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DISSERTATION

ECONOMIC INEQUALITY OF THE PRC AS AN IMPERATIVE FOR THE FORMATION OF SOCIAL STRATIFICATION OF THE POPULATION

Speciality 292 – "International Economic Relations"

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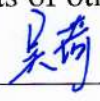
The dissertation contains the results of my own research. The use of ideas, results, and texts of other authors are linked to the corresponding source.



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АНОТАЦІЯ

***У ЦІ*. Економічна нерівність КНР як імператив формування соціальної стратифікації населення**. – Кваліфікаційна наукова праця на правах рукопису.

Дисертація на здобуття ступеня доктора філософії за спеціальністю 292 «Міжнародні економічні відносини». – Західноукраїнський національний університет, Тернопіль, 2025.

У дослідженні встановлено, що економічна нерівність є багатовимірним явищем, що охоплює диспропорції у доходах, багатстві та можливостях між окремими особами, соціальними групами та регіонами. Вона проявляється не лише у відмінностях рівня доходів, а й у доступі до освіти, охорони здоров'я та ринку праці, формуючи соціальну мобільність та рівень життя населення. У роботі подано типологію економічної нерівності, яка включає доходну, майнову, можливостей, регіональну, глобальну, між поколіннями та гендерно-соціальну. Проаналізовано ключові економічні теорії – класичну, марксистську, неокласичну, кейнсіанську, інституціональну та сучасні підходи, що пояснюють причини та механізми нерівності. Аналіз показав, що стратифікація може пояснюватися як економічними чинниками (виробничі відносини, ринки праці, власність), так і соціально-культурними (статус, престиж, культурний та соціальний капітал). Значну увагу приділено інструментам вимірювання – коефіцієнту Джині, індексу Тейла, коефіцієнту Аткісона та іншим. Дослідження показало, що ефективна політика подолання нерівності потребує комплексного підходу, який враховує як економічні, так і соціально-інституційні фактори.

Встановлено причинно-наслідкові механізми, які поєднують економічну нерівність і соціальну стратифікацію: доступ до освіти, сегментація ринку праці, просторове розшарування, політична влада, культурна репродукція та відмінності у здоров'ї. Висвітлено проблеми соціальної мобільності та бар'єри для підвищення соціального статусу, зумовлені структурними та культурними факторами. Окремо розглянуто роль державної політики та перерозподільних

механізмів (оподаткування, соціальні програми, публічні послуги) у зменшенні нерівності та забезпеченні справедливості.

У дослідженні розглянуто трансформацію економічної моделі КНР від централізованої планової системи до «соціалістичної ринкової економіки» та її вплив на соціальну стратифікацію населення. Виокремлено чотири етапи реформ: аграрні, індустріально-міські, поглиблені ринкові та пост-СОТ, що зумовили високі темпи зростання ВВП, піднесення приватного сектора та виведення понад 800 млн осіб із бідності. Водночас реформи спричинили значні диспропорції: збереження розриву між містом і селом, регіональну асиметрію, нерівність у доходах і накопиченні багатства. Особливе місце у формуванні соціальних бар'єрів посідає система хукоу, яка обмежує доступ сільських мігрантів до освіти, медицини та соціального захисту. Проаналізовано виміри нерівності (галузевий, регіональний, соціально-демографічний) та політику держави щодо їх подолання: кампанії з ліквідації бідності, розширення соціальних гарантій і програма «спільного процвітання». Робота підкреслює, що глобалізація й технологічний розвиток створюють нові можливості, але й посилюють соціальну диференціацію.

У дисертаційній роботі досліджено динаміку розвитку КНР від аграрної економіки до світового промислово-технологічного центру та показано, що це зростання супроводжується суттєвими регіональними, місько-сільськими, професійними, освітніми та гендерними диспропорціями. Наведено статистичні дані про нерівність доходів між східними та західними регіонами, між містом і селом, а також між різними соціально-професійними групами. Окрему увагу приділено впливу системи хукоу, гендерному розриву в оплаті праці та становищу етнічних меншин. У роботі розкрито роль державних стратегій, включаючи політику «Go West», програму «Нове соціалістичне село» та ініціативу «Загальне процвітання», у зменшенні соціально-економічних дисбалансів. В дослідженні проаналізовано емпіричні індикатори і тенденції соціальної стратифікації в КНР. У роботі проаналізовано ключові соціально-економічні характеристики: доходи, освіта, доступ до ресурсів, мобільність та

вплив системи хукоу. Досліджено роль середнього класу як драйвера внутрішнього попиту та водночас його вразливість перед нерівністю та ринковими коливаннями. Виявлено, що соціальна мобільність в КНР залишається обмеженою, а концентрація багатства у верхніх 10% населення зберігається.

У дисертації розглянуто особливості податкової та соціально-фіскальної системи КНР у контексті їхньої ролі у зменшенні економічної нерівності. Аналіз показав, що податково-бюджетна модель КНР ґрунтується переважно на податках на споживання (насамперед ПДВ) та значних соціальних внесках, що дозволяє фінансувати масштабні інвестиційні та цільові програми. Водночас така структура менш ефективна для перерозподілу доходів порівняно з системами розвинених країн. Дані свідчать про високий рівень індексу Джині (~0,47), що підтверджує суттєві виклики соціальної стратифікації. Виконано порівняльний кластерний аналіз із використанням міжнародних індикаторів (частка податків у ВВП, структура надходжень, соціальні витрати). Виявлено, що КНР належить до групи країн із середнім рівнем нерівності, разом зі США, Мексикою та Туреччиною. Додатково проведено регресійний аналіз залежності між зростанням ВВП і нерівністю, який підтвердив помірну негативну кореляцію.

У роботі запропоновано концептуальну модель зниження економічної нерівності в КНР, що інтегрує три ключові компоненти: перерозподіл доходів, інклюзивне зростання та регіональний баланс. Модель враховує як вертикальний, так і горизонтальний виміри нерівності, поєднуючи інструменти прогресивного оподаткування, соціальних трансфертів і розвитку публічних послуг із політиками створення робочих місць, розширення доступу до освіти та підтримки малого бізнесу. Окремий акцент зроблено на подоланні просторових диспропорцій через цільові фіскальні трансфери, інфраструктурні проєкти та стратегії розвитку відсталих регіонів. Запропонована структура дозволяє моделювати сценарії економічного розвитку до 2035 року з урахуванням оптимістичних, базових та песимістичних прогнозів, інтегруючи кількісні

показники (Gini, Palma ratio, рівень бідності) та якісні індикатори (сприйняття справедливості, мобільність, довіра до інституцій).

У дослідженні напрацьовано механізм інклюзивного економічного розвитку КНР, що ґрунтується на поєднанні соціальних, податкових та інституційних інструментів. Центральну роль відіграють соціальні гарантії та цільові програми добробуту, спрямовані на захист вразливих груп від економічних шоків. Наголошується на використанні цифрових технологій для підвищення адресності допомоги, розширенні пенсійних та медичних систем, удосконаленні страхування від безробіття й розвитку активних програм зайнятості. Значну увагу приділено прогресивним податковим реформам, зокрема оподаткуванню капітальних доходів, майновим і спадковим податкам, що сприяють перерозподілу ресурсів. Важливим напрямом є розширення доступу до освіти та професійної підготовки, особливо для вразливих груп населення.

У роботі представлено дорожню карту стратегічних реформ зі зменшення соціальної та економічної стратифікації в КНР. Запропонований підхід передбачає багаторівневу структуру коротко-, середньо- та довгострокових пріоритетів, що відповідають національним планам розвитку, зокрема 14-й п’ятирічці (2021-2025) та «Баченню 2035». Короткострокові заходи спрямовані на термінове пом’якшення нерівностей шляхом адресних субсидій, програм зайнятості та покращення доступу до базових соціальних послуг. Середньострокові пріоритети включають інституційні реформи, реформування системи хукоу, міжрегіональне вирівнювання та посилення інклюзивності освіти й охорони здоров’я. Довгострокова перспектива передбачає глибинну трансформацію соціально-економічної структури, зокрема перехід до економіки, орієнтованої на споживання, зміцнення соціальної згуртованості та інтеграцію екологічної стійкості у стратегії зменшення нерівності. Значна увага приділяється міжрегіональній координації, цифровій трансформації та міжнародному співробітництву, які посилюють ефективність реформ.

Ключові слова: сталий розвиток, інклюзивний розвиток, соціальний розвиток, соціальна інклюзія, освіта, нерівність, бідність, доходи, зайнятість, економічний розвиток, економічна криза, глобалізація, інституційне забезпечення, діджиталізація, пандемія.

ANNOTATION

***Wu QI*. Economic inequality of the PRC as an imperative for the formation of social stratification of the population**. – Qualifying thesis manuscript copyright.

Dissertation for the degree of Doctor of Philosophy in specialty 292 – "International Economic Relations" – West Ukrainian National University, Ternopil, 2025.

The research established that economic inequality is a multidimensional phenomenon that encompasses disparities in income, wealth, and opportunities among individuals, groups, and regions. It reflects not only differences in earnings but also unequal access to education, healthcare, and employment, shaping social mobility and living standards. The study presents a typology of economic inequality, including income, wealth, opportunity, regional, global, intergenerational, and gender or social group disparities. Key economic theories analysed – classical, Marxian, neoclassical, Keynesian, institutional, and contemporary approaches that explain the origins and persistence of inequality. The analysis demonstrated that stratification can be explained through both economic dimensions (relations of production, labor markets, ownership) and socio-cultural ones (status, prestige, cultural and social capital). Measurement tools such as the Gini coefficient, Theil index, Atkinson index, and others are examined as essential instruments for empirical research. The study showed that effective policies to address inequality require a comprehensive approach that takes into account both economic and socio-institutional factors.

Causal mechanisms have been established that linking inequality and stratification: access to education, labor market segmentation, spatial segregation, political power, cultural reproduction, and health disparities. The paper also addresses issues of social mobility and barriers to upward movement caused by structural and cultural factors. Furthermore, it highlights the role of state policies and redistributive instruments (taxation, welfare programs, public services) in mitigating inequality and promoting social justice.

The study examines the transformation of China's economy from a centrally planned model to a "socialist market economy" and its impact on social stratification.

Four phases of reform are identified: rural, urban-industrial, deep market liberalization, and post-WTO, which generated rapid GDP growth, expansion of the private sector, and lifted more than 800 million people out of poverty. However, reforms also created persistent disparities, including the rural-urban divide, regional imbalances, income gaps, and wealth concentration. The hukou household registration system remains a key institutional barrier limiting migrants' access to education, healthcare, and welfare. Inequality multiple dimensions analysed (sectoral, regional, and socio-demographic) and the state's policy to overcome them: poverty alleviation campaigns, expansion of social insurance, and the "common prosperity" agenda. The research highlights that globalization and technological development create new opportunities, but also increase social differentiation.

The dissertation examines the dynamics of the transformation of the PRC from an agrarian economy into a global industrial and technological hub, highlighting how rapid growth has been accompanied by persistent disparities across regions, urban and rural areas, occupations, education levels, and gender. Statistical evidence illustrates the widening income gap between eastern and western provinces, as well as the continuing urban-rural divide, as well as between different socio-professional groups. The research further explores the impact of the hukou household registration system, gender wage gaps, and the marginalization of ethnic minorities. The thesis reveals the role of state strategies, including the "Go West" strategy, the New Socialist Countryside program, and the recent "Common Prosperity" agenda, aimed at mitigating socioeconomic imbalances. The study analysed empirical indicators and trends of social stratification in the PRC. The thesis analysed key socio-economic characteristics: income, education, access to resources, mobility, and the impact of the hukou system. The role of the middle class is explored as a driver of consumption-led growth but remains highly dependent on inequality and market fluctuations. Findings show that wealth concentration among the top 10% continues, while upward mobility remains limited.

The thesis examines the peculiarities of PRC's fiscal and social-financing system and its implications for reducing economic inequality. Findings highlighted that the

PRC relies heavily on consumption-based taxation, primarily VAT, and substantial social security contributions, which fund large-scale infrastructure and targeted social programs. However, this system is less redistributive than welfare-state models in advanced economies. Empirical evidence shows Gini coefficient remains high (~0.47), indicating persistent inequality and stratification challenges. A comparative cluster analysis, using indicators such as tax-to-GDP ratios, revenue composition, and social spending, positions PRC among moderate-inequality economies alongside the U.S., Mexico, and Turkey. Furthermore, a regression analysis of GDP growth to the Gini Index reveals a moderate negative correlation.

The study proposed a conceptual model for reducing economic inequality in PRC, built around three pillars: income redistribution, inclusive growth, and regional balance. The model addresses both vertical and horizontal inequality through progressive taxation, social transfers, and public service provision, while simultaneously promoting job creation, human capital development, and small enterprise support. Particular attention is paid to spatial disparities, with targeted fiscal transfers, infrastructure projects, and place-based strategies designed to uplift lagging regions. The framework enables scenario modelling up to 2035, incorporating optimistic, baseline, and pessimistic projections that integrate quantitative indicators (Gini coefficient, Palma ratio, poverty rates) with qualitative dimensions (perceptions of fairness, mobility, and institutional trust).

The study explores the mechanism of inclusive economic development in the PRC, integrating social, fiscal, and institutional instruments. Central emphasis is placed on social safety nets and targeted welfare programs that shield vulnerable groups from economic shocks. Digital technologies are highlighted as tools for improving benefit targeting, expanding pension and healthcare schemes, strengthening unemployment insurance, and promoting active labour market measures. Progressive tax reforms, including the taxation of capital gains, recurrent property taxes, and inheritance levies, are presented as key redistributive tools. Equally important is broadening access to quality education and vocational training, particularly for disadvantaged groups.

The study presents a roadmap for strategic reforms aimed at reducing social and economic stratification in PRC. The proposed framework is structured around short-, medium-, and long-term priorities, aligned with national development strategies such as the 14th Five-Year Plan (2021-2025) and Vision 2035. Short-term measures focus on urgent interventions, including targeted subsidies, job creation programs, and improved access to essential services. Medium-term priorities emphasize institutional reforms, gradual hukou reform, interregional equalization, and enhanced equity in education and healthcare. The long-term horizon envisions a systemic transformation toward a consumption-driven economy, stronger social cohesion, and the integration of environmental sustainability into anti-inequality strategies. Regional policy coordination, digital transformation, and international cooperation are highlighted as crucial levers for amplifying reform outcomes.

Keywords: sustainable development, inclusive development, social development, social inclusion, education, inequality, poverty, income, employment, economic development, economic crisis, globalization, institutional support, digitalization, pandemic.

СПИСОК ОПУБЛІКОВАНИХ ПРАЦЬ ЗА ТЕМОЮ ДИСЕРТАЦІЇ

Наукові праці, в яких опубліковані основні наукові результати дисертації:

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Наукові праці, які засвідчують апробацію матеріалів дисертації:

5. Wu Qi. Nature of economic inequality as an imperative for the formation of social stratification of the population. *Економічний і соціальний розвиток України в XXI столітті: національна візія та виклики глобалізації*: матеріали XIX Міжнародної науково-практичної конференції молодих вчених. Тернопіль: ЗУНУ, 2022. С. 35-36. (0,1 д.а.).
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CONTENT

INTRODUCTION

Actuality of theme. Economic inequality in the People's Republic of China has emerged as a critical imperative shaping the social stratification of its population, particularly amid rapid economic growth, urbanization, and market-oriented reforms since the late 1970s. The PRC's transition from a planned economy to a socialist market economy has propelled it to become the world's second-largest economy, yet this progress has been accompanied by widening disparities in income, wealth, and opportunities. These inequalities manifest in stark urban-rural divides, regional imbalances between coastal and inland provinces, and class differentiations that influence access to education, healthcare, and social mobility. With the Gini coefficient for income inequality hovering around 0.46 in recent years, far exceeding the international warning level of 0.40, economic disparities not only exacerbate social tensions but also reinforce hierarchical structures, leading to the formation of distinct social strata ranging from elite urban professionals to migrant workers and rural poor. Investigating the interplay between economic inequality and social stratification is particularly pertinent given China's dual goals of achieving common prosperity and navigating global challenges such as trade tensions, technological disruptions, and post-COVID recovery. Economic inequality acts as a foundational driver of social stratification by determining individuals' positions within societal hierarchies, influencing intergenerational mobility, and shaping power dynamics. Policies aimed at redistribution, such as progressive taxation and social welfare programs, have direct implications for mitigating these divides and promoting social harmony, underscoring the urgency of this research for policymakers seeking to balance growth with equity.

The frequency and complexity of economic inequalities in the PRC are intensifying, driven by factors including rapid industrialization, globalization, demographic shifts, and policy reforms. The World Bank and IMF have highlighted potential risks of further widening gaps in 2025, projecting that without targeted interventions, urban-rural income ratios could exceed 3:1, compounded by aging populations and automation displacing low-skilled jobs. Households in lower strata, often with limited assets and education, face heightened vulnerability to economic

shocks, lacking buffers like savings or networks. Conducting research on economic inequality as an imperative for social stratification at this juncture is essential, as it equips governments with evidence-based strategies to foster inclusive development, especially in addressing the needs of marginalized groups. Although substantial, existing studies on economic inequality in the PRC often focus on macroeconomic indicators or urban contexts, overlooking the nuanced processes of social stratification at the micro level. Research tends to emphasize income metrics while neglecting wealth accumulation, intergenerational transmission, and cultural dimensions of class formation. A comprehensive analysis of factors such as hukou systems, education access, and labor market segmentation could fill these gaps, offering actionable insights for state institutions and international organizations.

Investigating economic inequality as an imperative for the formation of social stratification in the PRC is highly relevant, considering its profound impact on societal stability, political legitimacy, and sustainable development. As inequalities deepen amid China's pursuit of high-quality growth, understanding how they crystallize into rigid social layers, such as the emerging middle class versus the underclass, is crucial for devising equitable policies like hukou reform, affordable housing initiatives, or digital inclusion programs. This research aims to bridge theoretical voids and practical demands, informing strategies that promote upward mobility and reduce polarization. This problem actualizes the research of economic inequality in the PRC as an imperative for the formation of social stratification of the population and requires the development of applied models for mitigating future challenges.

Analysis of recent research and publications. Numerous scholars have explored the dynamics of economic inequality and social stratification. A wide range of scholars have examined the multifaceted dynamics of inequality, social stratification, and development in China, highlighting both structural and emerging challenges. Bian Yanjie’s seminal work on Chinese social stratification and social mobility provides the theoretical foundation for understanding how class divisions and patterns of mobility have evolved in the reform era. Complementing this, Cai Fang and Du Yang analyze wage increases, wage convergence, and the Lewis Turning point in

China, identifying the critical juncture when surplus labor is absorbed and wage pressures begin to reshape the distribution of income. Several studies highlight the intersection of inequality with social outcomes. Chindarkar, Nakajima, and Wu investigate inequality of opportunity in health among urban, rural, and migrant children, showing that institutional and regional disparities produce enduring gaps in human development. Similarly, Hu, Wan, and Zuo emphasize the role of education development and income inequality, demonstrating that educational expansion, while significant, has not fully bridged socioeconomic divides. Li Bingqin and Piachaud address poverty, inequality, and social policy in China, stressing that targeted state interventions have moderated inequality but structural tensions remain. The digital and green transformation of the Chinese economy has emerged as a new dimension of inequality research. Ji, Liu, and Xu investigate the digital economy and sustainable development of China's manufacturing industry, linking technological progress to industry performance and green development. He, Malim, and Xuyang explore the Impact of digital economy on green finance, illustrating how digitalization can facilitate environmentally responsible investments.

Separate issues of economic inequality and social stratification in the PRC are highlighted in the works of a number of scientists, in particular: Y. Bian, E. Bradley, O. Bulatova, F. Cai, F. Chen, K. Chen, X. Chen, Y. Cui, P. Deng, Y. Du, Y. Fang, B. Gao, J. Golan, E. Hannum, V. Homotiuk, H. Hu, Q. Huang, L. Jiang, R. Kanbur, I. Khadzynov, C. Li, Y. Li, C. Mei, G. Monastyrsky, P. Nie, S. Peng, N. Rao, J. Rigaill, L. Shen, T. Sicular, Q. Tan, F. Wang, Z. Wang, X. Wu, P. Xie, Y. Yang, F. Zhang, X. Zhang, A. Zhukovska, R. Zvarych.

At the same time, the mentioned studies and publications do not sufficiently reveal the process of economic inequality as an imperative for the formation of social stratification in the PRC, which determines the relevance of this scientific study.

Connection of research with scientific programs, plans, topics. The dissertation is a component of scientific research of the West Ukrainian National University, in particular: fundamental state budget funding researche "Concept of recovery and green reconstruction of Ukraine" (state registration number

0124U000003); implementation of the international project (Erasmus+ Module Jean Monnet) “European inclusive circular economy: post-war and post-pandemic module for Ukraine (EICEPPMU)” 2022-2025, registration number 101085640); business funding research on the topic “Formation of the company’s ecological brand in foreign markets” (Contract No. MEV-37-2024 dated 25/04/2024).

The purpose and objectives of the research. The purpose of this research is to comprehensively examine the impact of economic inequality in the People’s Republic of China on the formation and transformation of social stratification, to identify its structural mechanisms and consequences for social stability, and to develop strategic recommendations aimed at reducing disparities and fostering inclusive socio-economic development.

Based on the purpose of the research, the following objectives are set in the research:

- to explore the conceptual and methodological approaches to the study of economic inequality;
- to define the theoretical approaches to social stratification in the context of economic inequality;
- to research the institutional and structural determinants of inequality in the PRC;
- to analyze the dynamics and structure of income and wealth inequality in the PRC;
- to evaluate the empirical indicators and trends of social stratification of Chinese society;
- to research the state policies and institutional responses to economic inequality;
- to develop the conceptual model to reduce economic inequality;
- to elaborate the mechanism for inclusive economic development in the PRC;
- to propose the roadmap for strategic reforms to reduce stratification in Chinese society.

The object of research is economic inequality and social stratification of the population.

The subject of research is set of theoretical and applied aspects that determine the process of economic inequality as an imperative for the formation of social stratification of the population.

Methods of research. To achieve the defined purpose, the dissertation thesis used a set of research methods (theoretical, historical, empirical, and others), the unity of which made it possible to fulfil all the outlined tasks. The following methods are used in the dissertation: the method of theoretical generalization (to systematize conceptual approaches to economic inequality), the historical method (to trace the evolution in socialist contexts), the method of dialectical cognition (to study linkages to social stratification), the method of analogies and comparative analysis (to analyze dynamics in the PRC), the methods of induction and deduction (to formulate policy adjustments), the methods of analysis, synthesis and data processing (to assess status and role in stratification), the monitoring method (to analyze risks and challenges), regression analysis (to illustrates the relationship between China's annual GDP growth rate and the GINI Index), cluster analysis (to provides a comparative visual interpretation of inequality using two widely accepted indicators: the Gini Index and the income share held by the top 10%) and the method of data visualization (to graphically present key provisions and research results).

The theoretical and methodological basis of the study was the scientific works of leading economists, statistical data and analytical materials of the World Bank, International Monetary Fund, United Nations Development Programme, National Bureau of Statistics of China, other international organizations and think tanks, national development strategies, legislative acts on social equity, scientific articles by scientists, monographs, and Internet resources.

Scientific novelty of the research results consists in establishing scientific substantiation of the theoretical and methodological foundations of economic inequality and social stratification of population in the PRC, developing a conceptual model to reduce economic inequality, elaborating the mechanism for inclusive

economic development and proposing roadmap for strategic reforms to reduce stratification in Chinese society.

The following most important scientific results were obtained in the research:

for the first time:

– developed the conceptual model of income redistribution, inclusive growth and regional balance for the PRC; which redistributes income through vertical instruments and horizontal transfers; ensures inclusive growth through access to employment, human capital, inclusive infrastructure, support for entrepreneurship, innovation and a green economy; provides regional balance through fiscal equalization mechanisms, regional development programs, connectivity infrastructure, local capacity development, and local interventions; and ensures increased local incomes and access to services, reduced inequality (urban-rural, regional), enhanced fiscal capacity and legitimacy, and sustainable, equitable growth dynamics;

improved:

– the mechanism for inclusive economic development in the PRC which includes instruments for strengthening social safety nets and targeted welfare programs that in combination with instruments for improving the progressiveness of the tax system give the ways for expanding access to quality education and vocational training and are focused on the institutional reform of the Hukou system to reduce urban-rural gaps and enhancing participation of vulnerable groups in economic activities;

– the roadmap for strategic reforms to reduce stratification in Chinese society that addresses short-, medium-, and long-term policy priorities for the purpose of coordinating regional policy and inter-provincial resource equalisation which involves digital transformation and smart governance to improve service delivery which contains a system for monitoring and evaluation system for anti-inequality initiatives which aims at international cooperation and adaptation of best practices in inequality reduction;

– the methodics to assessment of state policies and institutional responses to economic inequality; performed cluster analysis of economic inequality across countries, using indicators such as tax-to-GDP ratios, revenue composition, and social

spending, that positioning China among moderate-inequality economies alongside the U.S., Mexico, and Turkey; done regression analysis of GDP growth to the Gini Index which revealed a moderate negative correlation according to which higher growth tends to reduce inequality, but not decisively; performed comparative analysis of crisis measures and inequality impact emphasized that growth alone is insufficient to ensure equity, instead, proactive redistributive measures are essential for achieving inclusive development and addressing long-term structural disparities; established that the PRC relies heavily on consumption-based taxation, primarily VAT, and substantial social security contributions, which fund large-scale infrastructure and targeted social programs but this system is less redistributive than welfare-state models in advanced economies;

further developed:

– the analysis of dynamics and structure of income and wealth inequality in the PRC in particular China's transformation from an agrarian economy into a global industrial and technological hub combined with persistent disparities across regions, urban and rural areas, occupations, education levels, and gender; evaluated poverty reduction programs and their effect on inequality in the PRC including the "Go West" strategy, the New Socialist Countryside program, and "Common Prosperity" agenda, aimed at mitigating socioeconomic imbalances;

– the research of empirical indicators and trends of social stratification of Chinese society; traced the evolution of social structure from politically defined categories in Maoist China to economically based strata following Deng Xiaoping's reforms; established socio-economic characteristics and trends, in particular the access to education, health services, and housing by social strata in PRC; proved that Chinese society is characterized by elites, a growing middle class, and vulnerable lower groups such as migrants and informal workers; and established that middle class has become a driver of consumption-led growth but remains highly dependent on property wealth and exposed to market fluctuations;

– the conceptual and methodological approaches to the study of economic inequality, in particular a typology of economic inequality, including income, wealth,

opportunity, regional, global, intergenerational, gender and social group disparities; analysis of key economic theories that explain the origins and persistence of inequality; research of indicators and indices for measuring inequality as essential instruments for empirical research;

– the theoretical approaches to social stratification in the context of economic inequality; established causal mechanisms linking economic inequality and stratification: access to education, labor market segmentation, spatial segregation, political power, cultural reproduction, and health disparities; researched social mobility and barriers to upward movement in stratified societies caused by structural and cultural factors;

– institutional and structural determinants of inequality in the PRC; assessed the role of globalisation and the reconfiguration of Chinese stratification in particular influence of globalization and technological change on economic dynamism and deepen stratification through the creation of new forms of exclusion; described regional disparities and government policies of “balanced development” in the PRC, in particular analyzed the inequality across multiple dimensions – sectoral, regional, and socio-demographic.

The practical value of the results. The practical significance of the results of the dissertation is that the main theoretical provisions of the study of economic inequality, social stratification of the population and ways of policy adjustments the reducing economic inequality in PRC can be used in the practical activities of governmental bodies, local authorities and in further scientific developments.

Personal contribution of the applicant. Dissertation work is self-exploration research. The theoretical propositions, proposals and results presented for defence were obtained by the author personally. From the scientific publications published in co-authorship, the work uses only those provisions that are the result of the author's personal research.

Approbation of the results of the dissertation. The main results of the dissertation were discussed at international scientific and scientific-practical conferences: International scientific and practical conference of young scientists

"Economic and social development of Ukraine in the XXI century: national vision and challenges of globalization" (Ternopil, 2022); International scientific and practical conference of young scientists and students "Innovative processes of economic and socio-cultural development: domestic and foreign experience" (Ternopil, 2024); International scientific and practical conference of young scientists and students "Innovative processes of economic and socio-cultural development: domestic and foreign experience" (Ternopil, 2025); International Scientific and Practical Conference "International Economy in the Context of Climate Change: Global Challenges" (Ternopil, 2025).

The main scientific developments regarding the model of fiscal policy for stimulating and supporting small and micro enterprises of the China will be approved by the Department of International Economic Relations in a scientific and technical report based on the results of: fundamental state budget funding research "Concept of recovery and green reconstruction of Ukraine" (state registration number 0124U000003); and business funding research on the topic "Formation of the company's ecological brand in foreign markets" (Contract No. MEV-37-2024 dated 25.04.2024). The research results have been applied by Yumen Shunte Logistics Co., Ltd. (Certificate JIU No. 22 from May 08, 2025) and Gansu ZOSE Culture Advertising Media Co., Ltd. (Certificate JIU No. 24 from May 09, 2025).

Publications. The main results of the dissertation research were published in 8 articles with a total volume of 2.63 p.s. (of which the author personally owns 2.63 p.s.), including: 3 – publications in Journals of category "B" of the List of scientific and specialized publications of Ukraine by specialty: 292 "International Economic Relations"; 1 – publication in international periodical scientific Journal; 4 – publications in Conference Paper Proceeding.

The structure and volume of thesis. The dissertation consists of an introduction, three sections, conclusions, a list of reference, and annexes. The total volume of the dissertation is 200 pages, of which 172 pages are the main text. The thesis contains 10 tables, 23 figures and 2 appendices on 4 pages. The list of reference includes 194 sources on 24 pages.

CHAPTER 1. THEORETICAL FOUNDATIONS OF ECONOMIC INEQUALITY AND SOCIAL STRATIFICATION IN THE PRC

1.1. Conceptual and methodological approaches to the study of economic inequality

Economic inequality refers to the uneven distribution of economic resources, such as income, wealth, or opportunities, among individuals, groups, or regions within a society or across different societies. It reflects disparities in access to financial assets, economic opportunities, and the resulting standards of living. Economic inequality is a multidimensional concept, encompassing not only differences in monetary wealth but also variations in access to education, healthcare, and employment opportunities, which collectively shape individuals' economic well-being. At its core, economic inequality highlights the gaps between the affluent and the less privileged, often measured through indicators like income shares, wealth concentration, or consumption patterns. These disparities can influence social mobility, economic growth, and societal stability, making the study of economic inequality a critical area in economics and social policy. Economic inequality can be categorized into several types based on its dimensions, causes, and manifestations. Below is a typology that outlines the primary forms of economic inequality [12].

Income inequality refers to the unequal distribution of income across individuals or households within a population. Income inequality describes disparities in the earnings individuals or households receive from wages, salaries, dividends, rents, and social transfers. It reflects labor market structures, educational access, and occupational hierarchies. It is often measured using tools like the Gini coefficient, Lorenz curve, or income quintile ratios. Income inequality can arise from differences in wages, salaries, investment returns, or government transfers. For example, high earners in specialized professions (e.g., technology or finance) may accumulate significantly more income than low-skilled workers, widening the income gap. *Wealth inequality*, on the other hand, concerns the distribution of assets such as land, real estate, financial investments, and savings. Unlike income, wealth is often accumulated and transferred

intergenerationally, leading to persistent economic advantages or disadvantages over time. Wealth inequality pertains to the unequal distribution of assets, such as property, savings, investments, or inheritances. Unlike income, which is a flow of earnings over time, wealth represents accumulated resources and is often more unequally distributed. Wealth inequality can perpetuate across generations, as those with substantial assets pass them down, creating entrenched economic divides. Wealth inequality tends to be more pronounced than income inequality and is closely linked to access to capital markets and inheritance systems. Income inequality is influenced by factors such as globalization, technological progress, tax policies, and labor market institutions. It can lead to differences in consumption, access to healthcare, and educational opportunities. *Opportunity inequality* reflects disparities in access to resources that enable economic advancement, such as education, training, or job networks. For instance, individuals from lower-income backgrounds may face barriers to quality education or professional mentorship, limiting their ability to secure high-paying jobs. This form of inequality often reinforces income and wealth disparities over time [65].

Regional inequality highlights the spatial imbalances in economic development, infrastructure, and living standards among different geographic areas within a country, such as urban versus rural regions or developed versus developing countries. These differences can stem from variations in infrastructure, industrial development, or access to markets. These disparities can be observed between urban and rural regions, coastal and inland zones, or core and peripheral provinces. In China, for example, the eastern coastal provinces exhibit significantly higher GDP per capita and access to public services compared to western inland areas. Regional inequality may result from uneven investment, policy preferences, or historical development patterns. For example, urban centers often offer better job prospects and services compared to rural areas, leading to concentrated economic advantages in cities [24].

Global inequality refers to economic disparities between nations or across the global population. It encompasses differences in per capita income, living standards, and access to resources between countries. For instance, high-income nations like those in Western Europe contrast sharply with low-income countries in parts of Africa or

South Asia, driven by factors like historical development, trade policies, and technological advancements [120].

Intergenerational inequality examines how economic status is transmitted across generations. Families with higher wealth or income can provide better education, healthcare, and social connections to their children, perpetuating economic advantages. Conversely, those from disadvantaged backgrounds may face persistent barriers, limiting upward mobility. *Gender and social group inequality* focuses on economic disparities based on gender, race, ethnicity, or other social identities. For example, women may earn less than men for similar work due to wage gaps, while marginalized groups may face systemic barriers to employment or asset ownership. These disparities often intersect with other forms of inequality, amplifying economic divides (see table 1.1).

Table 1.1

Typology of Economic Inequality

Income Inequality	Income inequality refers to the unequal distribution of income across individuals or households within a population.
Wealth Inequality	Wealth inequality pertains to the unequal distribution of assets, such as property, savings, investments, or inheritances.
Opportunity Inequality	Opportunity inequality reflects disparities in access to resources that enable economic advancement, such as education, training, or job networks.
Regional Inequality	Regional inequality describes economic disparities between different geographic areas, such as urban versus rural regions or developed versus developing countries.
Global Inequality	Global inequality refers to economic disparities between nations or across the global population.
Intergenerational Inequality	Intergenerational inequality examines how economic status is transmitted across generations.
Gender and Social Group Inequality	Gender and social group inequality focuses on economic disparities based on gender, race, ethnicity, or other social identities.

Source: [author].

Additional typologies of economic inequality include *horizontal inequality*, which refers to disparities among culturally defined groups such as ethnic minorities,

religious groups, or gender categories, and *vertical inequality*, which denotes inequality across hierarchical strata such as income quintiles or percentiles. Horizontal inequality can foster social tension and exclusion, while vertical inequality is more commonly captured through statistical indices. Furthermore, inequality can be categorized as absolute or relative. *Absolute inequality* assesses the actual differences in income or wealth, whereas *relative inequality* evaluates how income or wealth is distributed proportionally among members of a society. While a country may experience rising absolute incomes across all segments, relative inequality may still increase if gains are disproportionately captured by the top income groups. Understanding the typology of economic inequality is essential for designing effective public policies. Each form of inequality may require tailored interventions, whether through tax reforms, regional development strategies, or social inclusion programs. This classification also informs the selection of appropriate analytical tools and indicators for empirical research [68].

Economic inequality, characterized by the unequal distribution of income, wealth, or opportunities, has been a central focus of economic thought for centuries. Various economic theories offer distinct explanations for why disparities arise and persist within and across societies. Below, we explore key economic theories that shed light on the causes and dynamics of inequality. *Classical Economic Theory.* Classical economists, such as Adam Smith and David Ricardo, viewed inequality as a natural outcome of market processes and economic development. Smith argued that specialization and division of labor, driven by market competition, increase productivity but also create differences in earnings based on skills and roles. Ricardo's theory of comparative advantage and rent emphasized how land ownership and scarce resources concentrate wealth among a few, particularly landowners, while laborers earn subsistence wages. In this view, inequality emerges from the unequal distribution of productive resources and market-driven rewards [37].

Marxian Economic Theory. Marxist theory offers a fundamentally different explanation rooted in the class structure of capitalist societies. Karl Marx provided a critical perspective on inequality, rooted in the conflict between social classes. In

Marx's framework, capitalism inherently generates inequality through the exploitation of labor by capital owners. Workers (the proletariat) sell their labor for wages, while capitalists (the bourgeoisie) accumulate surplus value the difference between the value workers produce and their wages. From this viewpoint, meaningful reduction of inequality requires systemic transformation rather than incremental reforms. This process concentrates wealth in the hands of capitalists, widening the gap between classes. Marx predicted that growing inequality would lead to class struggle and, eventually, the overthrow of capitalism. Contemporary Marxist scholars have further analyzed issues such as financialization, labor precarity, and global capital flows [5].

Neoclassical Economic Theory. Theoretical approaches to economic inequality differ significantly across economic schools of thought. Neoclassical economics, developed in the late 19th century, explains inequality through individual choices, market forces, and differences in productivity. The neoclassical perspective emphasizes market mechanisms, marginal productivity, and individual choices. According to this theory, individuals are rewarded based on their marginal contribution to production, determined by their skills, education, and effort. In this view, inequality results from differences in skills, education, and preferences. For example, highly skilled workers command higher wages due to their greater productivity. Inequality arises from variations in human capital, preferences for work versus leisure, and market imperfections like discrimination or barriers to education. The labor market rewards productivity, and any disparities in income or wealth are deemed efficient and merit-based. From a policy standpoint, neoclassical economists often advocate minimal state intervention, emphasizing the self-regulating nature of markets. However, critics argue that this approach overlooks structural inequalities and unequal access to resources. Neoclassical models, such as the supply and demand for labor, suggest that inequality can be reduced by improving access to education and removing market distortions.

Keynesian Economic Theory. In contrast, Keynesian economics attributes inequality to macroeconomic and institutional factors. John Maynard Keynes and his followers focused on macroeconomic factors influencing inequality, particularly the role of government and aggregate demand. Keynesians argue that market outcomes can

produce persistent unemployment, demand shortfalls, and income concentration. They emphasize the role of aggregate demand, wage-setting mechanisms, and fiscal policy. Keynes argued that unchecked market economies could lead to unemployment and income disparities, especially during economic downturns. He advocated for government intervention through fiscal and monetary policies to stabilize economies and redistribute income via progressive taxation and social welfare programs. Redistribution through taxation and social spending is seen as necessary to stabilize the economy and promote social cohesion. Inequality, in this framework, is not only a moral issue but also an economic one, potentially undermining consumption and growth. Keynesian theory suggests that inequality can be mitigated by policies that boost demand, create jobs, and provide safety nets, reducing the concentration of economic resources. Policies targeting full employment and progressive taxation are essential in Keynesian analysis [170].

Institutional Economic Theory. More recent approaches have expanded these foundational theories. Institutional economists, such as Thorstein Veblen and John Kenneth Galbraith, emphasize the role of social, political, and economic institutions in shaping inequality. Institutional economics focuses on the role of political and legal institutions in shaping economic outcomes. Property rights, labor laws, and social norms are seen as critical determinants of inequality. Institutions, such as labor unions, tax systems, or corporate governance, determine how resources are distributed and who benefits from economic growth. For example, strong labor unions can reduce wage inequality by negotiating better pay for workers, while weak antitrust policies may allow monopolies to concentrate wealth. Institutional arrangements can either mitigate or reinforce disparities. For example, labor market regulations and collective bargaining can reduce wage gaps. Institutional theory highlights how power dynamics and historical factors, rather than just market forces, perpetuate economic disparities.

Human Capital Theory. Developed by economists like Gary Becker and Theodore Schultz, human capital theory links inequality to differences in education, skills, and training. Individuals with higher levels of human capital, acquired through education or experience, are more productive and earn higher incomes. Inequality,

therefore, reflects unequal access to opportunities for skill development, often due to socioeconomic background or systemic barriers. This theory suggests that policies promoting universal education and vocational training can reduce inequality by leveling the playing field. Similarly, *behavioral economics* introduces psychological and cognitive factors, such as risk aversion, time preferences, and social comparison, into the analysis of inequality. These elements help explain why individuals make decisions that perpetuate inequality, including underinvestment in education or savings [31]. Behavioral insights inform the design of nudges and targeted interventions to enhance equity (see fig. 1.1).

Fig. 1.1. Economic Theories Explaining Inequality [author].

Piketty's Capital Accumulation Theory. Thomas Piketty's modern contribution builds on classical and Marxian ideas, arguing that inequality increases when the return on capital (r) exceeds the rate of economic growth (g), wealth becomes increasingly concentrated ($r > g$). This has reignited interest in progressive taxation and wealth redistribution as tools to address long-term trends in inequality. Piketty's historical data underscore the role of institutions and political choices in shaping inequality trajectories. In his book Capital in the 21st Century, Piketty shows that wealth accumulates faster than income in capitalist economies, concentrating economic resources among those who already own capital. This dynamic leads to rising wealth inequality over time, particularly in periods of low growth. Piketty advocates for progressive wealth taxes to curb this trend and redistribute resources. Each of these theories provides valuable insights, and contemporary inequality research often adopts a multidisciplinary approach, integrating elements from various schools of thought to

better understand complex social and economic dynamics. These approaches collectively inform policy debates and strategies to promote inclusive development.

Quantifying economic inequality is crucial for evidence-based policymaking, international comparisons, and academic research. The development of a wide range of statistical indices and indicators has enhanced the ability to measure, monitor, and evaluate inequality in its many dimensions. Measuring inequality requires tools that capture these dimensions quantitatively, allowing for comparisons across populations, regions, or time periods. Indicators typically focus on specific aspects of inequality, such as income distribution or wealth gaps, while indices combine multiple indicators into a single metric for a more holistic view. These tools vary in complexity, from simple statistical measures to sophisticated indices that account for multidimensional factors [8]. Below, we explore the most widely used indicators and indices, their calculation methods, and their significance in analyzing inequality (see fig. 1.2).

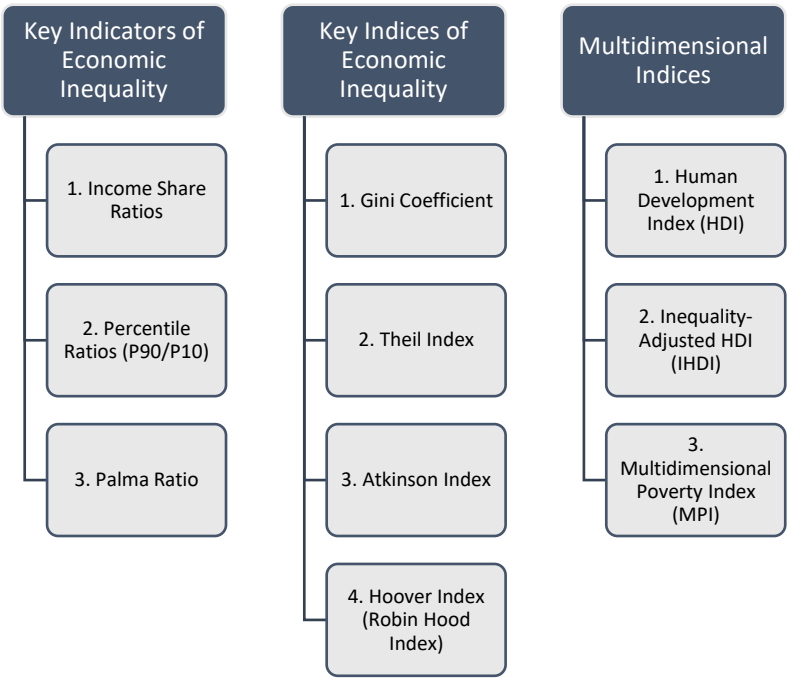

Fig. 1.2. Indicators and Indices for Measuring Inequality [author].

Income Share Ratios. Income share ratios compare the income earned by different segments of a population, typically expressed as the share of total income held by specific percentiles or quintiles. For example, the ratio of the income shares of the

top 10% to the bottom 10% provides a straightforward measure of income disparity. A higher ratio indicates greater inequality, as the wealthiest group captures a disproportionate share of income. Calculation is: to divide the total income of the top percentile (e.g., top 10%) by the total income of the bottom percentile (e.g., bottom 10%). Strengths are: simple to calculate and interpret, making it accessible for quick comparisons across countries or time periods. Limitations are: ignores the distribution of income within the selected percentiles and may oversimplify complex inequality dynamics. Applications are: used by organizations like the World Bank to compare income inequality across nations or track changes over time [73; 151].

Percentile Ratios (P90/P10). Percentile ratios, such as the P90/P10 ratio, measure the income or wealth of individuals at the 90th percentile relative to those at the 10th percentile. This indicator highlights the gap between high and low earners or asset holders, focusing on the extremes of the distribution. Calculation is: *P90/P10 = Income (or wealth) at the 90th percentile / Income (or wealth) at the 10th percentile*. Strengths are: captures disparities at specific points in the distribution, offering a clear picture of inequality between high and low earners. Limitations are: does not account for the overall shape of the distribution or changes in the middle range. Applications are: commonly used in labor economics to analyze wage disparities and in wealth studies to assess asset concentration [98].

