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CHINA'S SOCIO-ECONOMIC TRANSFORMATION AND ECONOMIC INEQUALITY IN THE ERA OF MODERN TECHNOLOGIES

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СОЦІАЛЬНО-ЕКОНОМІЧНА ТРАНСФОРМАЦІЯ КИТАЮ ТА ЕКОНОМІЧНА НЕРІВНІСТЬ В ЕПОХУ СУЧАСНИХ ТЕХНОЛОГІЙ

Formulation of the problem. Over the past few decades, China has undergone a unique path of socio-economic transformation, unmatched in its scale and the dynamics of change. From a centrally planned, agrarian-oriented economy, China has evolved into one of the world's leading industrial and post-industrial nations, playing a key role in global economic development. This process has been accompanied by profound structural changes in production, employment, education, urbanization, and scientific and technological progress.

Despite significant achievements, the transformation processes are accompanied by numerous challenges that require comprehensive scientific analysis. The main challenges include growing socio-economic inequality between regions, structural imbalances in the labour market, population aging, unequal access to quality education, overpopulation of megacities, and a slowdown in economic growth amid the transition to a new economic model. At the sectoral level, problems also remain in the modernization of agriculture, sustainable development of industrial production, and digitalization of small and medium-sized enterprises.

The relevance of the chosen topic is driven by the need for an in-depth analysis of China's multidimensional socio-economic transformation over the long term, identifying its patterns, problem areas, and the effectiveness of public policy. The results of such an analysis are important both for the scientific substantiation of China's socio-economic strategy and for developing recommendations for other countries undergoing structural modernization.

Analysis of recent research and publications. The issue of China's socio-economic transformation is the subject of active investigation in academic literature. Among scholars, particular attention is given to the work of renowned economists such as Barry Naughton [1; 2], who provides a detailed analysis of the evolution of China's economic policy, including market liberalization processes, the reform of state-owned enterprises, and the role of institutions in structural adjustment. The works of Justin Yifu Lin [3; 4], focused on the theory of new structural economics, highlight the mechanisms of China's economic growth based on the gradual adaptation of the production structure to technological changes and comparative advantages.

A significant contribution to the study of the socio-demographic aspects of transformation has been made by Martin Whyte [5], who explores social stratification, inequality, and mobility in Chinese society, as well as David Shambaugh [6], who examines China's modernization in the context of its global influence. In the field of urbanization and regional development, notable contributions include the work of the China Development Research Foundation and publications by the World Bank, which offer in-depth assessments of internal migration dynamics, urban development, and regional disparities.

Despite the abundance of research, a number of important aspects of China's socio-economic transformation remain insufficiently studied.

Setting objectives. The aim of this article is to analyse of the social and economic transformation of the People's Republic of China from a long-term historical perspective, assess the current state of the

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Chinese economy, and identify the key factors and challenges influencing the implementation of its strategic directions of development in conditions of global instability.

To achieve this objective, several tasks must be addressed: to trace the dynamics of changes in China's GDP structure using both sectoral and expenditure approaches; to analyse shifts in employment structure across economic sectors; to assess the impact of urbanization, industrialization, and the development of the service sector on socio-economic inequality; to examine transformations in foreign trade, the entrepreneurial environment, and ownership structure; to consider the influence of demographic changes on economic development and social disparities; to evaluate the current state of the Chinese economy based on macroeconomic indicators and official statistics; and to identify the main challenges facing China in the context of implementing its long-term development strategy through 2035.

Presentation of the main research material. At the current stage of global economic development, the People's Republic of China occupies a strategically important position, influencing both regional and global economic processes. Over the past 45 years, China has transitioned from an agrarian economy to a post-industrial state with a developed service sector, a strong industrial base, and growing educational and scientific achievements. This transition has been accompanied by significant shifts in employment structure, territorial urbanization, population education levels, and income distribution.

China's role in the global economy has become particularly prominent amid intensifying trade competition with the United States, the consequences of Russia's war against Ukraine, and the gradual recovery of the global economy following the COVID-19 pandemic.

China's economy, which is the second largest in the world by GDP, continues to demonstrate relatively stable growth despite global instability. In the first quarter of 2023, real GDP increased by 4.5 % compared to the same period of the previous year [7]. The highest growth was observed in the sectors of hospitality and catering, information technology, financial services, construction, and trade (table 1).

