The Research on urban poverty in China

Author : Tiedong Lu
Department : The Tianjin Statistics Bureau
Address : Nanjing Road 244#
City&Nation : Tianjin, China
E-mail Address: LTD @ns.stats-tj.gov.cn

Summary: **After the theoretical analysis was made, According to the Chinese condition, this paper put forward that the main form of Chinese urban poverty is the relative poverty. The poverty degrees are differe nt according to three lines. After analyzing elements inducing poverty, this paper estimated the poverty line levels for Tianjin residents in 1997, by using the statistical data.**

Poverty is a worldwide problem, but the statuses of poverty are various in different country. On the basis of the circumstances of our country, this studies the urban poverty in China and gets some interesting conclusion.

1. Theoretical Analysis of the poverty

The poverty is an important economic and social problem, and its meaning is different between the narrow sense and the general sense. Generally the narrow meaning of poverty is that some people are short of capacity of acquiring the income of the lowest living level. The concept of the lowest living level is flexible, it may vary with the different stages of development, different development levels, different countries and regions, so the meaning of the poverty is relative.

In China, some urban residents and households are very poor and their incomes are lower than the average. These residents and households are in poverty stratum. Since Economic Reform and door-Open, the total income level of urban residents has been improved greatly. The absolute poverty isn't of universal significance in urban areas and the main form of poverty is relative.

This paper defines the poverty degree with three income levels as follow□

The survival line□The income can just meet the basic physiological needs of residents, otherwise their lives would be threatened .

The poverty line□The income can only meet the basic living needs, below which the basic living expenses can't be ensured.

The relative poverty line□the income can not meet the dignity living standards in certain region ,but it's higher than the poverty line .

The poverty stratum has a scope, because of the government's efforts of alleviating poverty, some of poor families have gotten ride of poverty, and the number of the poor families is decreasing.

2. Elements inducing poverty

Since economic reform started in China, the quality of laborers has become a decisive factor of individual income. Let's make some analysis as follow□

First ,we decomposed the characteristics of the labor, then measure the income ratio of the labor characteristics ,that is the share that each characteristic contribute to the total income. The income ratio of the labor characteristic is the amount of income being resulted from one unit variation of certain characteristic. The plural regression is an important means that is used to

calculate the income ratio of characteristic labor. The regression equation as follow□

(1)   *Y=a(0)+a(1)X(1)+a(2)X(2)+......a(r)X(r)+□*

The purpose of regression analysis is to estimate the regression parameters of the variables. On base of the income ratio of labor characteristic known, then we can estimate the influencing degree on income difference of the labor characteristic. Now we employed the Fei—Ranis decomposition formula.

(2)   *G=φ(1)R(1)G(1)+φ(2)R(2)G(2)+φ(3)R(3)G(3)+φ(4)R(4)G(4)+□*

It is shown that employment, education, industry and profession are the four important factors. Among these four factors, industry is the most important one and its contribution share, 33%; employment is the second and its contribution share, 26%; the third is education and its contribution share, 25%; the last one is profession and its share,16%.

Of course, the poverty status is not only related with income, but also related with the consumption of families. However, income is the first one and a decisive factor.

3. Estimation of the poverty degree

Estimation of the poverty degree is very important when we research the poverty. We must use the econometrics to solve the problem, but selecting a method that is suitable for our country is the presupposition for the estimation. This paper tries to synthesize several ways. Using only one way maybe result in bias.

This paper estimates the lowest living ensuring lines of Tianjin residents in 1997 by using several methods such as the basic needs and proportion ways. We synthesize all kinds of situations and conclude as follows:

The survival line: 160yuan per captia/monthly; the poverty line: 185yuan per captia/ monthly; the relative poverty line: 210yuan per captia/monthly.

From the three lines, it has shown that the poverty has its range. From the result above, we make a conclusion that in Tianjin, all of the households whose income are lower than 210yuan per captia/monthly are the poverty group in the society of Tianjin . The groups under survival line and the poverty line are the second poorer and the poorest.

Poverty is relative and the poverty line is the dynamic concept. With the economic development and social progress, the three poverty lines must be changed. In addition the poverty lines should be revised by each five years, according to price index.