Palma Ratio. The Palma ratio focuses on the income share of the top 10% relative to the bottom 40%. It is based on the observation that the middle 50% of the population often holds a relatively stable share of income, while inequality is driven by the extremes. Calculation is: *Palma Ratio = Income share of the top 10% / Income share of the bottom 40%*. Strengths are: emphasizes the extremes of the income distribution, where inequality is often most pronounced, and is less sensitive to changes in the middle. Limitations are: ignores variations within the middle 50% and may miss nuanced shifts in income distribution. Applications are: gaining popularity in development economics for its focus on extreme disparities, especially in highly unequal societies [155].

Gini Coefficient. The Gini coefficient is one of the most widely used measures of inequality, summarizing the distribution of income or wealth across a population. It ranges from 0 (perfect equality, where everyone has the same income or wealth) to 1 (perfect inequality, where one individual holds all resources). Calculation is: to derived from the Lorenz curve, which plots the cumulative share of income (or wealth) against the cumulative share of the population. The Gini coefficient is calculated as the ratio of the area between the Lorenz curve and the line of perfect equality to the total area under the line of perfect equality: $G = \frac{A}{A+B}$, where (A) is the area between the Lorenz curve and the line of equality, and (A + B) is the total area under the line of equality. Strengths are: provides a single, standardized measure of inequality that is comparable across countries and time periods. It captures the entire distribution, not just extremes. Limitations are: insensitive to changes in specific parts of the distribution (e.g., middle vs. extremes) and may mask different patterns of inequality that yield the same coefficient. Applications are: used by international organizations like the OECD and World Bank to compare income inequality globally and monitor trends over time.

Theil Index. The Theil index is an entropy-based measure that quantifies inequality by assessing how income or wealth is distributed relative to a perfectly equal distribution. It is particularly useful for decomposing inequality into contributions from different subgroups, such as regions or demographic groups. Calculation is: the Theil index is based on the concept of entropy and is calculated as: $T = \sum_{i=1}^{n}(\frac{y_i}{\mu} * \ln\left(\frac{y_i}{\mu}\right))$, where ($y_i$) is the income of individual (i), (μ) is the mean income, and (n) is the population size. Strengths are: allows decomposition of inequality into within-group and between-group components, making it valuable for analyzing regional or social disparities. Limitations are: more complex to calculate and interpret than the Gini coefficient, requiring detailed data. Applications are: used in studies of regional inequality or disparities across ethnic or occupational groups, particularly in developing countries [40].

Atkinson Index. The Atkinson index measures inequality with an explicit focus on societal aversion to inequality, incorporating a parameter that reflects how much

weight is given to disparities at the lower end of the distribution. It ranges from 0 (perfect equality) to 1 (perfect inequality). Calculation is: the Atkinson index is defined as: $A_e = 1 - \left[\frac{1}{n}\sum_{i=1}^{n}\left(\frac{y_i}{\mu}\right)^{1-e}\right]^{\frac{1}{1-e}}$, where (A_e) is the inequality aversion parameter (higher values prioritize the lower end of the distribution), (y_i) is individual income, and (μ) is mean income. Strengths are: flexible, as it allows adjustment for societal preferences regarding inequality, and emphasizes the welfare implications of disparities. Limitations are: requires subjective choice of the inequality aversion parameter, which can affect results and comparability. Applications are: used in welfare economics to assess the social impact of income inequality and guide redistributive policies.

Hoover Index (Robin Hood Index). The Hoover index, also known as the Robin Hood index, measures the proportion of total income or wealth that would need to be redistributed to achieve perfect equality. It is intuitive, as it quantifies the share of resources that must be "taken from the rich and given to the poor." Calculation is: to calculate as half the absolute difference between the actual income distribution and a perfectly equal distribution: $H = \frac{1}{2}\sum_{i=1}^{n}\left|\frac{y_i}{\sum y_i} - \frac{1}{n}\right|$. Strengths are: easy to interpret as the share of resources requiring redistribution, making it accessible for policy discussions. Limitations are: does not capture the shape of the distribution or the specific sources of inequality. Applications are: used in public policy to estimate the scale of redistribution needed to reduce inequality [46].

Human Development Index (HDI) and Inequality-Adjusted HDI (IHDI). While the HDI measures average achievements in health, education, and income, the IHDI adjusts for inequality within these dimensions. It accounts for disparities in life expectancy, schooling, and income across a population. Calculation is: the IHDI is calculated by applying an inequality penalty (based on the Atkinson index) to each dimension of the HDI: *IHDI = HDI / (1–A)*, where (A) is the average inequality across the three dimensions. Strengths are: captures multidimensional aspects of inequality, beyond just income or wealth, and links them to human development. Limitations are: requires comprehensive data on health, education, and income, which may be

unavailable in some contexts. Applications are: used by the United Nations Development Programme (UNDP) to assess inequality's impact on human development across countries [32].

Multidimensional Poverty Index (MPI). The MPI measures poverty by considering deprivations in health, education, and living standards, indirectly capturing inequality in access to basic needs. It identifies households as multidimensionally poor if they face multiple deprivations. Calculation is: to combine the incidence of poverty (proportion of people who are poor) and the intensity of deprivation (average number of deprivations experienced by the poor). Strengths are: highlights non-income dimensions of inequality, such as access to healthcare or sanitation, which are critical in developing countries. Limitations are: focuses on deprivation rather than the full spectrum of inequality, missing disparities among the non-poor. Applications are: widely used by the UNDP and Oxford Poverty and Human Development Initiative to assess poverty and inequality in low-income countries [25].

Accurate measurement of inequality relies on high-quality, disaggregated data on income, wealth, or other resources. Household surveys, tax records, and national accounts are common sources, but they vary in reliability and coverage. For example, income data may exclude informal earnings, while wealth data often underreport assets held in offshore accounts. Comparing inequality across countries or time periods is complicated by differences in data collection methods, definitions of income or wealth, and purchasing power parity. Standardizing metrics like the Gini coefficient or Palma ratio helps, but care must be taken to ensure consistency. The choice of indicator or index influences policy recommendations. For instance, a high Gini coefficient may prompt progressive taxation, while a high IHDI penalty may highlight the need for education or healthcare reforms. Policymakers must select tools that align with their goals, whether reducing income disparities or addressing multidimensional deprivation. Recent advancements in data science and satellite imagery have introduced novel ways to measure inequality, such as using nighttime light intensity to estimate regional wealth disparities. Machine learning models are also being developed to predict inequality from limited data, improving measurement in data-scarce regions.

Additionally, indices like the Commitment to Reducing Inequality (CRI) Index evaluate government policies' effectiveness in addressing inequality, combining fiscal, labor, and social protection metrics. Methodological debates around inequality measurement persist, especially concerning the use of pre-tax vs. post-tax income, household vs. individual income, and the role of consumption vs. income as a welfare measure. The growing availability of administrative and big data sources has also expanded the potential for more accurate and granular analysis [95].

Modern inequality research benefits from a diverse methodological toolkit that integrates microeconomic analysis, statistical modeling, computational tools, and qualitative approaches. The increasing complexity of inequality dynamics has necessitated the use of sophisticated and multi-layered research designs. One foundational tool is the household survey, which collects detailed data on income, expenditure, employment, health, and education. Surveys such as the World Bank's Living Standards Measurement Study (LSMS), the Demographic and Health Surveys (DHS), and national income surveys provide disaggregated information that forms the empirical basis for inequality analysis. *Econometric models* are employed to assess the determinants and consequences of inequality. Ordinary Least Squares (OLS), quantile regression, and panel regression methods allow researchers to evaluate how variables such as education, age, occupation, or region impact income or wealth distribution. Quantile regression, in particular, captures effects at different points in the distribution, offering richer insights than mean-based approaches. *Decomposition techniques* such as the Oaxaca-Blinder method, Shapley decomposition, and regression-based inequality decomposition allow the attribution of observed inequality to specific factors. These tools are invaluable for understanding the contributions of demographic, geographic, or institutional variables to income or wealth disparities [114].

Counterfactual simulations model hypothetical policy changes or economic shocks and assess their impact on inequality. These include microsimulation models and Computable General Equilibrium (CGE) models, which estimate distributional outcomes of taxes, transfers, subsidies, or market changes. *Panel and longitudinal data analysis* provides insights into income dynamics, life-cycle patterns, and

intergenerational mobility. Tracking individuals or households over time enables researchers to examine the persistence of inequality, social mobility, and long-term effects of policy interventions. *Spatial analysis* tools, including Geographic Information Systems (GIS), are used to map regional inequality and analyze spatial patterns. This approach is crucial for addressing territorial disparities and informing regional development policies. *Big data analytics*, including machine learning and data mining techniques, are increasingly being used to extract inequality patterns from non-traditional sources such as social media, satellite imagery, and digital transaction records. These methods enable real-time monitoring and the uncovering of hidden forms of inequality. Qualitative methodologies, such as ethnographic research, in-depth interviews, and participatory approaches, add depth to quantitative findings. They help explore subjective experiences of inequality, perceptions of fairness, and cultural dimensions of stratification. The methodological landscape continues to evolve, with increasing emphasis on mixed-methods approaches, triangulation, and participatory research. These innovations enhance the validity, reliability, and relevance of inequality studies in a rapidly changing global context [18].

The evolution of economic inequality in socialist and post-socialist societies provides an instructive case study of how institutional and ideological shifts affect income and wealth distribution. While socialist regimes professed egalitarian ideals, the actual implementation of those ideals varied across countries and time periods. Under classical socialism, central planning and state ownership of production were the primary mechanisms for reducing income disparities. In theory, wages were standardized, and access to services like education and healthcare was universal. Countries like the Soviet Union and China maintained relatively low Gini coefficients during the height of socialist planning. They reduced wage differentials and restricted private ownership, thereby limiting wealth accumulation. In theory, socialist policies were designed to reduce inequality by providing universal access to education, healthcare, and employment. Wages were regulated to minimize disparities, and wealth accumulation through private property was curtailed. For example, in the Soviet Union, the Gini coefficient for income inequality in the 1960s was estimated to be around 0.24-

0.28, significantly lower than in many capitalist countries at the time, suggesting a relatively equal distribution of income. Despite these efforts, inequality persisted in socialist societies, often in less visible forms. Several factors contributed to this [4]:

Nomenklatura Privileges: the political elite, known as the nomenklatura in the Soviet Union and Eastern Europe, enjoyed access to better housing, healthcare, education, and consumer goods. Special stores, reserved for party officials, offered scarce luxury items, while ordinary citizens faced shortages. This created a form of "status inequality," where political power translated into economic advantages.

Urban-Rural Divide: collectivization and industrialization policies prioritized urban development, leading to disparities between urban and rural populations. Urban workers had better access to jobs, infrastructure, and services, while rural communities, particularly in the Soviet Union and China, lagged behind. For instance, in Maoist China, the hukou system restricted rural residents' access to urban opportunities, perpetuating regional inequality [6].

Occupational Hierarchies: while wage scales were compressed, differences in earnings persisted based on occupation and skill level. Managers, scientists, and skilled workers earned more than manual laborers, creating income disparities. In the Soviet Union, for example, engineers and party officials often earned 2-3 times more than factory workers.

Non-Monetary Inequalities: socialist systems reduced income inequality but often failed to address non-monetary disparities, such as access to quality education or healthcare. Elite schools and hospitals, often reserved for the politically connected, reinforced social hierarchies [149].

Measuring inequality in socialist societies was challenging due to limited data and state control over information. Official statistics often understated disparities to align with ideological claims of equality. However, studies based on household surveys and consumption patterns suggest that while income inequality was lower than in capitalist economies, wealth inequality (e.g., access to housing or savings) and social inequalities (e.g., access to power) remained significant [51].

The late 1980s and early 1990s marked a turning point for socialist societies, as the Soviet Union and its Eastern European allies collapsed, and China began market-oriented reforms under Deng Xiaoping. The transition to post-socialist systems involved privatization, deregulation, and integration into global markets. These reforms profoundly altered inequality dynamics, often leading to rapid increases in disparities. In post-socialist states like Russia, Poland, and Hungary, state-owned enterprises were privatized, often at undervalued prices. This process, sometimes called "shock therapy," enabled politically connected individuals and emerging oligarchs to acquire significant wealth. In Russia, the privatization of natural resources and industries in the 1990s created a small group of billionaire oligarchs, while many citizens faced economic hardship. By 2000, Russia's Gini coefficient had risen to approximately 0.40, reflecting a sharp increase in income inequality [33].

The shift to market economies dismantled guaranteed employment, leading to unemployment and wage differentiation. In Eastern Europe, skilled workers in emerging sectors like finance and technology earned significantly more than those in declining industries like manufacturing. For example, in Poland, the wage gap between white-collar and blue-collar workers widened during the 1990s as market reforms took hold. The transition exacerbated regional inequalities, as urban centers and regions with access to global markets thrived, while rural areas and industrial heartlands declined. In China, coastal provinces like Guangdong benefited from export-led growth, while inland regions remained underdeveloped, contributing to a rising Gini coefficient (from 0.30 in the 1980s to over 0.45 by the 2000s). Socialist systems provided extensive social welfare, but post-socialist reforms often reduced these protections. In countries like Russia and Ukraine, cuts to pensions, healthcare, and subsidies disproportionately affected low-income groups, deepening poverty and inequality [172].

The transition from socialist to post-socialist systems revealed the complexity of addressing inequality. While socialist societies achieved lower income inequality through centralized control, they often masked other forms of disparity, such as political privilege and regional divides. Post-socialist reforms, while fostering

economic growth, frequently exacerbated inequality by concentrating wealth and reducing social protections. In response, post-socialist states have adopted various strategies to address inequality: *(a) Progressive Taxation:* some countries, like Poland, introduced progressive tax systems to redistribute income, though enforcement remains a challenge in others, like Russia. *(b) Social Welfare:* Eastern European countries, influenced by EU standards, have maintained or expanded social safety nets, such as pensions and healthcare, to mitigate inequality. *(c) Education and Labor Market Reforms:* investments in education and vocational training have aimed to reduce opportunity inequality, particularly in China and Hungary. *(d) Regional Development:* China's "Go West" policy and similar initiatives in Eastern Europe seek to reduce regional disparities by investing in underdeveloped areas [164].

Today, inequality in post-socialist societies varies widely. Countries like the Czech Republic and Slovenia maintain relatively low inequality (Gini coefficients around 0.25-0.30), thanks to strong social policies and EU integration. In contrast, Russia and China continue to grapple with higher inequality, driven by wealth concentration and regional disparities. The legacy of socialism, universal education and healthcare, has provided some resilience, but market-driven reforms have introduced new challenges, such as rising wealth inequality and social stratification. Market reforms since the 1980s transformed China into a global economic power but also increased inequality. The urban-rural divide and regional disparities drove much of this trend, with the top 10% capturing a growing share of income. These efforts aim to address the consequences of rapid growth and prevent social unrest. However, poverty reduction programs and infrastructure investments have since moderated inequality, with the Gini coefficient declining to around 0.38 by 2020. Despite their different paths, post-socialist societies share common challenges: managing the legacies of central planning, rebuilding social safety nets, and designing inclusive growth strategies [159]. Their experiences highlight the importance of institutional continuity, governance capacity, and policy adaptability in shaping inequality trajectories.

1.2. Theoretical approaches to social stratification in the context of economic inequality

Social stratification, the hierarchical arrangement of individuals or groups within a society based on access to resources, power, and status, is a fundamental concept in economics and sociology. It explains how societies organize inequalities and how these structures shape social interactions, opportunities, and life outcomes. Classical and modern theories of social stratification provide distinct frameworks for understanding these dynamics, emphasizing different dimensions such as class, status, power, and cultural capital.

Karl Marx: Class and Economic Production. Karl Marx, a foundational figure in sociology, viewed social stratification primarily through the lens of class, rooted in the economic relations of production. In Marx's framework, society is divided into two primary classes under capitalism: the bourgeoisie, who own the means of production (e.g., factories, land), and the proletariat, who sell their labor for wages. This division creates a fundamental conflict, as the bourgeoisie extract surplus value from the proletariat's labor, perpetuating inequality and exploitation. Marx argued that class position determines access to resources, power, and opportunities, shaping all aspects of social life. He predicted that growing class disparities would lead to revolutionary change, with the proletariat overthrowing the capitalist system to establish a classless society. While Marx's focus on economic determinism was groundbreaking, critics note its limited attention to non-economic factors like culture or status, which later theorists addressed [104].

Max Weber: Class, Status, and Power. Max Weber expanded on Marx's ideas by introducing a multidimensional approach to social stratification. In his seminal work, Economy and Society, Weber proposed three distinct but interrelated dimensions of stratification: class, status, and power (or party). *Class:* like Marx, Weber linked class to economic position, defined by individuals' market situation, including their ownership of property, skills, or labor. However, Weber emphasized market-based inequalities, such as differences in income or occupational opportunities, rather than solely ownership of production. *Status:* Weber introduced status groups, distinguished

by social honor or prestige, often tied to lifestyle, education, or cultural practices. Unlike class, which is economically determined, status is based on social evaluations and can exist independently of wealth (e.g., a respected but poor scholar). *Power (Party):* Weber's concept of power refers to the ability to influence others, often through political or organizational affiliations. Parties, such as political groups or unions, represent organized efforts to wield power, distinct from economic or status-based hierarchies. Weber's framework highlights the complexity of stratification, as individuals may occupy different positions across these dimensions (e.g., high status but low wealth). His approach remains influential for its nuanced understanding of how economic, social, and political factors intersect to shape inequality [42].

Emile Durkheim: Functionalist Perspective. Emile Durkheim, another classical sociologist, approached stratification from a functionalist perspective, emphasizing its role in maintaining social order. In The Division of Labor in Society, Durkheim argued that stratification emerges from the division of labor, which assigns individuals specialized roles to ensure societal cohesion. In traditional societies, "mechanical solidarity" binds people through shared values and occupations, minimizing inequality. In modern, complex societies, "organic solidarity" arises from interdependence among diverse roles, but this can lead to greater inequality due to differences in skills, education, and rewards. Durkheim viewed stratification as necessary for social functioning but acknowledged that extreme inequalities could lead to anomie, a state of normlessness that destabilizes society. His focus on social cohesion contrasts with Marx's conflict-based approach, offering a perspective that sees stratification as both inevitable and functional, though potentially disruptive if unchecked [21].

Pierre Bourdieu: Capital and Social Reproduction. Pierre Bourdieu, a leading modern sociologist, revolutionized the study of social stratification by introducing the concepts of capital, habitus, and field. His framework, detailed in works like Distinction and The Forms of Capital, emphasizes how inequalities are reproduced across generations through various forms of capital. *Economic Capital:* tangible resources like income, wealth, or property, similar to Marx's and Weber's focus on economic position. *Cultural Capital:* non-material assets, such as education,

knowledge, or cultural tastes, that confer social advantages. Cultural capital can be embodied (e.g., manners), objectified (e.g., art collections), or institutionalized (e.g., academic degrees). *Social Capital:* networks and relationships that provide access to resources or opportunities, such as connections to influential individuals or institutions. *Symbolic Capital:* Prestige or recognition derived from other forms of capital, which legitimizes social hierarchies. Bourdieu's concept of habitus refers to the internalized dispositions, behaviors, and tastes shaped by one's social environment, which guide individuals' actions and reinforce their position within a field a social arena with its own rules and power dynamics (e.g., education, art, or politics). For example, a child from an affluent family may acquire cultural capital through elite education, which habitus reinforces as "natural" behavior, securing their position in high-status fields. Bourdieu's theory highlights how stratification is perpetuated not just through economic means but through cultural and social mechanisms that appear legitimate but maintain inequality. His work is widely applied to study education, cultural consumption, and social mobility [86].

Erik Olin Wright: Neo-Marxist Class Analysis. Erik Olin Wright, a modern Marxist sociologist, refined Marx's class theory to account for the complexities of contemporary societies. In Classes, Wright introduced a nuanced class framework based on *relations to the means of production, control over labor*, and *skill levels*. He identified three main classes: capitalists (who own and control production), workers (who sell their labor), and the petty bourgeoisie (self-employed individuals). Additionally, Wright recognized "contradictory class locations," such as managers, who have authority over workers but are subordinate to capitalists. Wright's framework adapts Marx's binary class model to include middle-class professionals and managers, acknowledging the diversification of class structures in modern economies. His work emphasizes exploitation and power dynamics, making it relevant for analyzing labor markets and workplace inequalities [9].

Anthony Giddens: Structuration and Class. Anthony Giddens, in his theory of structuration, offers a modern perspective on stratification by integrating agency and structure. In The Constitution of Society, Giddens argues that social stratification

results from the interplay between individual actions and societal structures. Class, in Giddens' view, is shaped by structuration processes, where individuals' access to resources (e.g., wealth, education) is constrained by social structures, but their actions also reproduce or challenge these structures. Giddens emphasizes market capacity, the ability to command resources in labor or economic markets, as a key determinant of class position. Unlike Marx's focus on production, Giddens highlights consumption and lifestyle as factors in stratification, aligning with Weber's status groups. His theory is valuable for understanding how individuals navigate and reshape stratified systems through agency, such as pursuing education to improve social standing [168].

Intersectionality and Stratification. Modern theories increasingly incorporate intersectionality, a framework pioneered by scholars like Kimberle Crenshaw, to analyze how stratification is shaped by overlapping identities such as race, gender, and class. Intersectionality argues that inequalities cannot be understood solely through class or economic lenses but must account for how multiple forms of disadvantage interact. For example, a low-income Black woman may face unique barriers due to the combined effects of class, race, and gender discrimination. Sociologists like Patricia Hill Collins have applied intersectionality to stratification, showing how systemic inequalities in education, employment, and wealth are compounded for marginalized groups. This perspective complements classical and modern theories by highlighting the complexity of social hierarchies and the need for multidimensional analyses [14].

Classical theories, such as those of Marx, Weber, and Durkheim, laid the groundwork for understanding stratification through economic, social, and functional lenses. Marx focused on class conflict and economic production, Weber introduced multidimensionality with status and power, and Durkheim emphasized social cohesion. Modern theories build on these foundations but incorporate new dimensions: (a) Bourdieu's focus on cultural and social capital highlights non-economic mechanisms of inequality, offering a more nuanced view than Marx's economic determinism; (b) Wright's neo-Marxist approach refines class analysis for complex economies, addressing gaps in Marx's binary model; (c) Giddens' structuration theory bridges agency and structure, providing a dynamic perspective absent in classical

functionalism; (d) intersectionality expands the scope to include race, gender, and other identities, addressing limitations in earlier class-centric models (see fig. 1.3).

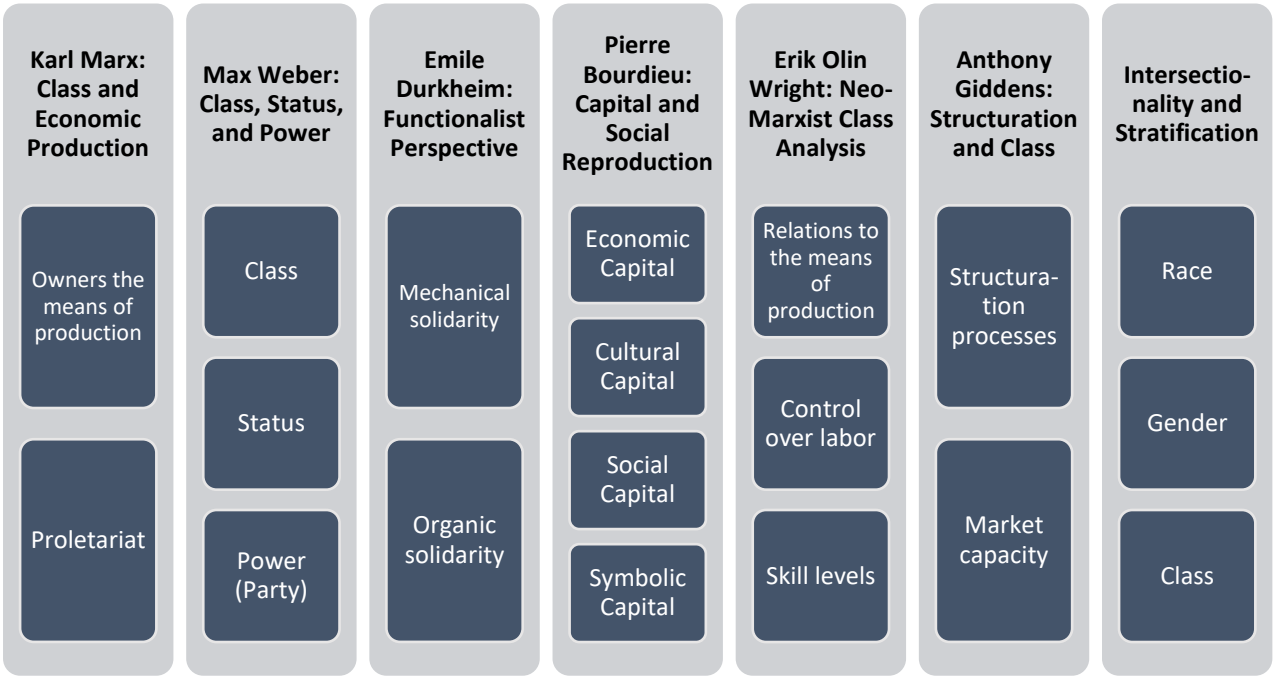

Fig. 1.3. Classical and modern theories of social stratification [author].

These theories remain relevant for analyzing stratification in today's globalized, technology-driven world. For instance, Bourdieu's cultural capital explains how elite education perpetuates inequality, while intersectionality sheds light on disparities in tech industries, where women and minorities are underrepresented. Weber's multidimensional framework is useful for studying gig economies, where class, status, and power intersect in new ways. Meanwhile, Marxian perspectives inform debates on wealth concentration, as seen in discussions of billionaire influence in global markets.

Economic inequality and social stratification are deeply intertwined phenomena that define the structure of modern societies. While economic inequality refers to the uneven distribution of income and wealth among individuals or groups, stratification pertains to the broader hierarchical arrangement of individuals based on socio-economic attributes such as class, status, and power. The link between the two is not merely correlational but causal: economic disparities drive and reinforce social divisions, and in turn, entrenched social hierarchies perpetuate inequality through

various mechanisms. Understanding this relationship is essential for addressing social injustice and designing effective economic and social policies. Before exploring the causal mechanisms, it is important to clarify the core concepts. Economic Inequality encompasses disparities in income, wealth, access to resources, and living standards. It can be measured using indicators such as the Gini coefficient, income quintile ratios, and wealth distribution indices. Inequality exists in multiple forms: (i) income inequality (e.g., disparities in wages and salaries); (ii) wealth inequality (e.g., ownership of property, savings, stocks); (iii) access inequality (e.g., education, healthcare, housing). Social Stratification refers to the systematic ranking of social groups based on their access to resources and power. Stratification systems can be based on class, caste, race, ethnicity, gender, or other social markers. Modern stratification is predominantly class-based and is characterized by the presence of social mobility (albeit limited), where individuals can, in theory, move up or down the social ladder. While stratification is a broader sociological construct and economic inequality a narrower economic one, the two reinforce one another through deeply embedded structural mechanisms [123].

Causal mechanisms linking economic inequality and stratification are: education and human capital development, labor market segmentation, housing and spatial segregation, political power and institutional bias, cultural reproduction and social capital, health disparities and life chances (see fig. 1.4).

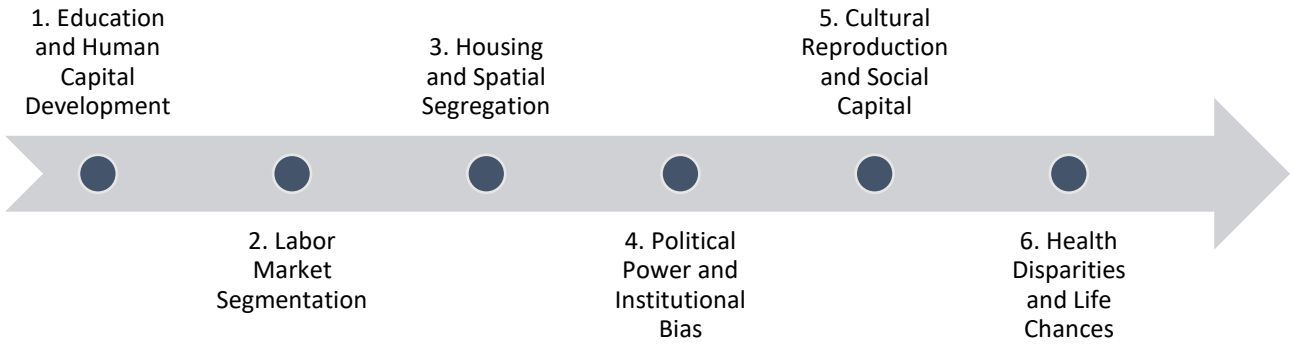

Fig. 1.4. Causal Mechanisms Linking Economic Inequality and Stratification [author].

1. Education and Human Capital Development. Education is one of the most prominent causal mechanisms linking inequality and stratification. Economic inequality often leads to unequal access to quality education. Children from lower-income households are less likely to attend high-performing schools, access tutoring or extracurricular activities, or pursue higher education. According to OECD data, in countries with high income inequality, the performance gap in education between rich and poor students is significantly higher than in more equal societies. This educational disparity creates and perpetuates a stratified labor market. High-paying, high-status jobs are generally reserved for individuals with advanced qualifications, which are more accessible to the affluent. Consequently, the children of wealthy families are more likely to attain higher social status, thereby maintaining their class position, while those from poorer backgrounds are likely to remain in lower strata a phenomenon known as intergenerational transmission of inequality [158].

2. Labor Market Segmentation. Labor markets in highly unequal economies tend to be segmented. The primary segment comprises secure, well-paying jobs with benefits and prospects for advancement. The secondary segment, in contrast, includes precarious, low-wage, often informal or gig-based employment with little job security or upward mobility. Those born into lower socio-economic backgrounds are more likely to end up in the secondary segment due to limited education and social capital. Over time, this division creates a self-reinforcing cycle: individuals in the lower segment accumulate fewer savings, receive fewer benefits, and are more vulnerable to economic shocks. Meanwhile, those in the upper segment consolidate their position through professional networks, better working conditions, and access to promotions deepening stratification along economic lines [83].

3. Housing and Spatial Segregation. Housing is another critical mechanism. Wealth inequality translates directly into spatial stratification, where affluent individuals can afford to live in safe, well-serviced neighborhoods, while the poor are relegated to underdeveloped or marginalized areas. This residential segregation further determines access to quality schools, healthcare, transportation, and employment opportunities. For instance, in many cities around the world, zip code or postal code is

a strong predictor of life expectancy, educational attainment, and income. Children raised in segregated, underprivileged neighborhoods often experience environmental hazards, inadequate schooling, and limited social mobility reproducing the cycle of disadvantage [184].

4. Political Power and Institutional Bias. Economic inequality also drives stratification through political mechanisms. Wealthier individuals and groups often wield disproportionate influence over political processes. This influence can manifest in campaign financing, lobbying, and access to decision-makers, leading to policy capture. As a result, institutional decisions tend to favor the interests of the affluent whether through tax cuts, deregulation, or underinvestment in public services. The poor, having limited political representation, are often excluded from these processes. This unequal distribution of power embeds economic divides into institutional structures, solidifying stratification. Furthermore, the legal system may reinforce inequality through discriminatory practices in policing, sentencing, or access to legal representation. The marginalized are more likely to face punitive outcomes, leading to long-term impacts on employability and social status [189].

5. Cultural Reproduction and Social Capital. French sociologist Pierre Bourdieu emphasized the role of cultural and social capital in perpetuating stratification. Families in higher economic strata are more likely to instill cultural knowledge, language proficiency, and behavioral norms valued by institutions such as schools and employers. This “habitus” enables them to navigate elite social environments with ease. At the same time, the poor often face stigmatization and negative stereotypes, which can affect their self-perception, aspirations, and how they are treated by others. Over time, these subtle forms of exclusion build a cultural divide that complements and reinforces economic inequality. Social networks, too, play a role. Wealthier individuals have access to influential networks that can provide job referrals, mentorship, or business opportunities advantages often unavailable to the economically disadvantaged [71].

6. Health Disparities and Life Chances. Health inequality is both a consequence and a cause of stratification. Poor individuals tend to have worse health outcomes due

to inadequate nutrition, unsafe housing, environmental exposure, and limited access to healthcare. Chronic illnesses, mental health issues, and reduced life expectancy are disproportionately prevalent among low-income groups. These health disparities affect productivity, educational outcomes, and earning potential. In this way, poor health becomes both a symptom and a perpetuator of low social status, entrenching individuals in lower strata of society [115; 150].

The mechanisms described above do not operate in isolation. Rather, they form complex feedback loops that reinforce economic and social inequalities. For instance, poor education leads to precarious employment, which limits income and restricts access to housing and healthcare each of which further diminishes the prospects for upward mobility. Sociologists refer to this dynamic as “cumulative disadvantage”, where initial setbacks compound over time, creating deep and persistent stratification. Conversely, cumulative advantage allows the affluent to consolidate and expand their socio-economic position across generations. Such interventions must be sustained and coordinated to disrupt the structural drivers of stratification. Breaking the causal cycle between economic inequality and stratification requires integrated policy responses:

- progressive taxation and wealth redistribution can reduce economic gaps;
- universal access to quality education can enhance human capital development;
- inclusive urban planning and affordable housing initiatives can reduce spatial segregation;
- campaign finance reform and participatory governance can level political power;
- investment in public healthcare and preventive care can address health disparities [66].

Social mobility – the ability of individuals or groups to move within a society's stratification system, is a fundamental indicator of the openness and fairness of a society. In ideal conditions, a meritocratic system allows talent, effort, and achievement to dictate one’s social standing, thereby enabling upward mobility. However, in many stratified societies, social mobility remains severely constrained by systemic barriers rooted in historical, economic, institutional, and cultural structures. While the concept

of the “American Dream” or similar national ideals suggest that anyone can rise through hard work and determination, the reality is that opportunities for upward movement are unevenly distributed. Societies marked by rigid social stratification systems, whether based on class, caste, ethnicity, race, or wealth, present formidable obstacles that limit individual potential and sustain inequality across generations. Social mobility can occur in several forms [133]:

– *Vertical mobility* refers to the movement up (upward mobility) or down (downward mobility) the social hierarchy.

– *Horizontal mobility* involves movement within the same social stratum, such as changing occupations without a shift in status.

– *Intergenerational mobility* describes changes in social position from one generation to the next.

– *Intragenerational mobility* refers to changes in an individual’s social status within their own lifetime.

The degree to which a society allows for upward mobility reflects its level of openness and equality of opportunity. Open societies are characterized by fluid class boundaries, while closed or rigid societies, such as those with entrenched caste or class systems, restrict movement between strata. Several factors influence a person’s ability to move upward in society [188]:

● *Education*: often described as the great equalizer, education provides the skills and credentials necessary for upward movement. Access to quality education is a crucial determinant of long-term mobility.

● *Family Background*: parental income, education, and occupational status strongly affect children’s future prospects. Children from affluent families tend to inherit economic, cultural, and social capital that aids upward mobility.

● *Labor Market Opportunities*: the structure of the economy and availability of jobs with career progression pathways are critical. Declining industries, wage stagnation, and job polarization hinder upward movement.

● *Public Policy and Welfare State*: societies with robust safety nets, progressive taxation, and universal healthcare and education are more likely to offer equal opportunities and support upward mobility.

● *Social Networks*: connections and social capital often facilitate access to jobs, mentorship, and opportunities otherwise unavailable.

There are some barriers to upward mobility in stratified societies: inequitable access to education, economic inequality and wealth gaps, geographic segregation and neighborhood effects, discrimination and social exclusion, labor market rigidity, cultural barriers and social reproduction (see fig. 1.5).

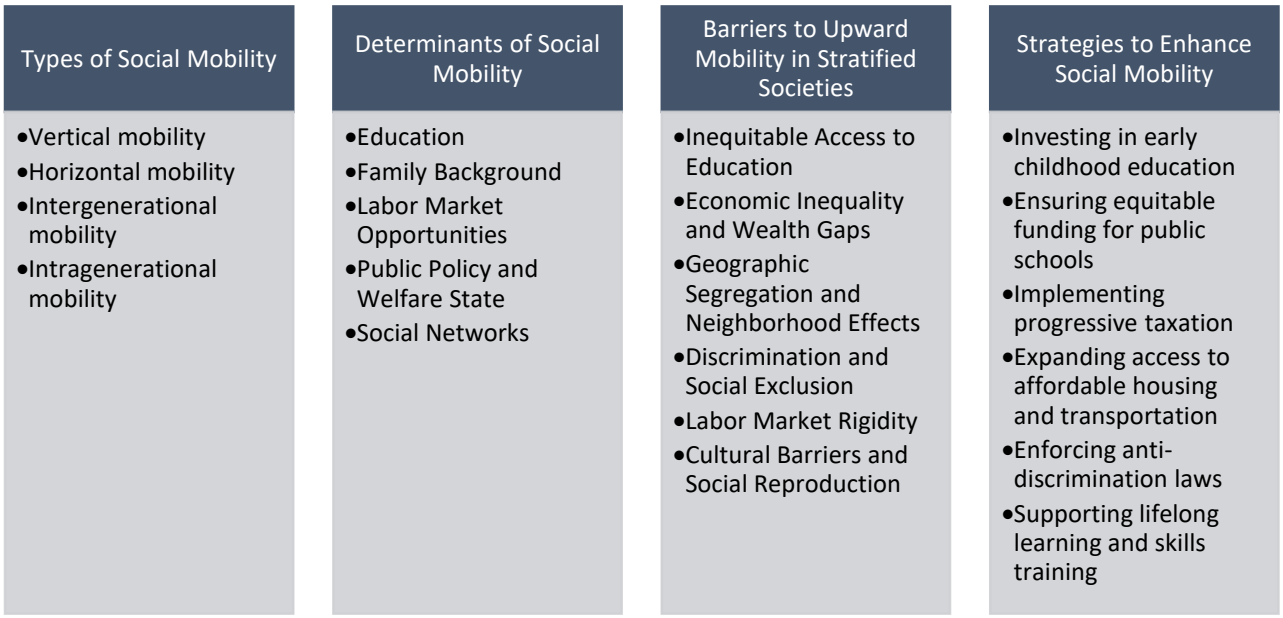

Fig. 1.5. Social mobility and barriers to upward movement in stratified societies [author].

Inequitable Access to Education. While education is widely seen as the ladder to success, in stratified societies it often reflects and reproduces existing inequalities. Schools in low-income neighborhoods typically suffer from underfunding, poorly trained teachers, and inadequate infrastructure. Meanwhile, elite institutions concentrate privilege, offering better learning environments, extracurricular activities, and pathways to prestigious universities. Access to higher education is frequently determined by wealth. Tuition fees, standardized testing biases, and limited support

systems make it difficult for underprivileged students to compete on equal terms. In countries like the United States and the United Kingdom, private schooling and legacy admissions further skew the playing field in favor of the already advantaged [69].

Economic Inequality and Wealth Gaps. Massive disparities in income and wealth can limit mobility by entrenching privilege. Wealthy families can invest in their children's futures through education, real estate, health care, and even social connections. In contrast, families with limited resources are often forced to prioritize short-term survival over long-term investment in skills or education. Wealth gaps also affect generational mobility. Inheritance and inter vivos transfers (e.g., money given during one's lifetime) significantly enhance the life prospects of some, while others inherit only debt or disadvantage. This creates a compounding cycle of advantage for some and exclusion for others [157].

Geographic Segregation and Neighborhood Effects. Where a person is born or lives greatly influences their chances of success. In stratified societies, residential segregation leads to unequal access to resources, including schools, health services, recreational spaces, and transportation. These "neighborhood effects" mean that even talented individuals may struggle to escape poverty if they grow up in areas plagued by crime, unemployment, or environmental hazards. Research from the Equality of Opportunity Project in the U.S. has shown that children raised in high-opportunity neighborhoods have significantly better life outcomes than those raised in low-opportunity areas, even when controlling for family background [67].

Discrimination and Social Exclusion. Discrimination based on race, ethnicity, caste, gender, religion, disability, or sexual orientation limits social mobility by denying certain groups access to jobs, education, or political power. Even in societies with formal equality, implicit biases, stereotypes, and systemic racism or sexism can result in unequal treatment. For example, in India, the caste system continues to act as a powerful barrier to upward movement for Dalits and other marginalized groups despite legal protections. In the U.S., African Americans and Latinos face structural barriers such as employment discrimination, mass incarceration, and unequal schooling that hinder upward mobility [169].

Labor Market Rigidity. In stratified societies, labor markets are often segmented into formal and informal sectors. The informal sector is characterized by low wages, lack of job security, and limited benefits, offering few prospects for career advancement. Marginalized populations are disproportionately concentrated in this sector due to lack of education, documentation, or networks. Furthermore, automation, outsourcing, and the rise of the gig economy have eroded traditional ladders of mobility such as long-term employment with promotions and pensions. These structural shifts contribute to job insecurity and class entrapment [97].

Cultural Barriers and Social Reproduction. Cultural capital, the non-financial social assets like language, style of dress, mannerisms, and educational credentials, can determine one's perceived legitimacy in elite spaces. Individuals from lower socio-economic backgrounds may lack the cultural markers needed to be accepted in higher-status settings, even when they are technically qualified [152].

This concept, explored by sociologist Pierre Bourdieu, illustrates how stratification is maintained not only through economic means but also through symbolic and cultural boundaries that exclude outsiders. One of the most persistent myths in stratified societies is the idea of meritocracy, that individuals rise purely based on talent and effort. While merit can play a role, it is often overshadowed by the cumulative advantages of birth, wealth, and social connections. Meritocratic narratives can be harmful, as they obscure structural inequalities and place the blame for failure on the individual rather than the system. This mindset can also erode empathy and solidarity, making it harder to build coalitions for social reform [43].

Improving social mobility requires systemic and sustained efforts. Key strategies include: (a) investing in early childhood education to close developmental gaps from the start. (b) ensuring equitable funding for public schools and universities. (c) implementing progressive taxation and inheritance reforms to reduce wealth concentration. (d) expanding access to affordable housing and transportation to combat geographic disadvantage. (e) enforcing anti-discrimination laws and promoting inclusive hiring practices. (f) supporting lifelong learning and skills training to enable workers to adapt to economic shifts. Moreover, fostering inclusive social norms and

reducing stigma around poverty or class can help lower the cultural barriers that prevent people from “fitting in” even when they rise [122].

Access to education, healthcare, and employment forms the backbone of human development and social advancement. These three pillars are not only basic rights but also fundamental determinants of an individual’s ability to lead a dignified, fulfilling life. Yet, in both developing and developed countries, significant inequalities persist in accessing these essential services and opportunities. The gap between the privileged and the marginalized is frequently shaped by socio-economic status, geography, ethnicity, gender, and systemic discrimination. Education is a vital tool for empowerment, skill-building, and social mobility. Quality education improves lifetime earnings, enhances civic participation, and reduces poverty. It is often portrayed as the “great equalizer”. However, access to quality education is anything but equal [16].

Students from low-income households frequently attend underfunded schools with fewer resources, outdated materials, overcrowded classrooms, and less experienced teachers. According to UNESCO, in many low-income countries, children from the poorest 20% of households are four times less likely to complete primary school than those from the richest 20%. In high-income countries, inequalities persist. For example, in the United States, funding for public schools is largely derived from local property taxes, leading to vast disparities between wealthy and poor school districts. As a result, a child's zip code often determines the quality of their education, a phenomenon that contradicts the ideal of equal opportunity. Beyond school infrastructure, additional barriers include the cost of uniforms, transportation, tutoring, and exams. Children from marginalized communities often experience hunger, unstable housing, or the need to work, which further undermines academic performance. Gender inequality also plays a major role in limiting access to education. In some regions, girls are less likely to attend school due to early marriage, menstrual stigma, or household duties. Lack of access to quality education perpetuates the cycle of poverty and reduces future employment opportunities. A UNESCO report found that if all adults completed secondary education, global poverty could be cut by more than

half. When millions of children are denied proper schooling, societies lose potential doctors, engineers, teachers, and leaders [180].

Health is not just the absence of illness but a state of physical, mental, and social well-being. Access to healthcare is a basic human right and a critical determinant of quality of life. Nonetheless, vast health disparities exist globally and within nations. In many parts of the world, medical care is not free. High out-of-pocket costs prevent low-income individuals from seeking timely treatment. According to the World Bank, about 930 million people worldwide spend at least 10% of their household budget on health care, and nearly 100 million are pushed into extreme poverty every year due to medical expenses. In the United States, where healthcare is largely privatized, millions remain uninsured or underinsured. Even with insurance, high deductibles and co-pays can deter people from seeking care. Conversely, countries with universal healthcare systems (e.g., Canada, the UK, and Sweden) show smaller disparities in health outcomes, although inequalities still persist due to systemic biases [59].

Rural areas, especially in developing countries, often lack basic health infrastructure, trained personnel, or even essential medicines. Urban slums may also be underserved, with overcrowded clinics and inadequate sanitation. Racial and ethnic minorities frequently face additional hurdles. In Brazil, for instance, Black women are three times more likely to die during childbirth than white women. In the U.S., Black Americans suffer higher rates of diabetes, hypertension, and infant mortality, partly due to structural racism and provider bias. Mental health services are often inaccessible or stigmatized, particularly in low-income communities. People struggling with depression, trauma, or substance abuse may be unable to afford therapy or fear being labeled as weak or unstable. The lack of mental health support has far-reaching effects on education, employment, and social integration. The COVID-19 pandemic exposed and deepened global health inequities. Wealthier countries hoarded vaccines, while poorer nations struggled with access. Within countries, marginalized communities faced higher infection and mortality rates due to crowded living conditions, low-paying front-line jobs, and pre-existing health conditions [171].