Table 1

Preliminary Accounting Results of GDP for the First Quarter of 2023

Indicators	Absolute Value (100 million yuan)	Growth Rate over the Same Period Last Year (%)
Gross Domestic Products	284997	4.5
Primary Industry	11575	3.7
Secondary Industry	107947	3.3
Tertiary Industry	165475	5.4
Farming, Forestry, Animal Husbandry, and Fishery	12257	3.8
Industry	94823	2.9
Manufacturing	79567	2.8
Construction	13574	6.7
Wholesale and Retail Trades	27667	5.5
Transport, Storage, and Post	12092	4.8
Accommodation and Restaurants	4511	13.6
Finance	26640	6.9
Real Estate	19611	1.3
Information Transmission, Software and Information Technology Services	13520	11.2
Renting and Leasing Activities and Business Services	9692	6.0
Others	50611	4.0

Source: [8]

The target economic growth rate for 2023 was set by the Chinese government at an approximate level of 5 %. Although this exceeds last year's growth rate (3 % – reaching 121.02 trillion yuan, or USD 17.95 trillion), it is nearly 2.7 percentage points lower than China's average GDP growth over the decade preceding the COVID-19 pandemic. The choice of a five-percent growth target is not coincidental. According to China's 14th Five-Year Plan (2021–2025), the country aims to achieve a per capita GDP level by 2035 that corresponds to that of moderately developed economies (USD 23,000) [4]. To meet this goal, annual GDP growth must average around 5 %. If this trajectory is maintained, China could become the world's largest economy by 2035 [9].

Optimistic forecasts from leading international institutions such as Fitch Ratings, Goldman Sachs, Citigroup, and J. P. Morgan support this growth outlook – with projections ranging from 5.2 % to 6.4 %. If

these projections materialize, they may contribute to a moderate acceleration of global economic growth [10].

Between 1978 and 2023, the structure of China's GDP underwent significant changes, reflecting a profound transformation of the country's economic model. The share of the primary sector (agriculture) declined from 27.7 % to 7.1 %, indicating a reduced role of agricultural production in generating national income. Although the secondary sector (industry and construction) has maintained a substantial contribution, its share decreased from 47.7 % to 38.3 %. The most dynamic growth has occurred in the tertiary sector (services), which expanded from 24.6 % in 1978 to 54.6 % in 2023. This shift signals the transition of China's economy toward a post-industrial model focused on knowledge, innovation, and service technologies [11].

An analysis of GDP by expenditure categories reveals a decline in the share of final consumption from 61.9 % in 1978 to 55.7 % in 2023, indicating a relatively weak domestic demand as a driver of economic growth. At the same time, capital investment plays an increasingly important role in economic development, with its share in GDP rising to 42.1 %, reflecting high investment activity. Despite a slowdown in the growth of the external sector, net exports remain positive (2.2 % in 2023), suggesting the persistence of an export-oriented development strategy, even as the focus gradually shifts toward the domestic market [11; 12].

Changes in the employment structure reflect a profound socio-economic transformation of the country. The share of the population employed in the primary sector decreased from 70.5 % to 22.8 %, indicating a massive outflow of labour from the agricultural sector. Employment in the secondary sector grew to 29.1 %, while the most significant expansion occurred in the tertiary sector – from 12.2 % in 1978 to 48.1 % in 2023 [11]. This shift highlights the labour market's transition toward service-oriented, knowledge-intensive, and innovative industries, and underscores the growing influence of urbanization and economic modernization.

China's foreign trade exhibits a dominant share of industrial exports, which increased from 89.8 % in 1978 to over 95 % during the period from 2000 to 2023. This reflects the high level of industrialization and global competitiveness of Chinese manufacturing. At the same time, the decline in the share of finished goods in total imports from 79.2 % to 57.5 % points to the gradual strengthening of domestic production capacity and the implementation of import substitution policies, which help reduce external dependence.

Changes in the structure of enterprises reflect the liberalization of the economy and the development of the private sector. The share of large enterprises decreased from 56.3 % to 45.9 %, while medium-sized enterprises doubled their share (from 12.9 % to 21.4 %), and small businesses showed modest but steady growth, reaching 32.7 %. This indicates increased entrepreneurial activity, the formation of a competitive environment, and diversification of industrial production.

