

Chinese prime minister: 600 million people earn less than \$145 a month

Lily Zhao
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On May 28, during a press conference after the National People's Congress, Chinese Prime Minister, Li Keqiang, stated that “there are still some 600 million people whose monthly income is barely 1,000 RMB (\$US145). It's not even enough to rent a room in mid-sized Chinese cities.”

This comment about the impoverished existence of more than a third of the country's population provides a glimpse into the staggering level of social inequality and the harsh living conditions faced by workers.

While almost half of its population earns less than \$145 a month, China recorded 373 billionaires in 2020, the second highest figure in the world. There is also a significant upper middle class. China is the largest market for all Western luxury brands, accounting for 33 percent of the global market in 2018.

Li's comments were in response to a question raised by a journalist from *People's Daily*, an official newspaper of the Central Committee of the Communist Party of China.

The journalist pointed out that 2020 was originally planned as the deadline to win “the battle against poverty”—a campaign to lift 70 million people out of poverty launched by the government in October 2015. The reporter then asked if that will still be fulfilled this year, given the huge declines in household incomes of many due to the impact of the Covid-19 pandemic.

Li acknowledged that “before Covid-19 struck, there were some five million people living below the poverty line”, and “because of the disease, some may have fallen back to poverty”. But he then declared that the government “[has] confidence that we are going to ensure the essential needs of our people and achieve our target.”

However, as his own figures made clear, the bright picture painted by Li of completely eradicating poverty by the end of this year has nothing to do with the social reality facing people in China. The very austere measure of absolute poverty excludes hundreds of millions who are struggling to survive on very low monthly incomes.

According to the National Bureau of Statistics in China, as of 2018, the rural population was about 564 million, and their average annual disposable income was just 14,617 RMB (\$US2,090), or about 1,218 RMB (\$174) a month. In poverty-stricken areas in the countryside, the average drops to about \$138 every month. So the rural population constitutes a large portion in the 600 million people referred to by Li whose monthly income is below \$145.

On top of low wages, job opportunities in the countryside are in short supply. Even though the official unemployment rate in rural China is not published, ethnographic studies have shown that there are few factories or companies around most villages. Those that exist are only able to employ a few handfuls of people.

The low wages and scarce work opportunities in the countryside are one of the major factors contributing to the huge population of migrant workers in China who seek higher-paid jobs in the cities to support their families in the countryside. In 2019, there were 174.25 million rural migrant workers in China, according to the National Bureau of Statistics.

However, while the average monthly income for migrant workers was about three times higher than in the countryside, living in the cities is still a struggle. Even the official average monthly income does not reflect the actual income of migrant workers. A study by the *International Labour Office* explained that economic inequality among migrant workers is a lot higher than among the general urban population, so a large portion of migrant workers earn significantly less than the reported average.

Migrant workers experience great job insecurity, changing jobs every one or two years on average. Many work without a written contract, which makes it extremely hard for them to get compensation when facing wage arrears and work injuries. The majority work overtime on

a daily basis and on weekends as well, with, at most, two or three days off every month. Without overtime, they do not earn enough to cover their living expenses in the cities, let alone to send money back home. Factory managements use the threat of taking away overtime to discipline militant workers who express discontent over wages and working conditions.

Urban living costs are high, especially in big cities like Beijing, Shanghai, and Shenzhen where a large portion of migrant workers live. A 2010 ethnographic study calculated that the entire annual average income of a migrant worker would not be enough to buy even 1 square-metre of an apartment on the periphery of Beijing. During the past decade, the average housing price in Beijing has doubled.

To reduce rental costs, most migrant workers live in shantytowns, or “villages within cities”, that are crowded and whose infrastructure is usually substandard. The average living space is only a few square metres per person. Most own little or no furniture, and have to share public bathrooms with residents of an entire floor or building. Some choose to live in factory dorms, where they usually share a room with many others, have virtually no private space, and have limited access to essentials like hot shower water.

Migrant workers have very limited or no access to most social services in the cities like education and pensions. In 2017, according to the Ministry of Education, there are 15.5 million “left-behind children” in China, whose parents work in the cities throughout the year and leave them in the countryside because schools in the cities either have very limited admissions for non-local students, or require a large extra-tuition payment. For the workers themselves, a study by Wuhan University shows that less than 22 percent are covered by the basic old-age pension schemes in the cities where they live.

The plight facing migrant workers is shared by working class youth and many urban workers: low wages, unemployment, high living costs, mortgage, and poor access to high quality education and health care. A survey conducted by the People’s Bank of China (PBOC) in 2019 shows that 56.5 percent of urban households are burdened by debt, and 75.9 percent of the debts are from house mortgages. According to an International Monetary Fund (IMF) study, “between 2010 and 2016, the share of debt held by highly indebted households—with a debt-to-income (DTI) ratio above 4—increased from around a quarter to almost half.” Among low-income households, the DTI ratio has increased to almost 6. The study

concluded that these conditions will make low-income groups most vulnerable to “adverse income shocks”.

The COVID-19 pandemic is exactly such a “shock.” It has not only intensified the debt crisis of many families but rendered the living conditions of the working class ever more precarious. The job market is contracting. This year’s college graduates, and rural migrant workers who have finally made their way back to the cities, are confronting unemployment. There are many reports of severe wage cuts and refusals to pay compensation to replace salaries lost during the months of lockdown.

While the vast majority of people struggle to get a decent wage, housing, social services, and education, there is a distinctively different reality for the super-rich in China. China is now one of the most socially unequal countries, with a Gini co-efficient of 0.465 in 2019. Data from the National Bureau of Statistics show that the annual average disposable income for the top 20 percent of the population is 70,639.5 RMB (\$10,091), almost 11 times higher than that of the bottom 20 percent, and twice than that of the next 20 immediately below them. The PBOC survey referred to previously shows that among urban populations, the assets of the top 20 percent household constitute 47.5 percent of total assets, while the bottom 20 percent own only 2.6 percent.

Prime Minister Li’s concern for the hundreds of millions on low incomes is as meaningless as the government’s “battle against poverty” campaign. The source of the enormous social inequality is the opening up of the country in the 1980s as a cheap labor platform for foreign investment by the Chinese Communist Party as it overturned the gains of the 1949 Revolution and restored capitalism. It is the unhindered exploitation of workers that has enriched the resultant layer of parasitic billionaires and super-rich in China, as well as capitalists around the world.



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