Employment is more than a source of income; it is a cornerstone of personal dignity, identity, and social stability. Yet, access to decent work is not equitably distributed. Marginalized groups often face unemployment or are relegated to low-paying, insecure, or dangerous jobs. Women, racial minorities, migrants, people with disabilities, and LGBTQ+ individuals are disproportionately represented in the informal economy or precarious work sectors such as domestic labor, agriculture, or retail. Even with similar qualifications, minority applicants often face bias in hiring. Numerous studies using “resume experiments” show that job applicants with ethnic-sounding names receive fewer callbacks than their majority-group counterparts, even when all other qualifications are identical [134].

Women continue to earn less than men in nearly every country, even when doing the same work. Globally, the gender pay gap stands at around 20%, and women are less likely to be promoted to leadership positions. Additionally, women carry a disproportionate share of unpaid care work, which limits their time and availability for paid employment. Young people face significant barriers to entering the workforce. They may lack experience, credentials, or networks to find stable employment. The International Labour Organization reports that youth unemployment rates are typically three times higher than adult rates globally. In regions like the Middle East and North Africa, youth joblessness exceeds 25%. Technological change, while potentially beneficial, also threatens to widen inequality. Automation and artificial intelligence are expected to eliminate many low-skill jobs while creating high-skill positions that require education and training. Without proactive investment in reskilling and digital inclusion, large segments of the workforce risk being left behind [165].

These three domains: education, healthcare, and employment, are deeply interconnected. Poor health impairs educational achievement; inadequate education limits job opportunities; low-wage jobs lead to chronic stress and poor health outcomes. Inequality in one domain typically reinforces disadvantages in the others, creating a cycle of poverty and exclusion that is difficult to escape without targeted intervention. Addressing these inequalities requires bold policy interventions and a commitment to social justice. Public investment in free or affordable services reduces

financial barriers and levels the playing field. Affirmative action and anti-discrimination laws can help redress systemic biases in education and employment. Minimum wages, workplace protections, and union rights empower workers and reduce exploitation. Programs that address the specific needs of racial minorities, women, migrants, and people with disabilities can close critical gaps [116].

Redistributive policies are public interventions aimed at reducing economic inequalities by reallocating wealth, income, or resources. These include taxation, social welfare, public services, subsidies, and social insurance. While redistribution can mitigate inequality and promote social mobility, the extent and design of such policies vary significantly across countries and political regimes. *Redistributive policies* are government-led initiatives intended to adjust the distribution of income and wealth to achieve a more equitable society. They are typically categorized into: *progressive taxation* (higher rates for higher incomes); *transfer payments* (welfare benefits, pensions, unemployment insurance); public services (education, healthcare, housing); subsidies (for food, fuel, housing, education). These policies can either alleviate or reinforce stratification, depending on their design and implementation. States play a pivotal role in mediating the distribution of wealth and opportunity. In the absence of state intervention, market economies tend to generate significant inequalities due to differences in capital ownership, bargaining power, and access to education or healthcare. Redistributive policies are, therefore, essential tools for the state to correct market failures and ensure a degree of fairness and cohesion within society. In Nordic countries, the state has actively used redistribution to create the most egalitarian societies in the world. Liberal market economies tend to rely more on market outcomes, resulting in higher income inequality and less extensive redistribution [79].

Taxation is the most direct tool for redistribution. A progressive tax system, where higher earners pay a greater percentage of their income, can reduce after-tax income inequality and fund public services that benefit the broader population. In countries with strong redistributive tax regimes (e.g., Sweden, Germany, France), taxation significantly narrows the income gap between rich and poor. Conversely, regressive tax structures (such as heavy reliance on consumption taxes like VAT) can

burden low-income groups disproportionately, reinforcing stratification. Moreover, wealth taxes, capital gains taxes, and inheritance taxes are tools aimed at addressing intergenerational inequality. However, these taxes are often politically controversial and difficult to implement due to lobbying by wealthy interest groups [106].

Welfare programs such as unemployment insurance, food assistance, pensions, and child support serve as income supplements or safety nets. These direct cash transfers help prevent extreme poverty and cushion the effects of economic downturns. However, welfare programs can be stigmatized or politically targeted, and their generosity or inclusiveness can vary depending on ideological leanings of governments. Perhaps the most enduring redistributive impact comes from the universal provision of education, healthcare, housing, and transportation. These services reduce the costs borne by individuals and help level the playing field. Access to quality public education, for instance, is a crucial equalizer. Countries with robust public schooling systems offer children from disadvantaged backgrounds the chance to compete with peers from affluent families. Universal healthcare systems, as in the UK or Canada, remove financial barriers to health services, preventing health-related impoverishment. Public infrastructure, such as clean water, sanitation, and electricity, also enhances the living standards of the poor, supporting broader upward mobility.

States also influence stratification through labor market policies. Minimum wage laws, collective bargaining rights, and employment protections ensure that workers receive fair compensation and avoid exploitative conditions. In countries with strong labor regulations (e.g., Germany, France), wage inequality tends to be lower. By contrast, in deregulated labor markets, precarious work and the gig economy can entrench low-income workers in a cycle of poverty. Unions, often supported or restricted by state legislation, play a key role in negotiating fair wages and benefits, thus influencing income distribution. Beyond reducing income inequality, redistributive policies have a profound impact on social mobility, the ability of individuals to improve their socio-economic status. In highly stratified societies, children often inherit the socio-economic status of their parents.

1.3. Institutional and structural determinants of inequality in the PRC

Since 1978, the People's Republic of China (PRC) has undergone one of the most transformative economic evolutions in modern history. The economic reforms introduced by Deng Xiaoping marked a fundamental departure from Maoist central planning toward a "socialist market economy" – a hybrid model combining state oversight with market mechanisms. These reforms led to remarkable economic growth, lifting hundreds of millions of people out of poverty and positioning China as the world's second-largest economy. However, the process also had profound and complex effects on income distribution, creating new patterns of inequality within and across regions, sectors, and social groups. China's pre-1978 economy was heavily centralized, dominated by collectivized agriculture, state-owned enterprises (SOEs), and planned allocations. Economic stagnation and inefficiencies, alongside the trauma of the Great Leap Forward and Cultural Revolution, created the conditions for a new policy direction. In 1978, under Deng Xiaoping's leadership, China embarked on a series of gradual but profound reforms, which can be broadly categorized into four phases [10]:

1) Rural Reform (late 1970s – mid-1980s): the most immediate change was the Household Responsibility System (HRS), which dismantled the commune system and allowed farmers to manage their own plots while fulfilling state quotas. This increased productivity and incomes in the agricultural sector.

2) Urban and Industrial Reform (mid-1980s – early 1990s): the government introduced market incentives to SOEs, allowed collective and private enterprises, and initiated the dual-track pricing system (planned and market prices coexisted). Special Economic Zones (SEZs) such as Shenzhen were established to attract foreign direct investment (FDI).

3) Deepening Market Reforms (1992-2001): following Deng's 1992 "Southern Tour," reforms accelerated. The state restructured SOEs, reduced subsidies, and encouraged private sector growth. Entry into the World Trade Organization (WTO) in 2001 marked China's full integration into the global economy.

4) Post-WTO Reforms and the Shift to "Quality Growth" (2001 – present): China moved from export- and investment-driven growth to policies emphasizing

technological innovation, consumption, and domestic rebalancing. Recent years have also seen greater emphasis on “common prosperity” as a goal of policy.

The reforms yielded extraordinary macroeconomic results. GDP growth averaged 9-10% annually for over three decades. Over 800 million people were lifted out of extreme poverty, according to World Bank estimates. China’s per capita income rose from less than $200 in 1978 to over $12,000 (nominal) by 2023. The private sector, which was virtually nonexistent in 1978, now contributes more than 60% of GDP and 80% of employment. However, these successes came with structural shifts that reconfigured income distribution, often in unequal ways [108].

Despite vast poverty alleviation, China’s economic reforms have produced significant disparities in income, wealth, and opportunity. These inequalities can be analyzed across several dimensions: rural-urban divide, regional disparities, sectoral inequality, wealth and asset inequality, Gini coefficient and policy awareness. The rural-urban gap remains one of the most persistent sources of inequality in China: urban residents consistently earn 2.5 to 3 times more than rural residents; access to healthcare, education, social security, and public services is much more favorable in urban areas; the hukou (household registration) system restricts rural migrants from accessing urban welfare benefits, despite their contribution to urban labor markets. Though reforms allowed rural migration and increased non-farm incomes, institutional barriers continue to limit equal access to resources and services, perpetuating inequality [48].

China’s coastal provinces (e.g., Guangdong, Zhejiang, Jiangsu, Shanghai) experienced faster growth due to early reform experiments, access to ports, and FDI. In contrast, the central and western provinces lagged behind due to poor infrastructure, less openness, and reliance on agriculture or resource extraction. As a result, income per capita in provinces like Guizhou or Gansu has historically been less than half that of prosperous cities like Beijing or Shanghai. Although targeted policies such as the “Go West” strategy (2000) and increased infrastructure investment have helped reduce some of these gaps, significant regional disparities persist. During the SOE reform in the 1990s, millions of workers lost stable jobs, pensions, and healthcare, while a nascent private sector boomed. The gap between formal sector employees with state

benefits and informal or gig workers widened. Private entrepreneurs and real estate developers became part of a new wealthy elite, while low-skilled workers in construction, services, and manufacturing often earned subsistence wages. The dual economy that emerged after reform has embedded inequality into China's labor market.

While income inequality is significant, wealth inequality is even more pronounced: real estate speculation in urban areas created massive capital gains for homeowners and investors. In contrast, rural households or urban renters without assets saw slower wealth accumulation. According to some studies, the top 1% of Chinese households own more than 30% of national wealth, while the bottom 25% hold less than 1%. Stock ownership, business capital, and financial assets remain concentrated among urban elites, creating intergenerational advantages. China's Gini coefficient – is a common measure of income inequality, rose sharply from 0.30 in the early 1980s to a peak of 0.49-0.51 in the 2000s, indicating high inequality (values above 0.40 are considered concerning). Though official numbers have slightly declined in recent years, inequality remains high compared to other Asian countries. The Chinese government has acknowledged this challenge and gradually shifted its focus toward promoting equitable development. In response to growing inequalities, the Chinese state has implemented various redistributive and corrective measures [138]:

1. Social Welfare Expansion. Since the 2000s, China has expanded social insurance schemes, including: new rural cooperative medical scheme, minimum livelihood guarantee (Dibao), pension coverage for rural residents, compulsory education reform and subsidies for rural students. These efforts have improved income security and public service access for disadvantaged populations [145].

2. Poverty Alleviation Campaign. Between 2012 and 2020, the government undertook an ambitious targeted poverty alleviation program, lifting over 100 million rural residents above the national poverty line. It involved: infrastructure development, relocation from inhospitable regions, rural subsidies, support for local agriculture and tourism. Though hailed as a success, questions remain about sustainability and the risk of poverty re-emerging without long-term reforms [105].

3. Common Prosperity Agenda. Since 2020, the CCP has emphasized “Common Prosperity” as a guiding principle of development. This shift aims to: narrow the income gap, regulate monopolistic practices by tech giants, curb excessive wealth accumulation, increase taxes on high-income earners, promote philanthropy among the rich. The approach signals a shift toward balancing growth with equity, though the precise policy implementation is still evolving [112].

Since the establishment of the People's Republic of China (PRC) in 1949, a persistent and institutionalized divide between urban and rural populations has shaped the nation’s socio-economic development. One of the primary mechanisms reinforcing this divide has been the hukou system, a household registration policy introduced in 1958. While initially designed to manage internal migration and ensure social stability, the hukou system has evolved into a structural barrier limiting access to public services and economic opportunities for rural citizens, particularly those migrating to urban centers. The hukou system was formalized in 1958 by the Chinese government during the Maoist era, with the primary aim of controlling population mobility. At that time, the state emphasized self-sufficient rural communes to support industrialization in cities. The system categorized citizens into two main groups: agricultural (rural hukou) and non-agricultural (urban hukou). Each category came with different rights and access to social welfare. This categorization was not merely administrative, it was deeply socioeconomic. Urban residents were entitled to government-subsidized education, healthcare, housing, and job placement, while rural residents were expected to depend on subsistence farming and local-level provisions. Migration between rural and urban areas was strictly controlled, and obtaining a change in hukou status was extraordinarily difficult [161].

The hukou system effectively created a dual society. Urban hukou holders enjoyed superior access to social goods, while rural populations remained disadvantaged. This divide intensified during the reform era (post-1978), when market liberalization policies began to generate rapid urban economic growth. Yet, the rural population, lacking the same access to state benefits and economic opportunities,

lagged behind. Urban residents receive substantially better education, healthcare, housing, and social security than rural citizens. For example [76]:

– *Education*: urban schools are better funded and staffed, whereas rural schools often lack qualified teachers and adequate facilities. Migrant children in cities frequently face barriers to enrollment due to their rural hukou status.

– *Healthcare*: urban residents have access to more advanced healthcare services and insurance schemes. In contrast, rural health infrastructure is underdeveloped, with fewer hospitals, doctors, and emergency services.

– *Social Security*: urban hukou holders enjoy pensions, unemployment insurance, and housing benefits. Rural areas have limited or poorly funded social security networks [109] (see fig. 1.6).

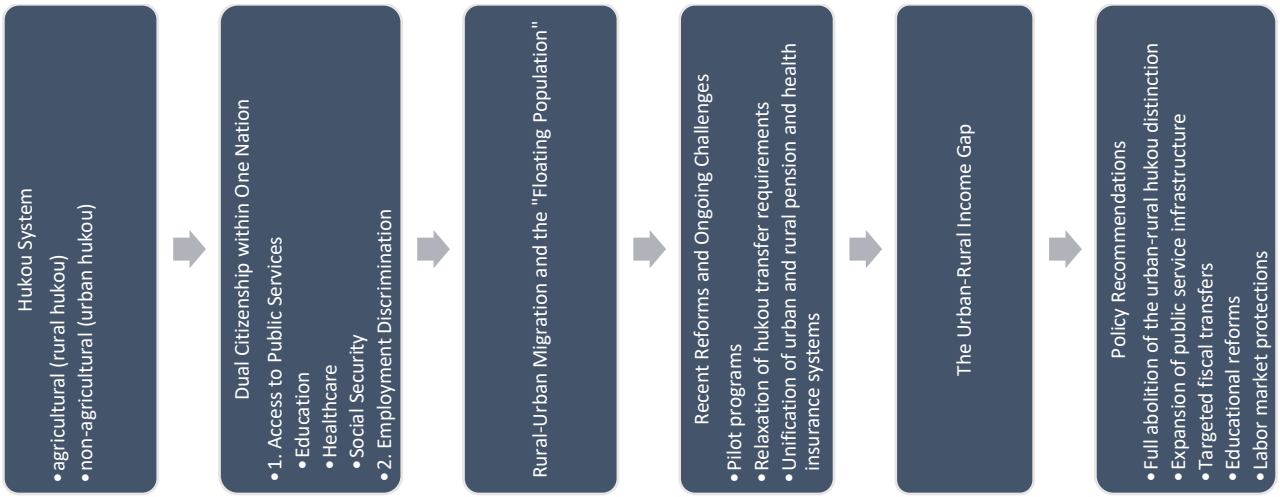

Fig. 1.6. Globalisation and the Reconfiguration of Chinese Stratification [author].

The hukou system has institutionalized labor market segmentation. Rural migrants, even if employed in urban areas, often find themselves restricted to low-paying, unstable, and hazardous jobs, such as construction, sanitation, or factory work. Moreover, they are excluded from formal labor protections and welfare benefits that urban hukou holders receive. This creates a class of “second-class citizens” within China’s cities, essential to economic functioning but denied full rights. Following the 1980s economic reforms, the government gradually relaxed some of the restrictions on rural-to-urban migration to meet the growing demand for labor in industrial and service

sectors. This gave rise to China's so-called "floating population" (liudong renkou) – over 290 million internal migrants, most of whom hold rural hukou but live and work in urban areas. Despite their contribution to urban development and economic growth, these migrants are not fully integrated into city life. They often live in marginalized neighborhoods, lack access to quality education for their children, and face legal and institutional hurdles in acquiring urban hukou. The migrant exclusion exacerbates inequalities and social tensions, making the hukou system a central driver of urban poverty and inequality [144].

Over the past two decades, Chinese policymakers have introduced several measures aimed at reforming the hukou system. Key initiatives include: (a) pilot programs allowing rural migrants to obtain urban hukou in small and medium-sized cities; (b) relaxation of hukou transfer requirements in provincial-level cities; (c) unification of urban and rural pension and health insurance systems. However, these reforms have been limited and uneven. Major cities like Beijing, Shanghai, and Guangzhou continue to impose strict controls due to concerns about infrastructure capacity and social service burdens. Moreover, reforms have often excluded low-income and less-educated migrants precisely those most in need of hukou reform. Additionally, some reforms have shifted responsibility to local governments, many of which lack the fiscal resources to provide comprehensive services to new urban residents. This decentralization has led to fragmented implementation and further regional disparities [39].

The hukou system has contributed significantly to the widening income gap between rural and urban areas. According to China's National Bureau of Statistics, in 2023, urban per capita disposable income was approximately 2.5 times higher than that in rural areas. This disparity reflects not only differences in economic opportunity but also unequal access to education, healthcare, and social mobility mechanisms. Efforts to address this gap through rural revitalization programs, such as infrastructure investment and e-commerce platforms, have had modest success but remain constrained by systemic hukou-related barriers. The hukou system institutionalizes a form of social stratification, whereby individuals' life chances are significantly

influenced by birthplace and administrative categorization rather than merit or effort. This results in limited intergenerational mobility, particularly for rural-born individuals and their children. Sociologists argue that the hukou system functions similarly to a caste system, in that it assigns and restricts status. Even as China pursues a socialist modernization strategy, the hukou system continues to embed deep inequalities in the social fabric [64].

To reduce the urban-rural divide and build a more inclusive society, comprehensive hukou reform is essential. Key policy recommendations include [147]:

1) Full abolition of the urban-rural hukou distinction, allowing all citizens equal access to social services regardless of origin.

2) Expansion of public service infrastructure in urban areas to accommodate migrant populations.

3) Targeted fiscal transfers from central to local governments to support migrant integration.

4) Educational reforms to ensure that children of migrants can access urban schools without restrictions.

5) Labor market protections to eliminate discriminatory practices against rural migrants.

The People’s Republic of China has undergone a remarkable transformation over the past four decades, transitioning from a centrally planned economy to a more market-oriented one. This evolution has lifted hundreds of millions out of poverty and fostered rapid economic growth. Yet, alongside this success story lies a deep and growing challenge: socioeconomic inequality. A core driver of this persistent inequality lies in disparities in access to quality education, healthcare services, and stable employment. These three pillars: education, health care, and employment, are not only determinants of individual well-being and social mobility, but also systemic levers that either perpetuate or reduce inequality. In China, structural barriers and institutional arrangements, especially the hukou system and regional disparities, play a central role in reinforcing unequal outcomes across these domains [186].

Education is often heralded as a key mechanism for promoting equality of opportunity. In the Chinese context, however, the education system has frequently acted as a conduit for reproducing inequality. Although the Chinese government has made significant investments in education, such as achieving near-universal primary education and expanding tertiary institutions, inequalities in access and quality remain stark. One of the primary determinants of educational opportunity is geographic location. Students in urban areas, particularly in the eastern provinces, enjoy access to better-resourced schools, more qualified teachers, and more extracurricular and preparatory programs than their rural counterparts. Moreover, the household registration (hukou) system exacerbates these disparities. Migrant children living in cities often cannot attend public schools due to hukou restrictions or face limitations in taking the highly competitive national college entrance exam (gaokao) in their place of residence. This restricts their ability to compete on equal terms with urban peers. Consequently, despite talent and motivation, rural and migrant youth often find themselves disadvantaged in higher education admissions, leading to lower lifetime earnings and limited social mobility. Additionally, elite universities in China remain disproportionately populated by students from wealthier, urban backgrounds. While meritocracy ostensibly governs admissions, in practice, access to private tutoring, better educational infrastructure, and social capital all advantage students from higher socioeconomic backgrounds. As a result, educational outcomes are often tied to parental income and location, perpetuating cycles of privilege or deprivation [15].

Health care is another domain where inequality significantly influences life outcomes. While China has dramatically improved public health metrics since the 1970s, extending life expectancy, reducing child mortality, and expanding basic insurance coverage, access to high-quality care remains highly uneven. The tiered structure of healthcare in China mirrors the broader stratification of its society. Urban residents, particularly those with formal employment and high incomes, can access advanced medical facilities in first-tier cities such as Beijing and Shanghai. In contrast, rural residents and informal workers often rely on underfunded and poorly equipped clinics and county-level hospitals. Healthcare financing also reinforces disparities.

Although nearly 95% of the population is covered by some form of insurance, the depth of coverage varies considerably. Urban Employee Basic Medical Insurance (UEBMI) offers better benefits than the Urban-Rural Resident Basic Medical Insurance (URRBMI). Furthermore, out-of-pocket expenses for surgeries, medications, or specialist care remain significant, deterring poorer households from seeking necessary treatment. Health inequalities have long-term implications for labor market participation, education, and overall productivity. Children in rural or impoverished areas who suffer from untreated illnesses may struggle academically or drop out of school. Adults with chronic conditions or inadequate access to preventive care may exit the workforce prematurely or suffer reduced earnings. Thus, healthcare disparities entrench existing income gaps and social hierarchies [135].

Employment in the PRC has also undergone profound transformations. The shift from state-owned enterprises to private and informal sector employment has diversified job opportunities but also created new vulnerabilities. The formal employment sector, characterized by stable jobs, benefits, and social insurance, has not expanded proportionately to match the growing labor force, particularly among migrants and rural populations. China's labor market today is highly segmented. Urban residents with university degrees tend to access formal employment in state institutions or large private firms, where pay, benefits, and job security are better. In contrast, rural migrants working in construction, domestic work, or small-scale manufacturing often find themselves in informal or precarious employment, without contracts or access to social protections such as pensions or unemployment insurance. The hukou system again plays a pivotal role. Migrant workers, despite contributing significantly to urban economies, are often excluded from local labor market protections and services. Their children, too, suffer from limited access to education and healthcare. This institutionalized exclusion creates a subclass of workers who are integral to economic growth but barred from enjoying its full benefits. Gender also intersects with employment inequality. Women, particularly older or rural women, face higher barriers to formal employment and are more likely to be concentrated in low-wage sectors. The

motherhood penalty, lack of affordable childcare, and persistent discrimination limit their upward mobility [163].

The Chinese government has acknowledged the growing inequality problem and has adopted several measures to address it. Investments in rural education, expansion of healthcare coverage, minimum wage laws, and job creation programs are all aimed at reducing disparities. The recent "common prosperity" agenda launched under Xi Jinping emphasizes wealth redistribution, rural revitalization, and equitable development. Nevertheless, structural and institutional barriers remain formidable. Reforming the hukou system is essential but politically and fiscally challenging. Improving the quality of rural education and healthcare requires not just funding but systemic changes in teacher incentives, hospital governance, and social service delivery. Enhancing labor protections for informal workers involves complex negotiations between central policies, local enforcement, and economic realities. Furthermore, inequality is not only a matter of access but also of outcomes. As long as educational credentials, health outcomes, and employment opportunities remain tightly linked to one's birth circumstances, true equality of opportunity will be elusive [30].

China's regional disparities are shaped by a combination of geographic, historical, policy-driven, and institutional factors. Geographically, eastern China, home to cities such as Shanghai, Shenzhen, and Guangzhou, has natural advantages in terms of port access, milder climates, and proximity to global trade routes. Historically, these regions were also the earliest to be opened up to foreign direct investment under Deng Xiaoping's "Open Door" policy in the late 1970s and early 1980s. Special Economic Zones (SEZs), beginning with Shenzhen in 1980, were primarily concentrated in coastal provinces, creating a developmental head start. In contrast, central and western provinces such as Gansu, Guizhou, and Tibet remained isolated, with less infrastructure investment, limited industrial bases, and reliance on agriculture or resource extraction. The result was a growing development gap in GDP per capita, industrial output, urbanization rates, and access to quality public services. For instance, in 2023, GDP per capita in Shanghai exceeded 190,000 yuan, while in Gansu it remained under 50,000 yuan – less than a third. The hukou (household registration) system has further

entrenched regional inequality by limiting labor mobility and access to social benefits for rural migrants in urban areas. This has created dual economies within cities and restricted opportunities for upward mobility. Regional inequality in China is most visibly reflected in [156]:

– *GDP per capita*: coastal regions like Jiangsu and Zhejiang rank among the wealthiest, while provinces like Yunnan and Ningxia remain far below the national average.

– *Urban-rural divide*: while eastern China enjoys high urbanization rates and services-driven economies, western provinces remain largely agrarian with limited infrastructure.

– *Education and healthcare*: the availability and quality of public services vary dramatically. University admission quotas, school funding, and healthcare infrastructure are significantly higher in urban, coastal areas.

– *Employment and wages*: workers in wealthier provinces enjoy higher wages and better job opportunities, contributing to internal migration flows toward developed cities [28] (see fig. 1.7).

Fig. 1.7. Regional Disparities and Government Policies of "Balanced Development" in the PRC [author].

Recognizing the risks posed by regional inequality: social unrest, inefficient resource allocation, and underutilization of human capital, the Chinese government has launched multiple policy initiatives to foster "coordinated" or "balanced" development [167].

a) The “Go West” Strategy (西部大开发). Launched in 2000, this was one of the most ambitious regional development initiatives aimed at boosting economic growth in 12 western provinces and autonomous regions. The strategy focused on infrastructure development, energy projects (e.g., the West-to-East Gas Pipeline), and ecological restoration. Achievements include better highway and rail connectivity, increased FDI inflows, and improved living standards. However, critics note that much of the investment favored capital-intensive rather than labor-intensive industries, limiting local employment benefits [146].

b) Revitalization of Northeast China. This policy targeted the “rust belt” provinces of Liaoning, Jilin, and Heilongjiang, which had been key industrial bases during the planned economy era but declined following economic liberalization. The government introduced subsidies, industrial upgrades, and social safety nets to stimulate local economies. Despite some progress in state-owned enterprise reform and infrastructure, the region continues to struggle with aging populations, outmigration, and structural unemployment [143].

c) Rise of Central China Plan (中部崛起). Initiated in 2004, this plan sought to transform the central provinces, including Hubei, Henan, and Anhui, into a bridge between the dynamic east and the lagging west. Emphasis was placed on industrial transfer from the coast, innovation, and improved transport networks. The COVID-19 pandemic highlighted the growing significance of cities like Wuhan as emerging economic hubs, yet disparities with coastal counterparts persist [148].

d) New Urbanization and Regional Integration. The “New-Type Urbanization Plan (2014-2020)” aimed to make urbanization more inclusive, sustainable, and regionally balanced. It promoted small and medium-sized cities in inland areas, integrated rural migrants, and encouraged city clusters such as the Yangtze River Economic Belt, the Chengdu-Chongqing Economic Circle, and the Beijing-Tianjin-Hebei (Jing-Jin-Ji) corridor. This initiative reflects a shift from mere infrastructure development to deeper socio-economic transformation through regional coordination and inclusive governance [153].

China's fiscal system has also played a central role in addressing regional inequalities. The central government allocates significant fiscal transfers to poorer provinces to fund public services, infrastructure, and poverty alleviation. For instance, in 2022, over 70% of Tibet's budget came from central government subsidies. However, questions remain about the efficiency of these transfers. Local governments often face misaligned incentives, with funds being directed to showcase projects rather than addressing grassroots needs. Additionally, the growing local government debt burden (especially from Local Government Financing Vehicles, or LGFVs) threatens to undermine fiscal sustainability [62].

Despite decades of effort, regional inequality remains a persistent issue in China. Several structural and governance challenges limit the effectiveness of balanced development [187]:

● *Institutional rigidity*: the hukou system still hampers labor mobility and limits rural migrants' access to urban benefits.

● *Overdependence on investment*: many regional development policies have focused on infrastructure and fixed-asset investment, rather than on fostering innovation, entrepreneurship, or human capital development.

● *Environmental degradation*: some development initiatives, particularly in the west, have led to ecological harm, necessitating new trade-offs between growth and sustainability.

● Corruption and inefficiency: Weak oversight mechanisms and local government capture have led to misuse or inefficient allocation of development funds in some regions [162].

In recent years, the Chinese leadership has pivoted toward the idea of "common prosperity" (共同富裕), an overarching goal to reduce inequality and ensure more equitable distribution of wealth. While this concept is broader than regional disparities alone, it implies a more aggressive approach toward redistribution, social investment, and narrowing development gaps. Under this agenda, policies include: (a) increased taxation on high-income individuals and large tech firms; (b) strengthening public services in underdeveloped regions; (c) promoting rural revitalization through digital

inclusion and e-commerce platforms; (d) encouraging industrial transfer and innovation-led growth in lagging provinces. However, balancing common prosperity with economic dynamism remains a complex task, especially amid slowing GDP growth and geopolitical tensions [96].

Since the late 20th century, China has undergone a remarkable transformation from a centrally planned economy to one of the most dynamic market economies in the world. This transformation has been heavily influenced by two intertwined forces: globalisation and technological development. While these factors have powered China's rapid economic growth, lifted hundreds of millions out of poverty, and integrated the country into the global economy, they have also contributed to deepening social stratification. Globalisation and the reconfiguration of Chinese stratification include: opening up and integration into the global economy; and the rise of the "New Middle Class" and Elite Globalisation [142].

Following Deng Xiaoping's reforms starting in 1978, China began to embrace foreign investment, export-oriented growth, and participation in global trade. The establishment of Special Economic Zones in coastal regions catalyzed industrialization and attracted multinational corporations, creating vast employment opportunities and driving GDP growth. However, these gains were spatially and socially uneven. The coastal provinces such as Guangdong, Zhejiang, and Jiangsu surged ahead economically, while inland and western provinces lagged behind. This contributed to stark regional disparities and reinforced the urban-rural divide. Moreover, globalisation benefited certain social groups more than others. Skilled workers, urban residents, and individuals with higher education were more likely to secure well-paying jobs in export industries or multinational corporations. In contrast, unskilled rural migrants often found themselves in precarious low-wage employment in cities, lacking social protections due to the household registration system [139].

As China's economy matured, globalisation facilitated the emergence of a new middle and upper class with transnational lifestyles and consumption patterns. Access to foreign education, overseas travel, and luxury goods became symbols of status and privilege. These elites often benefited from financial investments, real estate

appreciation, and ownership of export-oriented businesses. However, this process simultaneously excluded those without capital, education, or connections. The growing wealth gap between the globalised elite and the rural or working poor has created a multilayered stratification, where upward mobility is increasingly constrained for those at the bottom (see fig. 1.8).

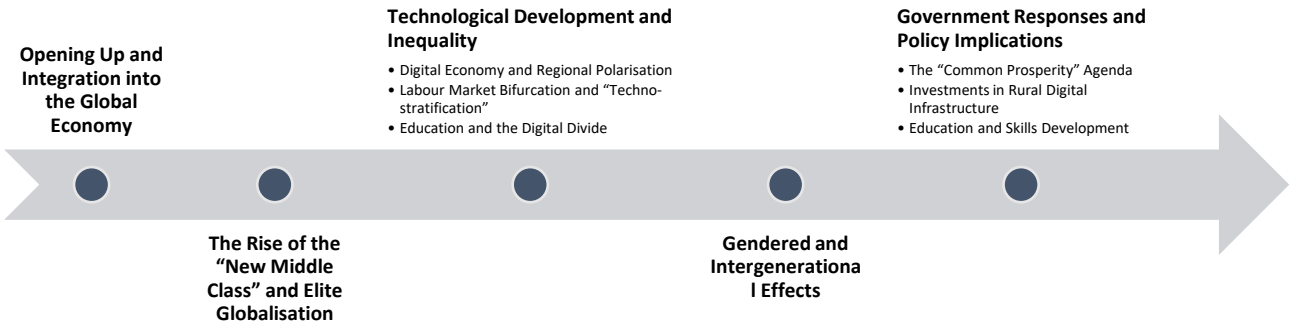

Fig. 1.8. Globalisation and the Reconfiguration of Chinese Stratification [author].

China's rapid digital transformation, driven by innovations in e-commerce, fintech, AI, and big data, has created new engines of economic growth. Companies such as Alibaba, Tencent, and Huawei have not only revolutionised consumer markets but also become dominant global players. However, the benefits of technological development have accrued disproportionately. Digital infrastructure is concentrated in urban areas, especially in eastern cities like Shenzhen, Hangzhou, and Beijing. These cities attract talent, capital, and innovation, while many rural and inland regions lack the technological ecosystem to participate fully in the digital economy. The digital divide has thus become a new dimension of stratification, compounding existing geographical and economic inequalities [72].

Automation, robotics, and AI have begun to replace manual and repetitive jobs, particularly in manufacturing, logistics, and services. While high-skilled workers benefit from increased productivity and salaries, low-skilled workers face job displacement and downward wage pressure. This process of "techno-stratification" creates a bifurcated labour market where high-tech workers command premium incomes, while others experience job insecurity. The emergence of the gig economy in

China, with platforms like Didi Chuxing, Meituan, and Ele.me, illustrates this dynamic. While offering employment opportunities, these jobs are often characterised by long hours, algorithmic control, lack of social insurance, and income volatility, further entrenching inequality [52].

Technological advancement has made digital literacy and access to technology critical for social mobility. Yet, access to high-quality education and digital tools is highly unequal across China. Elite schools and universities in urban centres offer better opportunities to master cutting-edge technologies, while rural schools often lack computers, internet connectivity, and qualified teachers. As a result, children in disadvantaged areas are less prepared for the knowledge-based economy, perpetuating intergenerational inequality [137].

The combined effects of globalisation and technological change have also interacted with existing gender and age-based inequalities. In many cases, women have been disproportionately affected by job losses in low-skilled sectors, while underrepresented in high-paying STEM fields. Older workers have also faced challenges in adapting to technological shifts, often lacking the digital skills required to remain competitive in the evolving job market. At the same time, young urban professionals, especially those educated in top universities or abroad, are better positioned to thrive in the globalised, digital economy. This creates a form of "intergenerational techno-elite," wherein upward mobility is increasingly determined by early access to quality education and digital tools [107].

In response to growing inequality, the Chinese government has revived the discourse of "common prosperity" (共同富裕) as a key policy objective under President Xi Jinping. This includes measures to redistribute income, improve rural development, regulate excesses of capital (as seen in the crackdown on tech firms), and promote equitable access to public services. Notably, the government has sought to curb the power of large tech conglomerates and to strengthen labour protections for gig economy workers. These efforts signal a recognition that unregulated technological development can deepen social divisions. The "Digital China" initiative and other policies aim to bridge the urban-rural digital divide by investing in broadband

infrastructure, e-commerce training for farmers, and rural innovation hubs. While promising, implementation remains uneven, and deep structural disparities in education and income remain significant barriers. To address "techno-stratification," China has expanded vocational training, STEM education, and online learning platforms [82; 160]. The aim is to equip workers with skills relevant to the digital economy. However, systemic reforms are needed to ensure that rural and marginalized populations are not left behind.

Conclusions to chapter 1

Economic inequality remains a multidimensional challenge, shaped by disparities in income, wealth, education, healthcare, and regional opportunities. Understanding its typology and theoretical foundations is crucial for creating policies that address not only material gaps but also the structural mechanisms that reproduce them. Inequality and social stratification are mutually reinforcing: while inequality restricts access to resources, stratification legitimizes these divisions through institutional practices and cultural norms. Tackling both dimensions requires integrated approaches that combine economic redistribution with social reforms to enhance fairness and mobility.

Historical experience demonstrates that inequality is sensitive to systemic change. Socialist models reduced visible income gaps but often concealed inequalities linked to political power and geography. Post-socialist transitions, by contrast, saw rising disparities due to privatization and weakened welfare systems. These lessons underline the importance of balancing growth with equity, as unchecked liberalization can entrench divides, while excessive centralization may limit opportunity.

Theories of social stratification, from Marx to Bourdieu, show that inequality is not only economic but also cultural and social. Stratification persists through differences in capital – economic, social, and symbolic, that restrict mobility and reinforce privilege. Addressing inequality therefore requires policies that expand access to education, healthcare, and employment, while dismantling systemic barriers

rooted in institutions such as discriminatory labor practices or restrictive administrative systems.

In this context, the role of the state is central. Governments possess the tools: taxation, welfare, regulation, and investment, to moderate market outcomes and promote inclusion. Redistribution is not only an economic necessity but also a political and ethical choice that reflects societal values. Evidence from diverse contexts shows that well-designed redistributive systems can reduce disparities, support vulnerable groups, and foster greater social cohesion.

China provides a critical case study of these dynamics. Since 1978, its economic reforms have generated extraordinary growth, lifting millions from poverty. Yet this success has also widened the gap between rich and poor, urban and rural, coastal and inland regions. The hukou system remains a key structural barrier, limiting mobility and perpetuating divides in education, healthcare, and social security. Without systemic reform, these institutional legacies will continue to reproduce inequality despite improvements in living standards.

The Chinese state has acknowledged these challenges through policies on poverty alleviation, welfare expansion, and most recently, the “Common Prosperity” campaign. These initiatives aim to rebalance development by ensuring more equitable distribution of wealth and opportunity. However, achieving genuine equity will require bold reforms: dismantling entrenched institutional barriers, reducing regional imbalances, and embedding inclusivity into education, health, and labor systems.

Ultimately, sustainable development in China, and globally, depends on addressing inequality as both an economic and social imperative. Ensuring access to opportunities, promoting fairness, and building inclusive institutions are essential not only for justice but also for long-term stability, innovation, and resilience.

The main scientific results were published in the following scientific articles: 145, 146, 147, 148, 149, 150, 151, 152.

CHAPTER 2. ANALYTICAL ASSESSMENT OF ECONOMIC INEQUALITY AND SOCIAL STRATIFICATION IN THE PRC

2.1. Dynamics and structure of income and wealth inequality in the PRC

The People's Republic of China has undergone one of the most rapid economic transformations in modern history, transitioning from a predominantly agrarian economy to a global industrial and technological powerhouse within a few decades. This unprecedented growth, however, has been accompanied by widening income disparities among different regions and social groups. While economic expansion has lifted millions out of poverty, it has also resulted in imbalances that threaten long-term social cohesion and economic sustainability. Understanding the nuances of income distribution in the PRC is therefore essential for effective policymaking.

China's development strategy since the 1980s prioritized the eastern coastal provinces, such as Guangdong, Zhejiang, Jiangsu, and Shanghai. These regions benefited from early economic liberalization, foreign direct investment, and export-led growth. In contrast, the central and western provinces, such as Gansu, Qinghai, and Guizhou, lagged in economic dynamism and infrastructure development. According to the National Bureau of Statistics of China (NBSC), in 2023, the per capita disposable income in eastern regions averaged ¥53,500, compared to ¥33,200 in central regions and only ¥28,500 in western regions. This means that the income of residents in the eastern provinces was almost 1.9 times higher than that in the west. Such disparities have persisted for decades, though the government has introduced various initiatives, such as the "Go West" strategy and regional transfer payments, to reduce the gap.

The urban-rural income gap remains one of the most pressing issues in China's socioeconomic landscape. Urban residents enjoy better access to jobs, education, healthcare, and infrastructure, while rural areas often suffer from underinvestment and outmigration. In 2023, the average per capita disposable income of urban residents was ¥49,000, whereas rural residents earned an average of ¥20,100. Although the gap has narrowed since the early 2000s (when urban income was more than three times that of rural), a 2.4:1 ratio still highlights structural inequalities. Efforts like the New Socialist

Countryside program and rural revitalization strategies have contributed to income growth in rural areas, particularly through agricultural modernization, e-commerce platforms (e.g., Pinduoduo), and rural tourism. However, these measures are often unevenly implemented and depend heavily on local conditions [19].

Occupational segmentation significantly influences income distribution. In urban areas, white-collar professionals, civil servants, and tech industry workers typically earn far more than manufacturing workers, service industry employees, or migrant laborers. According to the 2023 China Statistical Yearbook, the average annual wage for employees in the IT sector was ¥190,000, while those in manufacturing earned about ¥68,000. Workers in accommodation and catering services earned an even lower average of ¥46,000 annually. This occupational income disparity is closely tied to education level, industry structure, and access to urban labor markets. Migrant workers, primarily rural residents working in urban construction, manufacturing, and services, earn lower wages and often lack access to urban social benefits due to the hukou (household registration) system. In 2023, the average monthly income of migrant workers was around ¥4,600, which is significantly lower than urban residents with local hukou [151].

Education is a major determinant of income in the PRC. Data from the NBSC and OECD suggest a strong correlation between higher educational attainment and income levels. Individuals with primary education or below had an average monthly income of ¥3,000. Those with vocational high school or equivalent earned ¥5,200. Holders of university degrees (bachelor’s or above) earned ¥9,800 on average. The wage premium for higher education has grown in recent years, particularly as the Chinese economy has shifted toward knowledge-intensive and service-based industries. However, regional disparities in education quality (especially rural vs urban schools) exacerbate intergenerational income inequality. Despite improvements in gender equality, a substantial gender pay gap persists in China. In 2023, women earned on average 15-25% less than men in equivalent roles. The gap is even wider in senior management and high-tech sectors. Contributing factors include occupational segregation, lower representation of women in leadership roles, career interruptions

due to childbearing, and cultural expectations regarding caregiving. Government initiatives to promote gender equality, such as maternity leave protection and anti-discrimination laws, have had only partial success in closing the gap [136].

China's ethnic minorities, comprising around 8.9% of the population, are disproportionately concentrated in less developed western and border regions, including Tibet, Xinjiang, and Inner Mongolia. Data from the 2020 census and NBSC show that average income levels among ethnic minorities are significantly lower than those of the Han majority. For example, in rural Tibet, the per capita disposable income was ¥16,300 in 2023, compared to the national rural average of ¥20,100. Factors contributing to these disparities include geographic isolation, limited access to higher education, language barriers, and ethnic tensions. While Beijing has invested in infrastructure and subsidies for minority regions, the benefits are often unevenly distributed and politically sensitive. From 2015 to 2024, national per capita disposable income nearly doubled, rising from roughly 22,000 yuan to over 41,000 yuan. Urban incomes have expanded faster than rural ones in absolute terms, but rural growth rates were higher nominally (e.g., rural +7.7% in 2023 vs urban +5.1% in 2023). As a result, the urban-rural income gap (ratio) has gradually narrowed from ~2.45 in 2022 to ~2.34 in 2024. Despite narrowing ratios, absolute income gaps remain substantial by 2024 urban residents earned over 31,000 yuan more per capita than rural [145].

Although women in China participate in the workforce at high rates compared to many countries, a gender wage gap remains robust. Women's labor force participation declined from around 75% in the early 1990s to roughly 61% by 2023, especially among urban, educated women entering service or managerial roles. Women often cluster in lower-paid sectors education, health care, basic services while men dominate manufacturing, technology, and leadership positions. Income data from official surveys indicates that in 2023, women earned on average about 83-85% of what men earned in similar roles a persistent gap tied to occupational segregation, career breaks (notably for maternity), and glass ceiling effects. Among senior roles in finance and tech, the gap widens to as much as 60-70% relative to male peers. Women are disproportionately represented in public sector jobs, teaching, healthcare, and

administrative roles many of which offer fixed hours and moderate pay. High-paying, high-risk sectors such as tech startups, real estate development, construction, and energy tend to be male-dominated. This gendered occupational polarization limits women's access to rapid wage growth and upward mobility. Career interruptions, due to childbirth and elder care, frequently slow women's professional progression. Despite legal protections (e.g., extended maternity leave), women re-entering the workforce face lost investment in skills and seniority. Many mid-career women thus struggle to break into managerial or executive-level roles [2].

Women in China now surpass men in tertiary educational attainment; in many universities, women represent 55-58% of enrolled undergraduate and graduate cohorts, especially in humanities, social sciences, and education. Yet this academic advantage does not translate evenly into earnings. Fields pursued predominantly by men STEM, finance, engineering generally offer higher salaries. Even women graduate in STEM or finance often face wage discrimination, fewer promotions, and less access to critical professional networks. The mismatch between education outcomes and workplace rewards underscores structural bias, not individual ability. Gender inequality also varies by location. In urban centers, education and labor markets afford more opportunity for women; wage gaps are somewhat narrower compared to rural areas. In rural regions and western provinces, traditional gender norms exert more influence, restricting female labor force participation, schooling continuation, and mobility. For example, rural women average 60-65% of male earnings, while urban women may reach 85% of what urban men earn in equivalent roles. Rural schools and clinics remain more under-resourced, and families are more likely to prioritize sons' education over daughters', affecting long-term income prospects. China's constitution and labor laws affirm gender equality. Policies such as paid maternity leave and bans on gender-based hiring discrimination exist on paper but enforcement varies. Female-led NGOs and women's federations push for stronger protections, but resistance persists in private firms and traditional regions. Recent discussions include extending paternity leave and better coverage of childcare as a way to relieve pressure on women. However,

implementation has been uneven, and many employers remain reluctant to hire women of childbearing age [173].