In the field of research and development, experimental studies dominate, with their share rising to 82.3 % in 2023. This structure reflects a practical orientation of scientific research, aimed at technological implementation and industrial modernization. Meanwhile, the share of basic research increased only moderately – from 5.2% to 6.8 % – highlighting the need to further strengthen fundamental science as a foundation for long-term innovation-driven development.

According to official statistical data, from 2022 to 2023, China saw an increase in the population aged 6 and over (table 2).

Table 2

Population Dynamics of China Aged 6 and Over in 2022–2023

Year	Total (thousands)	Men (thousands)	Women (thousands)
2022	1,363,035	695,142	667,894
2023	1,409,041	718,135	690,906
Change	+46,006	+22,993	+23,012

Source: [11]

In 2022, the total population of this age group was 1,363,035 thousand people, of which 695,142 thousand were men and 667,894 thousand were women. In 2023, this figure increased to 1,409,041 thousand people, including 718,135 thousand men and 690,906 thousand women. Thus, over the year, the population of this age group grew by 46,006 thousand people, which represents an increase of approximately 3.4 %. The growth in population was almost evenly distributed between men (+22,993 thousand) and women (+23,012 thousand), indicating a balanced gender distribution in the demographic changes.

These trends may be related to both the overall increase in life expectancy and the demographic aging of the population, particularly the transition of younger cohorts to higher age groups. Further analysis of changes in the education structure will allow for a more precise understanding of the educational and social consequences of these demographic shifts.

An analysis of changes in the educational structure of China's population in 2022–2023 reveals a number of significant trends, reflecting both the gradual intellectualization of society and some contradictory shifts (table 3).

Table 3

Educational Structure of China's Population, million

Education Level	2022	2023	Change
No Education	51,933	55,922	+3,989
Primary School	364,464	350,424	–14,040
Junior Secondary School	467,993	511,117	+43,124
Senior Secondary School	222,881	226,178	+3,297
Colleges	133,949	135,012	+1,063
Bachelor's Degree	118,553	120,775	+2,222
Postgraduate Students	12,912	13,441	+529

Source: [11]

An analysis of official statistics indicates a significant increase in the level of education. In 2023, compared to 2022, there was a rise in the number of individuals with college diplomas (+1.063 million), bachelor's degrees (+2.222 million), and postgraduate degrees (+0.529 million). These changes reflect a steady trend toward the intellectualization of the workforce and society as a whole.

The most notable increase was observed in the category of individuals with junior secondary education – up by 43.124 million. This may indicate both the active inclusion of younger age groups in the basic education system and improved access to education in regions where the educational level had previously been lower.

The decrease in the number of individuals with only primary education in 2023 by 14.040 million is a positive signal, as it suggests a gradual improvement in the overall educational level of the population.

A small but statistically significant increase in the number of people without formal education (+3.989 million) represents an ambiguous trend. Possible explanations for this phenomenon include the effects of internal migration, particularly rural-to-urban flows. The urban population has increased from 17.9 % in 1978 to 66.2 % in 2023, indicating active urbanization.

The data presented demonstrate a gradual shift in the educational structure of the population toward a higher level of education, which aligns with China's long-term development strategies focused on building a knowledge-based society and modernizing human capital (Fig. 1).

