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The Hukou, Difference of Inequality of Opportunity and Urban-rural Income Gap: The Empirical Evidence from China

Ying Li

Guang Lyu

Under Roemer's binary "circumstances-efforts" analysis framework, this paper takes full consideration of the interaction effect of the circumstances and efforts on China's income distribution. Based on the ex-ante method, using CGSS2008-2015 data and multiple inequality decomposition methods, we explore the influence of hukou on China's inequality of opportunity (IO). In addition, the source of the income differences between urban and rural areas is taken into deep-discussion. The proportion of IO, measured by the ex-ante method, declines year by year, among which the rural IO is higher than urban, while the trend of the two is opposite. The degree of hukou's contribution gradually decreases, calculated by Shapley value decomposition. Due to the construction of multilevel counterfactual income, the indirect impact of education and employment on IO, generated by circumstances, can be estimated. Results show that the indirect channel accounts for 1/3 of overall IO, which is higher in rural than in urban. Oaxaca-Blinder decomposition finds that if urban and rural residents have same endowments, the 2/3 gap between urban and rural residents could be eliminated. The conclusions provide a new perspective for comprehensive understanding of China's urban-rural income gap, and have certain policy implications for rationally reducing IO and improving the fairness of income of urban and rural residents.