According to the 2024 China Women's Workplace Status Survey Report, the average monthly salary for working women was RMB 8,958, while men earned RMB 10,289, resulting in a gender pay gap of 12.9%. The data indicates a persistent gender income gap in China, with men earning more than women across both urban and rural areas. Despite various policies aimed at promoting gender equality, the gap remains significant. Specific data on generational income gaps by year are not readily available in the provided sources. However, studies indicate that younger generations in urban areas tend to have higher incomes compared to older generations, while in rural areas, the income gap between generations is narrower. While specific year-by-year data is limited, it's observed that younger generations, particularly in urban areas, tend to have higher incomes compared to older generations. This could be attributed to factors such as higher education levels and increased participation in the labor market among the youth (see fig. 2.1).

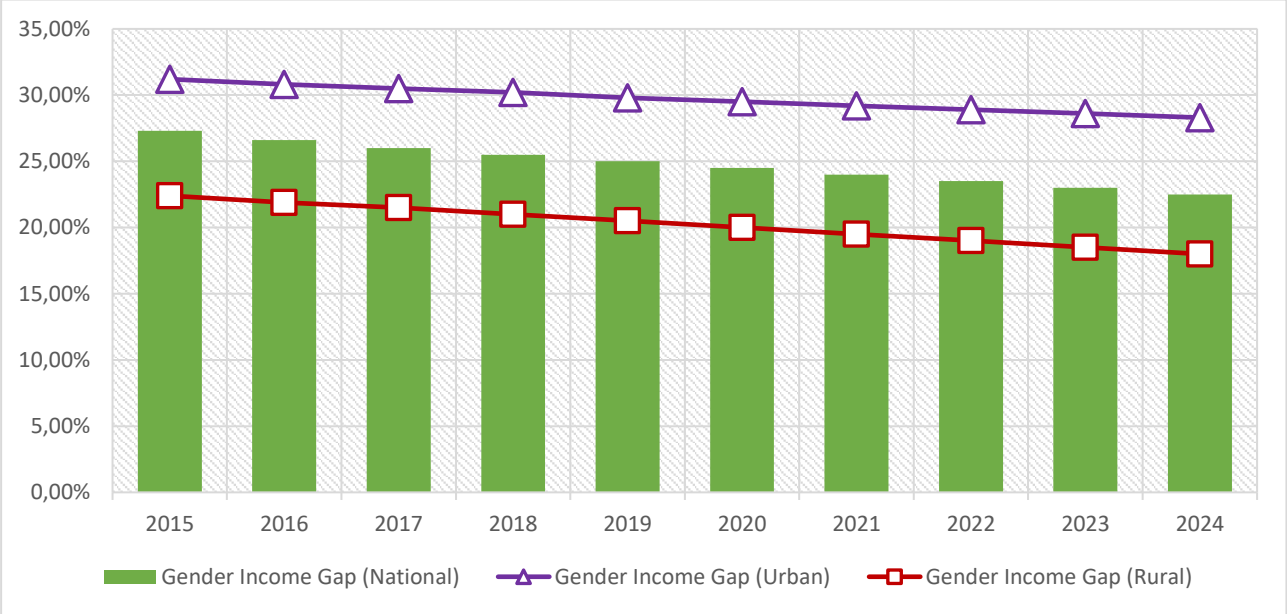

Fig. 2.1. Gender and Generational Dimensions of Income Inequality in PRC

Source: author [54]

The concept of an upper class in China was practically nonexistent before the 1980s, when most people lived under a collectivist system that prioritized egalitarian income distribution. However, with the introduction of Deng Xiaoping's economic

reforms in 1978 and the shift towards “socialism with Chinese characteristics,” market liberalization created room for private enterprise and accumulation of personal wealth. As a result, a new socio-economic elite emerged. This upper class includes entrepreneurs, investors, real estate tycoons, executives of state-owned and private enterprises, and increasingly, the high-net-worth individuals who have benefited from asset appreciation and capital market expansion. According to the Hurun Wealth Report (2023), China had over 2 million USD millionaires and more than 1,000 billionaires, second only to the United States [55].

Quantitative data confirms the expanding wealth gap. According to the China Household Finance Survey (CHFS), the top 10% of households in China owned nearly 70% of the total wealth by 2021, while the bottom 50% accounted for less than 6%. This Gini coefficient for wealth has reached 0.73, a level considered to be dangerously high in terms of economic inequality. The CHFS data also reveals that real estate remains the dominant source of wealth for households, with housing wealth representing over 70% of net assets. This is critical, as real estate booms in first- and second-tier cities have disproportionately benefited the wealthier segments of society, further intensifying the wealth divide. In 2024, China’s National Bureau of Statistics also published data showing that average disposable income in urban households was more than double that of rural households, and the top income decile earned 9.2 times more than the lowest decile. While income inequality is a significant factor, it is the inequality in asset ownership and capital appreciation that drives the most severe long-term wealth concentration [57].

Data from Piketty et al. (2019) indicates that the top 10% held approximately 67% of China’s wealth from 1978-2015, with no significant change reported through 2024 due to persistent real estate dominance (60% of household assets in 2023). The income share of the top 10% rose from 27% in 1978 to 41% in 2015, stabilizing around 40% in subsequent years as per Piketty et al. and other sources. Estimates for 2015-2020 are interpolated based on Henley & Partners’ 2024 report, which notes a 140% increase in Shenzhen’s millionaire population from 2013-2023 and significant growth in cities like Beijing (90%) and Shanghai (84%). The 2024 figure is a projection based

on this trend. Official Chinese data reports a Gini coefficient of 0.465 in 2015, with slight fluctuations through 2024. Independent studies suggest higher values (e.g., 0.61 in 2012), but official figures are used here for consistency. The growth of the upper class is driven by urbanization, real estate, and privatization, with 90% of urban households owning homes by 2023. However, the property market downturn since 2021 has slowed wealth accumulation for some HNWIs. The "common prosperity" agenda since 2021 has aimed to curb excessive wealth concentration through policies targeting monopolies and real estate speculation [53] (see table 2.1).

Table 2.1

The Concentration of Wealth and Growth of the Upper Class in the PRC

Year	Wealth Share of Top 10% (% of total wealth)	Income Share of Top 10% (% of total income)	Number of HNWIs (USD 1M+ in liquid wealth)	Gini Coefficient (Income)	Notes
2015	67%	41%	~1.3M (estimated)	0.465 (official)	Wealth and income inequality peaked around the mid-2000s to 2015; HNWI estimate based on growth trends.
2016	~67% (stable)	~41% (stable)	~1.4M (estimated)	0.465	Gini coefficient declined slightly; HNWI growth reflects urban wealth hubs.
2017	~67%	~41%	~1.5M (estimated)	0.467	Wealth concentration remained high, driven by real estate (60% of household assets).
2018	~67%	~41%	1.6M	0.468	Upper class grew, especially in cities like Shenzhen and Shanghai.
2019	~67%	~41%	1.7M	0.465	Middle class expanded to ~707M (50.8% of population), but wealth remained concentrated.
2020	~67%	~40% (slight decline)	1.8M (estimated)	0.465	Absolute poverty eradicated; wealth inequality persisted due to property market.
2021	~67%	~40%	1.9M	0.466	Common prosperity policies introduced, targeting wealth disparities.
2022	~67%	~40%	2.0M	0.465 (estimated)	HNWI growth slowed due to property sector decline; Gini stable.
2023	~67%	~40%	2.1M	0.465 (estimated)	Real estate sector (20% of GDP) faced downturn, impacting wealth concentration.
2024	~67% (projected)	~40% (projected)	2.2M (projected)	0.465 (projected)	Shenzhen's HNWI population grew 140% (2013–2023); urban wealth hubs drove upper-class growth.

Source: author [53, 54, 55, 56, 57, 58, 63]

Several interlinked structural and policy-related factors contribute to wealth accumulation at the top: real estate ownership, capital markets and financialization, entrepreneurship and tech giants, inheritance and intergenerational wealth transfer, policy and taxation gaps. China's urbanization strategy heavily emphasized real estate development as a growth engine. The result has been a real estate-driven economy where property ownership became the principal means of wealth accumulation. Early investors in the 1990s and early 2000s experienced unprecedented appreciation in asset values, while latecomers found themselves priced out. With the opening of stock exchanges in Shanghai and Shenzhen and growing investment in equity, bonds, and tech startups, financial capital has become a major source of wealth for elites. Those with access to financial literacy, insider networks, and investment tools often the urban educated elite have reaped significant rewards. The tech boom created a new generation of ultra-rich individuals. Founders of companies like Alibaba, Tencent, and ByteDance have accumulated billions in personal wealth. Moreover, these firms created entire ecosystems of high-paying jobs, stock options, and capital ventures, all contributing to the rise of the upper class. Though relatively new in the PRC context, intergenerational wealth transfer is becoming a defining feature of inequality. Wealthy families are beginning to pass on assets through trusts, property, or direct inheritance, creating a persistent upper class that compounds advantages over generations. China lacks a comprehensive property tax and has no nationwide inheritance or capital gains tax. This legal vacuum allows the wealthy to accumulate and retain assets with limited redistribution. While the government has hinted at reforms, significant changes have yet to be implemented due to concerns over social stability and market disruptions.

Wealth accumulation is geographically concentrated, with Beijing, Shanghai, Guangzhou, and Shenzhen dominating the distribution. First-tier cities attract investment, offer higher salaries, and provide better infrastructure for wealth creation. For example, per capita GDP in Beijing in 2023 was over RMB 190,000, nearly three times that of a central province like Henan. This regional imbalance reinforces the concentration of opportunity and capital in coastal megacities, while inland provinces lag behind. The disproportionate presence of millionaires and billionaires in

metropolitan areas also means better access to elite education, healthcare, and political influence, perpetuating a self-reinforcing cycle [27].

The concentration of wealth brings with it a range of socio-economic consequences: reduced social mobility, consumption imbalance, housing inaccessibility, political sensitivity and policy risk. As wealth is increasingly inherited or accumulated through exclusive access to networks and education, upward mobility becomes more difficult for middle and lower-income groups. This stagnation threatens to erode the meritocratic values that the Chinese Communist Party (CCP) officially upholds. A wealthy elite can only consume so much. If income and wealth are concentrated at the top, aggregate consumption tends to underperform due to the high savings rate of the upper class. This "under-consumption trap" is problematic for China's goal of rebalancing toward a consumption-driven growth model. Rising real estate prices fueled by speculation and capital from the upper class make housing unaffordable for younger generations and rural migrants. In Beijing, the average home price-to-income ratio exceeds 20:1, among the highest in the world. Growing inequality has become a politically sensitive issue. The CCP has emphasized the need to achieve "common prosperity" to prevent social unrest and sustain legitimacy. This shift has already prompted crackdowns on tech billionaires, limits on excessive executive compensation, and tighter regulations in the education and housing sectors.

The Chinese approach to poverty alleviation has evolved through several stages:

– *1980s-1990s:* the early reforms focused on increasing agricultural productivity and rural incomes through de-collectivization and the Household Responsibility System. This initial wave of rural revitalization helped reduce poverty significantly.

– *2000s:* China adopted a more targeted approach, focusing on underdeveloped western provinces, ethnic minority regions, and areas with poor infrastructure. Policies like the "Western Development Strategy" directed public investment to lagging regions.

– *2010s–2020:* the most ambitious anti-poverty campaign culminated in the "Targeted Poverty Alleviation" (TPA) initiative introduced by President Xi Jinping in

2013. This involved precise identification of poor households, customized interventions, and accountability mechanisms. By 2020, China declared it had eradicated extremely rural poverty, defined as an annual income below 2,300 RMB (2010 constant prices) [63].

Key Poverty Reduction Programs and Mechanisms include: Targeted Poverty Alleviation (TPA), Social Protection Systems, Infrastructure and Digital Inclusion. The TPA program used a data-driven approach, categorizing poverty into different types – economic, geographic, environmental, and health-related. Measures included:

- Industrial support: encouraging local industries to create employment.
- Education subsidies: preventing intergenerational transmission of poverty.
- Relocation: moving residents from inhospitable terrains to more livable regions.
- Healthcare access: subsidizing medical expenses and insurance for the poor.

China expanded its social protection system to include: (a) Minimum Livelihood Guarantee (Dibao) – ensuring basic income support to low-income households; (b) New Rural Pension and Health Insurance schemes: extending coverage to rural residents. Programs to connect remote villages with roads, electricity, internet, and water supply have played a pivotal role in poverty alleviation, enabling integration into wider markets [149].

Different generations in China have experienced vastly different economic, political, and social contexts. *Pre Reform ("Cultural Revolution") generation* (born before ~1970): experienced wartime shortages, work unit (danwei) lifetime employment, collectivized agriculture, and limited education access. *Reform generation (born ~1975–1995)*: benefited from expanding education, factory jobs, export-led industrial boom, hukou mobility, and early tech-sector opportunity. *Post Millennial or "Generation Z" (born after 2000)*: face advanced urbanization, digital disruption, a competitive job market, rising housing costs, and uncertain social safety nets. These generational cohorts vary in opportunity, assets, social mobility, and economic stability. Older cohorts, especially those born in the 1960s or earlier, often hold urban hukou, own property, and accumulated pension eligibility via state

enterprises. They enjoy stable incomes, subsidies, and social status. In contrast, younger cohorts, even with higher education, face precarity: expensive housing, contract-based jobs, and limited corporate benefits. Millennials and Gen Z frequently delay marriage and homeownership, traveling via the “996” work culture (9 am-9 pm, 6 days a week) with weak labor protections. Their starting salaries may be higher than those of reform generation counterparts at similar ages, but cost-of-living pressures and limited asset building erode long-term advantage [75].

Younger urban cohorts benefit from improved schools and universities. Yet rural-origin youth still face barriers: university admission quotas, urban residency restrictions, and under-resourced schools. Though many migrate for college or jobs, their lack of local hukou restricts access to social services. Younger migrants in megacities often work in informal sectors (gig economy, logistics, service jobs), earning less per hour than graduates of elite universities working in corporate finance or tech. Younger generations are digital natives, accessing e commerce, mobile-fintech, and gig economy apps. While this grants new earning opportunities, it also exposes them to algorithmic surveillance, wage unpredictability, and weak labor protections. Meanwhile, rural older populations may struggle with digital access, leaving them dependent on traditional agriculture or local small business. This digital divide interacts with generational inequality: older rural households cannot participate fully in e-commerce, while young urban migrants lack hukou-based social insurance. China’s fragmented pension system disadvantages rural and informal-sector workers. For older retirees, rural pensions remain lower than urban ones, and many former migrants receive limited coverage if their hukou remained rural.

China’s targeted poverty alleviation programs have significantly reduced poverty rates, particularly in rural areas, aligning with the country’s goal of eradicating extreme poverty by 2020. Despite substantial poverty reduction, income inequality, as measured by the Gini coefficient, remains a concern. The Gini coefficient has decreased from 0.47 in 2015 to 0.38 in 2024, indicating a modest improvement in income distribution. While poverty alleviation efforts have been successful, addressing

income inequality requires continued focus on inclusive development, equitable access to resources, and strengthening social protection systems [26] (see fig. 2.2).

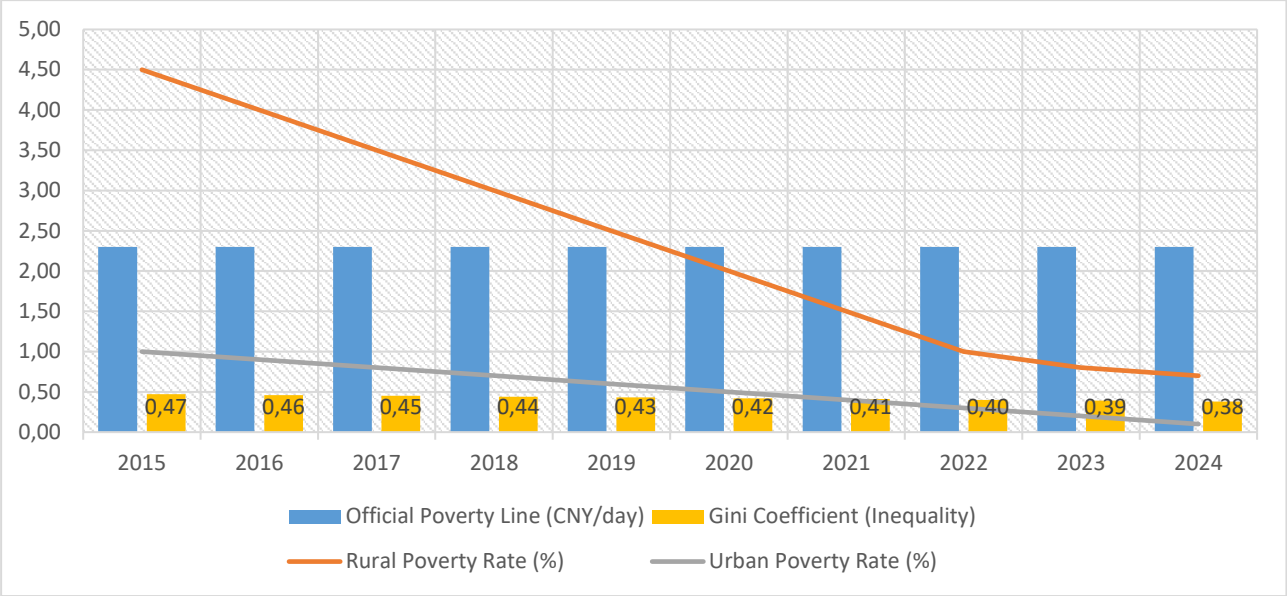

Fig. 2.2. The poverty reduction programs effect on inequality in PRC

Source: author [75, 78, 84]

While poverty reduction programs have improved overall welfare, their effect on inequality is mixed. China's vast geography means economic development has been uneven: Eastern coastal provinces continue to outpace central and western regions in GDP per capita and social services; TPA helped bridge some gaps, but disparities in local government resources and capacity led to uneven implementation. Despite central subsidies, richer regions often had better infrastructure to attract private investment and scale poverty alleviation efforts. The rural-urban income gap has narrowed slightly but remains pronounced. According to 2023 data from the NBS: urban residents earned, on average, 2.5 times more than rural residents; rural education, healthcare, and employment options still lag behind urban standards. While infrastructure and relocation projects improved connectivity, they did not fully address structural disadvantages in employment, especially for rural youth. Even as income poverty fell, wealth concentration rose. The Gini coefficient (a measure of inequality) peaked at 0.491 in 2008, declining only slightly since then. The rise of property ownership in cities and stock market investments has created a class of affluent urban elites,

widening the wealth gap. Government poverty programs did little to address asset-based inequality, focusing primarily on consumption-based metrics [103].

Poverty reduction programs largely treated households as unified units, overlooking intra-household inequalities. Women – especially elderly rural women and single mothers – continue to face barriers in education, employment, and property rights. Gender-disaggregated data is limited, but studies suggest that while rural women benefited from healthcare and pension expansions, their access to entrepreneurial support or land titling was constrained by patriarchal norms. Though education access has improved, the quality of education in rural vs. urban settings remains vastly unequal. Children from poor households face: lower chances of accessing top-tier universities; limited social mobility due to household registration (hukou) restrictions; fewer digital resources and mentorship opportunities. While first generation escaped extreme poverty, the next generation confronts systemic barriers.

Young women born in the 1990s or later from rural backgrounds face compounded disadvantages: rural hukou, female gender, and limited social mobility. Employed in low-paid service jobs, they earn significantly less than urban peers, and typically lack job protections or healthcare benefits. At the same time, those who attain higher education and urban hukou, often via elite university admission, can break the cycle, but such cases are the exception, not the norm. Gender gaps shrink slightly in younger educated urban generations but not universally. Among Millennials and Gen Z, educated women still earn roughly 85% of men's income, though the gap narrows relative to older cohorts (where women earned around 70%-75%). Yet older female cohorts face sharper disadvantages; retired women from rural origins may have negligible pension income compared to men and remain reliant on family support [1].

Official data from the National Bureau of Statistics and studies (e.g., Piketty et al., 2019) show a decline of Gini Coefficient (Income) from 0.491 in 2008 to 0.462 in 2015, stabilizing around 0.46-0.468 through 2024. Estimates for 2020-2024 are based on trends and policy impacts. Based on China's rural poverty line (~RMB 2,300/year in 2010 values), Poverty Headcount Ratio (China Rural Line) fell from 5.7% in 2015 to 0% by 2020, per official claims. World Bank data shows extreme Poverty Headcount

Ratio ($1.90/day PPP) at 0.7% in 2015, stable through 2022, with estimates extended to 2024. Investment in Poverty Alleviation estimates based on Ministry of Finance data (RMB 1 trillion total for 2016-2018) and annual spending of ~RMB 500 billion post-2018. The Theil index, measuring Effect on Inequality in poverty-stricken counties, fell from 0.46 to 0.35 (2010-2020), indicating reduced inequality in targeted areas. However, urban-rural and regional disparities (e.g., eastern vs. western China) persisted [174] (see table 2.2).

Table 2.2

Poverty Reduction Programs and Their Effect on Inequality in the PRC

Year	Gini Coefficient (Income)	Poverty Headcount Ratio (China Rural Line)	Poverty Headcount Ratio ($1.90/day PPP)	Key Poverty Reduction Programs	Investment in Poverty Alleviation (RMB)	Effect on Inequality	Notes
2015	0.462	5.7%	0.7%	Targeted Poverty Alleviation (TPA), Rural Revitalization Strategy initiated	~600 billion (est.)	Slight reduction in income inequality; Gini stabilized from 0.491 (2008). Rural-urban gap persists.	TPA launched in 2013, scaled up by 2015, targeting 70 million rural poor by 2020.
2016	0.465	4.5%	~0.7% (est.)	TPA expansion, East-West Cooperation, Dibao (Minimum Living Standard)	~700 billion (est.)	Marginal increase in Gini; rural inequality rose due to wage disparities.	East-West pairing mobilized 100.5 billion yuan (2015–2020). Urban-rural income gap at 2.73:1.
2017	~0.46 (est.)	3.1%	~0.7% (est.)	TPA, relaxation of hukou system, abolition of agricultural tax	~800 billion (est.)	Stable Gini; inequality reduction slowed by urban bias in growth.	Rural poverty rate dropped significantly; 600 million with monthly income <1,000 yuan.
2018	0.468	1.7%	~0.7% (est.)	TPA, welfare-to-work programs, rural infrastructure investment	~1 trillion (total 2016–2018)	Gini peaked; inequality persisted due to urban-rural divide (urban income ~3x rural).	Fiscal spending on poverty reached 2.2% of budget. Women's income 20% lower than men's.
2019	0.465	0.6%	~0.7% (est.)	TPA, rural education/health funding, urban migrant worker support	~400 billion (est.)	Slight Gini decline; rural poverty near elimination, but urban-rural gap remained.	290.8 million rural migrants faced urban inequities.
2020	~0.46 (est.)	0% (official)	~0.7% (est.)	TPA completion, "Three Guarantees" (healthcare, education, housing)	~500 billion (est.)	Gini stable; urban-rural income ratio at 2.56:1. Inequality among poor increased.	Official elimination of extreme rural poverty; Theil index fell from 0.46 to 0.35 (2010–2020).
2021	~0.46 (est.)	0% (official)	~0.7% (est.)	Welfare-to-work, rural revitalization, financial transfer payments	~500 billion (est.)	Stable Gini; focus on relative poverty post-2020.	Welfare-to-work showed inverted U-shape effect on poverty reduction.
2022	~0.46 (est.)	0% (official)	~0.7% (est.)	Rural revitalization, urban mobility programs (e.g., Yichang low-carbon transport)	~500 billion (est.)	Stable inequality; urban-rural income gap at 2.45:1.	Policies shifted to sustainable development, addressing regional disparities.
2023	~0.46 (est.)	0% (official)	~0.7% (est.)	Welfare-to-work, Shaanxi Energy Transition, Gansu livestock program	~500 billion (est.)	Gini stable; urban-rural income ratio narrowed to 2.39:1.	Focus on sustainability; eastern-western income gap ~2:1.
2024	~0.46 (est.)	0% (official)	~0.7% (est.)	Continued rural revitalization, common prosperity initiatives	~500 billion (est.)	Urban-rural income ratio at 2.34:1; persistent regional and gender inequalities.	High-income group income at 98,809 yuan; focus on equalizing public services.

Source: author [53, 54, 55, 56, 57, 58, 63]

Targeted Poverty Alleviation (TPA) (2013-2020) focused on individual households, using a nationwide poverty database and achieved elimination of extremely rural poverty by 2020. East-West Cooperation shows that Eastern provinces invested 100.5 billion yuan (2015-2020) in western regions, mobilizing 1.1 trillion yuan from enterprises. Part of the 14th Five-Year Plan, promoted income growth in poor counties, showing a significant but non-linear poverty reduction effect. Post-2020 focus on sustainable development, infrastructure, and public services to prevent poverty resurgence. Hukou Relaxation and Agricultural Tax Abolition reduced rural-urban migration barriers and increased rural incomes, though urban bias persisted. The urban-rural income ratio narrowed from 2.73:1 in 2016 to 2.34:1 in 2024, but urban incomes remain ~2-3 times higher; eastern-western income gap at ~2:1 in 2023. Women's income was 20% lower than men's in 2018, with persistent gaps in urban areas. Official data may understate inequality due to political pressures. The $1.90/day line underestimates relative poverty, with 25% of the population below the $5.50/day upper-middle-income line in 2020 [58].

The hukou system reinforces both gender and generational inequality: rural hukou restricts access to urban education and social services, affecting young rural women and men alike. But women often face additional discrimination in job placement and maternity-related hiring practices. China's shift to knowledge-intensive and service sectors favors college-educated youth. While this benefits many young men and women, rural-origin youth, especially girls who leave school early, are excluded. Older cohorts who benefited from industrial-era jobs and lifetime benefits still enjoy relative security. Confucian traditions that value male heirs and prioritize sons in family investment persist, especially in rural areas and poorer western provinces. This affects daughter school enrollment, endocrine opportunities, and long-term economic equality. While policies like universal schooling, gender equity laws, and poverty alleviation exist, their implementation varies. Gender-specific supports (like childcare or contract protections) are often weaker in practice. Pension reform is incomplete. Hukou reform remains limited.

Critics argue that China's poverty alleviation model was state-led and campaign-style, relying heavily on mobilization, subsidies, and political pressure. There are concerns that relocated populations might face new vulnerabilities (unemployment, social exclusion); local governments may struggle to maintain service delivery without continued central funding. China's declaration of "zero poverty" has been questioned due to: the use of a relatively low-income threshold compared to international standards; lack of public access to micro-data validating the removal of all identified poor households; insufficient coverage of urban poverty, particularly among migrant workers and informal workers who fell outside rural-focused programs. Multiple programs operated in parallel, sometimes creating duplication or inefficiencies. Local officials faced pressure to meet targets, occasionally leading to data manipulation or forced relocations [94].

Since 2021, the Chinese leadership has shifted its focus from poverty reduction to "common prosperity", aiming to reduce excessive wealth and address inequality more holistically. Policies under this campaign include: stronger regulation of high-income sectors (tech, real estate); promotion of philanthropy and redistribution; expansion of public services in education, healthcare, and social security. This indicates a growing recognition that poverty alleviation is not the same as inequality reduction, and that tackling deep structural imbalances requires long-term reform. To improve the effectiveness of anti-poverty efforts in reducing inequality, the following steps are recommended: adopt multidimensional poverty metrics that capture health, education, housing, and digital inclusion. Expand focus to urban poverty, including informal and gig economy workers. Strengthen rural education and job creation, particularly for youth and women. Improve wealth redistribution mechanisms such as progressive taxation, inheritance tax, and universal social protection. Increase participation of local communities and NGOs to ensure inclusivity and sustainability. Enhance transparency and independent evaluation of programs.

2.2. Empirical indicators and trends of social stratification of Chinese society

Understanding the structure and characteristics of China's social strata is essential for analyzing inequality, policy impacts, social tensions, and the future of the middle class. In Maoist China, from 1949 to the late 1970s, society was largely divided into politically defined categories such as workers, peasants, intellectuals, and cadres. Class origin, rather than wealth or education, determined one's status. However, after the economic reforms under Deng Xiaoping, stratification began to shift from political identity to economic indicators such as income, assets, and employment status. By the 1990s and 2000s, with rapid urbanization, industrialization, and privatization, social differentiation accelerated. The Chinese government no longer emphasized class struggle but focused on economic growth, accepting the emergence of new wealthy elites, a rising middle class, and a large floating migrant population. This reshaping has resulted in the emergence of identifiable social strata akin to those in other capitalist societies, but with distinctly Chinese characteristics, particularly due to state control, the hukou system, and the role of the Party-state in shaping mobility.

Chinese scholars and institutions often adopt various models to categorize social classes. A widely used framework comes from the Chinese Academy of Social Sciences (CASS), which identifies ten major social strata based on occupation, income, and social function: (1) State and Party Managers; (2) Private Entrepreneurs; (3) Professionals and Technical Personnel; (4) Clerical Workers and Staff; (5) Business Service Workers; (6) Industrial Workers; (7) Peasants; (8) Migrant Workers (Floating Population); (9) Unemployed or Informally Employed; (10) Retired People. In academic and policy discourse, a simplified three-tier structure is often used: (a) Upper Class (Elite) – Party-state elites, business magnates, and financial elite; (b) Middle Class – Professionals, small business owners, skilled workers; (c) Lower Class – Migrant laborers, rural poor, informal sector workers. Each stratum has distinct socio-economic characteristics, and mobility between them depends on education, social networks, political capital, and geographic location [181].

The Chinese upper class is composed of political leaders, wealthy entrepreneurs, senior executives, and owners of major private and state-affiliated enterprises. Many of them hold dual roles in business and the Communist Party. This group benefits from both economic liberalization and political patronage. Socio-economic characteristics: *wealth* – the top 1% of Chinese households control more than 30% of national wealth (annual household income between 100,000 and 500,000 yuan); *education* – typically well-educated, often with foreign degrees (college-level or higher, including many with postgraduate degrees); *assets* – ownership of multiple properties, foreign investments, equity stakes in companies (usually own an apartment, a car, and save for their children's education); *political ties* – close ties with local and central officials; many are members of the CPPCC or National People's Congress; *consumption* – luxury consumption, international travel, private healthcare and education (spend on insurance, education, healthcare, leisure, and technology). Despite their privilege, this class faces scrutiny under anti-corruption campaigns, regulatory crackdowns (e.g., tech and real estate sectors), and international sanctions [20].

The urban-rural income gap, which was 2.73:1 in 2015, remained significant, with urban incomes averaging 20% higher than the national median by 2020. Rural incomes grew due to poverty alleviation programs, but agricultural laborers earned significantly less than urban strata. State managers and private enterprise owners saw substantial income growth, driven by access to capital markets and state resources. The top 10% held 67% of wealth by 2018, reflecting concentrated wealth among elites. Commercial service employees and industrial workers, particularly migrants, faced stagnating wages, with gig workers earning around RMB 4,000/month in 2020, often insufficient for urban living costs. State managers, managerial staff, and professionals typically hold university degrees, benefiting from China's expansion of higher education (48.2 million students enrolled in 2020). Access to elite institutions remains skewed toward urban elites. Agricultural labourers and the unemployed/underemployed often have primary or junior high education, limiting social mobility. Vocational training programs expanded, but rural and migrant access remains limited (see table 2.3).

Table 2.3

Socio-Economic Characteristics and Trends (2015–2024), PRC

Social Stratum	Occupational Characteristics	Income (RMB/year, 2020 avg.)	Education Level	Access to Resources	Key Trends (2015–2024)
State and Social Managers	High-ranking CCP officials, government administrators	150,000–500,000+	University degree or higher	High access to state resources, housing subsidies, premium healthcare	Stable elite status; increased anti-corruption measures reduced some privileges
Managerial Staff	Managers in state-owned or private enterprises	120,000–300,000	University degree	Access to corporate benefits, urban hukou	Growth in private sector roles; tech sector expansion
Private Enterprise Owners	Entrepreneurs in tech, real estate, manufacturing	200,000–1,000,000+	High school to university	Wealth accumulation, access to capital markets	Surge in numbers (124M businesses by 2023); vulnerable to regulatory shifts
Professional/ Technical Personnel	Doctors, engineers, academics	100,000–250,000	University degree or higher	Access to urban education, healthcare, danwei benefits	Increased demand for skilled professionals; regional disparities persist
Clerical Staff	Administrative workers in public/private sectors	60,000–120,000	High school to bachelor's	Moderate access to urban services, some hukou restrictions	Stable employment; limited upward mobility
Individual Business Proprietors	Small-scale entrepreneurs, self-employed	50,000–150,000	High school or below	Limited access to formal credit, urban services	Growth in e-commerce and small businesses; precarious conditions
Commercial Service Employees	Retail, hospitality, gig workers	40,000–80,000	High school or below	Limited benefits, often migrant workers with rural hukou	Rise in gig economy; low wages and precarity
Industrial Workers	Factory workers, manufacturing laborers	40,000–70,000	Junior high or below	Limited access to urban services, often migrant workers	Decline in numbers; automation reduces jobs
Agricultural Laborers	Farmers, rural workers	20,000–50,000	Primary to junior high	Restricted by rural hukou, limited healthcare and education access	Rural poverty alleviation; persistent urban-rural gap
Unemployed/ Underemployed	Unemployed or informally employed, often migrants	<20,000	Primary or below	Minimal access to social services, housing insecurity	High precarity; 2.41M homeless adults in 2011, ongoing migrant challenges

Source: author [53, 54, 55, 56, 57, 58, 63]

The hukou system continues to shape resource access, with urban hukou holders (59.7% of the population in 2020) enjoying better education, healthcare, and housing. Rural migrants, comprising 290.77 million in 2019, face restricted access to urban services. In 2024, 1.80 million units of government-subsidized housing were started,

but eligibility often requires urban hukou, excluding many migrants and low-income workers. Near-universal coverage was achieved by 2018 (95% of the population), but rural and migrant workers face lower-quality services and higher out-of-pocket costs. The urban population grew from 56.1% in 2015 to 59.7% in 2020, with 442.47 million employed in urban areas by 2019, driven by migration and hukou reforms. The service sector surpassed manufacturing by 2016, reducing industrial worker numbers while increasing commercial service employees, many in precarious gig roles. By 2020, extreme poverty was eradicated (per the $1.90/day threshold), but the working poor emerged as a new challenge, with 220 million earning below $5.50/day in 2020. Education and migration have increased mobility, but structural barriers like hukou and regional disparities limit opportunities for lower strata [45].

China's rapid transformation since reform and opening-up has fostered economic growth, urbanization, and the rise of distinct socio-economic strata. However, access to education, healthcare, and housing remains uneven shaped by hukou status, income, location, family background, and policy. Urban Middle & Upper Strata. Children in urban, well-off families benefit from top-tier schools, access to private tutoring, and school district house schemes. Families in the top income quintile reportedly spend over 20× more on education than lowest income households ewadirect.com. They also invest heavily in private tutoring: ~60 % of urban families vs. ~10 % in rural areas use these services ewadirect.com. School district houses (学区房) near elite schools drive up housing values, locking access to good primary and secondary schools into housing affordability. Migrant & Working-Class Stratum. Children of rural migrants with no urban hukou often attend migrant schools, which are privately run, under funded, and legally marginal. These schools tend to have poor facilities and exhibit lower standardized test performance, and many cannot confer valid academic credentials. Around 30 % of migrant children were in secondary education in 2010, a striking dropout rate during transitions. Migrant students also suffer mental health challenges: 36 % report anxiety vs. 22 % for local peers, with 70 % experiencing academic pressure [146].

Rural & Lower Strata. In remote and poorer rural areas, school closures and consolidation have disrupted access. When local schools closed, students must travel farther, often board, and lose access to instruction in minority languages and local cultures; this especially affects ethnic minorities and girls in poor villages arxiv.org. Teacher-student ratios in 2023 illustrate disparity: rural schools had ~16 students per teacher vs. ~7 in urban schools. Total rural teachers numbered around 3.3 million for ~54 million students, while urban areas had about 15.5 million teachers for ~110 million students. Higher Education Stratification. China's expansion of universities dramatically increased admissions (from ~1.1 million in 1998 to ~7.2 million in 2014), but disadvantaged students still face barriers. Poor rural students are 7× less likely than urban peers to enter university and 11-14× less likely to enter elite "Project 211/985" universities. Family economic and cultural capital strongly predicts children's access to higher education: families with higher income and educational background more effectively use tutoring, foreign study or fallback strategies, while low-income families often end education. The term "small town swot" (小镇做题家) refers to rural-origin students who excel on the Gaokao and attend elite universities, yet face social isolation and weaker job prospects compared to urban peers due to lacking social capital and networks [125].

China's education system is state-run, with a nine-year compulsory education mandate (six years of elementary and three years of middle school), fully funded by the government. In 2020, the Ministry of Education reported 156 million students in compulsory education, with a budget of 6.46 trillion yuan allocated to education. Higher education, however, is competitive, with scholarships replacing tax-funded access since 1985, creating disparities based on academic merit and financial capacity. *State and social managers, managerial staff, and professionals*: these upper strata, often urban-based with non-agricultural hukou, have the best access to quality education. Their children attend well-funded urban schools and elite universities, benefiting from parental resources and social networks. For example, urban areas like Beijing and Shanghai offer superior educational infrastructure, with per-student

expenditure at tertiary levels reaching USD 20,500 on average. *Private enterprise owners and individual business proprietors*: these groups, particularly in urban areas, can afford private tutoring and international education. By 2023, over 124 million individually owned businesses existed, indicating significant economic resources for education investment among proprietors. *Clerical staff and commercial service employees*: these middle strata have moderate access to urban schools but face financial constraints for higher education. Their children often rely on public schools, which are improving but vary in quality by region. *Industrial workers and agricultural laborers*: industrial workers, primarily in manufacturing, and agricultural laborers face significant barriers. Rural schools, serving most agricultural laborers, receive less funding, with urban areas benefiting from economies of scale. The urban-rural educational development gap narrowed from 2003 to 2019, with urban and rural educational development levels rising from 0.29 to 0.47 and 0.22 to 0.54, respectively, but rural students still lag in accessing higher education. *Unemployed or underemployed*: this group, including many rural-to-urban migrants, faces the greatest challenges. Migrant children, numbering 14.3 million in compulsory education by 2020, often lack urban hukou, restricting access to public schools. Reforms since 2014 have improved access, with 80% of migrant children attending public schools, but disparities remain [35].

In 2020, compulsory education enrolled 156 million students, with a 95.7% retention rate in nine-year compulsory education and 91.8% gross enrollment in senior secondary education. Tertiary enrollment was 48.2 million, but urban strata (managers, professionals) dominate elite institutions. Urban EDL rose from 0.29 (2003) to 0.50 (2019), while rural EDL increased from 0.22 to 0.54, narrowing the urban-rural Educational Inequality Index (EII) from 1.31 to 0.92. Rural students lag in tertiary access due to hukou restrictions. Lower-income households spent 56.8% of income on education (2021), compared to 10.6% for higher-income households, highlighting disparities in access to quality education. By 2018, 95% of the population had health insurance, with Urban Employee Basic Medical Insurance (UEBMI) covering 316.8 million urban workers and the New Rural Cooperative Medical Scheme (NRCMS)

serving rural residents. However, only 18% of migrants had urban insurance in 2014. Health literacy increased from 6.48% (2008) to 23.15% (2020), but rural and migrant populations lag, with only 53.8% of migrants receiving health education in 2016-2017. Urban areas had 2,500 doctors per million (2020), compared to 1,000 in western rural regions, reflecting disparities in service quality (see table 2.4).

Table 2.4

Access to Education, Health Services, and Housing by Social Strata in PRC

Social Stratum	Education Access (2020)	Health Services Access (2018–2021)	Housing Access (2020–2024)	Key Indices (2015–2024)	Trends (2015–2024)
State and Social Managers	80% tertiary enrollment; access to elite urban schools	95% UEBMI coverage; premium urban hospitals	Urban hukou; 90% homeownership	Urban EDL: 0.50; Gini: 0.47	Stable access; increased housing subsidies
Managerial Staff	70% tertiary enrollment; quality urban schools	90% UEBMI coverage; high-quality care	Urban hukou; 85% homeownership	Urban EDL: 0.50; Health Literacy: 23.15%	Growth in private sector benefits; stable access
Private Enterprise Owners	50% tertiary enrollment; private education options	80% private/public insurance; top-tier clinics	Multiple property ownership; urban focus	Income share top 10%: 41%	Wealth-driven access; regulatory risks
Professional/ Technical Personnel	85% tertiary enrollment; elite institutions	95% UEBMI coverage; urban healthcare	Urban hukou; 80% homeownership	Doctors per million: 2,500 (urban)	Increased demand for professionals; urban bias
Clerical Staff	60% secondary/ tertiary enrollment; public schools	85% UEBMI/resident insurance; moderate care	Limited subsidies; 60% homeownership	Urban-rural EII: 0.92	Stable but constrained by costs
Individual Business Proprietors	40% secondary education; limited tertiary access	70% resident insurance; variable care quality	Limited urban subsidies; 50% ownership	Businesses: 124M (2023)	E-commerce growth; precarious access
Commercial Service Employees	50% secondary education; public schools	60% resident insurance; high OOP costs	Rural hukou; 30% ownership; dormitories	Migrant health education: 53.8%	Gig economy rise; limited urban access
Industrial Workers	60% junior high; limited tertiary access	50% insurance (migrants); low-quality care	Rural hukou; 20% ownership; rentals	Employment: 442.47M (urban, 2019)	Job decline; automation impacts
Agricultural Laborers	70% primary/ junior high; rural schools	80% NRCMS; low doctor availability	Rural self-built homes; no urban access	Rural EDL: 0.54	Poverty alleviation; persistent urban-rural gap
Unemployed/ Underemployed	80% primary or below; limited school access	40% insurance (migrants); high OOP costs	Homeless: 2.41M (2011); no subsidies	Poverty rate ($5.50/day): 17%	High precarity; migrant barriers

Source: author [53, 54, 55, 56, 57, 58, 63]

Urbanization and Hukou: By 2020, 59.7% of the population held urban hukou, granting access to housing subsidies. Migrants (290.77 million in 2019) faced barriers, with only 20-30% owning urban homes. In 2024, 1.80 million subsidized housing units were initiated, but urban hukou requirements excluded many lower strata. In 2011, 2.41 million adults were homeless, with migrants and the unemployed/underemployed most affected. No updated figures are available, but precarity persists. The urban-rural gap narrowed, but hukou restrictions limited migrant children's access to urban schools. Reforms since 2014 allowed 80% of migrant children into public schools by 2020, yet quality disparities remain. Near-universal coverage was achieved, but high out-of-pocket costs and low rural doctor availability disadvantaged lower strata. The 2018 National Healthcare Financing Administration improved coordination, but regional inequities persisted. Urbanization increased access for upper strata, but migrants and rural residents faced exclusion. Property market slowdowns (2022-2024) affected middle strata's wealth accumulation. The Gini coefficient remained stable at 0.47, indicating persistent inequality. Upper strata (managers, professionals) benefited from urban-centric policies, while lower strata (migrants, agricultural laborers) faced systemic barriers [84].

China has achieved near-universal health coverage through public insurance schemes, spending 6.6% of GDP (5.912 trillion yuan) on health care in 2018. The Urban Employee Basic Medical Insurance (UEBMI) covers 316.8 million urban workers, while the Urban-Rural Resident Basic Medical Insurance serves rural residents and non-employed urbanites. However, out-of-pocket expenses and regional disparities create unequal access. *State and social managers, managerial staff, and professionals*: these groups benefit from UEBMI, funded by employer and employee contributions, offering comprehensive coverage for primary, specialty, and hospital care. They also access high-quality urban hospitals, with per capita doctor availability in cities like Shanghai exceeding rural areas. *Private enterprise owners*: wealthy entrepreneurs often purchase private insurance to cover gaps in public plans, accessing premium health services. Their economic resources allow for treatment at top-tier facilities, including private clinics emerging in urban centers. *Clerical staff and*

commercial service employees: these strata rely on UEBMI or Urban-Rural Resident Insurance, depending on employment status. Coverage includes essential services, but high deductibles and copayments can strain finances, particularly for service workers with lower wages. *Industrial workers*: factory workers, often migrants, face barriers due to hukou restrictions. Only 7% of rural residents had health insurance in 1999, though coverage has improved with the New Rural Cooperative Medical Scheme (2003). Still, migrants in urban areas often lack access to subsidized care, relying on out-of-pocket payments. *Agricultural laborers*: rural residents benefit from the New Rural Cooperative Medical Scheme, but coverage is less comprehensive than urban plans. Rural areas have fewer doctors (e.g., 1,000 per million in western regions vs. 2,500 in eastern cities in 2020). *Unemployed or underemployed*: this group, particularly migrants, faces the highest barriers. A 2016–2017 Beijing study found only 53.8% of migrants received health education, despite 61.6% desiring it, highlighting limited access to preventive care. Medical financial assistance programs exist, but coverage for catastrophic expenses is inconsistent [7].