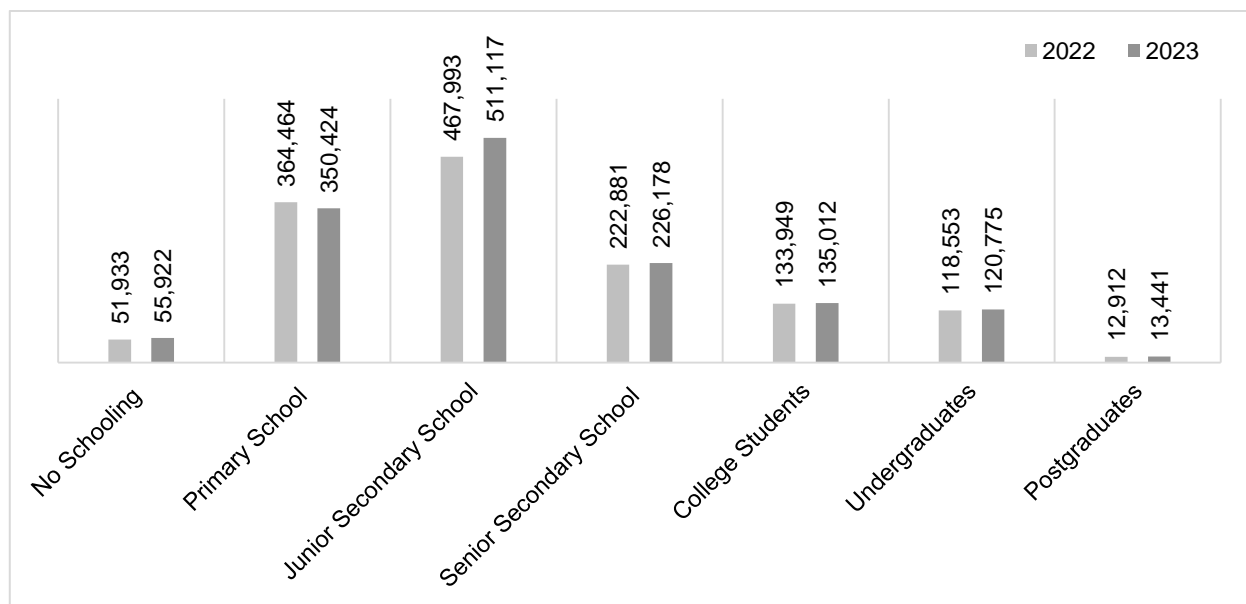


Fig. 1. Dynamics of the Educational Level of China's Population (2022–2023)

Source: compiled by the author based on [11]

The economic indicators discussed above have a direct impact on the level of social and economic inequality in the People's Republic of China. Let us take a closer look at how transformations in the structure of the economy affect inequality within Chinese society.

Over the past decades, China's economy has undergone significant changes, particularly the transition from an industrial to a post-industrial type of development. The growing share of the tertiary sector

(Table 4), which includes the service industry, leads to an increased concentration of income in large urban agglomerations, where these services are most developed.

Table 4**DP Structure by Production Approach (as a percentage of total GDP)**

Sector	1978 (%)	2000 (%)	2023 (%)
Primary			
(Agriculture, forestry, fishing, mineral extraction)	27.7	14.7	7.1
Secondary			
(Industry and construction)	47.7	45.5	38.3
Tertiary			
(Trade, transportation, finance, education, healthcare, tourism, information technology, administrative services)	24.6	39.8	54.6

Source: [11]

At the same time, rural areas, which are less integrated into the service economy, demonstrate lower rates of population welfare growth. As a result, regional and sectoral inequality has deepened – both between rural and urban areas and between the industrial and service sectors.

China's model of economic growth has historically been based on high levels of investment and an export-oriented approach, which contributed to rapid industrial development. However, this model limits the growth of domestic consumption and broad access to the benefits of economic development. Consequently, large corporations and economically advanced regions receive disproportionately greater benefits than poorer segments of the population, contributing to growing income inequality – particularly between entrepreneurs and wage workers.

The mass movement of labour from agriculture to urban sectors has created a significant category of so-called "rural migrants", who formally remain registered in rural areas. Due to the specifics of the *hukou* (household registration) system, they are deprived of full access to social benefits in cities – such as healthcare, education, and housing subsidies. This leads to the formation of internal social differentiation between urban residents and migrants, even within the same urban space.

The intensive implementation of technological innovations is an important driver of economic growth. However, it also serves as a source of a new form of inequality – technological inequality. Individuals with higher education, possessing digital skills, gain competitive advantages in the labour market. Meanwhile, low-skilled workers face limited employment opportunities, leading to a widening of educational and occupational inequality.

The expansion of the small and medium-sized enterprise (SME) sector plays a positive role in reducing the concentration of economic power and creating new jobs (table 5).

Table 5**Industrial Structure by Enterprise Type
(as a percentage of total enterprises)**

Enterprise Type	1978 (%)	2023 (%)
Large	56.3	45.9
Medium	12.9	21.4
Small	30.8	32.7

Source: [11]

However, the spatial distribution of SMEs is uneven: the majority of enterprises are concentrated in the eastern coastal regions, while the central and western provinces exhibit significantly lower levels of entrepreneurial activity, which exacerbates regional inequality.

