

Chapter 7

BURGEONING OF THE CHINESE DOMESTIC ECONOMY: UNDERSTANDING CHINESE INTERNAL MIGRATION AND RURAL DEVELOPMENT

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Introduction

This paper will look at the importance that the migrant laborers in China are doing today the main question posed in this paper is “How migrant laborers in China are contributing to rural development?” Furthermore, the paper will answer the following sub-questions:

- a. Is migration an important factor in the development of rural areas?
- b. Can migration bridge the poverty gap between urban and rural areas?

The objectives of this paper are to identify the migrant laborers’ contributions in China’s rural development, look into the importance of migration for the rural Chinese, and know and analyze the problems that migrant workers in China are facing in relation to their migratory work.

This paper posits that migrant laborers in China are contributing

to rural development through their remittances, their investments and the new knowledge and techniques that they acquired in the urban areas which they share in their home areas. In addition, this research looks at the migrant labour' remittances, their investments and the new knowledge and techniques that they acquired in their home areas as their contributions to rural development.

Background of the Study

Internal migration or the internal movement of people within their country is an ongoing phenomenon in China. However, with the increasing role that the migrant laborers are doing which greatly affects the continuing development and transformation of China's urban economy and landscape, a closer observation and analysis are needed in order to know their roles and contributions not only for urban development but the more important thing – the development of rural China.

Rural migrants have been an important element for the economic development of China's economic centers, the urban areas. Since its "opening-up" in 1978, which ushered for the entry of foreign companies in the country, the rural migrants were the ones who provided for "manpower" requirements of these foreign-owned companies, which mainly fuels and drives its external economy.

However, as the urban areas developed and its citizens were enjoying the fruits and benefits of these economic development and transformation, the rural areas and its people tell a different story. Much focus was given for urban development, the state is hoping that this will lead to a "trickle-down" effect. Unfortunately, the growing and increasing number of people migrating from rural areas going to urban areas is a reflection that poverty in the rural areas is prevalent, and that agricultural work is not anymore the solution to augment the needs of the rural Chinese.

Moving to urban areas is now a choice for rural Chinese, especially for the younger ones to look for opportunities in non-agricultural work. However, their migration to urban areas is just temporary because their stay there depends on their employment contracts and the duration of their projects.

Their exposure to the urban areas will give them an opportunity to have additional or more resources, in terms of income and additional knowledge and skills that they can use upon return in their home areas which will benefit not only their families but also their community. Multiplying this scenario in the whole China, it will lead to the development of the rural areas.

Thus, looking at the role that those migrant laborers in China are playing today, the main question posed in this paper is “how migrant laborers in China are contributing to rural development?” Furthermore, the paper will answer the following sub-questions:

- a) Is migration an important factor in the development of rural areas?
- b) Can migration bridge the poverty gap between urban and rural areas?

The objectives of this paper are the following:

- a) To identify the migrant laborers' contributions in China's rural development,
- b) To look into the importance of migration for the rural Chinese,
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Furthermore, this paper posits that migrant laborers in China are contributing to rural development through their remittances, investments and new knowledge and techniques that they acquired in the urban areas which they share in their home areas.

This paper looked at the migrant laborers' remittances, investments and new knowledge and techniques that they acquired in their home areas as their contributions to rural development. However, the data used in this paper insofar as migrant laborers'

remittances in their home provinces and their investments are concerned where based on the survey and research from second-hand data, i.e., academic journals/articles, newspaper clippings, and statistical references.

The time frame for this study is from the year 1998 up to the present time. Moreover, the author used extensively second-hand data from academic journals and articles, newspaper clippings related to the paper's topic, and statistical data from Chinese news agencies that deal with the topic of this paper. In addition, the study also limits its focus to some of the provinces and rural areas in China where internal migration is high and where most of the migrants came from, like Shandong, Sichuan, and Anhui.

Definition of Terms

For this paper, “internal migration” primarily refers to “voluntary movement of rural laborers, who leave their home villages for urban areas (ranging from townships, county towns and other smaller cities within or outside the province of the original residence, provincial capitals and metropolitan areas), seeking non-agricultural work opportunities, usually temporary or seasonal, for at least three months a year, sometimes together with family members” (Huang and Pieke 2003, 1).

One of the major motivations for internal migration is to have “remittances,” the money that migrant workers send back to their communities of origin (Murphy 2007, 11). It is an integral feature of the migration system in China. These remittances are being used by the migrant laborers and their families for investments in their home areas.