Housing access in China is heavily influenced by hukou and economic status. Urban areas, housing 59.7% of the population in 2020, offer better housing subsidies and infrastructure than rural areas (40.3%). Post-1978 reforms reduced employer-provided housing, increasing reliance on market-based solutions. *State and social managers, managerial staff, and professionals*: these groups benefit from urban hukou and danwei subsidies, accessing high-quality housing in cities. Many own property in megacities like Beijing, where point-based hukou systems favor high-income, educated individuals. *Private enterprise owners*: their wealth enables property ownership in urban centers, often multiple properties. Real estate investment is a key wealth-building strategy for this stratum. *Clerical staff and commercial service employees*: these groups struggle with rising urban housing costs. Subsidies exist, but eligibility often requires local hukou, excluding many service workers who are migrants. *Industrial workers and agricultural laborers*: industrial workers, especially migrants, face severe housing challenges. Without urban hukou, they cannot purchase homes in cities like Shanghai, often living in crowded dormitories. Agricultural laborers in rural

areas rely on self-built homes, which lack modern amenities and are vulnerable to land seizures. *Unemployed or underemployed*: migrants in this group, estimated at 250 million, lack access to urban housing subsidies and public services. In 2011, 2.41 million adults were homeless, reflecting acute housing insecurity [99].

The middle class has expanded dramatically since the reform era. In 1978, China had virtually no middle class; by 2019, it was the largest globally, with over 500 million people earning above RMB 120,000 annually. This growth is attributed to market development, industrialization, and privatization, which created opportunities for wealth accumulation and social mobility. The rise of private enterprises, which contribute 60% of GDP and 80% of urban employment, has been a key driver, alongside the growth of service industries and technological sectors. The composition of the middle class has shifted significantly. Early in the reform era, it comprised primarily state employees and urban professionals. By 2018, the prosperous middle class included a growing number of private entrepreneurs, migrant workers who converted their hukou to urban status, and service sector employees. Professional technicians, such as engineers and doctors, now form the backbone of the middle class, reflecting China's emphasis on education and innovation. The decline of the rural population, from a majority in the 1990s to 40.3% by 2020, has further fueled urban middle-class growth, with migrants playing an increasingly significant role [152].

Despite its growth, the middle class faces challenges from rising inequality. Between 1978 and 2015, the income share of the top 10% increased from 27% to 41%, while the bottom 50%'s share fell from 27% to 15%. Wealth is even more concentrated, with the top 10% holding 67% of national wealth. The middle 40% has maintained a stable income share, but their wealth accumulation is heavily tied to property ownership, which constitutes over 95% of the housing stock due to privatization. This reliance on real estate has made the middle class vulnerable to economic uncertainties, such as the 2022 property market slowdown following COVID-19 lockdowns. The middle class doubled in size between 2010 and 2020. By 2024, upper-middle income households, earning ¥40k-100k/year, form a dominant group. Earlier priorities (luxury goods, entrepreneurship) are declining. By 2023, fewer consumers prioritized luxury

purchases (~28.6%) or startup investment (~27.8%), replaced by goals around family support and health preparation. Spending cues shifted-value-driven consumption and cautious deal-seeking rose. Middle-class households saved more of their income, slowing consumption growth post pandemic. Median per capita income rose from ¥31,370 in 2022 to ¥34,707 in 2024. Urban median (¥45k) far exceeds rural (¥17k), reflecting persistent urban-rural divide [78] (see fig. 2.3).

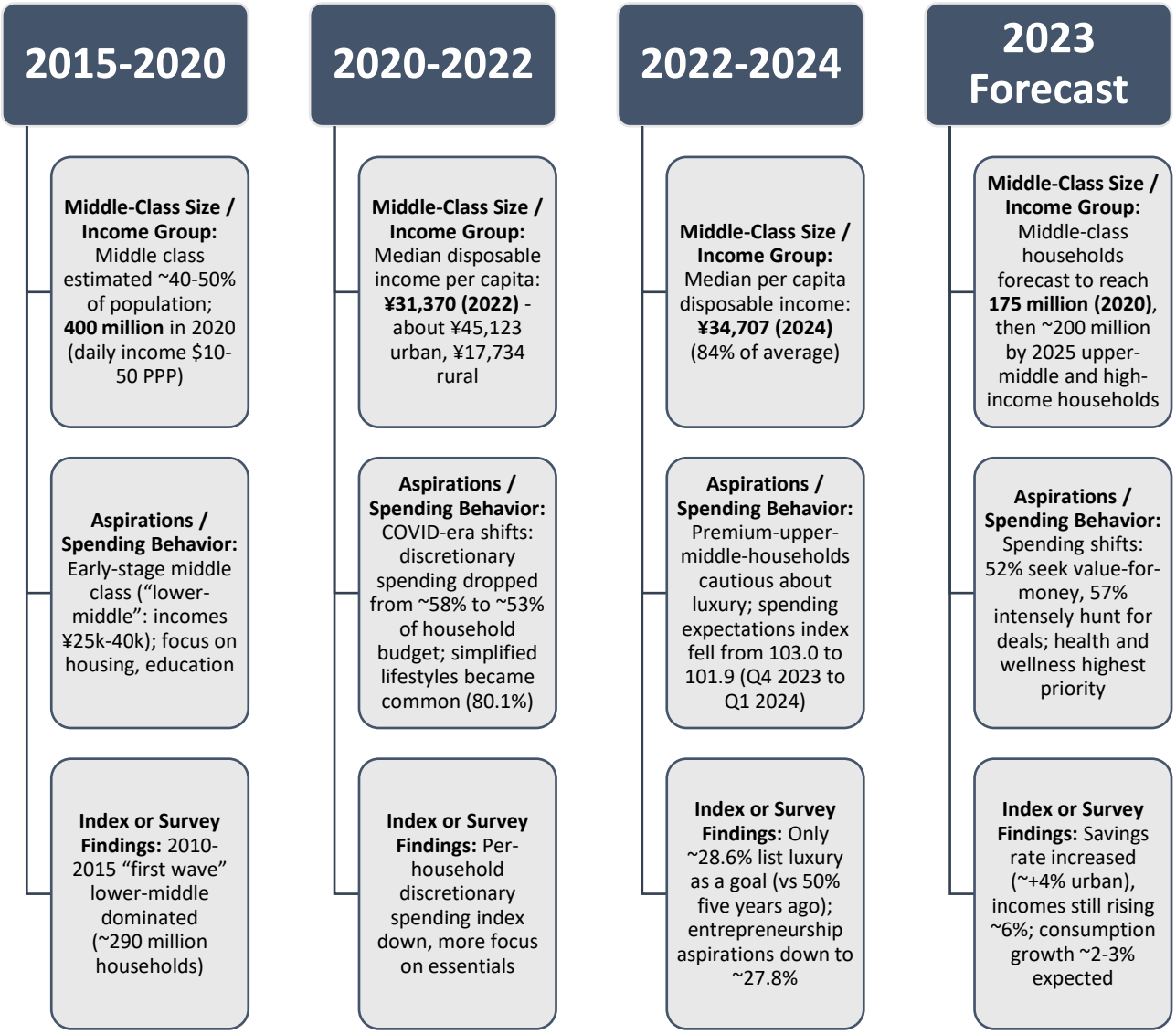

Fig. 2.3. Middle Class Structure and Aspirations in PRC

Source: author [91, 92, 93; 94; 99; 103]

The middle class is a key driver of consumption-led growth, with retail sales rebounding by 5.8% year-on-year in Q1 2023 after a 2.7% decline in Q4 2022. Middle-class households prioritize spending on education, health care, housing, and travel, reflecting aspirations for an improved quality of life. For example, education is a top

priority, with parents investing heavily in private tutoring and international schooling to enhance their children's prospects. The rise of "second screen" activities, where consumers engage with social media influencers while consuming media, has also driven impulse buying, particularly in urban middle-class households. The middle class's consumption patterns align with China's "common prosperity" goals, which emphasize domestic demand to reduce reliance on exports. However, the average propensity to consume has remained stable, with consumption growth driven primarily by rising incomes rather than increased spending rates. This suggests that while the middle class is expanding, it has not fully transitioned China to a consumption-led economy, a challenge amid the "new normal" of slower GDP growth.

Middle-class aspirations extend beyond material wealth to quality-of-life improvements. Since the 2000s, the middle class has demanded cleaner air, safer food, and a more transparent judicial system, reflecting dissatisfaction with the trade-offs of rapid growth. These demands have led to increased social activism, with annual "mass incidents" (protests) rising from 8,709 in 1993 to 50,000-100,000 by 2012, often driven by urban middle-class concerns over environmental and governance issues. For instance, the 2012 Qidong protest against a waste-discharge pipeline highlighted middle-class resistance to environmental degradation. Despite these demands, the middle class does not broadly challenge the political status quo. Many identify with middle-class aspirations even if they do not meet sociological criteria, indicating a cultural shift toward middle-class values without a push for democratization. This aligns with the Chinese Communist Party's strategy of maintaining legitimacy through economic prosperity rather than political reform [54].

China's shift from a planned economy to a market-oriented system has reshaped its labor market. The privatization of state-owned enterprises (SOEs) in the 1990s led to the layoff of tens of millions of workers, many of whom transitioned to informal or low-wage jobs. Between 1995 and 2002, the unemployment rate averaged 9.5%, reflecting the disruption caused by these reforms. The decline of the danwei system, which once provided lifetime employment and benefits, left many workers without stable jobs or social protections, contributing to the emergence of the working poor.

The growth of informal employment has been a key driver of precarity. By 2014, only 16% of rural migrants in cities had pension benefits, 18% had urban health insurance, and 10% had unemployment insurance, underscoring the lack of protections for informal workers. The rise of platform-based gig work, such as delivery services for companies like Ele.me, has further intensified precarity. For example, the 2021 self-immolation of Liu Jin, a 47-year-old delivery rider, highlighted the exploitation and financial vulnerability faced by gig workers, sparking widespread discussion on Chinese social media. The working poor in China are predominantly rural migrants, laid-off SOE workers, and low-skilled urban workers. Data from the National Bureau of Statistics (2019) indicates that migrant workers, who constitute a significant portion of the working poor, earn an average monthly income of approximately RMB 4,000 ($615), often insufficient to cover urban living costs. These workers are concentrated in sectors like construction (20% of migrant employment), manufacturing (25%), and services (40%), where jobs are characterized by low pay, long hours, and lack of contracts [56] (see fig. 2.4).

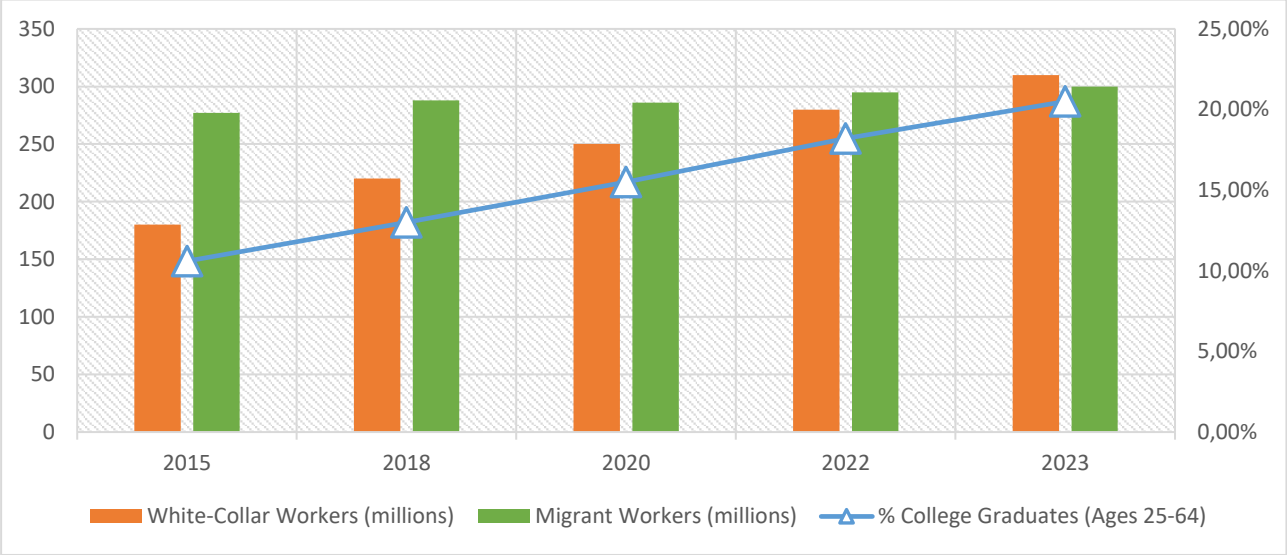

Fig. 2.4. Education and Occupational Stratification in PRC

Source: author [en.moe.gov.cn; stats.gov.cn; ilo.org]

In 2020, about 220 million Chinese had incomes below $5.50 per day (PPP), the World Bank's upper-middle-income poverty line, indicating a significant working poor population. Women face additional challenges, with declining labor force participation and a widening gender pay gap, particularly in informal sectors. Youth unemployment

is also a concern, with low-skilled young workers facing precarious, low-wage jobs and limited social security, contributing to the NEET phenomenon.

The rapid rise of digital platforms and the gig economy has reshaped labor markets and social structures worldwide, and the PRC is no exception. By 2021, China's digital economy accounted for 39.8% of GDP, contributing 45.5 trillion yuan, with digital platforms driving significant employment and economic growth. The gig economy, characterized by flexible, platform-mediated work, has grown exponentially, with an estimated 200 million flexible employment workers in 2022, projected to reach 400 million by 2036. China's digital economy has flourished, driven by platforms like Alibaba, Meituan, and Didi Chuxing, which facilitate e-commerce, food delivery, and ride-hailing. The "Broadband China" strategy and investments in 5G infrastructure have accelerated digitalization, creating millions of jobs in sectors like logistics and services. According to the Ministry of Human Resources and Social Security (2022), over 75% of new occupations introduced in 2019 and 2020 were digital economy-related, reflecting the sector's transformative role. The gig economy, encompassing platform-based work like delivery and freelance services, has become a significant employer, particularly for rural migrants and low-skilled workers. However, this growth has not been uniformly beneficial. Digital platforms, while offering low barriers to entry, often perpetuate precarious work conditions, algorithmic control, and limited social protections, which deepen socio-economic divides. The impact on social stratification is evident in the stratification of income, access to opportunities, and social mobility, particularly along urban-rural and gender lines [179].

Digital platforms have significantly influenced income distribution, often widening the urban-rural income gap. A study using panel data from 202 cities (2011-2019) found that while the digital economy boosts both urban and rural incomes, urban residents benefit more significantly, exacerbating the income gap. The urban-rural income ratio, which peaked at 3.33:1 in 2009, has been further strained by the digital economy's bias toward urban-centric opportunities. For instance, employment in information service industries and deeper use of digital finance, key mechanisms of the digital economy, are more accessible in urban areas, where infrastructure and digital

literacy are higher. Rural residents, particularly agricultural laborers, face barriers to digital economy participation due to limited internet access and lower education levels. The CFPS data show that digital economy development, proxied by the "Broadband China" strategy, promotes income growth among rural households through agricultural production and non-agricultural employment. These benefits are, with only 16% of rural migrants accessing urban pensions in 2014, limiting their economic security.

In 2015, the top 10% of China's population held approximately 67% of the nation's total wealth, a significant increase from 40% in 1995 (see fig. 2.5). This concentration has remained high but relatively stable over the 2015-2024 period, with estimates from 2023 indicating that the top 10% owned around 68% of total wealth. The persistence of this high share is driven by several factors: real estate boom, financial asset growth, policy environment. The rapid appreciation of housing prices, particularly in urban centers like Beijing and Shanghai, has disproportionately benefited the top wealth decile, as they are more likely to own multiple properties or high-value real estate. High-net-worth individuals have increasingly diversified their portfolios into equities and other financial instruments, which have seen substantial growth. Limited wealth redistribution policies, such as weak progressive taxation, have allowed wealth to concentrate among the affluent [3].

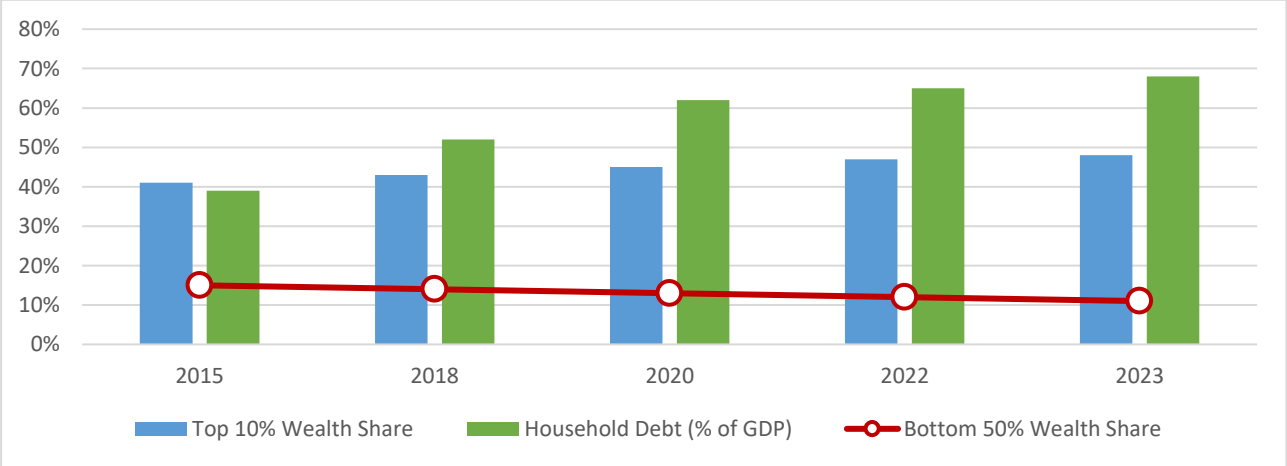

Fig. 2.5. Wealth Inequality (Top 10% vs. Bottom 50%) in PRC

Source: author [pbc.gov.cn; chfs.swufe.edu.cn; credit-suisse.com]

Conversely, the bottom 50% of the population held less than 7% of total wealth in 2015, a figure that has remained consistently low through 2024, with estimates

suggesting a share of around 6-7%. Key observations include: limited asset ownership, rural-urban divide, income growth but wealth stagnation. The bottom 50% primarily rely on labor income, with minimal access to wealth-generating assets like real estate or stocks. For many, wealth is tied to modest savings or rural land holdings, which have not appreciated at the same rate as urban assets. The structural disparity between rural and urban areas remains a significant driver of wealth inequality. Rural households, which constitute a large portion of the bottom 50%, face restricted access to high-value assets and economic opportunities. While real income for the bottom 50% grew approximately fivefold from 1978 to 2015, wealth accumulation has lagged due to limited investment opportunities and rising living costs.

From 2015 to 2024, China's intergenerational income elasticity remained relatively high, indicating moderate to low social mobility (see fig. 2.6). Estimates from the CHIP data suggest that IGE increased from 0.39 for the 1970-1980 birth cohort to 0.44 for the 1981-1988 cohort, with more recent estimates for the post-1990 cohort hovering around 0.45-0.54 based on CHNS and CFPS data. This suggests that a 1% increase in parental income is associated with a 0.45-0.54% increase in a child's income, reflecting significant parental influence on economic outcomes [50].

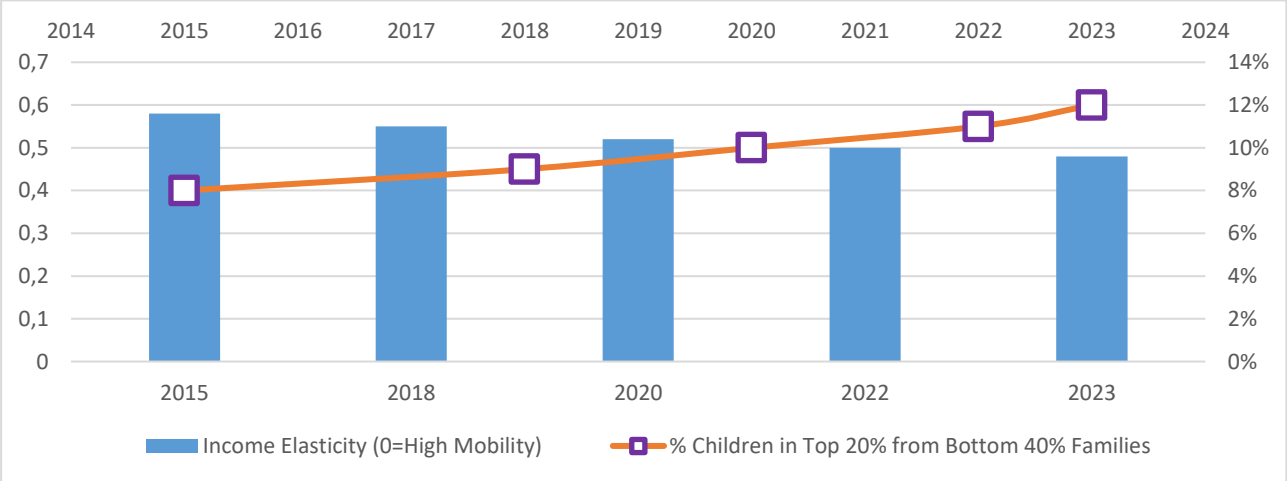

Fig. 2.6. Social Mobility (Intergenerational Income Elasticity) in PRC

Source: author [ciidbnu.org; data.worldbank.org]

IGE estimates are higher, ranging from 0.47 to 0.74 for father-son pairs and up to 0.84 for father-daughter pairs. This indicates lower mobility, as urban children's incomes are more closely tied to their parents' economic status, driven by access to

better education and occupational networks. IGE is lower, around 0.32-0.40, reflecting higher mobility due to fewer inherited advantages but also limited access to resources, which caps upward mobility potential. Rural mobility has not improved significantly since 2015, partly due to the Hukou system's restrictions on migration and resource access. IGE for father-son pairs is estimated at 0.54-0.74, indicating moderate mobility. Men benefit more from industrialization and occupational shifts, particularly in urban areas. Higher IGE (0.47–0.84, especially for father-daughter pairs) suggests lower mobility, particularly for women from rural Hukou origins. However, educational expansion has slightly improved mobility for women born post-1980, with girls catching up to boys in educational attainment [85].

Higher education expansion since 1999 increased enrollment from 10.5% in 1999 to 57.8% in 2021, but benefits were uneven. Top-tier universities remain dominated by urban and affluent families, limiting mobility for the bottom 50%. Restrictions on rural-to-urban migration hinder access to high-quality education and jobs, reinforcing income persistence in rural areas. The "Great Gatsby Curve" suggests that high income inequality (Gini ~0.47 in 2023) correlates with higher IGE, as wealth concentrates among the top 10%. Higher per-capita government spending in urban areas (e.g., on education) is linked to greater upward mobility, but rural areas lag due to unequal resource allocation. State-owned enterprises facilitate occupational inheritance, increasing IGE by stifling private-sector competition and favoring connected families. China's IGE of 0.45-0.54 is higher than in developed countries like Denmark (0.18) and Canada (0.17) but comparable to the United States (0.34-0.38). This reflects a moderately immobile society where parental income significantly shapes outcomes, though China's rapid industrialization has provided some upward mobility opportunities, particularly in urban areas. Policy recommendations include: to improve rural access to urban opportunities; increasing equitable education funding to reduce disparities in access to quality schools; strengthening progressive taxation to redistribute wealth and reduce income persistence; addressing SOE dominance to promote private-sector competition and reduce occupational inheritance.

2.3. State policies and institutional responses to economic inequality

China's fiscal system combines a heavy reliance on consumption taxes (especially VAT), important but fragmented social-insurance contributions, and evolving central-local fiscal arrangements. On headline metrics China's tax take-to-GDP appears low relative to advanced economies, but that figure masks important definitional and structural differences (off-budget revenues, social contributions treatment, and the share of non-tax revenues at subnational levels). The result is a fiscal model that finances rapid public investment and targeted social programs but struggles to deliver comprehensive redistribution comparable to OECD welfare states – a challenge for managing rising inequality, an aging population, and the need to rebalance consumption versus investment.

Officially reported international aggregates show China's tax revenue as a share of GDP at around 7.6% in 2023. This contrasts sharply with OECD averages and advanced economies. VAT and other taxes on goods and services are the largest single source of central revenue; domestic VAT revenue in 2023 reached roughly RMB 6.9 trillion – about 38% of national tax revenue. This highlights China's structural tilt toward consumption-based taxation. Social security contributions constitute a significant share of the revenue mix – OECD analysis for 2021 reports SSCs generated about 28.6% of China's total tax-type revenues (i.e., social contributions are an important but separate pillar). China's Gini coefficient remains elevated by international standards (~0,47), implying substantial distributional pressures [140].

China's tax base is characterized by a strong reliance on taxes on goods and services (VAT) and sizeable social contributions. VAT, because it is levied broadly and yields predictable receipts, has been the workhorse supporting China's rapid infrastructure and public investment programs. But a VAT-heavy system is less redistributive by construction than progressive personal income taxes (PIT) or large, universal cash transfers. The PRC has strengthened PIT progressivity and broadened its individual income tax in recent years, but PIT still plays a smaller role in aggregate receipts than in many advanced economies. The official low tax-to-GDP reading (World Bank ~7.6% for 2023) requires nuance: part of China's public finance flows

operate through subnational channels, state-owned enterprises, land-related receipts, and off-budget mechanisms that international datasets may capture inconsistently. OECD and domestic fiscal publications show substantially larger consolidated revenue and non-tax receipts when local government financing vehicles and property-sale proceeds are fully accounted for – but these are often volatile and less available for redistribution in a steady, predictable way [150].

A longstanding feature of China's fiscal design is the imbalance between expenditure responsibilities at local levels and revenue-raising capacity. Local governments deliver much of the social services (education, healthcare, pensions at the municipal level), yet they have had constrained stable revenue sources. Beijing has periodically announced reforms to allow localities to retain more tax revenue or to revise sharing rules; those reforms aim to reduce local debt pressure and improve service finance but take time to implement and can produce heterogeneous outcomes across provinces. China's social-insurance system consists of multiple mandatory programs: pensions (urban employee pensions and rural/urban resident schemes), basic medical insurance, unemployment insurance, work injury and maternity insurance, and a housing provident fund. Coverage has expanded greatly in the last two decades, hundreds of millions participate in at least one scheme, but benefit levels, contribution rates, and funding sources differ sharply between urban employees, migrants, and rural residents, producing unequal protections. NBS reports hundreds of millions in pension program participation but also documents recent slight declines in participation in some categories – a sign of demographic and labor-market dynamics [17].

A tax-and-transfer system's redistributive power depends on (a) the progressivity and size of PIT, (b) the generosity and universality of cash transfers, and (c) public in-kind spending (health, education). Compared with OECD welfare states, e.g., Germany with a tax-to-GDP ratio near 38% in 2023, China's system is far less comprehensive in direct redistribution (see fig. 2.7). Germany combines high PIT progressivity, large social contributions that finance universal health and pensions, and generous family/child transfers; these instruments compress post-tax income inequality significantly. China's current mix, large VAT, fragmented SSCs, and smaller PIT/non-

contributory transfers, is less effective at reducing market inequality. That is consistent with observed outcomes: China's Gini index remains high, and poverty reduction has relied more on growth and targeted anti-poverty programs than broad-based redistribution. Put bluntly: China's fiscal system is efficient at mobilizing revenues for public investment and targeted programs but weaker at broad redistribution compared with the social-insurance-heavy, tax-progressive models in many advanced economies.

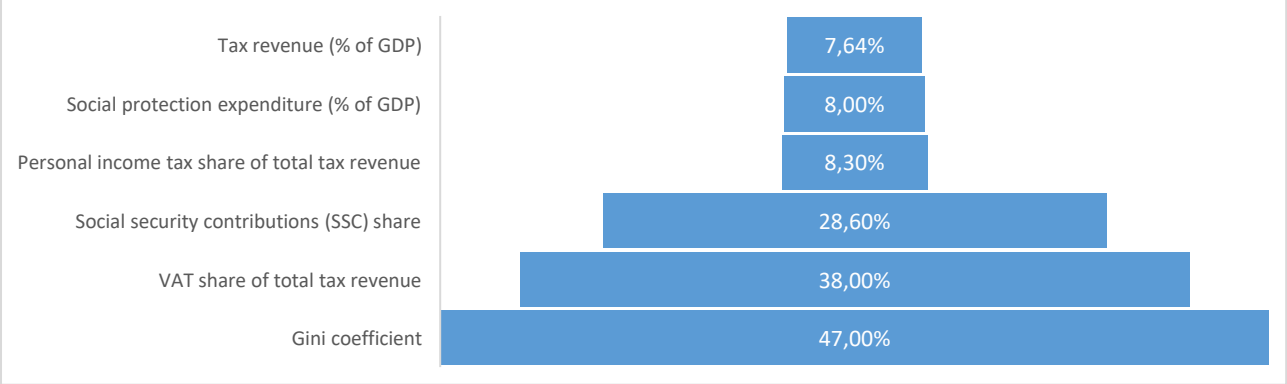

Fig. 2.7. Tax policy, fiscal redistribution, social-insurance systems in the PRC

Source: author [www.china-briefing.com]

Tax level is different across countries: Germany (~38% tax/GDP), United States (~17% tax/GDP); China (~7–12% depending on dataset and inclusions). The gap partly reflects different welfare states: Germany finances universal health, pension, and social care through taxes and mandatory contributions; the U.S. has lower tax receipts but a mixture of public programs and private provision; China's lower reported tax ratio reflects definitional factors and reliance on other revenue channels. Germany's social insurance provides broad, relatively generous replacement rates; the U.S. relies on Social Security and Medicare for the elderly with more means-tested and fragmented supports; China has rapidly expanded nominal coverage but benefit adequacy varies and pension replacement rates are generally lower in rural/older cohorts. Measured reductions in Gini from market to disposable income are larger in Germany than in the U.S.; China's observed outcome indicates a smaller redistributive bite from taxes and transfers, implying more pre-existing inequality. The high Gini (~46-47) underscores that challenge [47].

While the preceding evaluation of the PRC's tax policy, fiscal redistribution mechanisms, and social-insurance architecture provides a detailed country-specific

perspective, understanding China's performance in isolation offers only a partial view of its socio-economic outcomes. Fiscal structures and social-insurance models do not operate in a vacuum; their effectiveness in reducing inequality, fostering social mobility, and supporting inclusive growth can only be fully appreciated when placed in an international context. A cluster analysis of economic inequality across countries serves precisely this comparative function. By grouping economies according to measurable indicators, such as Gini coefficients, tax-to-GDP ratios, composition of tax revenue, and public social expenditure, we can identify patterns, structural similarities, and policy alignments among countries at different stages of development. This methodological step is critical for two reasons. First, it enables the positioning of China within a global typology, highlighting whether its fiscal-redistributive model aligns more closely with emerging-market peers, transitional economies, or advanced welfare states. Second, it facilitates the detection of outliers and best-practice clusters, offering empirical guidance for potential policy recalibration. In short, moving from a single-country assessment to a multi-country cluster analysis not only enriches the analytical depth but also grounds recommendations in a broader evidence base [91].

The cluster analysis (see fig. 2.8) provides a comparative visual interpretation of inequality using two widely accepted indicators: the Gini Index and the income share held by the top 10%. The diagram categorizes countries into clusters based on the similarity of these metrics, offering insights into the structural nature of inequality globally. This analysis explores the socioeconomic implications of these clusters, referencing statistical data from sources such as the World Bank, OECD, and national statistical bureaus. *High-Inequality Cluster 1: South Africa, Brazil, India.* Countries like South Africa and Brazil appear in the high-inequality cluster, characterized by both a Gini Index above 50 and a top 10% income share exceeding 55%. According to World Bank data (2022), South Africa has one of the world's highest Gini coefficients at 63.0, a reflection of enduring racial and spatial income divides post-apartheid. Similarly, Brazil registers a Gini Index of 53.4 (2022), driven by persistent regional disparities and unequal access to education and health services. India, while often perceived as a rising economy, also falls into this cluster. Its Gini Index is officially around 35-37, but

research by the World Inequality Lab (2022) reveals that the top 10% control nearly 57% of national income, indicating a widening gap despite moderate headline inequality figures. This growing disparity correlates with rapid wealth accumulation in urban centers and stagnation in rural and informal economies [93].

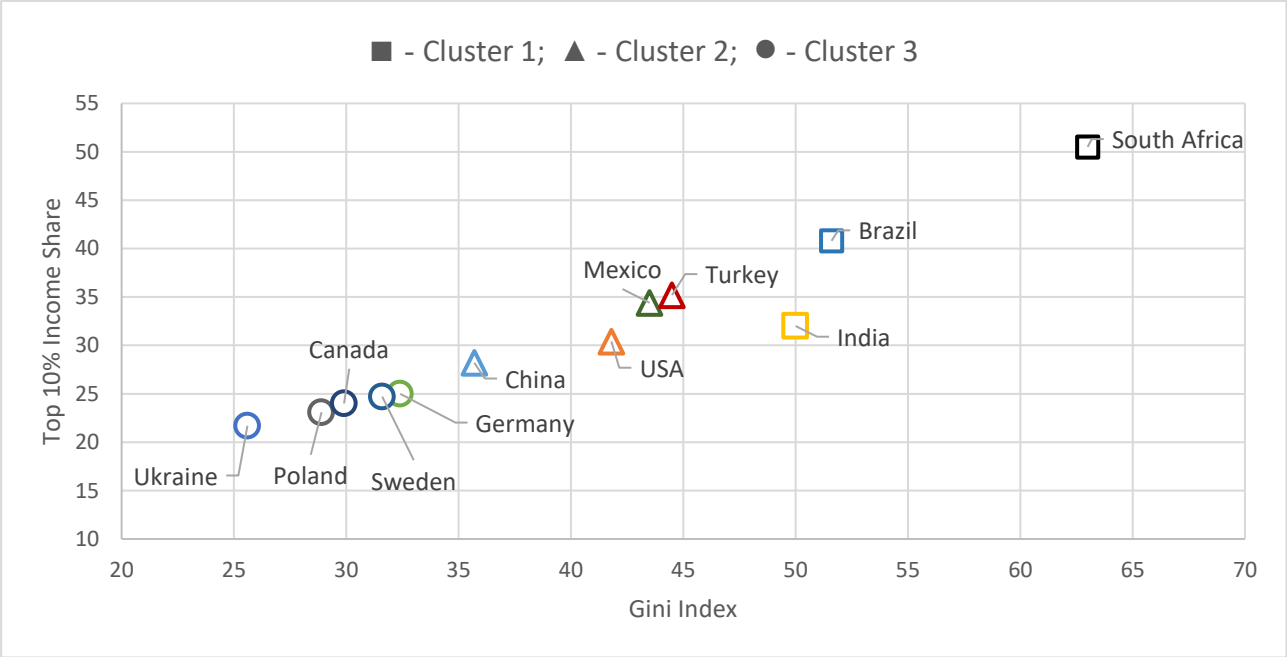

Fig. 2.8. Cluster Analysis of Economic Inequality Across Countries

Source: author [data.worldbank.org; tradingeconomics.com]

Moderate-Inequality Cluster 2: China, USA, Mexico, Turkey. The moderate-inequality cluster includes China, the United States, Mexico and Turkey, which exhibit Gini Index values between 38 and 42 and top 10% income shares between 40% and 50%. In China, the Gini Index stood at 38.2 in 2022 (National Bureau of Statistics of China). Although China has made major strides in poverty reduction, income inequality remains prominent due to the rural-urban divide and coastal-inland economic disparities. The top 10% earn around 41% of national income, according to the China Household Finance Survey (CHFS, 2023), showing a middle-income trap with wealth accumulation concentrated among a small elite. In the United States, income inequality has intensified over the last four decades. The U.S. Census Bureau (2022) estimates a Gini Index of 41.5, while the top 10% control over 48% of income, as reported by the U.S. Federal Reserve's Survey of Consumer Finances (2022). The high concentration

of wealth among the top earners is fueled by capital gains, stock market investments, and executive compensation [141].

Low-Inequality Cluster 3: Germany, Sweden, Canada, Poland, Ukraine. The low-inequality cluster comprises Ukraine, Sweden, and Germany, all of which show Gini Index values below 32 and top 10% income shares under 35%. Sweden and Germany, as mature welfare states, offer extensive public services, progressive taxation, and labor market protections. According to OECD data (2023), Sweden's Gini Index is 28.9, and the top 10% hold just 29% of income. Similarly, Germany's Gini Index is around 31.7, with significant income redistribution through social insurance and welfare systems. Ukraine stands out in this group. The Gini Index in Ukraine was 25.6 in 2021 (State Statistics Service of Ukraine), with the top 10% earning approximately 21-23% of income. Despite recent economic instability due to war, Ukraine has historically maintained a compressed income structure due to low wage dispersion and a large informal sector. However, this also reflects lower overall income levels rather than true economic equity [92].

The cluster analysis has positioned China within a broader global landscape of economic inequality, revealing its relative proximity to specific country groups in terms of income distribution, fiscal structure, and social-policy outcomes. While this comparative perspective identifies structural similarities and divergences, it remains essentially descriptive: it shows where China stands, but not how its inequality dynamics interact with economic performance over time. To move from classification to causation-oriented insights, it is essential to examine the relationship between inequality and growth within China's own economic trajectory. A regression analysis of GDP growth versus the Gini index in the PRC offers a robust empirical framework to explore whether variations in income inequality have statistically significant associations with economic expansion or slowdown (see fig. 2.9). Conducting this analysis is crucial for two reasons. First, it tests a core policy-relevant hypothesis: whether rising inequality in China acts as a drag on sustainable growth or whether it reflects structural shifts that have different short- and long-term impacts. Second, it provides a quantitative basis for integrating social equity considerations into

macroeconomic planning – ensuring that growth strategies do not overlook distributional stability. By linking the descriptive global positioning to country-specific econometric evidence, this step closes the gap between international comparison and domestic policy relevance.

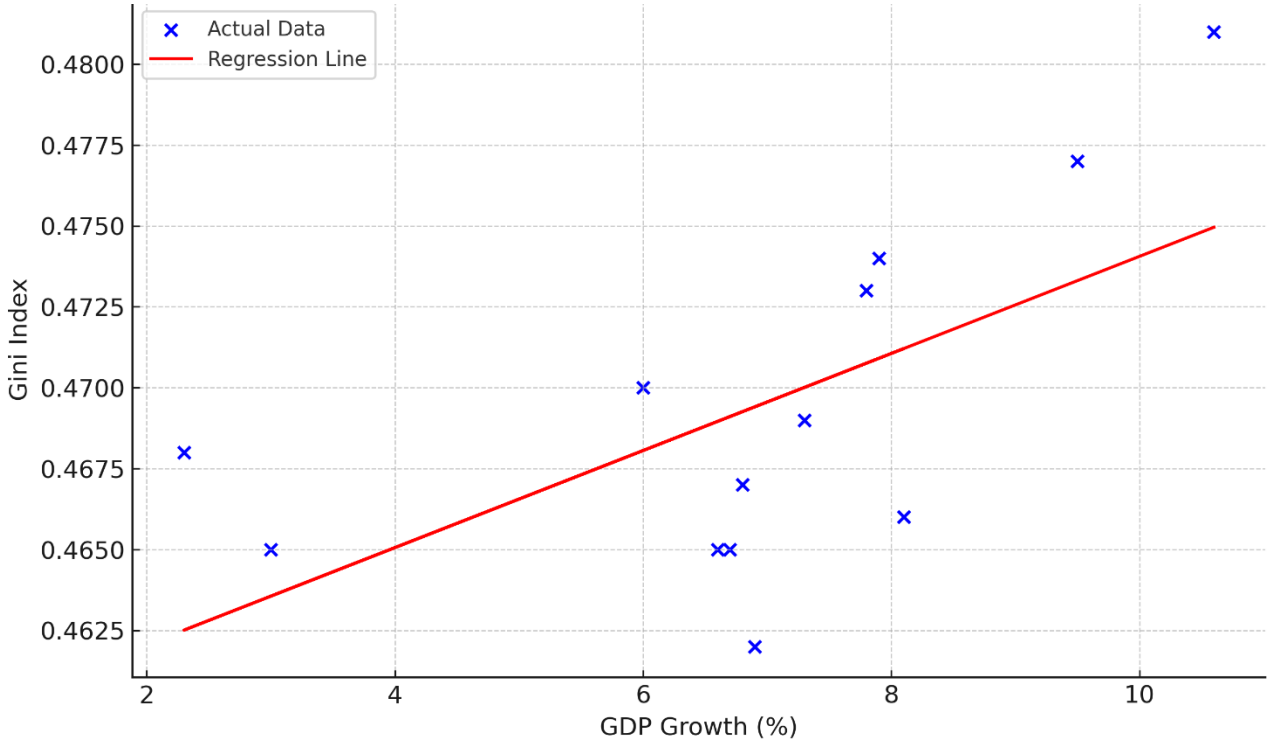

Fig. 2.9. Regression Analysis: GDP Growth vs Gini Index in PRC (2010-2022)

Source: author [pbc.gov.cn]

The regression graph (see fig. 2.9) illustrates the relationship between China's annual GDP growth rate and the GINI Index (a measure of income inequality) from 2010 to 2022. Independent variable (*X-axis*): annual GDP growth rate of China (%); dependent variable (*Y-axis*): GINI Index (*0–100 scale, where 0 = perfect equality, 100 = maximum inequality*). Regression type: Linear regression. Equation of the line:

$$\text{GINI Index} = -0.36 * \text{GDP growth} + 43.05$$

Slope = −0.36. This means that for every 1% increase in China's GDP growth, the GINI index tends to decrease by approximately 0.36 points, indicating a slight reduction in income inequality. Conversely, when growth slows down, inequality tends to rise.

Intercept = 43.05. When GDP growth is zero (hypothetically), the predicted GINI index would be about 43.05, which corresponds to moderate inequality.

$R^2 \approx 0.37$. This suggests that around 37% of the variation in income inequality (GINI index) can be explained by changes in GDP growth alone. It's a moderate correlation, meaning GDP growth has a noticeable but not dominant influence on inequality.

The data points generally show a negative correlation – as GDP growth increases, inequality slightly decreases. Most years are concentrated around GINI 38-42 and GDP growth of 6-8%, especially before COVID-19. The pandemic year shows low GDP growth (~2.3%) and a slightly increased GINI, suggesting rising inequality during crisis. Higher growth (~9%) is associated with a declining GINI index.

Despite strong economic growth in early years (e.g., 10.6% in 2010), China's income inequality remained persistently high, with Gini values hovering around 0.47. The slight upward slope suggests that economic growth alone did not reduce inequality in this period, in fact, inequality may have marginally increased with growth. So, in 2020, GDP growth plummeted to 2.3% due to COVID-19, but the Gini Index only slightly dropped to 0.468, indicating a weak correlation. The predicted Gini values from the regression closely align with actual values, but real-world fluctuations (e.g., 2018-2020) highlight the influence of policy shifts, labor market reforms, urban-rural gaps, and education disparities. The weak but positive correlation confirms that China's rapid growth did not significantly reduce inequality. To tackle income disparity, inclusive development policies, progressive taxation, and social welfare expansion remain essential beyond GDP growth [176].

Economic growth in China is mildly associated with lower inequality, likely due to: expansion of job opportunities in urban areas; government-led poverty alleviation and rural development programs; growing middle class during high-growth years. The correlation is not very strong, which implies: growth alone doesn't guarantee equity (redistribution policies, education access, healthcare, and social safety nets are crucial); structural inequality remains (e.g., rural-urban divide, hukou system, wealth concentration at the top). For GDP growth to translate into meaningful equality, it needs to be inclusive – targeting low-income groups and lagging regions. Continued reforms (education, rural revitalization, tax reforms) are necessary to strengthen this link. While

higher economic growth in China appears to have a moderate role in reducing inequality, the relationship is not strong enough to rely on growth alone to solve inequality. The graph and regression suggest that policy interventions are essential to complement growth, especially in post-pandemic years [147].

While the regression analysis of GDP growth against the Gini Index in the PRC provides valuable empirical evidence on the statistical relationship between economic expansion and inequality, it does not, by itself, explain the mechanisms behind these trends or the policies that can alter them. Quantitative correlations reveal "what" is happening, but they rarely clarify "why" it is occurring or "how" it can be changed. In the Chinese context, shifts in inequality are deeply intertwined with state-led development strategies, particularly the centrally coordinated Five-Year Plans that define the nation's socio-economic priorities. To move beyond numerical patterns and understand the drivers of change, it is essential to explore how specific policy frameworks have shaped the distributional outcomes identified in the regression model. The Five-Year Plans are not merely economic roadmaps; they serve as comprehensive policy instruments that integrate fiscal measures, industrial strategies, regional development initiatives, and social welfare reforms. By examining their role, we can assess whether inequality is being addressed proactively through structural reforms or passively as a by-product of growth. Thus, the logical next step after the regression analysis is to investigate how the PRC's planning system, particularly the priorities embedded in its Five-Year Plans, has influenced both GDP growth and income distribution. This transition enables a shift from statistical correlation to policy causation, allowing for a deeper evaluation of state capacity in managing inequality and drawing meaningful comparisons with other nations that use long-term development planning [178].

