for students from poor families, encourage all government agencies, individuals and groups to subsidize poor students, so that all rural students from poor families can go to school, and thus improve the overall education level of rural residents. Fourth, speed up personnel reform in rural schools, improve the quality of principals and teachers, tighten the management of teacher qualifications, gradually raise educational standards for teachers, and encourage outstanding teachers to teach in rural areas.

### **3.3 Enhance Competitiveness of Agricultural Products and Expand Export of Agricultural Products**

In the reform and development of today, countries trade more and more frequent, agricultural exports are becoming more and more common. Increasing the quantity of agricultural product export, can bring higher income to farmer undoubtedly. The support of policy environment is of great significance to the development of transnational trade in agricultural products. In order to improve the quantity and quality of agricultural products exported, the government should reduce the tax rate of agricultural products exported, and introduce relevant preferential policies to promote the export of agricultural products. At the same time, the government should also pay close attention to the quality of agricultural products exported, adjust the export structure of agricultural products, make them meet the needs of the international market as far as possible, and win more benefits for farmers.

### **3.4 Gradually Improve the Rural Social Security System**

After decades of urbanization, for a variety of reasons, many farmers are no longer engaged in agricultural work, but their household registration is still in the countryside, so they are still called farmers. Among them, the elderly and women are the main groups left behind in rural areas. For this kind of population, we can protect their rights and interests by establishing the rural cooperative medical care system and the minimum living allowance system. In addition, rural workers in cities, also known as "migrant workers", have strong mobility, and it is obviously not reasonable to include all their guarantees into the urban security system. So, they can set up their own social security system. To township enterprise worker, they belong to elite of farmer masses, getting rid of agricultural production activity basically. In this case, the government can fully integrate them into the urban security system. Finally, land-lost farmers are the most special ones. They do not actively lose their land and their identity as farmers, but passively lose their land for some reason. And most of them do not have a skill, only live on the land. Therefore, the government should provide them with employment opportunities while providing them with the minimum living security. Through training, they can acquire skills and help them get employed smoothly.

## **4. Conclusion**

The income gap between urban and rural areas will undoubtedly hinder China's development to some extent. This issue is very complex and worth further study. In summary, the reasons for the income gap between urban and rural areas in China mainly include difficulties in increasing farmers' income, urban biased policies, gap in educational level and imperfect social security system in rural areas. The government should take relevant measures from the aspects of infrastructure construction, education level improvement and social security system improvement. Therefore, the government should formulate reasonable policies to control the urban-rural income gap, prevent its further expansion, safeguard social justice and promote the balanced and healthy development of China's economy considering the actual situation of various regions.

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