



Analysis of the Impact of Labor Mobility Among the Three Industries on the Urban-Rural Income Gap

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Abstract: Narrowing the urban-rural income gap is an essential pathway to promote common prosperity. Since 2012, the ratio of per capita disposable income (PCDI) between urban and rural residents in China has decreased from 2.88 in 2012 to 2.39 in 2023, indicating a further reduction in income disparity. However, the Gini coefficient remains above 0.45, indicating persistent inequality. This paper first conducts an in-depth analysis of income data for urban and rural residents released by the National Bureau of Statistics, revealing the gradual decline in the income ratio since 2012, but with a slow downward trend and a still large income gap. Then, the reasons for the large urban-rural income gap are analyzed from the perspectives of labor mobility between the three industries, differences in industrial distribution, and inequality in education and employment. Finally, this article proposes four measures, such as simplifying the procedures for rural migrant labor to access urban public services, promoting rural land system reform, advancing urban-rural education system reform, and improving mechanisms to attract high-quality talents. These methods are expected to have a beneficial impact on narrowing the urban-rural income gap.

Keywords: per capita disposable income, urban and rural residents, income gap, labor mobility, the three industries

1 Introduction

Common prosperity is an essential requirement of socialism and a significant characteristic of the Chinese-style modernization¹. While allowing for disparities, common prosperity entails narrowing the gap between residents' income and actual consumption levels to a reasonable range. Currently, income inequality in China is evident. According to the "China Household Survey Yearbook 2023"² and data released by the National Bureau of Statistics (NBS), China's Gini coefficient ranged from 0.473 to 0.491 between 2003 and 2011. From 2012 to 2023, it exhibited a fluctuating downward trend and consistently exceeding 0.45, indicating a relatively high level of inequality³. In 2021, China's per capita gross domestic product entered the ranks of upper-middle-income countries. For China's economy to smoothly transition beyond the middle-

income stage and avoid the "middle-income trap", it must prioritize addressing income gap. Narrowing the urban-rural income gap is an effective approach to alleviating existing issues.

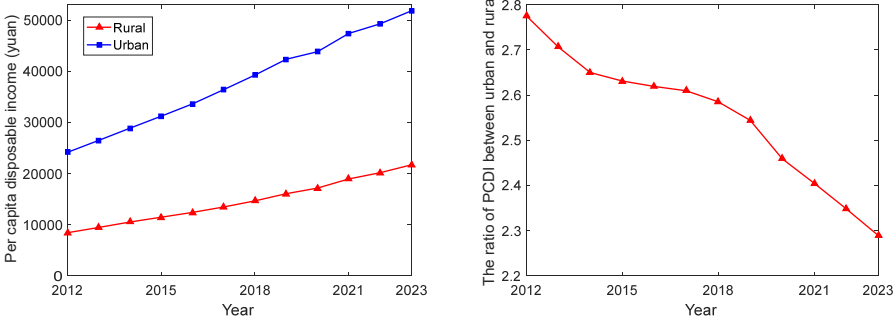
A lot of literature focuses on the urban-rural income gap, typically organized into two core dimensions: the analysis of its changes and influencing factors, and the examination of its causes and solutions. The former mainly focuses on the evolution trend of income gap between urban and rural residents since the reform and opening-up. The results indicate that after the reform and open policy, the income gap between urban and rural residents in China has not narrowed, but has instead shown a trend of continuous expansion⁴. The latter mainly focuses on the impact of factors such as urban-rural dual structure, labor mobility, institutional policies, industrial distribution, and education level on the urban-rural income gap. Researchers generally believe that labor mobility between urban and rural areas is an important factor affecting the income gap among residents. By analyzing the positive and inhibitory effects of rural labor mobility on narrowing the urban-rural income gap, literature⁵ points out that rural labor urbanization migration has a constructive effect on narrowing the urban-rural income gap. On the contrary, literature⁶⁷ point out that the registered residence system and urban public service constraints have a restraining effect on narrowing the urban-rural income gap. Overall, current research on the urban-rural income gap is relatively comprehensive. However, to the author's knowledge, there is a lack of relevant research on the evolution trend of urban-rural income gap since the new era (i.e. after 2012), and existing research has not conducted a detailed analysis from the perspective of the urban-rural distribution of the three industries.

This paper takes the goal of common prosperity as the research background and concentrates on data from 2012 onwards to examine the urban-rural income gap in China during this period. The main analysis focuses on the evolving trends of urban-rural income gap since the new era, as well as the impact of labor mobility on income gap and the strategies to address it, with the aim of promoting common prosperity.