One of the most commonly used indicators for assessing inequality is the Gini coefficient, which measures the degree of unequal distribution of income or consumption among a country's population and households. To better understand the socio-economic situation in China, we will analyse the results of a regression model that evaluates the impact of specific economic factors on the level of inequality. Below is a table presenting the main variables, their coefficients in the model, and a brief interpretation of their impact (table 6).

Table 6

Results of the Regression Model Assessing the Impact of Economic Factors on the Gini Coefficient (Level of Socio-Economic Inequality)

Variable	Coefficient	Interpretation
Tertiary Industry Share	+0.0069	An increase in the share of the tertiary sector is associated with higher inequality.
Urban Population Share	+0.0054	Urbanization is accompanied by a rise in inequality.
Final Consumption Share	−0.0096	A higher share of consumption is associated with a decrease in inequality.
Primary Industry Employment	−0.0067	A reduction in primary sector employment contributes to higher inequality.
Education Expenditure Share	−0.0032	Spending on education helps reduce inequality.
Large Enterprise Share	+0.0004	A higher share of large enterprises may slightly increase inequality.

Source: compiled by the author

Based on these results, we can construct a theoretical forecast of the level of inequality in China for the coming years (table 7).

Table 7

Theoretical Forecast of the Gini Coefficient in China (2025–2030)

Indicator	Projected Trend by 2030
Tertiary Industry Share	Will increase to 58 %
Urban Population Share	Will increase to approximately 72 %
Final Consumption Share	Will rise to 58–60 %
Employment in Agriculture	Will decline to approximately 18 %
Education Expenditure Share	Will remain nearly unchanged (~64 %)
Large Enterprise Share	Will decline to approximately 43 %

Source: compiled by the author

This approach allows us to take into account both the general development trends of the country and their expected impact on the socio-economic distribution. For the purposes of forecasting, we use a moderately progressive development scenario, which reflects the anticipated changes in the country's economic structure (table 8).

Table 8

Projected Dynamics of the Gini Coefficient

Year	Projected Gini	Comment
2025	0.482	Slight increase due to further urbanization and technological development.
2026	0.485	Impact of the service sector, deepening rural-urban gap.
2027	0.486	Stabilization of the indicator – educational and consumer factors begin to act in the opposite direction.
2028	0.483	Beginning of inequality slowdown due to regional leveling.
2029	0.479	Gradual reduction in inequality, effect of educational reforms.
2030	0.475	Early signs of transition to a socially oriented economy.

Source: compiled by the author

Based on the established relationships between key economic factors and the Gini coefficient, it can be concluded that a high level of socio-economic inequality is expected to persist in China in the medium-term perspective. Specifically, it is forecasted that the peak of inequality will occur in 2026–2027, driven by the active development of the tertiary sector and the intensification of urbanization processes. Starting from 2028, a gradual decrease in inequality is likely due to the stabilization of consumption patterns, implementation of regional initiatives, and support for educational reforms. However, even under an optimistic scenario, the overall level of inequality will remain relatively high, though with a noticeable trend toward mitigation.