“Investments” can be differentiated into two kinds: a) productive investments, which refer to investment in activities that increase the household's capacity to earn money (Murphy 2007, 23); and b) consumptive investments, which refer to goods and services that

immediately improve the well-being of the household members (Murphy 2007, 23).

Internal Migration and Urban Development in China

The rapid surge of internal migration has been one of the most profound changes in China over the past two decades. In 1949, the founding of the People's Republic of China, rural laborers were encouraged to participate in urban construction and development.

From 1950 to 1958, about 40 million workers from rural areas were recruited to urban industrial sectors. However, in the second half of the 1950s, radical collectivization of agriculture “off the land.” To counter this flow, the government set-up the Hukou (Household Registration) system, adopted in China in the late 1950s. Under this system, farmers could not change residence or work unit unless these changes were part of the economic plan formulated by the state (Fan 1999, 313).

They were classified either “agricultural resident or non-agricultural resident,” the state issues to their citizens “hukou identification” through a registration system, and the parents in turn pass their hukou to their children, which constitute an inheritable identities and status (Li 2007, 2). However, with the failures of the Great Leap Forward¹ in urban construction during the late 1950s and the early 1960s, it resulted in the withdrawal of 25-30 million rural Chinese back to their villages “for the time being (Huang and Pieke 2003, 3).”

However, in 1978, through the leadership of Deng Xiaoping, China launched *gaige kaifang* (reform and opening up to the

1 It was a massive campaign that mobilized millions of people in the countryside to push agricultural production to ever greater peaks. Throughout 1958, the Great Leap Forward seemed quite successful. But sterner truths quickly emerged.

outside world), an umbrella term covering a whole range of policy areas, a remarkable point in this policy was the creation of a “socialist market economy,” in which the state sector exists alongside collective, individual, private, and foreign invested enterprises (Huang and Pieke 2003, 2). Since the onset of the reforms, the various components of the non-state sector have developed quickly, especially in the coastal areas.

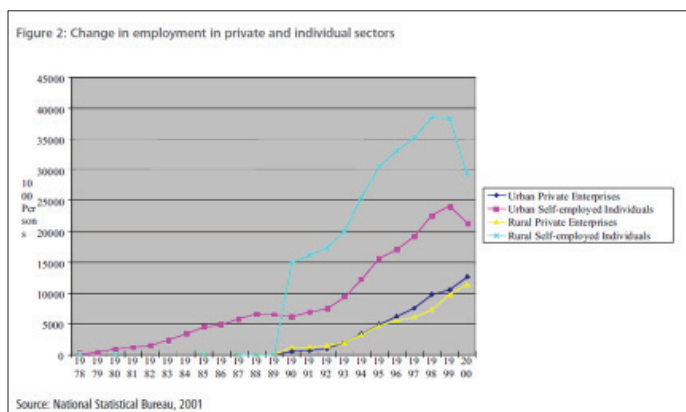


Figure 1: Changes in the Employment Opportunities and Status

Many Chinese quickly transferred from agricultural work to non-agricultural work as the opportunity in this area is increasing and promising as the country is opening, with foreign-owned companies now being allowed by the state to enter in the country has increased over the years. From the mid- 1980s, the increase of income from agriculture became slower. At the same time, the governmental reform program spread to urban areas. This was especially true in the special economic zones (SEZs) and open cities in coastal areas. Urban construction projects, foreign invested, private, or collective enterprises generated a new and rapidly growing demand for cheap, temporary, migrant labor (Huang and Pieke 2003, 4).

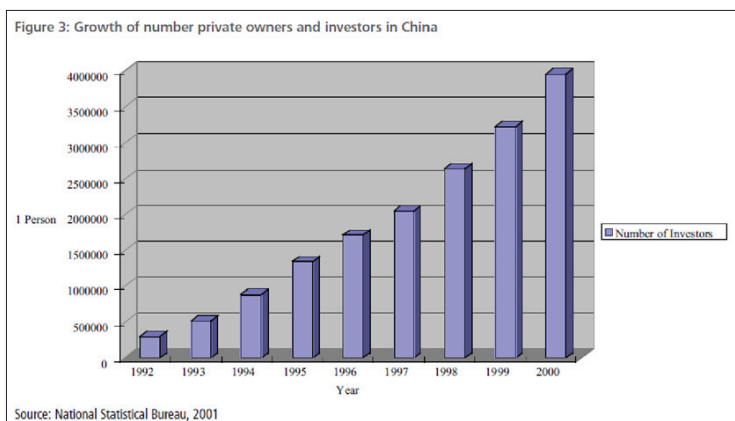


Fig. 2. Growth of Private Ownership and Investors of Businesses in China

Rural-urban migration suddenly became a new socio-economic phenomenon in China in the late 1980s, and dealing with its consequences has become a major policy challenge for authorities both at the national level and locally in the sending and receiving areas (Huang and Piek 2003, 4). With the relaxation of migration control, it has brought new circumstances that are more similar to those assumed by gravity models.