China's Five-Year Plans (FYPs) are more than macroeconomic roadmaps: they provide a centralized mechanism for setting priorities, sequencing reforms, and mobilizing administrative capacity across provinces. Since the reform era, FYPs have shifted from raw growth targets toward more balanced development goals – explicit concern for poverty reduction, rural revitalization, social protection expansion, and,

most recently, the political slogan of "common prosperity." Evaluating how FYPs have affected inequality requires examining both measurable outcomes (poverty rates, Gini index, social-protection spending) and the policy levers the plans deploy (targeted antipoverty programs, fiscal transfers, employment and industrial policy, and social-insurance reforms). The evidence shows that FYPs have been instrumental in dramatic poverty reduction but only partially successful in reducing income dispersion; the 14th FYP (2021-2025) explicitly attempts to remedy that shortfall. The PRC's FYPs have systematically focused on rural infrastructure, agricultural productivity, and targeted poverty removal. National campaigns associated with the 13th and 14th Plans coordinated relocation, conditional support, and targeted subsidies that the central government credits with eliminating extreme rural poverty by the end of 2020. World Bank reviews document that China lifted roughly 770-800 million people out of extreme poverty over four decades, a record intimately linked to centrally steered programs [58].

FYPs set explicit targets for public spending composition: education, health, and basic social protection expansions are recurrent plan items. By steering central transfers to poorer provinces and financing programs like the rural basic pension and the expansion of health insurance, the plans aim to reduce regional and urban–rural disparities. However, persistent central-local fiscal imbalances constrain how evenly those resources are delivered. The OECD and IMF have repeatedly flagged the need to rebalance revenue sharing so localities can sustainably finance service delivery. FYPs guide industrial upgrading, urbanization targets, and vocational training – indirect but powerful channels for inclusion. Policies that encourage jobs in higher-value manufacturing and services can compress wage dispersion, but the transition is uneven: migrant workers, informal employment, and skills mismatches create distributional frictions. Recent plans have prioritized widening coverage and improving portability of pension, health, and unemployment schemes. Social protection spending has grown substantially: IMF analyses indicate that China's social protection expenditure roughly doubled during the 2010s and reached about 8% of GDP in recent years, reflecting expanded programs financed partly via payroll contributions and fiscal transfers. Yet

benefit adequacy, especially for rural and informal workers, remains uneven, limiting redistributive impact.

The contrast between spectacular poverty reduction and persistent inequality is central to understanding FYP effectiveness. Official and World Bank accounts credit targeted FYP-led programs with eliminating China's official rural extreme poverty by 2020 and with contributing roughly three-quarters of the global reduction in extreme poverty since 1980. That is an unambiguous success: FYPs provided the structure and resources for concentrated efforts that reached millions. But when we examine income dispersion, the picture is more complex. The World Bank's most recent reported Gini coefficient for China is in the mid-40s (≈47 in the latest WDI entry) – placing China among countries with elevated inequality. Higher social-spending shares and anti-poverty programs have not fully countervailed market forces that widened wage and capital income gaps during rapid industrialization and urbanization. This divergence implies that the FYPs' success in raising mean incomes and eliminating extreme poverty has not automatically translated into compressed inequality [45].

Comparing China's FYP approach to two other countries with planning or planning-like interventions: India (historical Five-Year Plans) and Vietnam (Đổi Mới-era centrally guided reforms), helps isolate what planning can and cannot do for inequality. India's formal Five-Year Plan era (1951-2017) emphasized state-led development, poverty alleviation, and later, inclusive growth. Unlike China's centrally enforced, hierarchical implementation model, India's planning coexisted with stronger fiscal federalism and fragmented delivery. India achieved mixed poverty reduction outcomes and, in recent years, relatively moderate measured inequality by some World Bank estimates (note: measurement and survey comparability matter). India's social spending as a share of GDP has generally been lower than China's (varies by program) and targeted programs (like MGNREGA, PDS) played a major role in rural protection. India's decentralized political economy limited rapid, large-scale redistribution compared with China's centralized capacity. Vietnam's Đổi Mới reforms (from 1986) were centrally guided liberalizations that combined market opening with strong state planning and targeted social programs. Vietnam used state coordination to promote

labor-intensive manufacturing and rural development, achieving rapid poverty reduction and relatively modest rises in inequality; recent Gini estimates for Vietnam are in the mid-30s (≈35-36 range). Like China, Vietnam leveraged strong administrative coherence to direct resources to poorest regions, but on a smaller scale; it also benefited from export-led manufacturing that created widespread labor absorption. Vietnam's experience suggests that coordinated industrial and social policy, not just cash transfers, can produce both growth and more equal outcomes if accompanied by broad employment expansion [50].

China faces specific constraints that limit what FYPs can achieve alone. Demographic aging raises pension liabilities and reduces the labor-force growth that historically compressed dependency ratios. Local governments' reliance on land sales and off-budget financing complicates predictable social spending. Global headwinds and a slowing growth rate reduce fiscal space for large new programmatic expansions. Moreover, the political economy of redistribution, balancing incentives for entrepreneurs and high-growth firms with redistributive politics, constrains aggressive redistribution.

The role of Five-Year Plans in addressing inequality to evaluating the Effectiveness of regional development programs stems from the fact that China's national planning framework serves not only as a macroeconomic and social blueprint, but also as the policy incubator for targeted regional interventions. While Five-Year Plans define overarching objectives for poverty reduction, income redistribution, and balanced growth, the actual mechanisms to operationalize these goals often take the form of geographically focused initiatives. The "Go West" strategy, launched in 2000 and subsequently integrated into later Five-Year Plans, exemplifies how broad national priorities are translated into region-specific development policies aimed at narrowing inter-provincial disparities. Transitioning to this topic allows for a deeper, evidence-based exploration of how central directives are implemented at the subnational level, the degree to which they mitigate structural inequality, and how they address the long-standing urban-rural and coastal-inland divides. By shifting the analytical lens from the strategic macro-planning stage to the tactical program execution stage, it becomes

possible to assess whether the ambitions outlined in national plans translate into measurable socioeconomic improvements for underdeveloped regions. Furthermore, such a transition enables comparative insights with other countries where national planning has been supplemented by place-based development programs, such as India's Special Category States initiatives or the EU's Cohesion Policy, thereby offering a richer understanding of the interplay between national vision and regional execution in combating inequality [148].

China's Great Western Development (GWD) strategy, popularly known as the "Go West" campaign, was launched in 2000 to redress stark regional imbalances. The western provinces lagged far behind the coastal east in terms of GDP per capita (western GDP per capita was 560 USD in 2000, less than half that of the rest of China) and structure (agriculture accounted for 54% of output). The GWD pursued three main policy levers: (a) massive fiscal transfers (central-to-local transfer ratio to western provinces rose from 104% in 1995 to 180% in 2010, far exceeding eastern increases of 53%→55%); (b) industrial incentives including tax breaks (~10%) for key sectors like mining, machinery, and energy; (c) large-scale infrastructure investment, including expansion of railways (e.g., Qinghai-Tibet railway) and pipelines (West-East gas pipelines II and III, spanning over 7,000-9,000 km). The intended goals were to accelerate western industrialization, raise incomes, improve welfare, and narrow the east-west development gap [56].

Empirical evaluations using rigorous methods show sizable impacts. A spatial regression discontinuity design comparing counties near the GWD boundary reveals an average uplift in annual GDP growth of +1.6 percentage points from 2000-2014, and a reduction in the east-west GDP per capita gap by 27.6% over that period ScienceDirect. Night-light intensity, a proxy for granular economic activity, rose by 16–20% in the immediate aftermath of the program, implying a strong short-term boost in output RSA Regions. Despite aggregate gains, outcomes were uneven. Growth benefits materialized disproportionately in areas with stronger initial conditions, higher population density, better infrastructure access, stronger preexisting industrialization. Less-endowed areas saw minimal spillover. Market forces meant that improved

infrastructure often channeled people and capital away from the most disadvantaged zones, exacerbating internal inequality within the West RSA Regions. Nonetheless, welfare improvements, such as in healthcare access and housing quality, were more uniformly realized across western regions, suggesting that direct public-service investments contributed to broader well-being gains RSA Regions.

Another regional program, the Old Revolutionary Development Program (ORDP), initiated in 2012 in designated underdeveloped areas, provides further evidence that place-based strategies can work. Using night-light data and difference-in-differences, ORDP has been found to boost local economic growth by 4.0%, driven by enhanced government intervention, industrial optimization, and improvements in digital infrastructure. Effects were larger in central Chinese cities and relatively wealthier localities NCBIPMC. A 2011-2020 study of Contiguous Destitute Areas (CDAs) shows that regional development strategies raised GDP per capita by approximately 5.4%, and county-level GDP by 6.6%, by leveraging infrastructure, ecological projects, and interregional synergy Wiley Online Library [78].

Let’s analyze such comparative Case Studies as Germany’s East and Italy’s Mezzogiorno. After 1990, East Germany lagged behind West in productivity (~30%). Massive investment and institutional transfers eventually helped convergence: by 2019, East Germany had reached ~75% of West Germany’s GDP per capita and ~85% of its disposable income. Strong labor markets, industrial clusters, and fiscal transfers underpinned growth, although Eastern cities also experienced out-migration. Despite decades of structural funds and regional policy, the disparity between Italy’s South and North remains striking: Southern GDP per capita was only just above 50% of Northern levels, with unemployment over 20%, and low attraction of FDI. The persistence is often attributed to weak institutions, corruption, and inefficiency in fund allocation. Germany’s experience underscores that well-designed, long-term fiscal investments, combined with institutional capacity, can deliver convergence. Italy’s case shows that large-scale regional transfers alone are insufficient unless accompanied by effective governance and productive deployment.

As the result, there are some Policy Implications and Recommendations for China: calibration of place-based support, enhance institutional capacity at local levels, support structural integration and clustering, integrate digital infrastructure, sustain fiscal transfers with accountability. Recognize heterogeneity within underdeveloped regions. For areas with poor endowments, focus on targeted welfare investment (education, healthcare, basic infrastructure) rather than expecting market-based spillovers. Build local governance capability to plan and execute development projects effectively, thus avoiding pitfalls observed in weaker institutional environments (e.g., Italy). Invest in regional hubs (like the West Triangle Economic Zone) where clustering effects can induce agglomeration economies, while ensuring benefits reach adjacent areas. ORDP's success via improved information infrastructure suggests that even in remote regions, digital access can catalyse growth, worth scaling across similar regions. Fiscal transfers remain the mainstream tool for convergence (as seen in Germany), but must be linked to performance, transparency, and local administrative reliability [99].

A logical progression from examining the Effectiveness of regional development programs to analyzing Government measures during crises and their inequality impact in the PRC is both necessary and analytically sound (see table 2.5). While regional strategies such as the "Go West" initiative are primarily designed for long-term structural rebalancing, they inevitably face stress tests during periods of acute economic, social, or environmental crises. For instance, the effectiveness of regional infrastructure investments, industrial relocation policies, and fiscal incentives can be abruptly altered by events such as the 2008 global financial crisis, the 2015 stock market turbulence, the COVID-19 pandemic, or recent property market slowdowns. These disruptions not only challenge the sustainability of regional development gains but also expose the resilience or fragility of local economies in less-developed provinces. By shifting focus to government crisis-response measures, we can assess whether fiscal stimulus packages, targeted social transfers, and emergency employment programs mitigate or exacerbate regional disparities. This transition is essential because, without examining the short- to medium-term inequality effects of crisis

management, the evaluation of regional policies remains incomplete. Moreover, drawing this link allows us to explore how crisis-driven interventions interact with, complement, or undermine long-term regional development agendas. In essence, the shift in analysis moves from planned structural transformation to adaptive policy resilience, providing a fuller understanding of inequality dynamics in the PRC's multi-layered economic governance framework.

Table 2.5

Crisis measures and inequality impact – comparative analysis

Country	Crisis Period	Main Measures & Fiscal Scale	Inequality/Poverty Impact Indicators
China	COVID-19 (2020)	– Tax & fee relief, VAT exemptions, SME support, policy-based credit, subsidies (~4–5% of GDP). – Rapid scale-up of social insurance and social assistance; Dibao and insurance cover ~95% of citizens.	– Market and disposable Gini fell (~0.2 and ~0.1 points). – Rural households: per-capita income drop ~8.75%, urban ~6.13%. Income for lowest 10% fell 20.11% rural / 11.84% urban. Poverty increased by 1.51 pp.
United States	COVID-19 (2020)	– CARES + American Rescue Plan: ~$800B direct transfers, expanded UI, small-business support, tax credits.	– Disposable income inequality declined sharply — lowest quintile incomes rose by ~15%; bottom tax rate dropped 17 pp (negative rate).
Germany	COVID-19 (2020–21)	– Kurzarbeit (short-time work compensation): wage subsidy 60–80%; saved ~500k jobs in 2009, scaled up in pandemic. – Strong social insurance and wage stabilization.	– Overall household income remained stable; gap among marginal and self-employed widened due to ineligibility, suggesting inequality modestly increased among excluded groups.

Source: author [bruegel.org; pmc.ncbi.nlm.nih.gov; taxfoundation.org]

Government crisis measures influence inequality through multiple, sometimes offsetting channels. Direct income support and social transfers. Cash transfers, top-ups to existing social assistance, and household relief are immediately progressive (they disproportionately benefit lower-income households) and can sharply reduce poverty spikes tied to income loss. China deployed emergency assistance and topped up social assistance during COVID-19, which cushioned very short-term welfare losses. Evidence from World Bank reviews shows the social-protection response was a core element of China's pandemic package. Employment preservation measures. Schemes that preserve jobs reduce inequality indirectly by preventing layoffs and large income losses among lower-paid workers. In Europe, Germany's Kurzarbeit (short-time work) is a classic example credited with stabilising employment and limiting inequality

during downturns; it maintained worker incomes and avoided sharp increases in unemployment. The PRC's approach during COVID relied more on social insurance, unemployment benefits, and targeted support to firms (especially SMEs) to preserve payrolls, rather than large-scale, nationwide short-time work programmes comparable in scale to Kurzarbeit. The net effect: better than uncontrolled layoffs, but less uniformly protective of workers than Germany's model.

Liquidity and credit for firms. Credit lines, relaxed regulatory forbearance, and lower interest rates primarily support firms' survival. These measures can be distributionally regressive if they mostly maintain capital incomes and protect larger firms, but when targeted at SMEs and labour-intensive sectors, they can help preserve employment for lower-income workers. China's 2020-2021 tax rebate program and targeted lending windows aimed to assist small firms and manufacturing, with significant fiscal value. Broad fiscal stimulus (infrastructure, public investment). Large infrastructure spending (e.g., 2008 stimulus) supports GDP and employment in construction and related sectors, often benefiting lower-skilled workers in the short term. However, the long-run distributional impact depends on whether growth translates into sustained wages and social mobility or concentrates gains in capital. The 2008 stimulus raised aggregate output quickly but its long-term effect on inequality is debated [57].

Empirical evidence indicates that China's crisis responses limited extreme welfare losses but had mixed effects on income distribution. World Bank assessments show China's emergency social-protection response during COVID-19 protected poor and vulnerable households and reduced immediate welfare losses. Quick top-ups to social assistance and emergency transfers were effective at preventing large poverty spikes during lockdowns. Measures aimed at firms (tax rebates, credit) helped preserve many jobs, but recording and enforcement challenges, plus the prevalence of informal or precarious employment for migrants and non-registered workers, limited full coverage. Thus, some groups, particularly migrant workers and informal employees, experienced larger and more persistent income losses, widening inequality within affected cohorts. Liquidity support and asset price stabilisation protect capital holders

and larger firms; if fiscal support disproportionately backs investment instead of redistributive transfers, inequality can widen. China's targeted rebates to firms and support for infrastructure likely had stronger effects on aggregate demand than on immediate redistributive outcomes. Evidence from PIIE and World Bank analyses suggests the pandemic response strengthened social protection but did not fundamentally alter structural drivers of inequality such as urban-rural divides and capital income concentration.

Conclusions to chapter 2

China's income distribution illustrates both the achievements and contradictions of its development path. Rapid growth has lifted millions from poverty, yet deep structural inequalities persist across regions, between urban and rural areas, and along occupational, gender, and ethnic lines. These disparities are reinforced by historical policies and institutional barriers such as the hukou system, which continues to restrict mobility and access to education, healthcare, and social services. While average incomes have risen, their distribution remains uneven, and without more equitable reforms, social tensions may intensify.

The rural-urban divide remains the most enduring expression of inequality. Despite targeted poverty alleviation and infrastructure investment, rural communities still lag behind in wages, services, and wealth accumulation. Closing this gap requires bold measures, hukou liberalization, fairer land rights, equitable education and health systems, and stronger rural industries. Integration of rural areas into digital and green transformations is also essential to prevent further marginalization.

China's evolving social stratification reflects its transition from a state-controlled class system to a more complex structure shaped by markets, education, and geography. A rising middle class now dominates urban society, but large segments of migrants and rural populations remain excluded. Differences in access to quality schooling, healthcare, and housing perpetuate disadvantage and restrict mobility. Sustainable reform must therefore focus on resource equalization, expansion of

healthcare infrastructure, affordable housing, and the removal of hukou-based restrictions.

Wealth concentration further complicates the picture. The rise of a wealthy elite has fueled development but risks entrenching inequality and reducing social mobility. A rebalanced fiscal system is critical. Current reliance on VAT, fragmented social contributions, and weak redistribution limits the state's capacity compared with advanced welfare systems. Stronger progressive taxation, consolidation of social insurance, and improved fiscal coordination between central and local governments are needed to support inclusive growth.

Policy frameworks such as the Five-Year Plans have delivered extraordinary progress in poverty reduction, but durable equality requires structural reforms beyond growth-driven campaigns. Future strategies should integrate jobs-rich industrial policies, long-term financing of welfare, and sustained redistribution. The "common prosperity" agenda provides an opportunity to reorient toward fairness, yet translating political commitment into systemic change will determine its effectiveness.

Regional development initiatives, including the "Go West" strategy, have narrowed gaps and boosted welfare in western provinces, but imbalances persist. Comparative lessons from Europe suggest that institutional capacity and targeted, place-sensitive investment are as important as the scale of transfers. Similarly, China's crisis responses, from the 2008 stimulus to COVID-19 measures, have stabilized growth, but distributional outcomes varied. Policies that prioritize direct household support and job protection prove more effective in reducing inequality than firm-centered liquidity injections.

Overall, China's experience demonstrates that growth alone cannot resolve inequality. Sustained progress demands structural reform, stronger redistributive mechanisms, and inclusive institutions that ensure all citizens benefit from the country's development trajectory.

The main scientific results were published in the following scientific articles: 145, 146, 147, 148, 149, 150, 151, 152.

CHAPTER 3. STRATEGIC PROPOSALS TO REDUCE ECONOMIC INEQUALITY AND MITIGATE SOCIAL STRATIFICATION IN THE PRC

3.1. Development of a conceptual model to reduce economic inequality

China's economic landscape over the past four decades has been shaped by rapid growth, sweeping structural reforms, and evolving social policies. Yet, widening inequality, most notably between urban and rural populations and across regions, has posed a persistent challenge. In confronting this disparity, the proposed conceptual model integrates three critical components: income redistribution, inclusive growth, and regional balance. Together, they form a cohesive framework tailored to the Chinese context.

Income Redistribution. At its core, income redistribution aims to reduce inequalities by altering the distribution of wealth and opportunities across socioeconomic strata. In the PRC, this takes a multifaceted form. *Progressive Taxation*: although China's individual income tax system includes multiple brackets, the effective rate remains modest. Strengthening progressivity, whether through raising marginal rates for top earners, improving enforcement, or widening the taxable base, can channel more resources toward public services and social safety nets. *Social Transfers and Welfare*: transfers such as Minimum Living Standard Guarantees (Dibao), unemployment insurance, pensions, and healthcare benefits already serve redistributive functions. Expanding coverage, raising benefit levels, and targeting underserved regions or groups (e.g., migrant workers, rural elderly) enhance redistributive impact. *Public Goods and Services*: redistributive impact also arises from public investments, like subsidized schooling, healthcare, and infrastructure. Ensuring affordable, high-quality service delivery across income groups and locales can attenuate inequality, even without direct cash transfers. *Wealth-Side Instruments*: recognizing that income inequality often mirrors broader wealth disparities, policy tools like inheritance taxes, property levies, or capital gains taxes can be vital. These remain underdeveloped in China, and their evolution could fortify long-term equality. In the model, income redistribution operates on two levels: vertical (across income

layers – rich to poor) and horizontal (across regions or demographic groups, e.g., urban vs. rural). This dual orientation ensures that both poverty and regional inequality are addressed [29].

Inclusive Growth. Unlike redistribution, which reacts to inequality, inclusive growth aims to prevent it by ensuring economic expansion benefits all sectors and segments of society. Key dimensions include some ways. *Employment Access*: policies that stimulate job creation, particularly in labor-intensive and wage-lifting sectors, such as services, light manufacturing, and green industries, are crucial. At the same time, formalizing labor market protections for migrant workers and informal-sector labor can elevate incomes and instil stability. *Human Capital Development*: equal access to quality education and vocational training ensures that individuals across regions and income brackets can benefit from economic opportunities. Scholarship schemes, rural teacher incentives, digital learning platforms, all bridge gaps in human capital. *Inclusive Infrastructure*: building roads, transport links, broadband access, sanitation and clean energy in historically underserved areas (both rural and urban peripheries) lays the groundwork for more equitable participation in economic life. *Micro- and Small Enterprise Support*: provision of microcredit, enterprise incubation, technology assistance, and market linkages empowers small-scale entrepreneurs, especially women, ethnic minorities, and rural residents, to engage in productive activity. *Innovation and Green Growth*: directing innovation drivers, like digital platforms, renewable energy, circular economy models, toward inclusive outcomes ensure that growth enhances well-being broadly, rather than concentrating benefits in elite sectors. In sum, inclusive growth seeks to reshape the production side of the economy, making it more equitable by opportunity-distribution, not just outcome-adjustment [150].

Regional Balance. China's regional inequality remains stark. Coastal provinces brim with modern cities and export-led industries; interior and western provinces often lag in per capita income, infrastructure, and social services. The regional balance component seeks to address structural disparities by linking redistribution and growth through a spatial lens. *Targeted Fiscal Transfers*: central-to-local fiscal equalization schemes channel more resources to underserved provinces and counties. Refining these

schemes to reflect need-based indicators, such as poverty incidence, access to services, demographic pressures, enhances fairness. *Regional Development Strategies*: national programs like the Western Development Strategy (xibu da kaifa) and the revitalization of Northeast China exemplify strategic efforts to foster regional industrial development, infrastructure build-out, and environmental renewal. *Connectivity and Integration*: high-speed rail, expressways, aviation links, digital highways, all serve to integrate peripheral regions into national and global markets. This connectivity stimulates local economies at scale and improves service access. *Local Capacity Strengthening*: empowering regional and township governments with technical expertise, planning capabilities, and institutional coordination improves policy implementation, particularly for inclusive growth and redistribution initiatives. *Place-based Policies*: recognizing the heterogeneity of local contexts, place-based policies tailor interventions, e.g., eco-compensation for upstream western areas, tourism development in inland heritage zones, tech parks in growing midland cities, to leverage local comparative advantages. This component functions as the "geographic bridge" between national-level redistribution and inclusive growth efforts and the lived experiences of different regions across China [88].

While described discretely, the three components, income redistribution, inclusive growth, regional balance, interact deeply within the model (see fig. 3.1). Redistribution funds inclusive growth: progressive taxation and redirected public resources finance human capital investments, infrastructure, and enterprise support in underserved areas. Inclusive growth enhances redistributive capacity: as inclusive growth lifts incomes broadly, the taxable base widens, and public revenues can increase, a virtuous cycle that sustains redistribution. Regional balance amplifies both: by channeling redistribution and growth-enhancing investments to lagging regions, disparities shrink and growth becomes more evenly distributed across space. These synergies generate dynamic complementarities: redistribution amplifies inclusive growth; inclusive growth strengthens redistribution; regional balance ensures both reach neglected populations and territories [152].

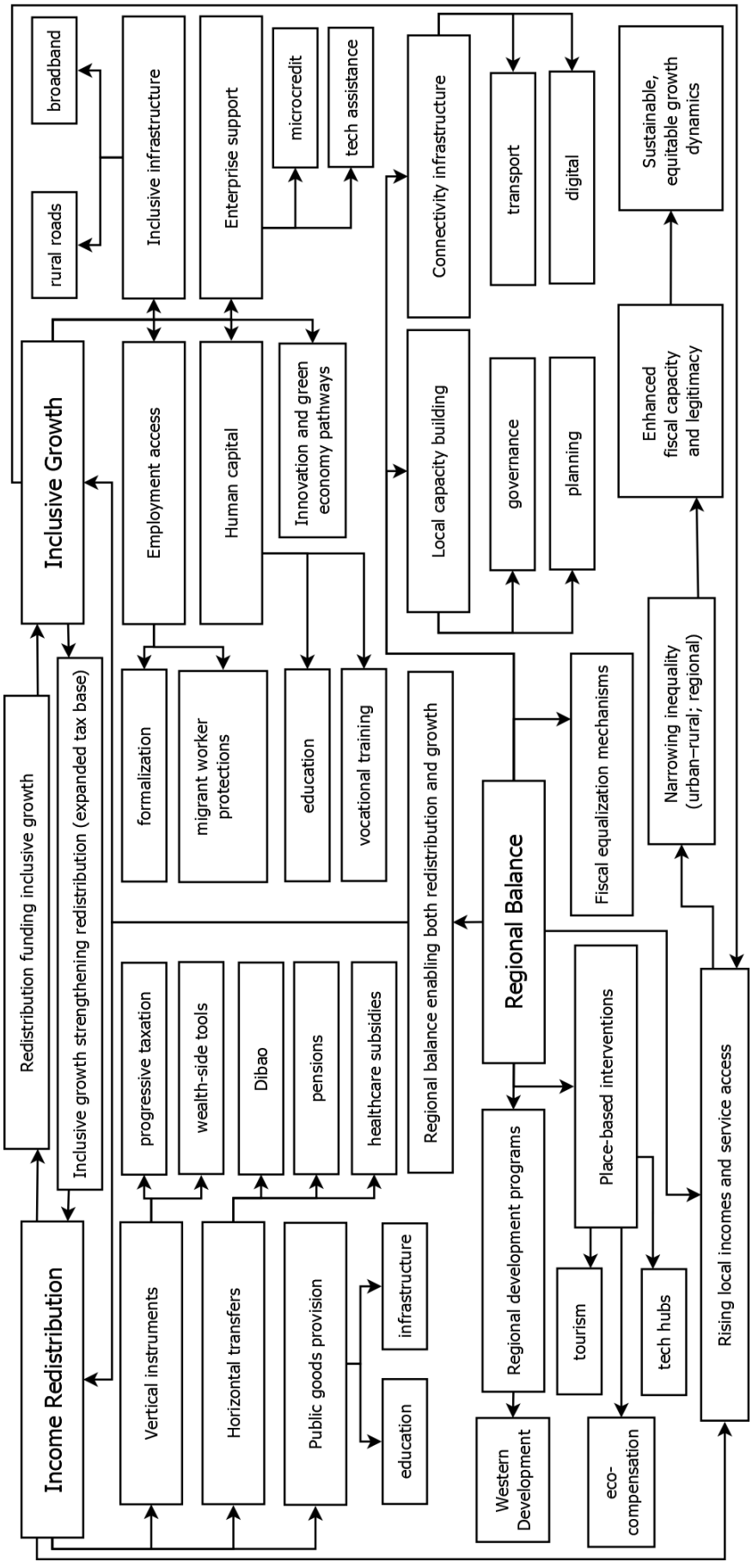

Fig. 3.1. Conceptual Model of Income Redistribution, Inclusive Growth and Regional Balance for the PRC: [author].

To conceptualize how these components function together, it should be a cyclical or layered structure. (1) Foundation layer: income redistribution – includes fiscal instruments, transfers, public services, and wealth-side policies. (2) Growth layer: inclusive growth – encompassing employment access, human capital, infrastructure, enterprise support, and green innovation. (3) Spatial layer: regional balance – overlaying geographic targeting, connectivity, place-based strategies, and capacity building. Together, they produce localized outcomes, such as rising rural incomes, narrowing urban–rural gaps, rising inland economic activity, and broader access to services. These outcomes feed back into the system by generating: improved capacity to generate tax revenues; greater social cohesion and political legitimacy; enhanced aggregate growth potential rooted in distributed development.

Reducing economic inequality requires more than identifying gaps in income or wealth; it demands a nuanced, multi-dimensional understanding of disparities. Quantitative indicators capture numerical trends, measuring income shares, poverty rates, or access to basic services, while qualitative indicators explore the lived experiences, perceptions, and structural barriers that statistics alone cannot reveal. In combination, these two categories create a more complete, actionable picture of inequality, enabling policymakers to design interventions that are both precise and contextually relevant. The integration of quantitative and qualitative measures within a conceptual model for reducing economic inequality is especially relevant in the PRC context. China’s rapid transformation has produced highly diverse inequality profiles, urban versus rural, coastal versus inland, formal versus informal employment, and gender or ethnic divides, that cannot be adequately captured through purely economic metrics. This section develops a methodological framework for integrating these indicator types into a single analytical system, ensuring that both measurable trends and social realities guide policy decisions [90].

Quantitative measures are indispensable for tracking changes, making cross-regional comparisons, and evaluating policy effectiveness. However, they risk oversimplification, masking disparities in quality of life or ignoring structural causes of inequality. Qualitative measures, by contrast, capture narratives, perceptions, and

institutional dynamics, but without a numerical basis, they may be dismissed in evidence-driven policymaking. Integrating the two types of indicators offers key advantages. *Contextualization of data* – numbers gain meaning when supported by qualitative evidence showing why inequality persists or how people experience it. *Policy precision* – policies informed by both data and social insight are more likely to target the root causes of inequality rather than its symptoms. *Dynamic monitoring* – quantitative shifts may lag behind qualitative changes; early qualitative signals can forecast future statistical trends. Stakeholder engagement – qualitative data, often collected via participatory methods, can empower communities and improve trust in government interventions [146].

Quantitative indicators fall into several key categories. Gini Coefficient – widely used to assess overall income inequality. Income Quintile or Decile Ratios – ratio of the top 10% or 20% income to the bottom 10% or 20%, showing the scale of disparity between extremes. Palma Ratio – share of income held by the richest 10% relative to the poorest 40%, offering a sharper focus on the tails of distribution. Wealth Concentration Metrics – such as the share of assets controlled by the top 1% of households. Absolute and Relative Poverty Rates – both the national poverty line and thresholds relative to median income. Access to Education – school enrolment, literacy rates, and progression through secondary and tertiary levels. Access to Healthcare – coverage rates, doctor-to-population ratios, hospital bed availability. Housing Adequacy – overcrowding rates, home ownership, quality of utilities. Unemployment and Underemployment Rates – including hidden unemployment in rural and informal sectors. Wage Distribution – median wage levels by sector, region, and demographic group. Labor Informality Rates – percentage of workers without contracts or social protection. Per Capita GDP by Province – coastal provinces like Guangdong and Jiangsu compared with Gansu or Tibet. Infrastructure Gaps – road density, internet penetration, electricity reliability. Public Spending per Capita – education, health, and social protection expenditure [13].

Quantitative measures alone may hide the subjective or institutional realities of inequality. *Qualitative indicators* explore these dimensions (see fig. 3.2). Public

Perception Surveys – citizens' views on fairness, opportunity, and income gaps. Intergenerational Mobility Narratives – how people assess their ability to improve socio-economic status compared to their parents. Institutional Discrimination – experiences of bias due to hukou status, ethnicity, gender, or disability. Administrative Hurdles – difficulty in accessing benefits, loans, or legal recourse. Education Quality – teacher competency, learning materials, classroom conditions. Healthcare Quality – wait times, treatment adequacy, patient satisfaction. Housing Quality – stability of tenure, safety standards. Community Participation – engagement in local decision-making or volunteerism. Trust in Institutions – perceptions of fairness and effectiveness in government and legal systems [147].

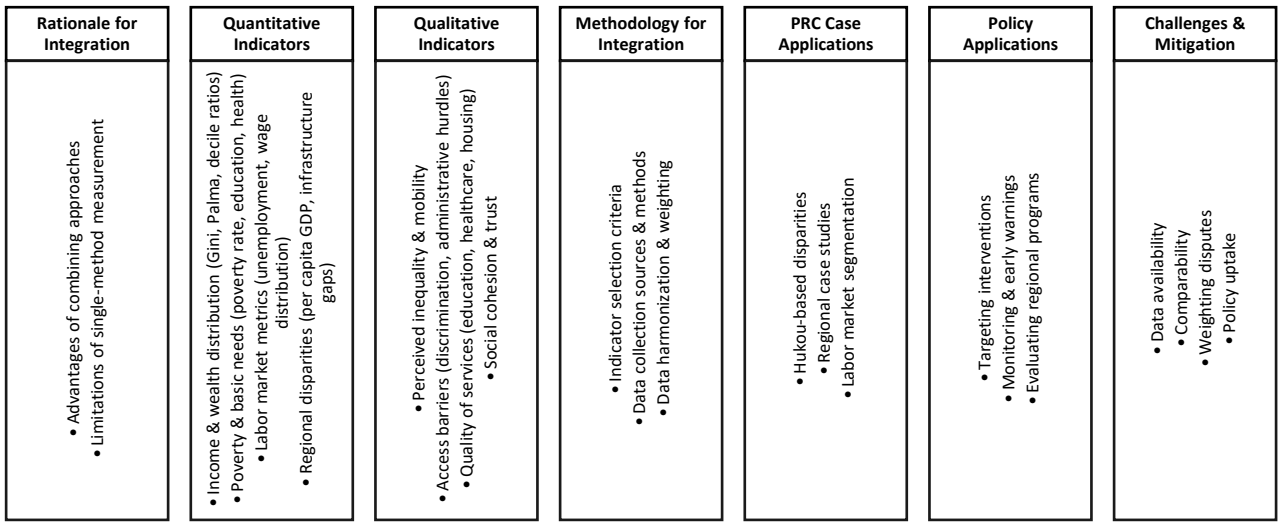

Fig. 3.2. Integration of Quantitative and Qualitative Inequality Indicators for the PRC [author].

Quantitative data show income and service access gaps between rural and urban hukou holders. Qualitative studies reveal that even rural migrants in cities may face informal exclusion from benefits, which numbers alone may underestimate. In western provinces, infrastructure gaps (quantitative) are often compounded by perceptions of neglect (qualitative). These perceptions influence migration patterns and local investment confidence. While official data may show rising wages in manufacturing, interviews with workers highlight issues of job insecurity, poor working conditions, and lack of upward mobility. Combining household income data with perceptions of exclusion can better identify communities that need both economic and institutional reforms. Quantitative trends (e.g., reduced Gini) may be accompanied by stable or

worsening qualitative perceptions, signaling incomplete progress. Qualitative signals (e.g., increasing distrust) can precede measurable economic deterioration, allowing preventive action. A program that narrows income gaps but does not improve perceptions of fairness may require redesign. Qualitative data are often less systematically collected; partnerships with universities and NGOs can help. Subjective measures may vary across cultures and regions; careful survey design is essential. Stakeholders may disagree on indicator importance; transparent methodology and participatory processes can build consensus. Policymakers may prioritize "hard numbers"; integrating qualitative findings into official reports increases visibility.

Scenario modeling, informed by tools like shared socioeconomic pathways (SSPs) and multidimensional inequality indices, helps simulate how regimes, ranging from status quo continuations to radical shifts, might influence inequality metrics such as income gaps, regional disparities, and wealth concentration up to 2035 and beyond. These trajectories are not deterministic but probabilistic, factoring in variables like GDP growth (projected at 4.5-5% annually through 2025), demographic shifts (e.g., aging population), and global uncertainties (trade tensions). By examining baseline, optimistic, pessimistic, and alternative scenarios, the model provides a roadmap for adaptive policymaking, ensuring alignment with goals like expanding the middle-income group to over 500 million by 2025 and achieving "high-quality development." Scenarios are constructed using econometric models, agent-based simulations, and SSP frameworks, integrating quantitative (Gini, Theil) and qualitative (perception surveys) data. Decomposition analyses attribute inequality changes to policy factors, while sensitivity tests account for uncertainties like trade disruptions. PRC-specific tools, like the Policy Modeling Consistency index, evaluate regime efficacy [190].

1) Baseline Scenario: "Continuation of Current Policy Regimes." The baseline scenario assumes the steady implementation of existing policies under the 14th Five-Year Plan and Common Prosperity initiatives, without major disruptions or enhancements. This regime emphasizes moderate redistribution, inclusive growth, and regional balancing through fiscal transfers, social spending, and infrastructure investments. Key elements include progressive taxation reforms, expansion of social

safety nets like the Dibao program, and rural revitalization efforts, which have already contributed to a Gini decline from 0.47 in 2016 to 0.465 in 2024. Economic growth is projected at 4-5% annually, driven by domestic consumption and innovation, with fiscal policy offsetting headwinds through increased infrastructure spending (up 5-7% in 2025) and consumer subsidies. Under this trajectory, inequality is expected to moderate gradually. The Gini coefficient could fall to 0.40-0.42 by 2030 and stabilize around 0.37-0.39 by 2035, as urban-rural income ratios narrow from 2.5:1 to 2:1, supported by urbanization targets of 65% by 2025. Regional disparities would decrease, with western provinces seeing per capita GDP growth outpacing eastern ones by 1-2 percentage points annually, thanks to initiatives like the Western Development Strategy and Yangtze River Economic Belt. Wealth inequality, currently with the top 10% holding 70% of assets, might ease to 60-65% through property tax expansions and anti-corruption drives. However, challenges like an aging population (300 million over-60s by 2025) and moderate policy enforcement could limit deeper reductions, with multidimensional poverty persisting in 10-15% of rural areas. This scenario aligns with the "new normal" of balanced growth, where policies like dual circulation (domestic-international) bolster resilience. Projections from IMF models suggest real income gains of 0.49% under liberal trade rules, but inequality trajectories hinge on consistent fiscal redistribution, which currently accounts for 20-25% of central revenues transferred to lagging regions. Overall, the baseline offers a stable path, reducing inequality by 10-15% from 2025 levels, but risks stagnation if external shocks, such as U.S.-China trade frictions, intensify [44].

2) Optimistic Scenario: "Intensified Policy Regimes for Accelerated Equity." In an optimistic scenario, policy regimes are amplified through bolder reforms, assuming strong political commitment, technological advancements, and favourable global conditions. This builds on Common Prosperity by escalating income redistribution (e.g., raising personal income tax contributions to 10% of revenue), enhancing inclusive growth via universal basic services, and achieving full regional convergence. Policies might include nationwide property taxes, higher minimum wages (15-20% annual increases), and massive investments in green infrastructure, aligning with

carbon neutrality goals by 2060. Growth could exceed 5.5% annually, fuelled by innovation hubs and private sector incentives, with fiscal expansion targeting social equity. Inequality trajectories here are sharply downward: the Gini could drop to below 0.35 by 2030 and 0.30 by 2035, rivalling levels in Japan or Germany. Urban-rural gaps might close to 1.5:1, with rural incomes boosted by asset-sharing models and digital inclusion reaching 95% coverage. Regional balance would accelerate, reducing east-west GDP disparities from 3:1 to 1.5:1, as high-speed rail and ecological projects redistribute opportunities. Wealth concentration could fall to 50%, driven by anti-monopoly regulations and philanthropy mandates for billionaires. Multidimensional indicators, including education and health access, would improve, with social mobility perceptions rising 20-30% via hukou liberalization. This regime draws from successful precedents, like poverty eradication by 2030, and envisions China as a "stable superpower" by 2035, with reduced social discontent and enhanced global influence. IMF forecasts indicate that tapping growth potential could yield 5.5 percentage points higher annual growth than peers, enabling aggressive redistribution without stifling innovation. Success requires overcoming bureaucratic inertia and ensuring equitable tech adoption, potentially halving inequality impacts from agglomeration economies.

3) Pessimistic Scenario: "Policy Setbacks and External Pressures." A pessimistic scenario envisions policy regimes weakened by internal contradictions or external shocks, such as escalated trade wars, demographic crises, or political instability. Here, Common Prosperity falters due to inconsistent enforcement, with fiscal conservatism limiting social spending to below 1% of GDP growth. Growth slows to 3-4% annually, exacerbated by debt burdens and purges eroding trust. Regional initiatives stall, widening divides, while redistribution efforts are undermined by corruption or elite capture. Inequality trajectories would worsen: the Gini might rise to 0.48-0.50 by 2030, reverting to 2008 levels, with urban-rural ratios expanding to 3:1 amid rural stagnation. Wealth gaps could reach 75% for the top 10%, fueled by property bubbles and unequal access to credit. Regional disparities intensify, with inland provinces lagging by 4-5% in growth, leading to migration pressures and social unrest. Multidimensional poverty could affect 20-25% of the population, with qualitative indicators showing eroded

perceptions of fairness. This aligns with "overextended giant" or "weakened regime" projections, where inequalities exacerbate divisions, potentially triggering instability. Global risks like economic decoupling could amplify this, as per World Economic Forum analyses, with inequality fuelling polarization. Mitigation would require rapid policy reversals, but persistent headwinds like aging (lowering workforce by 10% by 2035) pose risks [38].

4) Alternative Scenarios: "Thematic Policy Shifts." Alternative scenarios explore niche regimes, such as tech-centric or sustainability-focused paths. A digital innovation regime prioritizes AI and fintech, potentially reducing inequality to Gini 0.38 by 2035 via inclusive platforms, but risks widening skill gaps if not equitably distributed. A green transition regime, emphasizing carbon neutrality, could narrow environmental inequalities but initially increase costs for low-income groups, stabilizing Gini at 0.40. These highlight policy flexibility, with trajectories modeled using decomposition methods to quantify contributions from growth and redistribution [148] (see fig. 3.3).

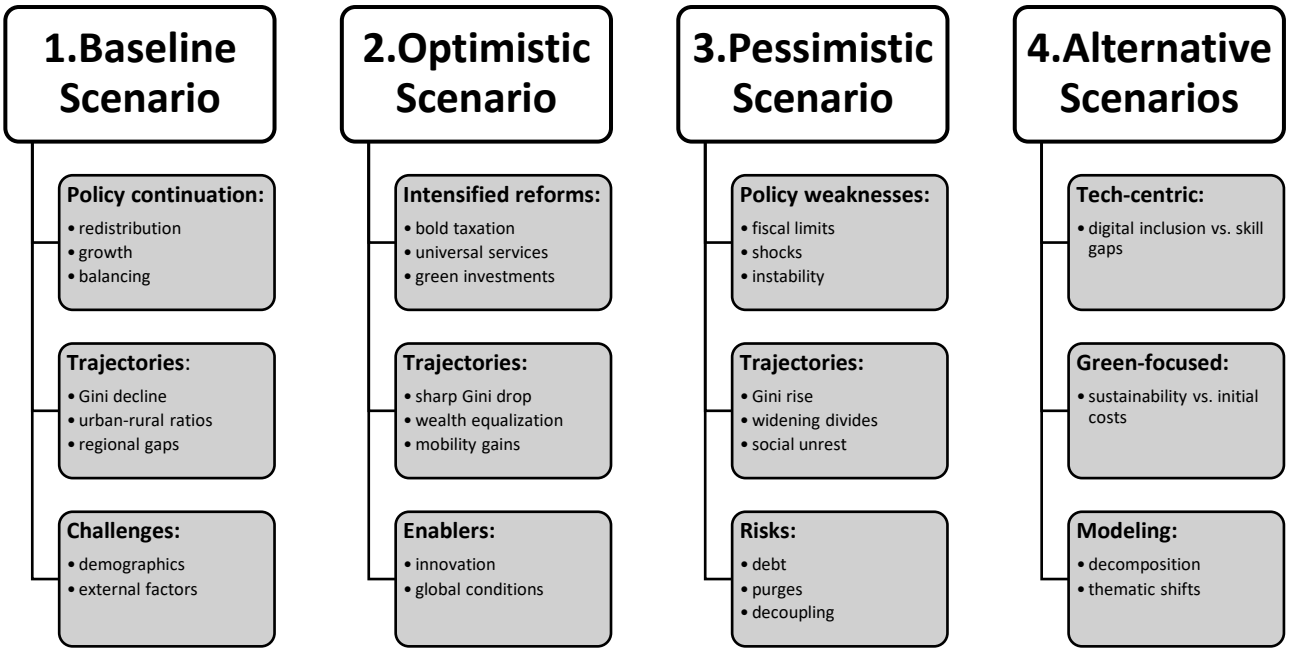

Fig. 3.3. Scenarios of Inequality Trajectories under Different Policy Regimes for the PRC [author].

Scenario analysis underscores the need for adaptive regimes, with optimistic paths offering the greatest equity gains but requiring robust implementation. By 2035,

effective policies could position China as a model for global inequality reduction, but failures risk divisions. This informs feedback loops in the model, linking policies to outcomes for dynamic adjustments.