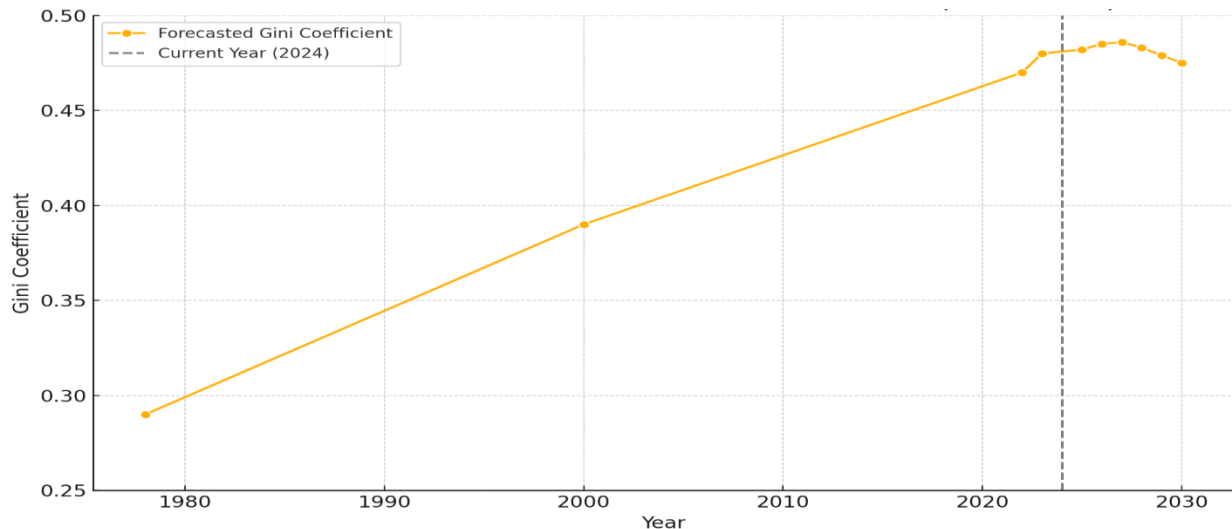


Fig. 2. Historical Dynamics and Theoretical Forecast of the Gini Coefficient in China from 1978 to 2030

Source: compiled by the author

The historical dynamics and theoretical forecast (Fig. 2) indicate a prolonged period of growth in the Gini coefficient until 2026–2027, followed by its potential stabilization and gradual decrease thereafter, contingent upon the activation of socially oriented government policies.

Conclusions from the conducted research. The conducted research has revealed a number of important trends and contradictions in the process of socio-economic transformation in China. First, there has been a significant increase in GDP, structural modernization of the economy, and an improvement in the overall welfare of the population, made possible by deep reforms, openness to foreign markets, and active investment inflows. Second, changes in the structure of employment indicate a gradual transition from an agricultural to an industrial and post-industrial economy, accompanied by an increased role of the service sector and the growing share of the urban population. Third, the education level of the population has risen significantly, particularly the share of individuals with higher education, which reflects the state's investment in human capital.

However, alongside these achievements, the research has identified several issues. There is still notable social and regional inequality, manifested in the disparities between eastern and western regions of the country, as well as between urban and rural areas. Disparities in income, access to quality education, healthcare, and other social benefits remain challenges for sustainable development. Furthermore, the development of an innovative economy and digital technologies presents new challenges related to the potential intensification of labour market stratification.

Prospects for further research in this area suggest, on the one hand, conducting a more detailed regional analysis to identify effective models of socio-economic development, and on the other hand, examining the impact of emerging technologies, digitalization, and environmental policies on social inequality. An interdisciplinary approach to studying the relationship between economic growth, human capital quality, and state regulation mechanisms for ensuring more inclusive development is also highly relevant.

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У Ці

СОЦІАЛЬНО-ЕКОНОМІЧНА ТРАНСФОРМАЦІЯ КИТАЮ ТА ЕКОНОМІЧНА НЕРІВНІСТЬ В ЕПОХУ СУЧАСНИХ ТЕХНОЛОГІЙ

Мета. Здійснити аналіз соціально-економічної трансформації Китайської Народної Республіки з довгострокової історичної перспективи, оцінка сучасного стану китайської економіки та визначення ключових факторів і викликів, що впливають на реалізацію її стратегічних напрямків розвитку в умовах глобальної нестабільності.

Методика дослідження. У процесі дослідження використовувалися загальнонаукові та спеціальні методи, включаючи: індукцію та дедукцію – на етапі збору, систематизації та обробки необхідної інформації; елементів кореляційно-регресійного аналізу та візуалізації динаміки ключових показників.

Результати дослідження. Встановлено, що соціально-економічна трансформація Китаю супроводжувалася суттєвими змінами у структурі ВВП, зайнятості, рівні освіти населення, урбанізації та зовнішній торгівлі, що мали безпосередній вплив на рівень соціальної нерівності. Виявлено позитивну динаміку зростання частки населення з вищою освітою, що сприяло формуванню нового середнього класу, а також підвищенню конкурентоспроможності робочої сили. Водночас зростання регіональних диспропорцій та нерівномірний доступ до якісних освітніх і соціальних послуг стали джерелом поглиблення соціально-економічної диференціації.