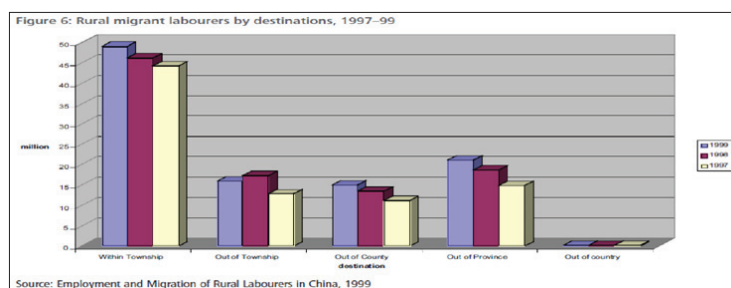


Fig. 3. Destination of Rural Migrant Laborers

Due to these circumstances, the state specifically introduced a series of conditions and revisions to the Hukou system, so that rural Chinese are permitted to work in urban areas as temporary

migrants. It is important because rural migrants have now access to the goods and services necessary for their survival in urban markets, although most rural migrants' urban hukou are still denied.

However, this new policy has unleashed massive migration. Between 1990 and 2000 censuses, "inter-country migration more than doubled in size and interprovincial migration almost tripled (Liang and Ma 2004; Fan 2005) (quoted in Huang and Pieke 2003, 6)." Such rapid increase in mobility was largely attributed to temporary migrants (migrants who do not have local *hukou*) (Yan 1998; Liang 2001) (cited in Huang and Pieke 2003, 6). According to the 2000 census, the floating population, or persons whose residence, is different from the hukou location, amounted to 144 million (National Bureau of Statistics: 2002a).

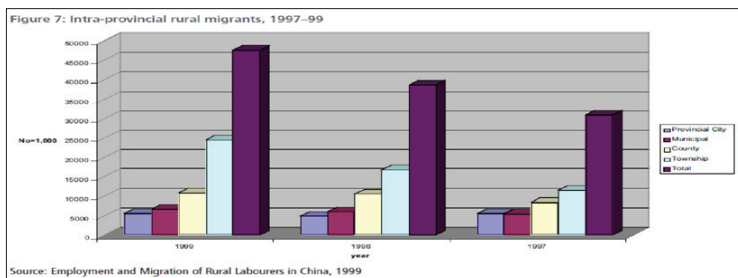


Fig. 4. Intra-Provincial Migrants, 1997-1999

Unfortunately, the increasing inequality between the cities and countryside and between coastal areas and the interior was due to policy choices. The reforms were based on the deliberate premise of "letting some get rich first." Certain areas (coastal areas) and groups (educated "new" rich) were allowed to use the opportunities presented by market reforms first, in the hope and expectation that a gradual "trickle-down" effect would take place later on.

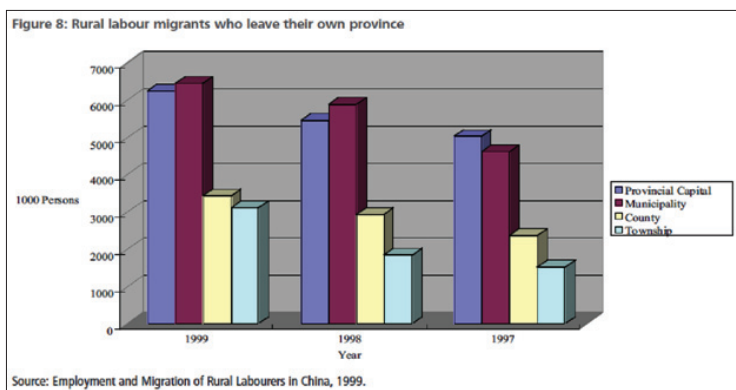
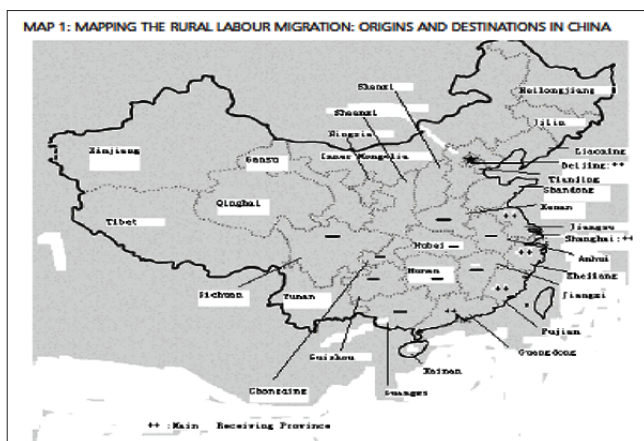