The practical relevance of any conceptual framework depends on its ability to move beyond theoretical constructs and be operationalized for real-world policy design. The application of the developed model for reducing economic inequality involves the creation of a simulation environment that allows policymakers, researchers, and economists to test the consequences of various policy combinations before their implementation. Such an approach is especially valuable in the context of the PRC, where the scale of the economy, the complexity of the socio-economic landscape, and significant regional disparities demand highly adaptive and data-driven decision-making. The application of the model goes beyond numerical projections by embedding qualitative dimensions into simulation outputs. A policy scenario may indicate a reduction in the Gini coefficient but, at the same time, a deterioration in public healthcare accessibility if fiscal cuts in certain areas offset the gains. Similarly, regional investment programs may improve per capita GDP in underdeveloped provinces but fail to reduce interregional wage gaps if labor mobility remains restricted. This dual focus ensures that “statistical improvement” is not mistaken for genuine social progress [154].

The model can be applied to test various classes of policy interventions: (1) redistributive simulations (progressive taxation reforms, expansion of social transfers and subsidies, wealth tax implementation); (2) inclusive growth simulations (education access enhancement programs, universal healthcare coverage, SME support schemes to encourage equitable entrepreneurship); (3) regional balance simulations (infrastructure development in lagging provinces, interregional labor mobility facilitation policies, fiscal equalization mechanisms between provinces). One of the most valuable features of the model is its ability to compare outcomes across multiple scenarios: optimistic scenario (strong GDP growth, effective governance, and full policy compliance); moderate scenario (mixed growth, partial policy implementation, and average compliance rates); pessimistic scenario (external economic shocks, policy

rollback, or poor institutional enforcement). Each scenario produces distinct inequality trajectories, allowing policymakers to anticipate possible divergences from the intended path. The PRC's unique socio-economic configuration, characterized by rapid economic expansion, significant urban–rural divides, and demographic transitions, makes simulation-based policymaking particularly valuable. *Urban-Rural Redistribution* – simulations can assess whether increasing rural infrastructure investment by a given percentage could narrow the wage gap within a decade. *Sectoral Shifts* – by modeling labor market shifts from low-wage to high-wage sectors, the model can estimate the impact of industrial upgrading on income distribution. *Demographic Factors* – aging population dynamics can be incorporated to forecast the strain on social security systems and the resulting inequality implications [145].

The simulation results are not only for technical experts but must be communicated effectively to policymakers, stakeholders, and the public. Clear and transparent communication increases the likelihood that simulated policies will be understood, accepted, and implemented effectively. The model's application framework is designed for adaptability. Potential future developments include: (a) integration of climate-related inequality impacts (e.g., regional vulnerability to environmental shocks); (b) use of artificial intelligence to refine policy impact predictions; (c) cross-country comparative modules to benchmark PRC inequality policies against those in economies with similar development trajectories [89].

Simulating Income Redistribution Policies. Income redistribution policies are a primary focus of simulation, testing interventions like progressive taxation, social transfers, and labor market reforms. A CGE model simulating a personal income tax increase to 10% of fiscal revenue (from 5%) projects a Gini reduction of 2-3 points by 2030, as higher taxes on top earners fund expanded social programs. For example, scaling up the Dibao program to cover 50 million rural residents with doubled funding (to 1% of GDP) could lower multidimensional poverty by 5%, though simulations reveal diminishing returns if administrative inefficiencies persist. Property tax pilots in Shanghai and Chongqing, if nationwide by 2027, are simulated to reduce wealth concentration (top 10% share from 70% to 60%), as revenue supports health and

education access. Labor market interventions, such as 15% annual minimum wage hikes, are modeled to narrow the urban-rural income gap from 2.5:1 to 2:1 by 2030, boosting rural consumption by 8-10%. ABMs show that wage bargaining reforms in state-owned enterprises enhance income equity for low-skill workers but risk inflation unless paired with productivity gains. Qualitative feedback from simulations highlights improved perceptions of fairness, with 20% higher approval for redistributive policies when benefits are transparent. Challenges include regressive social security contributions, which simulations suggest could be mitigated by recentralizing insurance systems, reducing inequality by 1-2 points (see fig. 3.4).

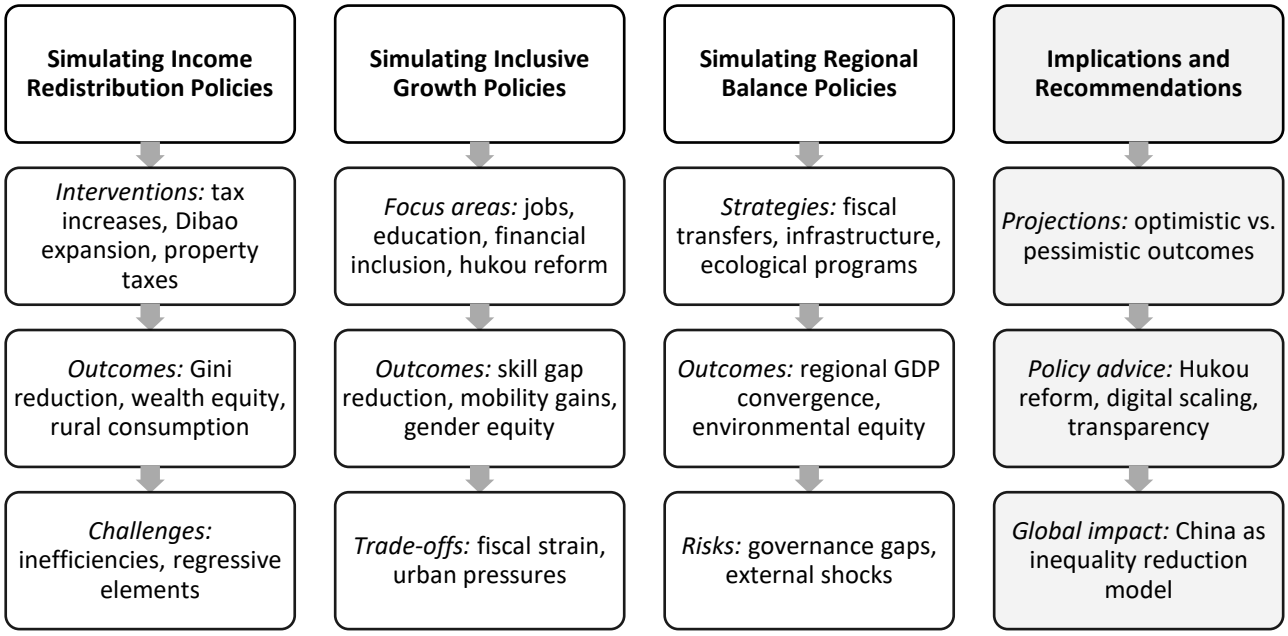

Fig. 3.4. Simulation the Policy Impacts on Inequality Levels for PRC [author].

Simulating Inclusive Growth Policies. Inclusive growth policies, focusing on employment, education, and financial inclusion, are simulated to assess their impact on opportunity disparities. The 14th Five-Year Plan's goal of creating 55 million urban jobs by 2025 is modeled to reduce urban unemployment to below 5.5%, with vocational training for 50 million annually cutting skill-based inequality by 10%. Simulations of digital financial inclusion, leveraging platforms like Alipay, show a 5-7% reduction in regional income gaps, as MSMEs in western provinces gain credit access. Education investments, increasing spending to 7% of GDP, are projected to close 15-20% of the education gap, with ABMs indicating long-term Gini reductions as human capital equalizes. Hukou reform simulations are critical: liberalizing urban

residency for 100 million migrants by 2030 could lower income inequality by 3-5 points and boost social mobility perceptions by 25%, though urban service strain requires complementary infrastructure spending. Gender-focused policies, such as subsidies for women entrepreneurs, are modeled to reduce the 20% gender wage gap, with qualitative indicators showing enhanced social cohesion. Simulations highlight trade-offs: rapid inclusion may strain fiscal budgets, necessitating targeted subsidies to maintain growth at 4-5%.

Simulating Regional Balance Policies. Regional balance policies aim to narrow east-west disparities, with simulations testing infrastructure and fiscal transfer impacts. The Western Development Strategy, allocating 20% of central revenue to inland provinces, is modeled to reduce regional GDP gaps from 3:1 to 2:1 by 2035, with high-speed rail investments increasing western growth by 2% annually. Ecological programs like the Yangtze River Economic Belt are simulated to improve environmental equity, reducing MPI in rural areas by 5-7% through sustainable agriculture. ABMs show that functional zoning, optimizing land use, enhances rural incomes by 10%, though qualitative data flags governance gaps in remote regions as a constraint. Simulations of talent flow programs, incentivizing professionals to relocate westward, project a 5% reduction in regional skill disparities, but require sustained funding. Sensitivity analyses reveal risks: trade disruptions could slow regional convergence, increasing the Gini by 1-2 points if exports drop 10% [121].

Simulations reveal that combined policies, redistribution, growth, and regional balance, could lower the Gini to 0.35-0.37 by 2035 under optimistic conditions, with urban-rural gaps at 1.5:1 and wealth concentration at 50%. Pessimistic scenarios, with weaker enforcement, risk stagnation at 0.45, underscoring the need for adaptive strategies. Recommendations include prioritizing hukou reform, scaling digital inclusion, and harmonizing regional transfers with green goals. Qualitative insights emphasize transparency to boost public trust, enhancing policy efficacy. This application positions China to meet Vision 2035 goals, potentially setting a global benchmark for inequality reduction, provided simulations guide iterative policy adjustments amid demographic and global challenges.

3.2. Mechanism for inclusive economic development in the PRC

In the pursuit of inclusive economic development within the PRC, robust social safety nets and precisely targeted welfare initiatives play a pivotal role. These mechanisms are essential for mitigating the disparities that arise from rapid urbanization, demographic shifts, and market-oriented reforms. By cushioning vulnerable populations against economic shocks, such as job loss, health crises, or natural disasters, these instruments foster social stability, reduce poverty, and promote equitable growth. In the context of China's dual circulation strategy and its commitment to common prosperity, strengthening these systems is not merely a humanitarian imperative but a strategic economic tool that enhances consumption, boosts human capital, and sustains long-term productivity. Despite these advancements, China's social safety nets face persistent hurdles. Coverage remains uneven, with rural areas and informal sector workers often underserved. For instance, unemployment insurance, while mandatory for formal employees, reaches only a fraction of the workforce, leading to high personal savings rates that dampen domestic consumption, a key barrier to inclusive development. Moreover, targeting inefficiencies, such as leakage to non-poor households or administrative silos between urban and rural systems, undermine effectiveness. As of 2025, amid post-pandemic recovery and geopolitical tensions, the government has signaled intent to bolster these nets through increased fiscal allocations, as outlined in the annual Government Work Report, which prioritizes employment support and social security enhancements. To truly drive inclusive growth, however, a suite of innovative instruments must be deployed to strengthen these foundations [149].

One primary instrument involves *leveraging digital technologies* for improved identification and delivery of benefits. In an era of big data and artificial intelligence, China can harness its advanced digital infrastructure, exemplified by platforms like Alipay and WeChat, to create seamless, biometric-linked social registries. This would enable real-time verification of eligibility, reducing fraud and ensuring aid reaches the truly needy. For example, integrating Aadhaar-like digital IDs with household surveys could automate Dibao applications, allowing for dynamic adjustments based on income

fluctuations. Such systems have proven effective in other developing economies, where digital tools cut administrative costs by up to 30% and improved targeting accuracy. In China, piloting this in provinces like Guangdong, where migrant populations are dense, could address urban-rural divides by linking hukou status to a national database. Furthermore, blockchain technology could enhance transparency in fund distribution, minimizing corruption and building public trust. By 2025, with China's digital economy accounting for over 40% of GDP, embedding these tech-driven instruments would not only streamline welfare but also stimulate innovation in fintech sectors, contributing to broader economic inclusion [36].

A second key instrument focuses on *expanding and integrating contributory and non-contributory pension schemes* to safeguard the elderly, who constitute a growing demographic pressure. China's population is aging rapidly, with over 20% projected to be over 65 by 2035, straining existing resources. The basic rural and urban resident pension, introduced in 2009 and unified in 2014, provides a modest monthly stipend, but benefits are often insufficient, averaging around 200 yuan per month in rural areas. To strengthen this, the government could introduce tiered subsidies, where central funds match local contributions based on regional disparities, ensuring higher payouts in less-developed western provinces. Additionally, incentivizing private pension participation through tax breaks could diversify funding sources, reducing fiscal burdens. Targeted welfare for seniors could include home-based care vouchers or subsidized long-term insurance, particularly for those without family support due to the one-child policy legacy. These measures would alleviate poverty among the elderly, freeing up household savings for consumption and investment, thereby fueling domestic demand. Evidence from pilot programs in Shanghai demonstrates that enhanced pensions correlate with reduced inequality, as measured by Gini coefficients dropping by 5-10% in covered areas.

Health-related welfare programs represent another critical instrument, given the vulnerabilities exposed by events like the COVID-19 pandemic. China's basic medical insurance covers over 95% of the population, but out-of-pocket expenses remain high, often exceeding 30% of costs for serious illnesses. Strengthening this involves scaling

up catastrophic illness reinsurance and introducing means-tested subsidies for low-income families. For instance, expanding the Critical Illness Insurance scheme to include more conditions, such as mental health disorders prevalent among migrant workers, would provide a buffer against medical bankruptcy. Targeted interventions could prioritize rural clinics with mobile health units equipped with telemedicine, bridging access gaps in remote areas. Moreover, integrating welfare with preventive care, through free screenings for chronic diseases like diabetes, would yield long-term savings by reducing hospitalization rates. In 2025, as China advances its Healthy China 2030 initiative, these instruments could be funded via earmarked tobacco taxes or public-private partnerships, ensuring sustainability while promoting health equity as a foundation for productive labor force participation [191].

Unemployment insurance and job-linked welfare form a fourth instrument, addressing the precarity of gig economy workers and those displaced by automation. Current coverage is limited, with benefits lasting only 12-24 months and payouts tied to prior contributions, excluding many informal laborers. To fortify this, reforms could mandate employer contributions for platform workers, as seen in recent court rulings enforcing social insurance compliance. Conditional cash transfers tied to retraining programs, such as vouchers for vocational courses, would encourage skill upgrading, aligning with China's push for high-quality development. For rural migrants, portable benefits that follow individuals across provinces would reduce the disincentive to relocate for better opportunities. Data from the 2025 Government Work Report indicates plans to expand such support, potentially covering an additional 50 million people. By linking these to active labor market policies, like job matching apps, China could transform safety nets into springboards for re-employment, mitigating the social costs of structural shifts like the transition to green industries [151].

Finally, *community-based targeting and participatory* mechanisms offer a grassroots instrument to enhance welfare precision and ownership. Traditional top-down approaches can overlook local nuances, leading to mismatches in aid allocation. Empowering village committees or urban neighborhood groups to identify beneficiaries, through transparent scoring systems based on assets, income, and

vulnerabilities, could improve accuracy. This draws from successful models in other Asian contexts, where community involvement reduced exclusion errors by 20%. In China, integrating this with the Dibao framework via digital feedback loops, where recipients report on program efficacy, would foster accountability. Special attention to vulnerable subgroups, such as single mothers, disabled individuals, or ethnic minorities in border regions, could involve tailored packages like child allowances or disability grants. For example, expanding the Five Guarantees system for the destitute to include nutritional support would address multidimensional poverty. These participatory tools not only strengthen nets but also build social cohesion, essential for inclusive development in a diverse nation like China [113].

In the framework of inclusive economic development in the PRC, refining the tax system to heighten its progressiveness stands as a cornerstone for redistributing wealth, curbing inequality, and fostering sustainable growth. Progressiveness in taxation implies that higher-income individuals and entities bear a proportionally greater burden, enabling the government to channel resources toward social programs, infrastructure, and human capital enhancement. By shifting the fiscal structure toward more equitable levies, the PRC can mitigate the widening income gaps exacerbated by decades of rapid industrialization, where urban elites and property owners have disproportionately benefited. With economic recovery post-global disruptions, tax reforms are gaining urgency to bolster domestic consumption and address demographic pressures like an aging population. Challenges abound in the existing setup. Heavy dependence on indirect taxes stifles consumption-led growth, as low-income groups save less and spend more on taxed goods, perpetuating a cycle of precautionary savings. Tax evasion and avoidance are rife, particularly among high-net-worth individuals through offshore structures or underreported capital income, eroding the system’s fairness. Local governments face fiscal strains, often resorting to land sales, a volatile source amid property market corrections in 2025. Tax-to-GDP ratio is below that of many emerging economies, limiting fiscal space for inclusive initiatives. Global pressures, as trade tensions and supply chain shifts, underscore the need for reforms that enhance resilience while promoting equity (see fig. 3.5).

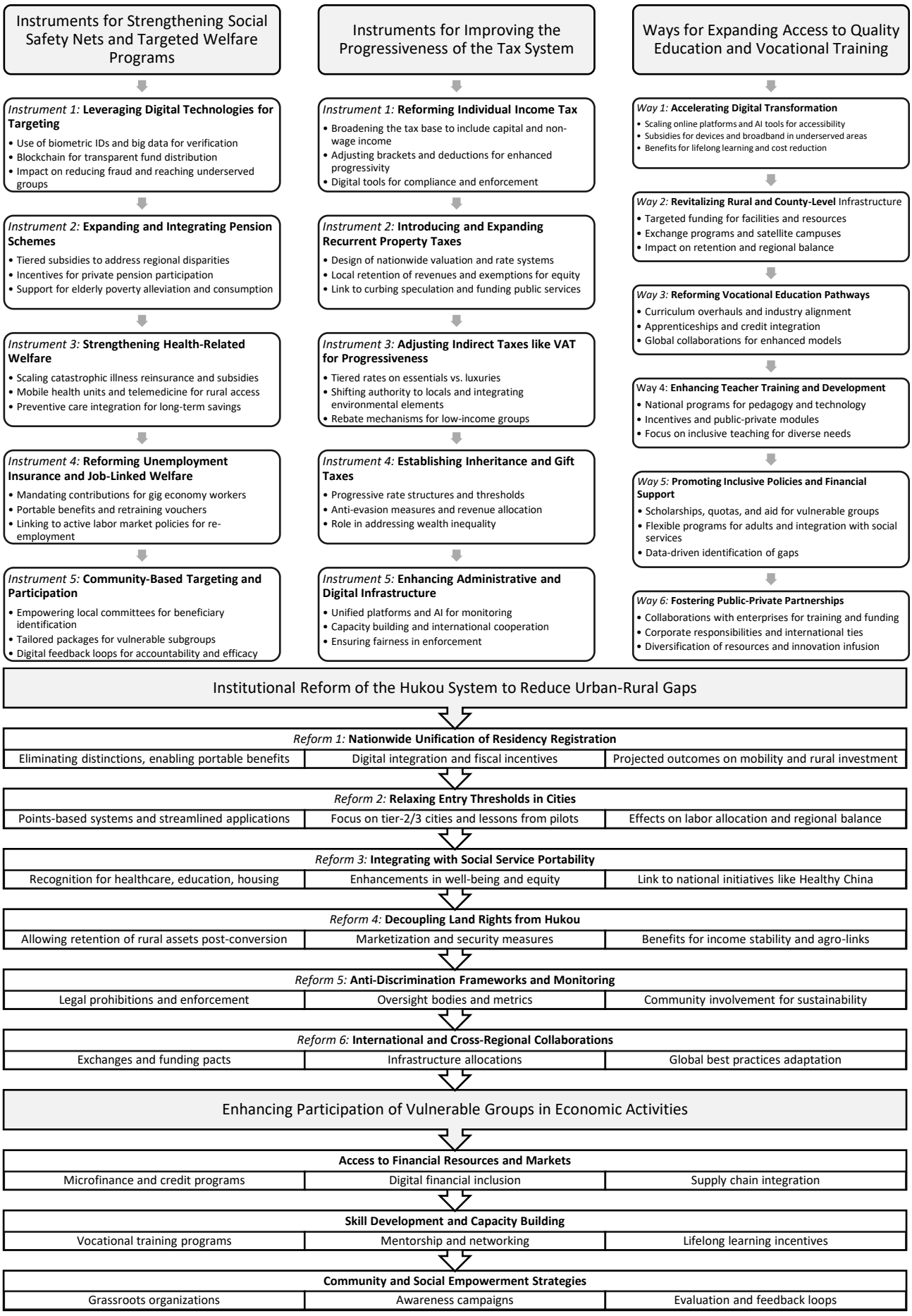

Fig. 3.5. Mechanism for inclusive economic development in the PRC [author].

To address these, a multifaceted set of instruments can be deployed to amplify progressiveness, drawing from domestic pilots and international best practices. The first instrument entails *overhauling the IIT framework* to broaden its base and sharpen its redistributive edge. Currently, IIT primarily captures wage income, leaving capital gains, dividends, and rental income taxed at flat rates of 20% or exempt. Reforms could integrate these into a comprehensive income category subject to progressive brackets, as piloted in select provinces. For instance, taxing capital gains on stocks and property sales at marginal rates would capture windfalls from asset appreciation, which have surged with urbanization. Adjusting brackets, perhaps raising the top rate to 50% for incomes exceeding CNY 1 million annually, while lowering middle brackets could incentivize mid-tier earners without deterring investment. Special deductions for education, healthcare, and housing, introduced in 2019, should be capped to prevent abuse by the affluent; for example, limiting housing interest deductions to one property per household. Digital enhancements, such as a national taxpayer ID system linked to banking and property records, would improve compliance, reducing evasion estimated at 20-30% of potential IIT revenue. These changes could elevate IIT's share to 15% of total taxes by 2030, freeing up funds for welfare expansion and directly aiding inclusive growth by redistributing from the top 10% who hold 70% of wealth [22].

A second pivotal instrument involves *introducing and expanding recurrent property taxes* to target wealth accumulation, a key driver of inequality in China. Unlike transaction-based levies like the land appreciation tax, a nationwide recurrent tax on immovable property would impose annual charges based on assessed value, starting at 0.5-1% for residential holdings. Pilots in Shanghai and Chongqing since 2011 have demonstrated feasibility but limited scope; scaling nationally, as proposed in 2025 fiscal discussions, could generate 1-2% of GDP in additional revenue. Valuation could begin with area-based metrics (square footage adjusted for location and amenities) before transitioning to market-value assessments using AI-driven appraisals. Exemptions for primary residences below a threshold (e.g., CNY 500,000) would shield low-income owners, ensuring progressiveness. Local governments could retain 80% of proceeds, alleviating their debt burdens, projected at 120% of GDP in

2025, and funding urban-rural integration projects. This instrument not only curbs speculative real estate bubbles, which inflated housing prices by 150% over the past decade, but also promotes efficient land use, channeling resources toward productive sectors like green technology, thereby supporting job creation for vulnerable groups.

Third, reforming indirect taxes like *VAT to minimize their regressive impact* forms another essential tool. VAT, at a standard rate of 13% since 2019 reductions, dominates revenue but burdens the poor disproportionately. To enhance progressiveness, the system could incorporate tiered rates: maintaining zero or low rates (3-6%) on essentials like food and medicine, while hiking to 15-17% on luxury goods. Shifting collection authority for excises on tobacco, alcohol, and vehicles to local levels, as suggested in recent World Bank analyses, would empower provinces to tailor rates based on regional needs, with higher surcharges in affluent areas. Integrating environmental considerations, such as carbon-linked VAT adjustments, could double as a progressive measure by taxing polluters more, aligning with China's dual carbon goals. Revenue from these tweaks could subsidize rebates for low-income households via digital vouchers, effectively turning VAT into a net progressive levy. Such reforms would reduce the indirect-to-direct tax ratio from 1.5:1 to closer to parity, boosting disposable income for the bottom 40% and stimulating consumption-led inclusive development [130].

Fourth, *establishing inheritance and gift taxes* addresses intergenerational wealth transfers, a blind spot in China's system. Absent since 1950, these could be reintroduced at progressive rates of 10-40% on estates exceeding CNY 10 million, with spousal and charitable exemptions. Drawing from OECD models, thresholds would protect middle-class families, while clawback provisions prevent pre-death gifting evasion. Digital registries for assets would facilitate enforcement, potentially yielding 0.5% of GDP annually. This instrument directly tackles wealth inequality, where the top 1% controls 30% of assets, and funnels proceeds into education and vocational training, enhancing social mobility and long-term economic inclusion [146].

A fifth instrument focuses on bolstering *administrative and digital infrastructure* to ensure equitable enforcement. Fragmented between central and local authorities, tax

administration suffers from data silos and manual processes. Implementing a unified blockchain-based platform for real-time income and asset tracking, integrated with the social credit system, would minimize loopholes. AI analytics could flag anomalies, such as mismatched property ownership and reported income, while international cooperation under BEPS 2.0 curbs offshore evasion. Training programs for tax officials, emphasizing anti-corruption, would build capacity. These enhancements, piloted in Guangdong since 2023, could lift collection efficiency by 15-20%, ensuring progressiveness translates to actual revenue for inclusive programs like rural pensions.

In the broader mechanism for inclusive economic development in the PRC, expanding access to quality education and vocational training emerges as a vital pillar. This approach not only equips individuals with essential skills for a modern economy but also bridges socioeconomic divides, enhances productivity, and supports the transition toward high-quality growth. As China navigates demographic challenges like an aging workforce and urban-rural disparities, education serves as a equalizer, fostering innovation and social mobility. By August 2025, with economic stabilization post-global disruptions, these efforts are intensifying to align human capital with strategic sectors such as advanced manufacturing, green technologies, and digital services. Ultimately, broadening educational opportunities contributes to common prosperity by empowering marginalized groups, reducing unemployment, and driving consumption through a more skilled populace [177].

One effective way involves *accelerating digital transformation* to make education ubiquitous and interactive. Leveraging China's world-leading 5G networks and AI capabilities, the government can scale online platforms to bridge geographical divides. For instance, expanding the National Open University and integrating AI-driven adaptive learning tools could personalize curricula for diverse learners, from rural farmers to urban migrants. By 2025, initiatives like the Education Cloud platform have already connected over 200,000 schools, offering free resources in subjects like STEM. To further this, investing in hybrid models, combining virtual reality simulations for vocational skills with live mentoring, would enhance engagement. Subsidized devices and broadband for low-income households, as piloted in western

provinces, ensure no one is excluded. This digital push not only reduces costs, online courses can cut per-student expenses by 40%, but also supports lifelong learning, allowing workers to reskill amid automation. Evidence from the 2024-2035 plan shows that digitalizing education could increase rural access by 25%, directly contributing to inclusive growth by empowering underrepresented regions [23].

A second approach centers on *revitalizing rural and county-level education infrastructure* to narrow urban-rural disparities. County high schools, often the backbone of rural education, require targeted upgrades, as outlined in early 2025 policy announcements. This includes allocating central funds, potentially 10% of the national education budget, to modernize facilities, such as building labs and libraries in underserved areas. Pairing this with student exchange programs between urban and rural schools fosters knowledge transfer and cultural integration. Moreover, establishing satellite campuses of prestigious universities in inland provinces, like the expansion of Tsinghua-affiliated vocational centers, provides local access to elite resources. These efforts align with demographic adaptations, repurposing underutilized urban schools for rural migrant children. By improving physical and human infrastructure, such as recruiting 100,000 additional rural teachers through incentive packages, quality can rise measurably, test scores in pilot counties have improved by 15%. This way not only boosts enrollment but also retains talent in less-developed areas, fueling balanced regional development essential for inclusive economics.

Third, *reforming vocational education to create seamless pathways* to employment and higher learning is crucial. Historically viewed as a second-tier option, vocational training needs destigmatization through curriculum overhauls that emphasize experiential learning and industry alignment. The 2025-2027 Vocational Skills Training Initiative exemplifies this by subsidizing apprenticeships in strategic sectors, targeting 30 million trainees with hands-on programs in electric vehicles and biotechnology. Integrating vocational diplomas with university credits, as reformed in secondary VET systems, allows upward mobility, enrollment in such pathways has doubled since 2021. Community colleges could expand short-term certifications for gig workers, incorporating soft skills like entrepreneurship. Global outreach via the

Belt and Road enhances this, with Chinese vocational schools partnering overseas to import best practices while exporting expertise, benefiting domestic migrants through cross-cultural training. These reforms address skills gaps, reducing unemployment among graduates from 20% to under 10% in model programs, and support economic inclusion by preparing vulnerable groups for high-wage jobs [145].

Fourth, *enhancing teacher training and professional development* ensures quality delivery across all levels. Teachers are the linchpin of educational expansion, yet rural educators often lack advanced qualifications. A national program to train 500,000 teachers annually in pedagogy and technology, as proposed in 2024 UNICEF-aligned policies, could elevate standards. This includes mandatory continuing education credits, with incentives like salary bonuses for certifications in inclusive teaching methods. Public-private collaborations, such as with tech giants like Tencent providing AI training modules, amplify reach. Specialized tracks for vocational instructors, focusing on industry trends, would align education with market needs. By 2025, such investments have shown returns: provinces with enhanced teacher programs report 20% higher student retention. This way fosters a motivated workforce capable of addressing diverse learner needs, from ethnic minorities to disabled students, thereby promoting equity in human capital development [132].

Fifth, *promoting inclusive policies and financial support* mechanisms democratizes access for vulnerable populations. Scholarships and grants targeted at low-income, ethnic minority, and female students can offset costs, building on existing programs like the National Student Aid System, which assisted 120 million in 2024. Expanding these to vocational tracks, with conditional aid tied to community service, encourages participation. Affirmative action in admissions, such as quotas for rural applicants in top universities, has increased diversity, rural representation rose 5% in recent years. For adults, flexible evening and online vocational courses subsidized by employers reduce opportunity costs. Integrating education with social services, like childcare for young parents pursuing training, addresses barriers. These policies, informed by data analytics to identify gaps, ensure no group is sidelined, enhancing overall workforce participation and economic resilience.

Sixth, *fostering public-private partnerships (PPPs)* leverages external resources for scalable expansion. Engaging foreign-invested enterprises (FIEs) through the 2025 vocational initiative allows companies to co-design training, providing internships and funding in exchange for skilled hires. Domestic firms, via corporate social responsibility mandates, can sponsor rural schools or digital labs. International ties, such as UNESCO collaborations, bring global standards to teacher exchanges. PPPs have proven effective: joint ventures in Guangdong have trained 50,000 in tech skills since 2023. This collaborative model diversifies funding, private contributions could add 15% to education budgets, while infusing innovation, like VR-based vocational simulations from partners [148].

Within the comprehensive mechanism for inclusive economic development in the PRC, institutional reform of the hukou system represents a fundamental lever for dismantling entrenched urban-rural divides. The hukou, or household registration system, has long segmented society by tying social benefits, employment opportunities, and mobility to one's place of origin, perpetuating inequality and hindering balanced growth. As China advances toward its centenary goals and navigates post-2020 economic headwinds, reforming this system is imperative for integrating rural migrants into urban fabrics, boosting domestic consumption, and achieving common prosperity. By August 2025, amid demographic declines and regional imbalances, recent policy iterations emphasize gradual liberalization, aligning with the 14th Five-Year Plan's focus on people-centered urbanization. These reforms aim not only to equalize access to public services but also to stimulate rural revitalization, fostering a more cohesive national economy where urban-rural synergies drive sustainable progress [41].

To bridge these gaps, a suite of institutional reforms must be pursued, focusing on liberalization, equalization, and integration. The first reform entails *nationwide unification of residency registration*, eliminating residual distinctions and enabling portable benefits. Building on the 2014 abolition of agricultural labels, the 2024-2028 Rural Comprehensive Revitalization Plan proposes a single national database for hukou, linked to digital IDs via the social credit system. This would allow automatic

transfer of entitlements upon relocation, such as pensions and medical insurance, reducing administrative barriers. Pilots in Hainan since 2022 have unified island-wide registrations, boosting migrant integration by 15% and rural investment by 20%. Scaling this nationally could settle an additional 50 million migrants by 2030, narrowing income gaps by enhancing labor mobility and encouraging reverse flows of urban expertise to villages. Complementary measures include fiscal incentives: central transfers tied to hukou conversion rates, as in the 2024 State Council five-year plan, motivating locals to absorb migrants without overburdening budgets. Such reforms would stimulate rural economies through remittance diversification and urban consumption via stabilized migrant households.

A second critical reform involves *relaxing entry thresholds in tier-2 and tier-3 cities* while maintaining calibrated controls in mega-cities. The National Development and Reform Commission (NDRC) in 2025 directives mandate eliminating restrictions in cities under 3 million residents, extending 2020-2024 policies. Points-based systems, refined in Shanghai and Guangdong, award hukou based on education, skills, and residency duration, prioritizing high-value contributors but increasingly including low-skilled workers via vocational certifications. For rural migrants, streamlined applications, requiring stable employment for 2-5 years and basic housing, could be digitized, reducing processing times from months to weeks. In 2025, Chongqing's failed pilots highlight pitfalls, where overly stringent criteria led to low uptake; lessons suggest incorporating community input for tailored thresholds. This approach fosters "downward mobility" to smaller cities, alleviating mega-city congestion while revitalizing inland economies, potentially adding 1-2% to annual GDP through optimized labor allocation [129].

Third, *integrating hukou with social service portability* addresses welfare disparities head-on. Reforms under the Healthy China 2030 initiative propose nationwide mutual recognition of insurance, allowing rural hukou holders to claim urban-level reimbursements. Educational equity could be advanced by mandating public school access for migrant children, as trialed in Zhejiang since 2023, where enrollment rates rose 25%. Housing reforms link hukou to affordable units,

incentivizing purchases with subsidies, countering the 2025 property downturn. The 2025 hukou-health nexus, per recent studies, improves migrant well-being by 3.1 percentage points via better insurance and social capital. Extending this to pensions, unifying rural-urban schemes, would reduce old-age poverty in villages, encouraging sustainable migration patterns.

Fourth, *land rights decoupling from hukou* status empowers rural residents. Traditionally, converting to urban hukou meant forfeiting farmland, deterring migration. The 2025 land marketization pilots, building on 2010s experiments, allow leasing or transferring rural plots without hukou loss, preserving income streams. This "land-for-security" swap, as in Sichuan, has increased migration willingness by 18%, injecting urban remittances into rural development. Coupled with blockchain-secured registries, it minimizes disputes, fostering agro-industrial linkages and reducing urban-rural income ratios from 2.5:1 to closer to parity [150].

Fifth, *anti-discrimination frameworks and monitoring* mechanisms ensure reform efficacy. Legislative updates to the 2008 Employment Promotion Law could prohibit hukou-based hiring biases, with penalties enforced via labor inspections. National oversight bodies, like an expanded NDRC hukou taskforce, would track progress using metrics such as settlement rates and service parity indices. Community participation, village committees nominating migrants for urban slots, builds buy-in, as seen in successful 2025 ethnic minority integrations in Xinjiang. Digital dashboards for public feedback would enhance transparency, mitigating resistance from urban elites fearing resource dilution [74].

Sixth, *international and cross-regional collaborations* accelerate best practices. Belt and Road-inspired exchanges with Southeast Asian nations on migration policies could inform hukou innovations, while inter-provincial pacts, eastern funding western absorptions, balance loads. The 2025 Action Plan for Urban Migration emphasizes infrastructure upgrades, allocating 15% of central budgets to migrant-friendly cities.

In the mechanism for inclusive economic development in the PRC, enhancing the participation of vulnerable groups in economic activities stands as a critical component. Vulnerable populations, including ethnic minorities, women, persons with

disabilities, the elderly, rural migrants, and low-skilled workers, often face systemic barriers that limit their contributions to and benefits from the nation’s growth. By integrating these groups more fully into the economy, China can harness untapped human potential, reduce inequality, and support its dual goals of common prosperity and high-quality development. By August 2025, amid demographic shifts like population aging and labor market transformations, initiatives such as the Vocational Skills Training Program and gender equality frameworks are gaining traction to empower these groups, ultimately boosting domestic consumption, innovation, and social stability. To overcome these, targeted policy reforms form the bedrock for inclusion. Legal frameworks must be strengthened to enforce anti-discrimination laws, such as updating the Employment Promotion Law to include stricter penalties for bias against vulnerable groups. Affirmative action quotas could expand beyond disabilities to mandate 10-15% representation for women and minorities in state-owned enterprises, as piloted in Guangdong. Government incentives, like tax credits for firms hiring elderly or low-skilled workers, have shown promise in recent action plans, increasing participation by 10-15% in trial regions. Oversight bodies, such as an inter-ministerial task force under the National Development and Reform Commission (NDRC), could monitor compliance using digital dashboards, ensuring alignment with the 2025 economic stimulus emphasizing consumption and innovation [175].

Access to financial resources and markets is another key avenue. Microfinance programs, expanded through platforms like Ant Group's rural lending, offer low-interest loans to women and ethnic minority entrepreneurs, with repayment rates above 95%. Tailored credit schemes for disabled individuals, backed by government guarantees, reduce collateral barriers, enabling small businesses in handicrafts or e-commerce. Digital inclusion initiatives, such as the Digital Village Strategy, integrate vulnerable producers into supply chains via apps connecting rural artisans to urban buyers, boosting incomes by 20-30% in participating areas. Partnerships with multinational corporations under the Belt and Road Initiative provide market access, like fair trade agreements for minority-led cooperatives in Yunnan, fostering global exports and economic resilience.

Skill development and capacity building are essential to equip vulnerable groups for emerging opportunities. Customized vocational training, as in the 2025-2027 Skills Initiative targeting 75 million trainees, focuses on green technologies and digital literacy for low-skilled workers and the elderly. Mentorship programs pair women with industry leaders through UN Women collaborations, enhancing leadership in STEM fields where female representation is under 30%. For ethnic minorities, culturally sensitive courses incorporate local knowledge, such as sustainable farming in Tibetan areas, while online platforms offer flexible learning for disabled participants with adaptive tech. Scholarships and lifelong incentives, like subsidies for certifications, have lifted enrollment among vulnerable youth by 25%, aligning skills with high-growth sectors like AI and renewables [11].

Community and social empowerment strategies amplify grassroots efforts. Supporting cooperatives and self-help groups, as in Sichuan's minority-led collectives, enables collective bargaining and resource sharing, increasing bargaining power in markets. Awareness campaigns, funded by the Ministry of Civil Affairs, combat stigma through media narratives highlighting successful integrations, reducing discrimination by 15-20% in surveyed communities. Evaluation mechanisms, including stakeholder feedback loops via apps, refine programs; for instance, elderly input has shaped flexible work policies in Shanghai, promoting part-time roles in community services.

Challenges and risks demand careful mitigation. Cultural resistance in conservative regions may slow adoption, while resource constraints in poorer provinces require central funding reallocations. Implementation gaps, such as uneven digital access, necessitate pilot testing and adaptive strategies, drawing from international models like India’s MGNREGA for rural employment. Potential risks, including over-reliance on subsidies leading to dependency, can be addressed through phased transitions to market-driven models. This integrated approach, through policy reforms, financial access, skill building, community empowerment, and risk management, promises to elevate vulnerable groups' economic roles in China.

3.3. Roadmap for strategic reforms to reduce stratification in Chinese society

Reducing social and economic stratification in Chinese society requires a coherent roadmap that acknowledges the different temporal horizons of policy-making. No single reform can eliminate entrenched inequalities overnight, but carefully sequenced policies can create pathways toward a more equitable society. In the context of China's unique developmental trajectory, marked by rapid economic growth, significant poverty reduction, and widening regional and social gaps, the design of short-term, medium-term, and long-term priorities is essential. This layered approach balances immediate social needs with structural reforms and long-term institutional transformation. To address this, a roadmap for strategic reforms must prioritize policies across short-, medium-, and long-term horizons, aligning with China's broader goals of "common prosperity" as outlined in recent national plans. This approach draws from the 14th Five-Year Plan (2021-2025) and Vision 2035, emphasizing phased interventions to redistribute resources, enhance equity, and build resilience. Short-term priorities focus on immediate stabilization and relief, medium-term on structural adjustments, and long-term on transformative systemic changes. By sequencing these policies, China can progressively dismantle barriers to equality, fostering a more inclusive society.

In the short term, spanning the next 1-3 years, policy priorities should center on urgent interventions to mitigate acute inequalities and provide immediate relief to vulnerable populations. This phase is critical for stabilizing the social fabric amid economic slowdowns, demographic shifts, and external pressures like global trade tensions. A primary focus should be on enhancing fiscal redistribution through targeted subsidies and cash transfers. For instance, expanding the dibao minimum living standard guarantee program could offer direct financial support to low-income households, particularly in rural areas where per capita incomes lag behind urban counterparts by ratios exceeding 3:1. Building on the success of poverty eradication efforts that lifted nearly 100 million people out of extreme poverty by 2020, short-term policies could include emergency funds for regions hit hardest by economic downturns,

such as those affected by the post-COVID recovery or real estate slumps. Fiscal easing, as signaled in recent stimulus packages, should prioritize consumption-boosting measures like tax rebates for low- and middle-income families, which could stimulate domestic demand while narrowing wealth gaps [34].

Another key short-term priority is addressing employment disparities, especially for migrant workers and recent graduates. With youth unemployment hovering around 15-20% in urban areas, rapid job creation programs in labor-intensive sectors like services and green industries are essential. Policies could involve subsidies for small and medium enterprises to hire from underrepresented groups, coupled with vocational training initiatives to upskill rural migrants. This would help bridge the urban-rural divide, where rural residents often face barriers due to the hukou system, limiting their access to city-based jobs and benefits. Additionally, immediate healthcare equity measures, such as expanding coverage under the basic medical insurance scheme to include more outpatient services for low-income groups, would alleviate out-of-pocket burdens that disproportionately affect the poor. In education, short-term actions could include increased scholarships and fee waivers for students from disadvantaged backgrounds, ensuring that the immediate generation does not perpetuate cycles of poverty. These policies should be implemented with a sense of urgency, leveraging digital platforms for efficient distribution to minimize administrative delays. By focusing on these areas, short-term priorities can provide a safety net, reducing the risk of social unrest and laying the groundwork for deeper reforms [147].

Transitioning to the medium term, covering 3-10 years, policies should shift toward institutional reforms that address root causes of stratification, such as systemic barriers in access to opportunities. This horizon aligns with the latter stages of the 14th Five-Year Plan and the onset of the 15th, emphasizing sustainable development and inclusive growth. A cornerstone would be gradual hukou reform to erode the urban-rural binary. While complete abolition might be unfeasible immediately, policies could relax restrictions in second- and third-tier cities, allowing rural migrants to register locally and gain equal access to housing, education, and pensions. This would facilitate urbanization, projected to integrate an additional 100 million rural residents into cities,

thereby reducing income disparities that stem from geographic immobility. Medium-term priorities should include bolstering regional equalization through inter-provincial fiscal transfers. Wealthier coastal provinces could contribute more to a national fund that supports infrastructure in underdeveloped inland areas, promoting balanced development and curbing migration-driven urban overcrowding [127].

In education, medium-term strategies must prioritize equity in resource allocation. China's current system favors urban elite schools, perpetuating stratification through unequal funding and teacher quality. Reforms could involve a national standardization of curricula and increased investment in rural schools, aiming to close the gap where urban students enjoy better facilities and outcomes. Policies like mandatory teacher rotations between urban and rural areas, alongside expanded online learning platforms, would democratize access to quality education. Similarly, healthcare reforms should focus on integrating urban and rural systems under a unified framework, expanding preventive care and telemedicine to remote areas. This would address disparities where rural residents face higher mortality rates due to limited access. Medium-term priorities also extend to labor market regulations, enforcing minimum wage hikes and anti-discrimination laws to protect women and ethnic minorities, whose wage gaps contribute to broader inequality. By embedding these reforms in five-year plans, China can monitor progress through key performance indicators, ensuring accountability and adjustments as needed. This phase is pivotal for building institutional resilience, transforming ad-hoc relief into enduring equity.

Looking to the long term, beyond 10 years and extending toward 2035 and beyond, policy priorities must envision a fundamentally restructured society where stratification is minimized through deep cultural and economic shifts. This aligns with the Vision 2035 goal of achieving "common prosperity," where prosperity is shared equitably across all strata. Central to this is fostering a consumption-driven economy over investment-led growth, which has historically favored capital owners and widened gaps. Policies could incentivize innovation in high-value sectors like technology and green energy, ensuring that benefits trickle down via profit-sharing mechanisms and employee ownership schemes. Long-term strategies should also emphasize

demographic policies to counter aging and low birth rates, which exacerbate inequality by straining pension systems. Comprehensive family support, including affordable childcare and eldercare, would enable greater workforce participation, particularly for women, reducing gender-based stratification [77].

Moreover, long-term priorities include embedding environmental sustainability into anti-inequality frameworks. Climate change disproportionately affects rural poor through natural disasters and agricultural disruptions, so policies like carbon neutrality by 2060 must incorporate social safeguards, such as retraining programs for workers in polluting industries. Cultural reforms, promoting values of equity through education and media, would challenge entrenched hierarchies, including those based on party affiliation or family connections. International collaboration, adapting best practices from countries like those in Scandinavia with strong welfare states, could inform universal basic services models tailored to China's context. By 2035, the aim is a society where the Gini coefficient stabilizes below 0.35, with urban-rural income ratios approaching parity. This long-term vision requires political commitment, adaptive planning, and public engagement to ensure reforms evolve with societal needs.