2 Evolution Trend of Urban-Rural Income Gap in the New Era

Figure 1(a) illustrates the trend of per capita disposable income (PCDI) for urban and rural residents in China from 2012 to 2023. As shown in Figure 1(a), the PCDI of both urban and rural residents in China has been increasing annually. Specifically, the PCDI of urban residents rose from 24,127 yuan in 2012 to 51,821 yuan in 2023, while that of rural residents increased from 8,389 yuan in 2012 to 21,691 yuan in 2023. The urban-rural income gap increased by 1.91 times on a year-on-year basis.

As shown in Figure 1(b), the PCDI ratio of urban to rural residents decreased from 2.88 in 2012 to 2.39 in 2023, representing a year-on-year decrease of 0.49. This indicates that since 2012, the PCDI of both urban and rural residents has been increasing annually, while the ratio of urban to rural PCDI has been continuously decreasing, leading to a gradual reduction in the urban-rural income gap in China.



The growth of PCDI in urban and rural areas (b) The ratio of PCDI between urban and rural areas

Fig. 1. The data of PCDI for urban and rural residents from 2012 to 2023

According to annual data from the NBS in 2023, as shown in Table 1, the PCDI for high-income urban households and low-income urban households was 110,639 yuan and 17,478 yuan, respectively. For high-income rural households and low-income rural households, the PCDI was 50,136 yuan and 5,264 yuan, respectively. The urban and rural residents in China were divided into five equal parts of income. The PCDI ratio of high-income households between urban and rural areas was about 2.21 times, and the PCDI ratio of low-income households in urban and rural areas was about 3.32 times. Furthermore, the ratio of PCDI between the high-income and low-income rural residents is approximately 9.52 times, which is 3.19 times higher than that between the high-income and low-income urban residents. At the macro level, the difference in PCDI between the highest-income group in urban areas and the lowest-income group in rural areas is approximately 21.02 times.

Table 1. PCDI of Five Groups Divided Equally by Income Lever in 2023

PCDI of Five Groups Divided Equally by Income Lever (yuan)	Urban Households	Rural Households	Ratio
Low Income (yuan)	17478	5264	3.3203
Lower Middle Income (yuan)	32202	12864	2.5033
Middle Income (yuan)	46276	18479	2.5042
Upper Middle Income (yuan)	65430	25981	2.5184
High Income (yuan)	110639	50136	2.2068

This suggests that while China's urban-rural gap is gradually narrowing at the current stage, the pace of reduction is sluggish. In general, both local income disparities within urban areas and rural areas remain substantial, and income inequality in rural areas stands out as a significant shortcoming. The unequal and imbalanced income disparities between urban and rural residents remain a prominent issue that calls for urgent attention and resolution.

3 Impact of Labor Mobility between the Three Industries on the Evolution of Urban-Rural Income Gap

3.1 Analysis of Labor Mobility across the Three Industries

From the perspective of industrial distribution of labor employment in China, since the reform and opening up, the Chinese labor has rapidly shifted from the first industry to the secondary and third industries. Figure 2 presents the changes in the proportion of employed workers across the three industries. As shown in Figure 2, since the reform and opening up, the number of employees in China's first industry has continuously fluctuated and declined over 44 years, decreasing from 70.5% in 1978 to 24.08% in 2022, representing a year-on-year decrease of 46.42%. Conversely, both the secondary and third industries have exhibited fluctuating increases. The proportion of the secondary industry has risen from 17.3% in 1978 to 28.77% in 2022, marking an 11.47% increase year-on-year, while the third industry has increased from 12.2% in 1978 to 47.15% in 2022, representing a 34.95% year-on-year increase. Rural traditional first industry employment has shifted towards the secondary and third industries. It is noteworthy that in 2011, the number of workers in China's third industry exceeded that of the primary and secondary industries for the first time, and has continued to increase significantly ever since.

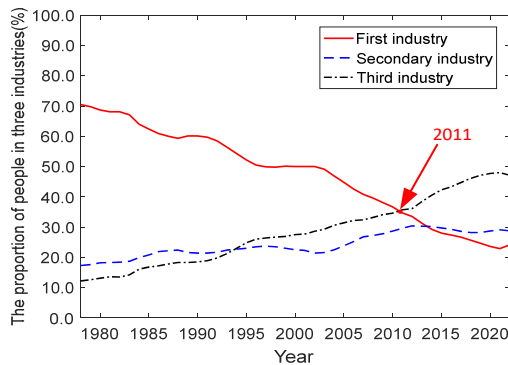


Fig. 2. The changes of workers across the three industries from 1978 to 2022.