Fig. 5. Rural Migrants who Leave their Provinces

This can clearly be seen from the early strategy of southern coastal development, including the establishment of SEZs in Shenzhen, Xiamen, Zhuhai, and Shantou, followed by the opening of 14 cities, including Beijing, Shanghai, and Tianjin along the east coast, providing the world with an open door to the Chinese economy.



Source: Huang and Piek, "China Migration Country Study," 2003.

State investment was pumped into the eastern region, along with preferential policies that made that region attractive to foreign investment. It affects the development gap between the eastern region and the rest of China has widened over time. In 1985, the gross domestic product (GDP) per capita for the eastern region was 1.45 times that of the center region and 1.07 that of the western region; these ratios increased into 1.94 and 2.47 in 2003, respectively.

Migrant Laborers and Rural Development in China

Rural areas in China have long been neglected by the state in exchange for the economic development and transformation of the urban areas. This led to the deterioration of the condition and welfare of the Chinese in the rural areas and villages. Agricultural works as a means for their survival were not enough to sustain them and to provide them with their basic needs and requirements that are necessary for their survival in their everyday living.

These neglect and apathy from the state also hamper the job opportunities in the rural areas. The state has overlooked most of the rural areas in providing for policies that are vital for the expansion of agricultural and non-agricultural jobs that are needed in that area.

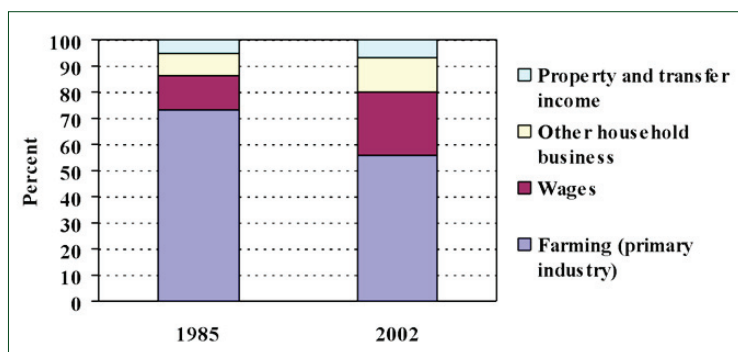
With the increasing development of the urban areas, migration has been seen by the rural Chinese to be the immediate solution to their rural problems. They took any jobs in the urban areas, just to survive. Most migrant laborers are employed in jobs which are generally considered “dirty, dangerous, and difficult” and which the urban inhabitants are unwilling to take. Today, migrant laborers in China significantly contribute to the development of industries, such as construction, commerce, food services and sanitation. They play a chief role in the general improvement of life in the urban centers.

Migrant Laborers' Contributions to Rural Development

Much has been said for the role that the migrant labors did for the development of the urban areas, they were one of the main agents of its transformation and economic. To date, they are still the ones who mainly provide most of the labor requirements that these economic centers need. However, there is just little that we heard of or read on what and how the migrant laborers are contributing for rural development, or if they really contribute something on the development of the rural areas.

That is the aim of this part of the paper, to cast some light and give an analysis on how migrant laborers are contributing not only for the development of the urban areas but also the rural areas. We will look on their overall contributions and its positive impact on rural transformation and development.

From Agricultural to Non-Agricultural Work. Migrant labors' income from their migratory work has a bigger difference compared to their income from agricultural work. Moreover, the share of non-agricultural work in the total rural income has been growing and increasing enormously.



Source: National Bureau of Statistics, Rural Household Survey, 2000.

