An overview of the income classification of Chinese residents

By Qihao Liang

[Abstract] This paper briefly expounds the main contents of Chinese residents' income, classifies it from wage income, transfer income, operating income and property income, and illustrates the general conditions of its payment with examples.  
[Keywords] Income classification; Payment conditions
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I. An overview of resident income

Resident income refers to the total value created by laborers in a country's material production sector in a certain period of time. According to China's National Bureau of Statistics, large income gap and imperfect distribution system are the main characteristics of Chinese residents' income today. In industry and area income, income gap reflects particularly obvious. According to the 2020 national average wage released by the National Bureau of Statistics, according to the eastern, central, western and northeastern regions, the annual average wage of employees in urban non-private units is ranked from high to low in the eastern, western, central and northeastern regions, among which the income of private enterprises is far lower than that of non-private enterprises.

The Gini coefficient of Chinese residents in 2020 is 0.394308, indicating that there is still a very large gap in income distribution in China.

Excessive income gap and unfair income distribution are not conducive to long-term economic development and social stability. In the past, the reason why China's economy and society can keep relatively stable while the income gap keeps widening mainly depends on the rapid economic growth and low unemployment level. The income gap is widening, but the incomes of low-income people are rising and the number of poor people is falling. If economic growth declines or there is a long-term recession, the impact of excessive income disparity and inequality on social instability will become more prominent.

Under the leadership of the Communist Party of China, China's income distribution system and the gap between rich and poor are further narrowing and improving.

II. Income classification

China implements a distribution system in which distribution according to work is the main principle and a variety of distribution modes coexist. Household income includes: wage income, transfer income, operating income, property income.

1. Wage income

Wage income refers to the total labor remuneration obtained by employed personnel through various channels, including the wages of the main occupation engaged in and the other labor income obtained by second occupation, other part-time jobs and sporadic labor. According to the Labor Law of the People's Republic of China, each region must set a minimum wage standard.

Its pay condition is: all kinds of laborer must get remuneration through legal work.

(1) Hourly wage

Hourly wage refers to the labor remuneration paid to individuals according to the hourly wage standard (including the district living allowance) and the working hours.

These include: hourly rate of pay for work done; The basic wages and post (post) wages paid to staff and workers by the units implementing the structural wage system; The trainee salary of the new staff and workers (the apprentice's living expenses);
Sports allowance for athletes.

(2) **Piece rate**

Piece rate wage refers to the labor remuneration paid according to the unit price of piece rate for the work done. Including: the implementation of excess progressive piece rate, direct unlimited piece rate, quota piece rate, excess quota piece rate and other wage system, according to the labor department or the department in charge of quotas and unit price of piece rate to pay to the individual wages; Wages paid to individuals on a union basis; A salary paid to an individual on a turnover or profit commission basis.

(3) **Bonus**

Bonus refers to the remuneration paid to staff and workers for excess work and for increasing income and saving money. Including: Production award; Saving award; Labor Competition Prize; Reward wages of government organs and institutions; Other bonuses.

Bonuses are given in exceptional circumstances, such as for outstanding contributions to individuals or departments.

(4) **Allowances and subsidies**

Allowances and subsidies refer to the allowances paid to staff and workers for special or extra Labor consumption and other special reasons, as well as the price subsidies paid to staff and workers in order to ensure that the wage level of staff and workers is not affected by prices.

Allowances include: allowances to compensate employees for special or additional labor costs, health benefits, technical benefits, and other benefits.

Price subsidies include subsidies paid to protect workers' wages from price increases or changes.

(5) **Overtime pay**

Overtime pay refers to the overtime pay and overtime pay paid according to the regulations.

(6) **Special circumstances salary**

Salary that pays below special situation, including: according to the national laws, regulations and policies, due to illness, injury, maternity leave and family planning false, marriage funeral, personal leave, home leave, vacation, to cease learning regularly, implement national or social obligations and so on cause by hourly wage standard or the certain proportion pay hourly wage standard; Additional pay, retention pay.

2. **Transfer income**

Transfer income refers to the state, units, social groups to residents' families of all kinds of transfer payments and income transfer between residents' families. Between family gifts and support, etc.

(1) **The government gives to individuals**

Including government transfer of personal income from retirement, unemployment benefits, compensation, etc. Individuals may receive government transfer payments when certain circumstances occur, such as unemployment, retirement, judicial compensation, and so on.
(2) Unit to individual

Include the unit to individual income transfer dismiss gold, insurance claim, housing accumulation fund. The unit needs to pay "five insurance and one housing fund" for the worker, refers to the unit of choose and employ persons to give several kinds of indemnification treatment, including endowment insurance, medical insurance, unemployment insurance, industrial injury insurance and maternity insurance, and housing provident fund.

Transfer payments are made when certain circumstances occur, such as dismissal, meeting certain insurance claims and housing purchases.

At present, the statutory retirement age in China is 60 for men, 55 for female officials and 50 for female workers. After formal retirement, they can receive monthly pension.

(3) Family

"Support income", "gift income", "meals with friends and relatives" and "bookkeeping subsidy" are basically income transfers occurring within households. It mainly occurs in human relations between families, legal support, folk activities and so on.

3. Operating income

Operating income refers to the income obtained by taxpayers through regular production and operation activities, that is, the income generated by enterprises in daily activities such as selling goods, providing services and transferring the right to use assets, which is usually manifested as cash inflow, the increase of other assets or the decrease of liabilities.

Terms of payment: refers to the income from production and business activities, and the income from the sale of goods or services.

4. Property income

Refers to the income generated by participation in social production and living activities through capital. Income derived from personal property owned by the family (such as bank deposits, securities, vehicles, collectibles, etc.) and real property (such as houses, etc.). Including interest, rent and patent income obtained from the assignment of the right to use property; The dividend income obtained from the operation of the property, the gain from the appreciation of the property, etc. For a long time, people based on their personal property or real estate transaction, lease and other ways to get the property income, with the development of the era and the evolution of the financial industry, people gradually increase the new source of property income, savings, stocks, bonds, insurance, financial products, such as wealth management products become the main source of people's property income.

Terms of payment: profit must be made from tangible or intangible capital.

(1) Stocks

Dividends, also known as dividends, are the portion of earnings that shareholders receive regularly from a corporation. Allocation is usually based on the denomination of the shares. The specific allocation varies according to the nature of the stock
(preferred or common). The preferred stock is paid at a fixed dividend rate, while the dividends of common stock are determined and paid on the basis of the remaining profits of the company after the preferred stock has been paid.

Dividends are the amount of income that shareholders receive in excess of dividends. After the company has paid dividends; If there is a surplus and the board decides to distribute some of it to shareholders, it is called a dividend. As a general rule, only shareholders of common stock may participate in the distribution of dividends. With very few exceptions, shareholders of preferred stock are not entitled to participate in the distribution of dividends.

(2) Bonds

The interest yield on a bond. This is determined at the time the bond is issued. With the exception of tips and floating rate bonds, the yield on the bond does not change, and investors know that before they buy the bond.

Capital gains on bonds. Capital gains are subject to price movements in the bond market.

Reinvested income. Rebond returns are affected by changes in the market rate of return when cyclical interest income is reinvested. Due to the uncertainty of capital gains and reinvested returns, the returns to maturity and yields to maturity calculated by investors when making investment decisions are only those of the peak period, and the actual returns and yields to maturity can only be calculated at the end of the investment period.