3.2 Constraints of Differences in Industrial Distribution between Urban and Rural Areas on the Income Improvement of Rural Migrant Workers

From the distribution of China's three industries, it can be observed that urban areas have a more diverse range of industry types. Most of the secondary and third industries locate in urban areas. However, rural industries have a single type and are mostly dominated by the first industry. Since 2005, the average wages of first industry workers have consistently remained at the lowest level. The third industry, meanwhile, has experienced robust growth and keep the average wage level on the top list over the past

decade. Changes in wage levels have influenced the employment preferences of workers, leading some rural laborers to migrate to developed cities in pursuit of job opportunities in the secondary and third industries. However, long-distance migration incurs additional employment and relocation costs. Rural laborers working in first industries typically belong to the lower income rank, thus having lower income. Whether choose to work nearby or go out as migrant worker, it creates obstacles to the income increase of rural residents and widens the urban-rural gap.

3.3 Constraints of Education and Employment Inequality on the Long-Term Development of Rural Labor Force

In pursuit of high-quality education and employment opportunities, rural laborers choose to migrate to developed cities and regions. Compared with urban residents, rural laborers suffer from discrimination in accessing basic public services, education, and employment opportunities. It results their inferior rank of wealth distribution. Individuals from developed cities enjoy superior educational resources and opportunities, enabling them to obtain more resources and higher-paying jobs. This situation further consolidates the advantage in high quality education resources and opportunities for their children. In contrast, rural low-income groups cannot afford the costs of pursuing high-quality education. they just can enroll in schools with low-quality education and nurture low-educated laborers.

Regardless of the cost of migration, areas with higher education always cluster highly educated laborers, which further reduces the market competitiveness of low-educated households. Given that the educational costs for low-educated households are higher, this unfair effect is particularly evident for children from low-educated families⁸. This vicious cycle deepens the class barriers between urban and rural residents, further widening the wealth gap between them. Additionally, when rural laborers migrate to developed cities, they carry the value they have created. This leads to the phenomenon of "left-behind" rural areas, with one-way outflows of talent and resources, which makes rural development increasingly challenging.

4 Strategies in the New Era to Narrow the Urban-Rural Gap and Promote Common Prosperity

Firstly, it is imperative to refine the procedures for rural migrant workers to access social security, healthcare, childcare, and other services when they move to cities, simplifying the process for handling affairs in different localities. This entails establishing a comprehensive social security system for rural migrant workers and their accompanying children, thereby alleviating the burden of medical expenses on low-income rural populations. Moreover, efforts should be made to reduce the constraints and costs associated with rural-to-urban migration, aiming to achieve cost savings. Secondly, the ongoing advancement of rural land system reform should be pursued, allowing rural residents to derive income from land contracting and utilization, thus increasing the proportion of their property income in total income. This should achieve "broaden

sources of income" and enhance residents' sense of belonging and identity to rural areas. Moreover, promote the reform of the urban-rural education system, with a focus on addressing the needs of special groups in rural areas, providing them with necessary educational support, and improving the educational attainment of rural residents. This will, in turn, enhance the quality of rural labor force employment and increase rural residents' income. Finally, it is necessary to improve mechanisms for attracting high-quality talent. While encouraging rural university graduates to return to their hometowns for entrepreneurship, actively attracting outstanding talent from outside areas should also be emphasized, facilitating a bidirectional flow of labor between urban and rural areas. This will promote rural development.

5 Conclusion

This paper analyzes the PCDI of urban and rural residents in China after 2012 using data published by the NBS. The results indicate a declining trend in the ratio of per capita disposable income between urban and rural residents since 2012, suggesting a gradual narrowing of the income gap between urban and rural areas. In addition, labor mobility across the three industries in China is relatively strong, with growth mainly concentrated in the tertiary industry. In 2011, the number of employed individuals in China's third industry surpassed that of the primary and secondary industries for the first time and has since maintained stable growth. The movement of labor among the three industries has led to a large influx of rural labor into urban areas, resulting in additional migration costs. Moreover, rural laborers face discrimination in education, employment, and access to basic public services in urban areas, which negatively affects their ability to increase income.

Acknowledgement

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