According to Zhang (2000), since the 1990s, more than 90 percent of rural household income has increased, which mainly came from non-agricultural activities (Zhang, et, al. 2000). Most of the rural Chinese turn into non-agricultural work, which gives them much additional salary that is increasing every year compared to what they can get from agricultural work.

| Table 1. Per Capita Income for Rural Households | | | | |
|---|-------------|-------------|-------------|-------------|
| <i>Total Net Income</i> | <i>1985</i> | <i>1995</i> | <i>2000</i> | <i>2001</i> |
| Wage Income | 72.15 | 353.7 | 702.3 | 771.9 |
| <i>Note:</i> There is a modified version of Table 1 (Per Capita Income of Rural Households) lifted from Huang and Pieke (2003), 27. <i>Source:</i> China Statistical Yearbook, 2002. | | | | |

Remittances. One of the main objectives of migrant laborers for their migration to urban areas is to have a job that will give them more salary, which they can send back to their home areas to be used upon their return and for their family's consumption. It is one of the main integral points of why they leave their home villages.

Looking at today's internal migration scenario, the young rural migrants do contribute to raising the standard of living in the countryside. They usually send remittances back on a monthly or quarterly basis and bring their savings back home yearly. Remittances are mostly used to meet daily expenses and have clearly contributed to the survival of many poor families and local communities (Zhang, et, al. 2000, 14). Moreover, remittances sent via post offices are likely to represent only half of the total sent home by migrants with the rest usually brought back on Chinese New Year or autumn harvest (Ping et al., 1997; Zhao 2003) (cited in *2007 World Bank Report*).

Mostly, labor migrants send back huge amounts of remittances , although most of this is used for household consumption and daily expenditure, including building and decorating new houses , wedding, and funeral ceremonies (Center for Rural Economy Studies, 1996).

For local governments who are sending migrants to urban areas, they looked into migration as vital sources of investment, entrepreneurship, and experience on their return. Research on returned migrants has shown that they contribute positively to the economy of the home area (Sheng 2007, 6).

In a study conducted by a consultative group, 400 migrant workers were surveyed on how and in what way they send their remittances to their families back in the villages. Research showed that they utilized the services of China Post, commercial banks, and cooperatives in relation to their remittances (Cheng and Zhong 2005) (cited in Murphy 2007, 11). The percentage breakdown of formal routes for sending remittances is as follows: post office, 62 percent; commercial banks, 32 percent; and rural cooperatives, 5.5 percent (cited in Murphy 2007, 11).

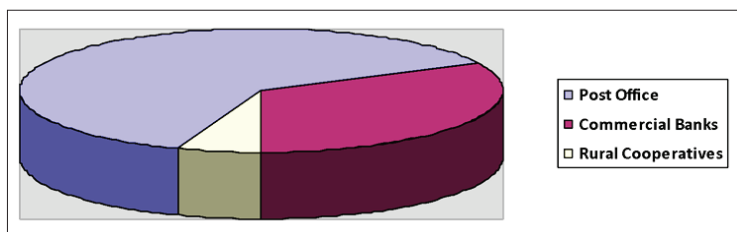


Fig. 6. Percentage of Formal Routes of Rural Migrant's Remittances

Moreover, from this chart we can see how China post is able to dominate the remittance services market because it has an expansive computerized network covering many rural communities. On the one hand, informal remittance channels usually carry the money on their return to the village. Also, remittances sent via post offices are likely to represent only half

of the total sent home by migrants, with the rest usually brought back at Chinese New Year or the autumn harvest (Ping et al, 1997; also Zhao Shukai 2003, Interview) (cited in Huang and Pieke 2003, 14).

Investments. Investments by migrant laborers in China can be classified into two: productive and consumptive investments. They either invest their money in other things that can generate more money for them or they use it for their own welfare and consumption, or sometimes they usually invest on both kinds.

We can say that investments are the by-products of the remittances of migrant laborers; this is where their money goes. Investments are very important for the development of the rural areas; it serves as a vehicle that the rural areas can use in order to provide opportunity for other rural Chinese who can't migrate or for those who stayed in the villages or home areas.

Productive Investment. Remittances used in this kind of investment are important and crucial in the development of rural areas because some of the money and resources from the remittances of the migrant laborers are being poured into agriculture, land, and business creation.

Agriculture. Not all people in rural China migrate into urban areas, much of the population in the rural areas stay and much of them are still tied in agriculture. Normally, only one member of the family is encouraged to migrate for off-farm work (Huang and Pieke 2003, 12).

Most remittances used for agricultural purposes were directed towards purchasing additional inputs to substitute for the labor lost through migration of a household member (Murphy 2002, 23). Should one or more family members migrate to urban areas, that will affect the manpower requirements for agriculture. Thus, their families also invest on agricultural equipment and machines,

items of investment such as threshers, water pumps, plowing machines, seeders, and grain and feed processors (Zhao 1999, 767).