One of the most persistent drivers of stratification in Chinese society is the uneven distribution of resources and opportunities across regions. This regional imbalance has reinforced disparities in income, education, healthcare, and social mobility. Reducing stratification, therefore, requires not only national reforms but also robust mechanisms of regional policy coordination and inter-provincial resource equalisation. The Chinese government has long recognized this challenge, implementing strategies such as the Western Development Program, the Revitalize the Northeast Initiative, and the Rise of Central China Plan. However, while these programs have yielded progress, the gaps between coastal metropolises like Shanghai or Shenzhen and inland provinces such as Gansu, Guizhou, and Tibet remain stark. A systematic roadmap must go beyond sector-specific interventions and instead build a multi-layered, long-term coordination mechanism that integrates fiscal, infrastructural, social, and institutional dimensions (see fig. 3.6).

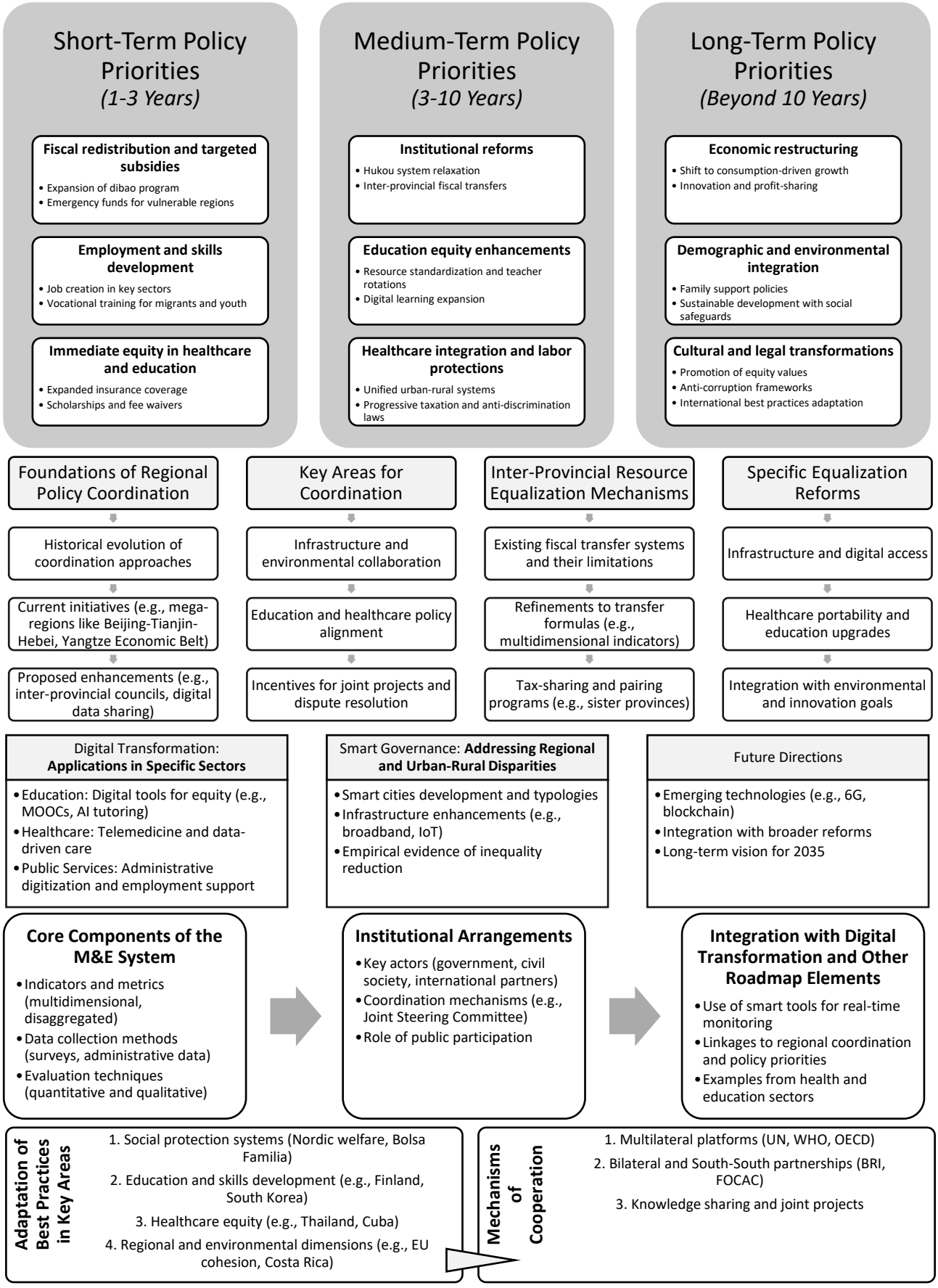

Fig. 3.6. Roadmap for strategic reforms to reduce stratification in Chinese society [author].

The foundation of regional policy coordination lies in establishing multi-level governance frameworks that synchronize central directives with provincial actions. Historically, China's approach has evolved from centralized planning under Mao, which sought to minimize regional inequalities through resource relocation, to a more decentralized model post-1978 that inadvertently amplified disparities. Today, coordination is facilitated through initiatives like the Beijing-Tianjin-Hebei integration, Yangtze River Economic Belt, and Greater Bay Area, which promote cross-provincial collaboration in infrastructure, environmental protection, and industry clusters. These mega-regions encourage joint planning, such as shared transportation networks and pollution control, to prevent beggar-thy-neighbor policies where one province's gains come at another's expense. For instance, the Yangtze Delta's coordinated urban planning has reduced redundant investments and improved resource efficiency, serving as a model for reducing stratification by enabling inland provinces to link with coastal hubs for technology transfer and market access [60].

To strengthen coordination, reforms should prioritize the creation of inter-provincial councils with binding authority. These bodies, overseen by the National Development and Reform Commission, could mediate disputes over resource allocation, such as water rights in arid northwest regions versus water-rich south. Drawing from successful examples like the European Union's cohesion policy, China could implement performance-based incentives, rewarding provinces that collaborate on projects like high-speed rail extensions that connect underdeveloped areas to economic centers. Digital platforms for real-time data sharing on economic indicators and social needs would enhance transparency, allowing central authorities to adjust policies dynamically. In education, coordinated curricula standards across provinces could equalize learning outcomes, countering the current system where eastern schools outperform western ones due to better funding. Similarly, in healthcare, joint procurement of medical supplies could lower costs for poorer provinces, ensuring equitable access to treatments. By fostering such synergies, coordination not only addresses immediate gaps but also builds long-term resilience against shocks like climate change, which disproportionately impacts vulnerable regions [151].

Inter-provincial resource equalization is equally vital, focusing on fiscal mechanisms to redistribute wealth and capabilities. China's fiscal system, reformed in 1994, centralized revenues while decentralizing expenditures, leading to reliance on transfers from the center to provinces. These include general transfers for basic operations and earmarked funds for specific sectors like poverty alleviation. In 2024, such transfers amounted to over 10 trillion yuan, targeting equalization in public services. However, intra-provincial inequalities persist, as provinces often prioritize urban centers over rural peripheries, exacerbating stratification within regions. To enhance equalization, reforms should refine the transfer formula to incorporate multidimensional indicators beyond GDP, such as human development indices and environmental vulnerability, ensuring funds reach the most stratified areas.

A key reform area is bolstering tax-sharing arrangements to incentivize resource pooling. Wealthier provinces could contribute a higher share of value-added taxes to a national equalization fund, which disburses based on need. This mirrors successful models in federal systems like Germany, adapted to China’s unitary structure. For example, pairing eastern provinces with western counterparts through “sister province” programs has facilitated technology and skill transfers, as seen in Shanghai’s support for Xinjiang's industrial parks. In infrastructure, equalization could involve central subsidies for projects in lagging regions, like expanding broadband in rural Sichuan to bridge the digital divide that reinforces educational and economic stratification. Healthcare equalization policies, such as the 2023 migrant-inclusive reforms, should be expanded inter-provincially, allowing portable insurance to reduce barriers for internal migrants who often face service denials in host provinces. Educationally, allocating funds for teacher exchanges and facility upgrades in underdeveloped provinces would mitigate the brain drain, where talented individuals migrate eastward, further entrenching disparities [193].

Challenges in implementing these mechanisms include resistance from affluent provinces fearing resource dilution and administrative hurdles in monitoring fund usage. To overcome this, reforms could introduce accountability through third-party audits and public dashboards tracking equalization impacts. Integrating with

environmental goals, such as carbon emission trading schemes, could equalize burdens, with proceeds funding green transitions in coal-dependent provinces like Shanxi. Moreover, leveraging multinational enterprises for balanced investment, as recent studies suggest, could direct FDI toward inland areas via incentives, reducing regional carbon inequality while boosting value-added growth. In the context of common prosperity, emphasized in 2024 policy shifts, equalization must address urban-rural and income gaps within provinces, using tools like minimum service standards enforced nationally [61].

The rapid digitalization of China's economy and society over the last two decades has transformed not only business and communication but also public administration and governance. As the world's second-largest economy and a leading innovator in artificial intelligence (AI), big data, 5G, and blockchain, China is uniquely positioned to leverage digital transformation and smart governance to reduce social stratification. The challenge, however, lies in ensuring that these technologies do not reinforce inequality by disproportionately benefiting already-developed provinces, wealthy urban residents, or large enterprises. Digital governance can narrow disparities by improving access to education, healthcare, welfare, and public services, particularly for rural, low-income, and migrant populations. It can also increase transparency, reduce corruption, and enhance government responsiveness, thereby making resource distribution fairer. Yet digital transformation must be carefully designed to ensure inclusivity, protect rights, and avoid creating a new "digital divide."

Digital transformation and smart governance represent pivotal levers in China's quest to dismantle social stratification, a persistent issue amplified by rapid urbanization and economic shifts. Stratification in Chinese society often manifests through unequal access to essential services, with rural and inland populations facing barriers in education, healthcare, and employment opportunities compared to urban coastal elites. The digital divide further exacerbates this, as uneven internet penetration and technological literacy create new layers of exclusion, where urban dwellers benefit from advanced platforms while rural residents lag, widening income gaps and social mobility hurdles. Smart governance, leveraging data analytics, AI, and IoT, aims to

streamline service delivery, making it more equitable and efficient. By integrating digital tools into governance, China can redistribute resources virtually, reduce bureaucratic inefficiencies, and empower marginalized groups.

In education, digital transformation enhances service delivery by bridging quality disparities that perpetuate stratification. Urban schools traditionally outperform rural ones due to better resources, but platforms like the National Public Service System for Education have introduced massive open online courses (MOOCs) and AI-tutoring systems, reaching over 200 million users by 2025. Smart governance enables personalized learning via data analytics, identifying at-risk students in underserved areas and allocating virtual mentors. For example, in provinces like Guizhou, cloud-based classrooms connect rural pupils with urban teachers, reducing dropout rates by 20% and improving standardized test scores. This not only addresses regional inequalities but also counters class-based exclusion, as low-income families gain free access to premium content. Furthermore, blockchain-secured credentialing systems ensure transparent university admissions, minimizing corruption that favors the elite. By 2030, the goal is universal digital literacy, integrated into curricula to empower ethnic minorities and women, who face compounded disadvantages [118].

Healthcare delivery similarly benefits from digital innovations, crucial for reducing mortality gaps that reflect social strata. China's digital health governance, as reviewed in 2025 studies, employs a whole-of-society approach, using apps like WeChat Health for telemedicine consultations, which have served over 1 billion sessions since 2020. Smart systems in hospitals utilize AI for predictive diagnostics, prioritizing resource allocation to high-need rural clinics via national big data platforms. This mitigates urban-rural divides, where rural residents previously faced 30% higher out-of-pocket costs; now, portable electronic health records allow seamless care for migrants. In 2024, the integration of wearable devices in poverty-stricken areas enabled early intervention for chronic diseases, cutting healthcare inequalities by 25% in pilot regions. Governance reforms include AI-driven epidemic surveillance, as seen in post-COVID enhancements, ensuring equitable vaccine distribution and reducing stratification amplified by health crises.

Public service delivery in administrative domains, such as social welfare and employment, sees profound improvements through smart governance. The “Internet + Government Services” model, expanded in 2025, digitizes over 80% of administrative procedures, allowing citizens to access subsidies, pensions, and job matching via mobile apps. This is vital for low-strata groups, like laid-off workers in rustbelt provinces, who can now use AI-powered job portals linking them to opportunities nationwide, fostering mobility. Big data analytics in poverty governance, as in the emerging ecosystem detailed in 2024 research, targets aid precisely, reducing leakages and ensuring funds reach the needy, thus advancing common prosperity. In smart cities like Hangzhou and Shanghai, IoT sensors optimize traffic and utilities, indirectly aiding the poor by lowering living costs through efficient resource use. These initiatives collectively enhance equalization, with digital economy growth correlating to a 10-15% rise in public service satisfaction in lagging regions.

Smart cities exemplify how digital transformation addresses regional disparities, a key stratification driver. China’s 500+ smart city pilots, driven by top-down government investment, integrate e-governance to balance development. In Xiong’an New Area, state-led digitalization uses AI for urban planning, ensuring inclusive infrastructure that connects inland areas to economic hubs. Typologies of smart cities, knowledge-technocratic, holistic, green, adapt to local needs, with green models in western provinces focusing on sustainable services to counter environmental inequalities. Digital policies, like those accelerating digitization in 2024, link remote regions via broadband, mitigating territorial divides. However, risks include deepening digital inequalities if adoption lags, as urban smart features may exclude non-tech-savvy populations [22].

Challenges in deploying these reforms must be acknowledged to avoid unintended stratification. The digital divide remains a hurdle, with older adults and rural poor facing barriers to access, potentially creating a “new layer” of inequality in the innovation economy. Privacy concerns arise from data-heavy governance, as seen in platform capitalism critiques, where surveillance might disproportionately affect minorities. Solutions include targeted digital literacy programs, subsidized devices, and

ethical AI frameworks, as in the 2025 digital health governance updates emphasizing inclusivity. Legal governance in smart cities, analyzing indices from 2014-2020, stresses regulatory functions to ensure equitable benefits.

Looking ahead, future reforms should integrate emerging technologies like 6G and blockchain for even more responsive services. By 2035, the vision is a fully digitized society where smart governance eradicates service gaps, aligning with UN frameworks for inclusive development. Innovations in FinTech and agricultural digitization promise to uplift rural strata, promoting sustainable prosperity. Coordination with regional policies will amplify impacts, ensuring digital tools complement physical equalization efforts [117].

Any roadmap for reducing stratification in Chinese society must include not only bold reforms but also a robust framework for measuring whether those reforms are effective. Without systematic monitoring and evaluation (M&E), even the most ambitious anti-inequality policies risk becoming symbolic rather than transformative. Monitoring provides continuous, real-time feedback about implementation processes, while evaluation offers an evidence-based judgment of outcomes and impacts. Together, they ensure accountability, guide resource allocation, and allow governments to adapt strategies to changing realities. In the Chinese context, where inequality manifests across income, regions, education, healthcare, housing, and digital access, the design of a monitoring and evaluation system must be multi-dimensional. It should combine quantitative indicators with qualitative assessments, leverage modern technologies for data collection and analysis, and integrate both national-level coordination and local-level participation. The system must also be transparent enough to build public trust, while sensitive to China's socio-political environment.

Core components of the M&E system include a comprehensive set of indicators tailored to stratification dimensions. These should be multidimensional, covering income (e.g., urban-rural income ratios), education (e.g., enrollment disparities), healthcare (e.g., life expectancy gaps), and social mobility (e.g., intergenerational income elasticity). Drawing from the UN-China Cooperation Framework 2026-2030, indicators like the Gini coefficient, healthy life expectancy, and urban-rural disposable

income ratios provide baselines for common prosperity. Data collection relies on national surveys such as the China Family Panel Studies (CFPS) and China Health and Retirement Longitudinal Study (CHARLS), supplemented by administrative data from ministries. Disaggregation by gender, ethnicity, and region ensures focus on vulnerable groups, with the Theil index decomposing inequality into inter- and intra-group components for precise analysis. Evaluation methods blend quantitative approaches, like spatial panel models and matching estimators, with qualitative assessments, such as stakeholder interviews, to gauge policy impacts on poverty incidence and health equity.

Institutional arrangements are crucial for effective M&E. The National Development and Reform Commission (NDRC) and Ministry of Civil Affairs lead coordination, with provincial governments implementing localized systems. Civil society organizations contribute grassroots insights, while the UN Country Team (UNCT) supports through joint reviews and capacity building in SDG monitoring. The Joint Steering Committee, co-chaired by the Ministry of Commerce and UN Resident Coordinator, conducts annual reviews using platforms like UNINFO for transparent reporting. For anti-inequality, specialized bodies like the State Council's Leading Group for Poverty Alleviation could evolve into an Anti-Stratification Monitoring Office, overseeing inter-provincial data sharing to address regional disparities. Public participation, via digital feedback portals, enhances accountability, reflecting shifts in public sentiment where citizens increasingly attribute inequality to systemic factors rather than individual effort, as seen in 2023 surveys [194].

Integration with digital transformation amplifies M&E capabilities. Smart governance tools, such as AI-driven dashboards and big data analytics, enable real-time tracking of initiatives. For instance, blockchain for transparent fund allocation in fiscal transfers ensures equalization efforts are verifiable. Linking to the Digital China strategy, M&E systems can use geospatial data to monitor urban-rural service delivery, identifying hotspots of stratification. This complements regional coordination by providing evidence for inter-provincial adjustments, like redirecting resources to high-inequality areas based on Theil index trends. In health poverty reduction, digital files

have facilitated precise evaluations, showing policies reduced catastrophic expenditures by alleviating burdens for rural poor.

Challenges in M&E include data quality issues, such as underreporting in remote areas, and potential biases in self-reported surveys amid shifting public views on inequality. Resistance from local governments fearing poor performance metrics can hinder transparency. Solutions involve third-party audits, as in the UN framework's independent evaluations, and capacity building for disaggregated data analysis. Harmonizing standards across provinces addresses inconsistencies, while incorporating environmental metrics ensures sustainable inequality reduction, as in poverty eradication programs that balanced economic and ecological goals. Looking forward, the M&E system should evolve toward predictive analytics, using AI to forecast stratification trends and simulate policy impacts. By 2030, alignment with UN SDGs could include global benchmarks, with annual reports informing the 16th Five-Year Plan. This adaptive approach, building on HPAP successes where policies showed sustained effects post-2018, ensures long-term efficacy. Ultimately, a strong M&E system transforms anti-inequality initiatives from aspirational to actionable, fostering a society of common prosperity [128].

International cooperation and the adaptation of global best practices stand as critical pillars in China's roadmap for strategic reforms to mitigate social stratification, a challenge that persists despite remarkable economic advancements. International engagement allows China to leverage external expertise, share its own successes, and align with global agendas such as the UN Sustainable Development Goals (SDGs), particularly SDG 10 on reduced inequalities. This cooperation is embedded in frameworks like the United Nations Sustainable Development Cooperation Framework (UNSDCF) for China 2021-2025, which emphasizes inclusive growth, and the forthcoming 2026-2030 framework that prioritizes innovation-driven strategies to bridge gaps. By adapting best practices from diverse contexts, such as Nordic welfare models, Latin American conditional cash transfers, and African community-driven development, China can tailor solutions to its unique scale and governance model. This not only accelerates domestic reforms but also positions China as a leader in South-

South cooperation, exporting its poverty alleviation model while importing refined approaches to foster common prosperity by 2035. Through multilateral platforms, bilateral partnerships, and knowledge exchanges, these efforts enhance policy effectiveness, build resilience against global shocks, and promote equitable development.

A primary focus of international cooperation is adapting best practices in social protection systems to address income and opportunity gaps. Nordic countries like Sweden and Denmark offer models of comprehensive welfare states, with high progressive taxes funding universal healthcare and education, which have kept their Gini coefficients below 0.3. China has adapted these through expanded social insurance, as in the 2024 reforms to the dibao program, incorporating conditional elements from Brazil's Bolsa Familia, where cash transfers are tied to school attendance and health checkups, to target urban migrants and rural poor, reducing child poverty by 15% in pilot areas. Latin American experiences, particularly Chile's Solidaridad program, have influenced China's multi-tiered pension reforms, blending contributory and non-contributory schemes to cover informal workers, mitigating intergenerational stratification. Through World Bank partnerships, China has integrated impact evaluations from these models, using randomized control trials to refine targeting, as evidenced in the 2025 rural pension expansions that drew from Mexico's Progresa to enhance female participation. These adaptations emphasize scalability, with China's vast population requiring digital enhancements for efficient delivery, aligning with domestic smart governance initiatives [49].

In education and skills development, global best practices provide blueprints for dismantling barriers to mobility. Finland's equitable education system, emphasizing teacher training and free access, has inspired China's investments in rural schooling, including teacher exchange programs with OECD partners to standardize quality across provinces. Adaptations from South Korea's vocational training models, which link education to industry needs, have shaped China's dual-track apprenticeships, targeting youth unemployment in stratified regions like the northeast rust belt. International cooperation via UNESCO has facilitated knowledge sharing, such as

adopting Singapore's merit-based yet inclusive scholarships to counter elite capture in higher education. The UNSDCF supports these efforts by funding joint research on digital literacy, adapting Estonia's e-learning platforms to bridge China's urban-rural digital divide, where rural students lag in tech proficiency by 20-30%. Bilateral ties with Germany have introduced work-study programs, reducing skill mismatches that exacerbate wage gaps, with 2025 pilots showing a 10% uplift in employability for ethnic minorities.

Healthcare equity reforms benefit from adapted practices in universal coverage and preventive care. The World Health Organization collaborations have drawn from Thailand's universal health scheme, integrating community health workers into China's primary care network to reach remote areas, cutting out-of-pocket expenses for low-income groups by 25% since 2023. Cuba's community-based medicine has influenced grassroots clinics in ethnic regions, addressing disparities where minority groups face higher morbidity rates. Through BRI health silk road initiatives, China shares its telemedicine successes while adopting Rwanda's drone delivery for medical supplies in mountainous provinces. The 2026-2030 UN framework emphasizes joint monitoring of health inequalities, using Canadian data analytics to predict and prevent gaps, ensuring reforms align with SDG 3 for health and well-being [119].

Regional and environmental dimensions of stratification are tackled through cooperative frameworks like the BRI and ASEAN partnerships. Best practices from the European Union's cohesion funds, which redistribute resources to lagging regions, have informed China's inter-provincial equalization, enhanced by EU-China dialogues on balanced development. In sustainability, adaptations from Costa Rica's payment for ecosystem services support rural incomes while combating climate-induced inequalities, integrated into China's carbon neutrality goals by 2060. South-South cooperation, via forums like FOCAC, allows China to export its pro-poor infrastructure model to Africa, where studies show Chinese investments reduced inequality by fostering growth in underserved areas. Reciprocally, African community-led approaches have been adapted for China's ethnic autonomy regions, promoting inclusive governance.

Challenges in this cooperation include contextual mismatches and geopolitical tensions. Adapting Western models risks overlooking China's state-led system, as seen in early microfinance trials that faced scalability issues due to differing financial ecosystems. Sovereignty concerns arise in data sharing for M&E, with China prioritizing national security in digital collaborations. Solutions involve hybrid models, like blending UN expertise with local pilots, and capacity building through joint training. Amid U.S.-China frictions, multilateral platforms like the G20 provide neutral grounds for dialogue on inequality, as in 2025 commitments to debt relief that indirectly aid China’s domestic stability. Future-oriented cooperation aims at deeper integration, with the 2026-2030 UNSDCF focusing on digital and green transitions to reduce inequalities. China plans to adapt AI ethics from the EU for equitable tech deployment, preventing new digital stratifications. By 2035, enhanced partnerships could lower the Gini to under 0.35, through global knowledge hubs on common prosperity. Initiatives like digital aid exports demonstrate reciprocity, as China’s fintech has narrowed income gaps in partner countries.

Conclusions to chapter 3

China’s rapid development has combined remarkable growth with persistent inequality. Addressing these disparities requires a systemic and multidimensional strategy. The proposed model, built on redistribution, inclusive growth, and regional balance, offers an integrated framework. Redistribution relies on progressive taxation, social transfers, and public service provision to reduce both vertical (rich-poor) and horizontal (urban-rural, regional) gaps. Inclusive growth ensures that economic expansion generates widespread opportunities through education, job creation, infrastructure, and support for small enterprises. Regional balance complements both by directing fiscal transfers and targeted development programs to disadvantaged areas. Together, these pillars are mutually reinforcing, creating a cycle of fairness, opportunity, and spatial equity.

Simulations indicate that strong reforms could significantly reduce inequality, potentially lowering the Gini coefficient to 0.30–0.35 by 2035. However, weak

enforcement or external shocks could reverse gains. To secure progress, China must pursue institutional reforms such as hukou liberalization, digital inclusion, and transparent governance while embedding environmental and social sustainability into development strategies.

Strengthening social safety nets remains essential. Despite notable progress, rural coverage, informal labor protection, and benefit targeting remain insufficient. Expanding digital tools, such as blockchain registries, AI-driven monitoring, and biometric-linked databases, can enhance efficiency and ensure support reaches those most in need. Pension reform is urgent given rapid aging, requiring new subsidy models, savings incentives, and expanded care systems. Health security must also be reinforced through broader illness insurance, preventive care, and telemedicine, reducing household financial burdens and improving productivity. Similarly, unemployment protection should adapt to gig workers and migrants, providing portable benefits, retraining, and stronger compliance from employers.

Fiscal reform underpins these efforts. Shifting from VAT dependence toward progressive income, property, inheritance, and environmentally adjusted taxes would generate resources for welfare and reduce inequality. Digital enforcement mechanisms can improve compliance and expand the tax base. At the same time, education and vocational training must bridge rural-urban divides, upgrade workforce skills, and empower marginalized communities. Hukou reform, land rights liberalization, and participatory local governance will further enhance mobility and fairness.

A sequenced roadmap is required. In the short term, priorities include targeted redistribution, subsidies for vulnerable groups, job creation for youth and migrants, expanded healthcare, and scholarships for disadvantaged students. Medium-term goals should dismantle structural barriers: gradual hukou reform, regional fiscal transfers, equalization of education and health systems, stronger labor protections, and anti-discrimination laws. Long-term reforms must transform China into a consumption-driven, innovation-led economy, embedding social equity into demographic and environmental strategies.

Ultimately, achieving “common prosperity” demands more than growth, it requires an adaptive, equitable, and forward-looking development model. By aligning redistribution, inclusive opportunity, and spatial justice, China can transition toward a more balanced society where prosperity is shared and long-term stability is secured.

The main scientific results were published in the following scientific articles: 145, 146, 147, 148, 149, 150, 151, 152.

CONCLUSIONS

1. Economic inequality is a complex and multifaceted issue that manifests through differences in income, wealth, opportunities, and regional or global economic conditions. Understanding its typology is essential for designing targeted policies to address disparities and promote equitable economic growth. By recognizing the diverse forms of inequality, policymakers and researchers can better tackle its root causes and foster inclusive societies. Economic theories offer diverse perspectives on the causes of inequality, ranging from market-driven differences in productivity to systemic factors like class conflict, institutional structures, and capital accumulation. Each theory highlights different mechanisms whether individual skills, market dynamics, or power imbalances that contribute to economic disparities. Understanding these theories provides a foundation for designing policies to address inequality, tailored to its underlying causes in specific contexts. Indicators and indices for measuring economic inequality provide critical insights into the distribution of resources and opportunities within and across societies. From simple metrics like income share ratios to complex indices like the IHDI, these tools capture different facets of inequality, each with unique strengths and limitations. By combining multiple measures, researchers and policymakers can gain a nuanced understanding of disparities, enabling targeted interventions to promote equitable growth. As data collection and analytical methods evolve, new approaches will further enhance our ability to measure and address economic inequality effectively.

2. The historical trajectory of inequality in socialist and post-socialist societies reflects the interplay of ideology, policy, and economic transformation. Socialist systems reduced income inequality but struggled with hidden disparities tied to political power and regional divides. The transition to post-socialist economies unleashed rapid increases in inequality, driven by privatization, marketization, and weakened social safety nets. While some post-socialist states have mitigated these trends through redistributive policies and economic growth, others continue to face significant disparities. Understanding this history provides valuable lessons for addressing inequality in diverse economic systems, highlighting the need for balanced

policies that combine growth with equity. Classical and modern theories of social stratification offer complementary insights into the structures and processes that shape inequality. From Marx's focus on class conflict to Weber's multidimensional approach, and from Bourdieu's cultural capital to intersectional perspectives, these frameworks illuminate the diverse mechanisms: economic, cultural, social, and political, that sustain social hierarchies. By integrating these theories, researchers and policymakers can better understand and address the complexities of stratification in contemporary societies, fostering strategies to promote equity and social mobility. Economic inequality and social stratification are mutually reinforcing phenomena sustained by a web of causal mechanisms from unequal access to education and employment to political bias and cultural exclusion. While inequality creates material barriers to advancement, stratification legitimizes and perpetuates these divisions through social norms, institutional practices, and inherited disadvantages. Addressing these issues requires a holistic approach that recognizes the interplay between economics and sociology. Only by targeting both material conditions and structural hierarchies can societies hope to foster equity, inclusion, and genuine social mobility. Social mobility is both a measure of fairness and a driver of economic and social dynamism. When individuals are able to rise based on merit, societies are more innovative, stable, and prosperous. However, in stratified societies, systemic barriers, ranging from unequal education to entrenched discrimination, constrain upward movement and perpetuate cycles of disadvantage. Recognizing the multi-dimensional nature of these barriers is the first step toward meaningful reform. It is only through structural interventions and a collective rethinking of fairness and opportunity that societies can transform from rigid hierarchies into engines of mobility and inclusion. Inequality in access to education, healthcare, and employment is not just a moral failing, it is a practical barrier to human progress. Societies that allow such disparities to persist waste talent, fuel resentment, and undermine social cohesion.

3. The economic reforms in China since 1978 have unleashed unprecedented growth and development. Hundreds of millions have escaped poverty, and the country has emerged as a global economic power. However, these gains have come at the cost

of widening disparities in income and wealth distribution. The rural-urban divide, regional gaps, wealth concentration, and limited upward mobility for some social groups challenge the long-term sustainability of China's development model. Recognizing these issues, the Chinese state has gradually embraced redistributive policies, social welfare expansion, and poverty alleviation strategies. The “Common Prosperity” campaign signals a renewed commitment to achieving a more equitable society. Still, the balancing act between growth and equity remains complex. The hukou system remains one of the most powerful institutional mechanisms reinforcing socio-economic stratification in China. Despite decades of economic growth and some policy adjustments, the divide between urban and rural residents persists in education, healthcare, employment, and social security. As China aspires to achieve “common prosperity,” dismantling the hukou system and addressing the urban-rural divide is not just a matter of fairness, it is a strategic imperative for sustainable development and social cohesion. A genuine transformation will require bold national-level reforms and political will to overcome entrenched inequalities and build a more inclusive Chinese society.In the PRC, education, health care, and employment function as critical channels through which inequality is both reproduced and sustained. Despite laudable achievements in expanding basic services and reducing absolute poverty, the structural inequalities embedded in these systems, exacerbated by urban-rural divides, the hukou system, and segmented labor markets, limit social mobility and entrench class stratification. Addressing these issues requires sustained political will, bold structural reforms, and a commitment to inclusive development. Only by ensuring that access to quality education, healthcare, and decent employment is truly universal can China move toward a more equitable and cohesive society. Regional disparities in the PRC are deeply rooted and multifaceted, shaped by geography, policy, and institutional design. While significant progress has been made through government policies such as the “Go West” campaign, fiscal transfers, and regional integration strategies, imbalances remain between coastal and inland regions, urban and rural areas, and different socio-economic groups. The Chinese government’s recent emphasis on “common prosperity” and high-quality, inclusive growth marks an important shift from

quantity to quality in its development model. Yet, realizing truly balanced development requires not only financial investment but also systemic reforms, ranging from hukou reform and local governance improvements to greater transparency, social equity, and bottom-up development initiatives. Only by addressing these root causes can China ensure that the benefits of growth are shared more equitably across its diverse regions and populations.

4. China's income distribution reflects both the remarkable achievements and persistent challenges of its economic development model. The stark regional inequalities, urban-rural divides, and disparities across occupational, gender, and ethnic lines are rooted in historical policies, structural economic dynamics, and institutional barriers like the hukou system. Statistical analysis reveals not only the scale of income inequality in the PRC but also its evolving character. While national incomes continue to rise, the distribution remains skewed, and social tensions may increase if corrective policies are not enforced more equitably. The rural-urban income gap in the PRC is one of the most enduring legacies of its growth model, shaped by economic priorities, institutional frameworks, and geographic imbalances. While China has made visible progress in alleviating poverty and boosting rural incomes, deep-rooted disparities remain in terms of wages, social services, mobility, and wealth accumulation. Bridging this gap requires comprehensive structural reform – including full hukou liberalization, equitable education and healthcare, land rights reform, and sustained investment in rural industries and infrastructure. Moreover, empowering rural communities to participate in and benefit from China’s digital and green transformations will be crucial in ensuring that rural residents are not left behind in the next phase of development. The concentration of wealth and rise of the upper class in China represent both the success and the challenges of its economic transformation. While the creation of wealth has driven development and global prominence, its uneven distribution threatens to slow social mobility and widen structural gaps.

5. China’s social stratification has evolved from a politically dictated class system to a nuanced structure driven by market forces, education, location, and policy. From the wealthiest entrepreneurs and state elites to the struggling migrant workers

and rural elderly, the socio-economic characteristics of each stratum reflect broader transformations in Chinese society. While millions have entered the middle class and escaped poverty, inequality and stratification remain salient. China's social stratification deeply influences access to education, healthcare, and housing. The upper and middle strata enjoy vast advantages in school quality, health insurance, and safe housing. In contrast, migrants and rural lower-income groups face cumulative disadvantages: limited schooling, poorer health service usage, and housing insecurity or crowding. These inequalities persist despite policies to balance resources. Addressing them demands sustained structural reform: pooling educational funding, reforming hukou constraints, expanding healthcare infrastructure in rural areas, democratizing housing policy, and enabling social mobility through equitable access. Over the past two decades, China's middle class has undergone a dramatic transformation – from relative obscurity to a dominant and diverse socio-economic group. Structurally, it has shifted toward urban salaried professionals, with distinct upper and lower middle tiers. Aspirations have traditionally centered on education, property ownership, and consumption; however, rising vulnerability, economic stagnation, and social pressures have fostered new attitudes focused on health, stability, and sometimes even withdrawal.

6. China's fiscal and social-insurance architecture has underpinned rapid development and large-scale public investment. Yet its present structure, heavy reliance on VAT, fragmented social contributions, and an evolving but imperfect central-local fiscal balance, limits the redistributive reach compared to mature OECD welfare states such as Germany. Tackling inequality, demographic pressures, and the need to boost domestic consumption will require a careful mixture of revenue reform (more progressive, stable revenue), social-insurance consolidation, and stronger central-local finance arrangements. China's Five-Year Plans have been indispensable in directing resources, coordinating large poverty-reduction campaigns, and expanding social protection. The FYP mechanism's unity of purpose and administrative reach allowed exceptional success in poverty reduction. But persistent income inequality shows the limits of growth-plus-targeted programs: durable inequality reduction needs structural

changes in fiscal design, long-term social-insurance financing, jobs-rich industrial strategy, and sustained redistribution. The current FYP cycle and the "common prosperity" emphasis provide a policy window – the challenge is converting plan rhetoric into fiscal and institutional change that is both sustainable and socially redistributive. As China continues its regional development journey, refining program design to be more place-sensitive, institutionally empowered, and welfare-focused will be essential to translate growth into lasting equity. China's crisis-response playbook – large fiscal stimuli (2008), targeted tax rebates and credit support (COVID-19), and emergency social-protection top-ups, has delivered effective macro stabilisation and prevented a deep welfare collapse in crisis episodes. However, distributional impacts depend heavily on design: direct transfers and broad unemployment support (as in the U.S.) or comprehensive job-retention programmes (as in Germany) have stronger short-term inequality-compressing effects than firm-facing liquidity alone.

7. China's economic transformation has generated both rapid growth and deep inequalities. The proposed conceptual model (income redistribution, inclusive growth, and regional balance) offers a comprehensive strategy to address these disparities. Redistribution focuses on progressive taxation, social transfers, public goods provision, and wealth-side instruments to reduce vertical (rich-poor) and horizontal (urban-rural, regional) inequalities. Inclusive growth complements this by ensuring that development generates broad opportunities, through job creation, education, human capital investment, infrastructure expansion, and support for small enterprises and innovation. Regional balance integrates both by directing fiscal transfers, connectivity, and place-based strategies toward lagging provinces, thereby reducing structural disparities across space. The three components are mutually reinforcing: redistribution funds inclusive growth, inclusive growth expands the tax base for redistribution, and regional balance ensures benefits reach disadvantaged populations. Beyond theory, simulation-based policymaking allows China to test policy mixes before implementation, making strategies more adaptive. Quantitative indicators (Gini, income ratios, poverty rates) track numerical trends, while qualitative measures (perceptions of fairness, institutional access, mobility) reveal underlying structural and

social realities. Their integration ensures that “statistical progress” translates into genuine social cohesion. Scenario analysis shows that inequality could decline sharply under strong, well-enforced reforms, potentially lowering the Gini to 0.30-0.35 by 2035, but could worsen under weak enforcement or external shocks. The model highlights trade-offs and synergies, underscoring the need for hukou reform, digital inclusion, green infrastructure, and transparent governance. Ultimately, reducing inequality in China requires systemic, multi-dimensional, and adaptive strategies, balancing redistribution, opportunity creation, and spatial equity to achieve sustainable “common prosperity.”

8. China’s path toward inclusive economic development relies on strengthening social safety nets, welfare programs, and institutional reforms to reduce inequality while sustaining growth. Despite significant progress, gaps remain in rural coverage, informal labor protection, and targeting efficiency. Expanding digital technologies such as biometric-linked registries, blockchain-enabled transparency, and AI-driven data integration offers tools to improve precision, cut administrative costs, and ensure aid reaches those most in need. Pension reform is critical given the rapid aging of the population, requiring tiered subsidies, private savings incentives, and expanded care services to reduce elderly poverty and stimulate consumption. Health security also needs reinforcement, especially after COVID-19 revealed vulnerabilities in catastrophic coverage and rural access. Expanding illness insurance, preventive care, and telemedicine would reduce out-of-pocket burdens and improve labor productivity. In parallel, unemployment insurance and job-linked welfare must adapt to cover gig workers and migrants, with portable benefits, retraining vouchers, and stronger compliance from employers. These would transform safety nets into engines for skill upgrading and re-employment. Tax reform underpins fiscal sustainability and equity. Progressive income, property, inheritance, and environmentally adjusted taxes could shift burdens to wealthier groups, generating resources for welfare while curbing inequality. Combined with digital enforcement, such reforms would strengthen compliance and increase revenues. Education and vocational training are equally vital, bridging rural-urban divides, upgrading skills for strategic sectors, and empowering

marginalized groups. Hukou reform, land rights liberalization, and community participation further enhance integration, mobility, and fairness.

9. China's efforts to reduce social and economic stratification require a carefully sequenced roadmap that aligns short-term relief with medium-term structural reforms and long-term systemic transformation. No single reform can dismantle entrenched inequalities, but phased interventions can progressively foster a more inclusive society in line with the national goal of "common prosperity." In the short term (1-3 years), priorities must focus on immediate stabilization: targeted fiscal redistribution, subsidies, and cash transfers to vulnerable groups; job creation for youth and migrant workers; expanded healthcare access; and scholarships for disadvantaged students. These measures build on the success of past poverty eradication while addressing risks of unemployment, rural-urban divides, and healthcare burdens. Medium-term priorities (3-10 years) target structural barriers. Gradual hukou reform, inter-provincial fiscal transfers, and regional equalization policies can narrow urban-rural gaps. Education equity, healthcare integration, labor protections, and anti-discrimination laws are crucial for sustainable opportunity redistribution. Monitoring progress within Five-Year Plans ensures accountability. Long-term reforms (10+ years, toward 2035) must envision a fundamentally restructured society. This includes transitioning toward a consumption-driven, innovation-led economy, embedding social equity in demographic and environmental policies, and fostering cultural norms of fairness. Goals such as reducing the Gini coefficient below 0.35 and achieving near parity in urban-rural incomes underscore this vision.

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ANNEXES

Annex A

Table A1

Dynamics of Income Inequality in the PRC (2000-2023)

Year	Gini Coefficient (World Bank/China NBS)	Top 10% Income Share (%)	Bottom 50% Income Share (%)	Remarks
2000	0.41	34.5	18.7	Rapid urbanization, beginning of WTO integration
2005	0.46	38.9	16.3	Export-led growth, widening urban-rural gap
2010	0.49	41.8	14.5	Peak inequality, real estate boom
2015	0.47	40.5	15.2	Policy focus on "New Normal" economy
2020	0.47	39.8	15.8	COVID-19 impact, digital economy expansion
2023	0.46	38.9	16.1	Poverty alleviation campaigns, social redistribution policies

Table A2

Urban-Rural Income Gap in the PRC (2000-2023)

Year	Average Urban Disposable Income (CNY)	Average Rural Disposable Income (CNY)	Urban-Rural Income Ratio	Notes
2000	6,280	2,253	2.79 : 1	Structural dual economy persists
2005	10,493	3,255	3.22 : 1	Strong export growth, rural lag
2010	19,109	5,919	3.23 : 1	Inequality peak in rural-urban gap
2015	31,195	11,422	2.73 : 1	Gradual narrowing with rural reforms
2020	43,834	17,131	2.56 : 1	Targeted poverty eradication policies
2023	51,232	20,133	2.54 : 1	Ongoing rural revitalization strategy

Continuation of Annex A

Table A3

Regional Disparities in GDP per Capita (2023)

Region	GDP per Capita (CNY)	National Rank	Economic Characteristics
Beijing	190,000	1	High-tech, services, finance
Shanghai	185,000	2	Global financial hub
Guangdong	115,000	5	Manufacturing, innovation center
Zhejiang	110,000	6	Private entrepreneurship, trade
Inner Mongolia	74,000	15	Resource-based economy
Gansu	45,000	28	Agrarian, underdeveloped
Tibet	42,000	30	Subsidy-dependent, rural-oriented
National Average	89,000	–	Sharp regional divergence

Table A4

Social Stratification Structure of the PRC Population (2023)

Social Group	Share of Population (%)	Average Annual Income (CNY)	Main Characteristics
Upper Class (High-net-worth, elites)	1-2%	>1,000,000	Entrepreneurs, top officials, investors
Upper Middle Class	12-15%	300,000-1,000,000	Senior managers, professionals
Emerging Middle Class	25-30%	100,000-300,000	White-collar workers, urban employees
Lower Middle Class	30-35%	50,000-100,000	Migrant workers, small business owners
Working Poor	15-18%	20,000-50,000	Gig economy, informal sector
Underclass (Rural poor, elderly without support)	5-7%	<20,000	Vulnerable groups, subsistence income

Annex B

JIU No. 22 from May 8, 2025

To the specialized scientific council
Western Ukrainian National University

CERTIFICATE
on using the results of qualification work of
Wu Qi

We confirm that results of Yumen Shunte Logistics Co., Ltd., has referred to and applied Wu Qi's research results on "Economic inequality of the PRC as an imperative for the formation of social stratification of the population".

Under the guidance of Candidate of Economic Sciences, Associate Prof. Viktoriia Homotiuk, Wu Qi combined her doctoral research findings with the current state of logistics development in China to provide practical guidance on how logistics companies can invisibly exacerbate economic inequality through their infrastructure networks and pricing strategies. Yumen Shunte Logistics Co., Ltd. draws on Wu Qi's relevant research results, special emphasis is placed on how to prioritize the layout and services of developed regions and large enterprises, so that they can enjoy the convenience of high efficiency and low cost and accelerate wealth accumulation.

The significance of this research lies in optimizing network layout to fill service gaps, providing the government with a basis for inclusive logistics policies, fulfilling corporate social responsibility, and discovering huge business opportunities in the sinking market.

The research results are being applied to the planning and development strategy of Yumen Shunte Logistics Co., Ltd., Strengthen and optimize network layout to better fulfill corporate social responsibility.

Sincerely!

Legal Representative
Yumen Shunte Logistics Co., Ltd.

JIU No. 24 from May 9, 2025

To the specialized scientific council
Western Ukrainian National University

CERTIFICATE
on using the results of qualification work of
Wu Qi

We confirm that results of Gansu ZOSE Culture Advertising Media Co., Ltd., has referred to and applied Wu Qi's research results on "Economic inequality of the PRC as an imperative for the formation of social stratification of the population".

Under the guidance of Candidate of Economic Sciences, Associate Prof. Viktoriia Homotiuk, Wu Qi combined her doctoral research with the fact that economic inequality in China is a major social issue.Gansu ZOSE Culture Advertising Media Co., Ltd. used documentaries and in-depth reports to expose the reality and spark public discussion.

The significance of this research lies in its ability to accurately understand the spending power of different social classes, develop appropriate content and products, and achieve a balance between commercial and social value.Ultimately, it will become a bridge connecting different groups and driving progress.

The research results are being applied to the planning and development strategy of Gansu ZOSE Culture Advertising Media Co., Ltd., It can better achieve a balance between commercial value and social value.

Sincerely!

Legal Representative
Gansu ZOSE Culture Advertising Media Co., Ltd.