China has almost ended urban poverty – a promising start for the SDGs

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Whether it’s the currency devaluation or the stock market rout, the economic news coming out of China seems unremittingly negative – and that’s not to mention the horrific explosions in Tianjin. But here’s some good news. Yet-to-be-released data shows that China has now all but eradicated urban poverty.

For a country that has seen huge numbers of poor people streaming into its cities, many of whom were initially living in conditions of abject misery, this is an extraordinary success. It has been achieved, in large part, thanks to a government subsidy paid to urban dwellers to bring incomes up to a minimum level of 4476 Renminbi a year ($700, or close to $2 a day).

The data comes from the latest survey in the China Household Income Project (CHIP) series and won’t be formally published until next year. It shows that, in 2013, the share of people living in cities below this minimum income line was just 1.6%. According to Professor Li Shi, director of Beijing Normal University’s China Institute of Income Distribution who works on CHIP and whom I met on a recent trip to the country, that’s mostly accounted for by people who haven’t received the subsidy.
And it seems that the data is unusually robust: it’s based on a behemoth household survey for which around 140,000 families record their income and consumption every single day for a whole year.

China has already lifted more people out of poverty than anywhere else in the world: the per capita income in China increased five-fold between 1990 and 2000, from $200 to $1,000. Between 2000 and 2010, per capita income also rose by the same rate, from $1,000 to $5,000, moving China into the ranks of middle-income countries.

Between 1990 and 2005, China’s progress accounted for more than three-quarters of global poverty reduction and is the reason why the world reached the UN Millennium Development Goal of halving extreme poverty. This incredible success was delivered by a combination of a rapidly expanding labour market, driven by a protracted period of economic growth, and a series of government transfers such as the above urban subsidy, and the introduction of a rural pension.

The question now is whether the government can repeat this success and eradicate extreme poverty entirely: after all up to ten per cent of people in the country remains poor. The current economic and social five year plan (the country’s 12th) aims to eliminate all poverty by 2020 (10 years ahead of the newly agreed UN Sustainable Development Goal (SDG) poverty eradication target). It seems likely that this target will be reiterated in the new five year plan to be agreed by the Chinese Communist Party’s Central Committee next year. If that’s to be achieved, the government will need to keep up its expensive transfer
programmes, even at a time of economic downturn.

In addition, inequality remains a big issue and will need to be tackled. Although China’s Gini coefficient for income inequality is improving from its 2008 peak, it still remained at a relatively high level in 2013. This is in spite of the fact that the government has a record of progressive taxation, which has had a distributional effect and raised money to fund transfer programmes. There are also significant gender and regional inequalities, meaning the government will need to do more to target women and people living in rural areas (as well as other groups such as the disabled) to ensure that no one is left behind.

Equitable growth will also need to be the sustainable kind that cuts rather than increases carbon emissions – no small order for a country where air pollution is killing an estimated 4,000 people a day.

And there’s a broader question too: can China leverage its stunning poverty reduction successes to show leadership in the rest of the SDGs? As well as being the start of the next five year plan, 2016 – the first year of the new goals – coincides with China’s presidency of the G20. What better time for a country to show the world – both at home and in its investments, trade and other forms of co-operation abroad – that the universal vision of the SDGs can translate into ambitious national development targets?

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