Проведений кореляційно-регресійний аналіз підтвердив наявність тісного зв'язку між рівнем освіти, урбанізацією та рівнем доходів населення, а також продемонстрував, що регіони з вищим рівнем освіченості та інноваційної активності мають нижчий рівень соціальної нерівності.

Здійснений порівняльний аналіз дозволив окреслити ключові етапи еволюції економічної моделі Китаю: від централізованої планової економіки до гібридної моделі з ринковими механізмами, що

включає елементи соціального захисту. Це, своєю чергою, дозволило країні досягти високих темпів економічного зростання при збереженні соціальної стабільності.

Наукова новизна результатів дослідження. У статті запропоновано нову аналітичну модель, що дозволяє простежити взаємозв'язок між структурними зрушеннями в економіці та зростанням (або зменшенням) соціальної нерівності в окремих регіонах Китаю. Також уперше інтегровано дані за 2022–2023 роки щодо змін у демографічній і освітній структурі населення в контексті аналізу чинників, що формують сучасний профіль людського капіталу країни.

Практична значущість результатів дослідження. Результати дослідження мають важливе практичне значення для розробки ефективної соціально-економічної політики в країнах, що перебувають на етапі глибокої трансформації. Запропонована аналітична модель може бути використана як інструмент для оцінки впливу структурних змін в економіці на рівень соціальної нерівності, зокрема у процесі планування регіонального розвитку, реформування системи освіти та зайнятості. Отримані висновки можуть слугувати основою для адаптації досвіду Китаю до умов інших країн, що прагнуть поєднати економічне зростання з підвищенням соціальної справедливості. Крім того, результати можуть бути використані у науково-дослідній, освітній і аналітичній діяльності для подальшого вивчення проблем нерівності та людського розвитку.

Ключові слова: соціальна нерівність, економічна нерівність, трансформація, Китай, структура ВВП, зайнятість, урбанізація, освіта, економічне зростання.

WU QI

CHINA'S SOCIO-ECONOMIC TRANSFORMATION AND ECONOMIC INEQUALITY IN THE ERA OF MODERN TECHNOLOGIES

Purpose. The aim of this article is to analyse of the social and economic transformation of the People's Republic of China from a long-term historical perspective, assess the current state of the Chinese economy, and identify the key factors and challenges influencing the implementation of its strategic directions of development in conditions of global instability.

Methodology of research. The research employed general scientific and specialized methods, including induction and deduction – at the stage of collecting, systematizing, and processing the necessary information; elements of correlation-regression analysis and visualization of the dynamics of key indicators.

Findings. The article establishes that the socio-economic transformation of China was accompanied by significant changes in the structure of GDP, employment, the educational level of the population, urbanization, and foreign trade, which had a direct impact on the level of social inequality.

In particular, a positive dynamic was observed in the growth of the proportion of the population with higher education, which contributed to the formation of a new middle class and the enhancement of labour competitiveness. At the same time, the growth of regional disparities and uneven access to quality education and social services became a source of deepening socio-economic differentiation.

The conducted correlation-regression analysis confirmed the close relationship between the level of education, urbanization, and income levels, and demonstrated that regions with higher levels of education and innovation activity have lower levels of social inequality.

The comparative analysis allowed for outlining the key stages of the evolution of China's economic model: from a centralized planned economy to a hybrid model with market mechanisms, which includes elements of social protection. This, in turn, enabled the country to achieve high rates of economic growth while maintaining social stability.

Originality. The article proposes a new analytical model that enables the tracing of the relationship between structural shifts in the economy and the increase (or decrease) in social inequality across specific regions of China. For the first time, data from 2022–2023 on changes in the demographic and educational structure of the population are also integrated into the analysis of the factors shaping the current profile of the country's human capital.

Practical value. The results of the study have significant practical implications for the development of effective socio-economic policies in countries undergoing deep transformation. The proposed analytical model can be used as a tool to assess the impact of structural changes in the economy on the level of social inequality, particularly in the process of planning regional development, reforming the education and employment systems. The conclusions drawn can serve as a basis for adapting China's experience to the conditions of other countries aiming to combine economic growth with the enhancement of social justice. Furthermore, the results can be applied in scientific research, education, and analytical activities for further exploration of issues related to inequality and human development.

Key words: social inequality, economic inequality, transformation, China, GDP structure, employment, urbanization, education, economic growth.