With the increase in resources that they used, farmers are now also investing in high quality seeds, adopting farming technologies, which can help to cut labor input, and the use of chemical fertilizer and pesticide to increase output (Sheng 2007, 4).

Land. Because of the increasing number of rural people migrating to urban areas, their lands in the rural areas were being left alone, or other people were given the responsibility to till and manage their lands. Having this kind of scenario, some rural migrants see an opportunity for it for possible investments.

Remittances provide ways for rural people to obtain a desirable property location, and by extension, gain access to local credit (Murphy 2002, 26). They used their newly-managed land as a means to acquire loan for additional money that they can use for other investments.

Business creation. Having been exposed to entrepreneurial culture and capitalist spirit in the urban and coastal areas, some returned migrants use their urban savings and urban contacts, skills, and information to set-up businesses in their home areas.

Most of the factories they established are labor-intensive branches or processing for companies where they previously worked with in the coastal regions (Ma 2002, 798). They see this as an opportunity to have a business, since doing a business in the rural areas is a lot cheaper compared to the business cost in urban areas.

At the same time, outsourcing has been a new trend today in business, most of the products and goods of most companies are being produced and manufactured by other companies to save and cut costs. This has been done by rural migrants upon their return to their rural villages; they encouraged their former employers to outsource them their products or other-related goods.

In this way, we can see how they used their money to acquire more money, which in turn they are able to help their fellow villagers to have a work in non-agricultural activity situated in their home areas.

Consumptive Investment. Another area where most migrant laborers invest is for their own well-being and comfort. They use their money, or their families are using their remittances, in order to survive and buy some luxuries in life. Most of the investments in this kind were focused on consumer goods, house building, and health and education.

Consumer goods. In everyday life, remittances help to pay for everyday items such as soap, matches, batteries, and clothes. As poverty is rampant in rural areas, paying for basic needs is one of the most important things where rural migrants' remittances went to.

In middling and richer regions, remittances have sustained rural consumption of manufactured goods. Demands for goods such as television sets, air conditioning units, washing machines, and motorcycles have been particularly strong, and the rural demand for these items increased by 17 percent in 2003 (Kynge, 2003) (cited in *World Bank Report*, 2000).

Furthermore, remittances are commonly used by rural people to buy consumer goods as part of the gifts exchanged at lifecycle celebrations, particularly weddings (Murphy 2002, 29.). Rural Chinese used their remittances in order to pay for the dowry which is a vital part of the culture in the rural areas.

House building. One important thing for the rural Chinese is to have a decent house which they can be proud of, thus the lion's share of remittances and urban savings are used for house repairs and house construction. A report in Renmin Ribao (2006), showed that rural households in Yudu county in Jiangxi province allocate roughly 60 percent of their remittances to house construction.

Another important aspect of marriage in rural China besides

dowry is to have a house that a groom can present to his bride or “wife-to-be.” Thus, in Chinese society, it is nearly impossible for a man to find a bride if he does not have a respectable house to offer her (Murphy 2007, 29).

Moreover, a smaller portion of rural people use their urban savings to buy a house in the county seat (Sheng 2007, 5). This is a way for them to establish an urban lifestyle closer to home. It is also a way for them to ensure their children can attend better quality primary, middle, and high school education.

Health and education. Another common uses of remittances in rural areas are expenditure on health and education. In most rural China, medical care is largely privatized and involves the payment of user fees. In terms of education, many poor rural areas lack the money to pay teacher’s wages and to run schools so must charge fees. In addition, parents need to pay for textbooks, school uniforms, and stationary (Sheng 2007, 29).

Human Capital. More than the monetary aspect of migration, which migrant laborers are using back to their home areas, another important contribution that they added in achieving rural development is the transfer of knowledge and skills that they acquired in the urban areas.

This aspect of migrant laborers’ contribution to rural development had been echoed to the author by one of the distinguished and noticeable foreign journalists in China, CNN Bureau chief Jaime FlorCruz.² He explained that the rural migrants acquire new knowledge and technique which they share with their people in the rural areas as they returned from work and exposure in urban areas.

² The author interviewed Jaime FlorCruz during the sidelines of the “Philippine-China Friendly Dialogues: In Search for Greater Maturity” held on September 27, 2008 at Richmond Hotel in Pasig City, Philippines.

Furthermore, through migration, rural laborers have expanded that their experiences improved the quality of their work and further enhanced their skills (Ma 1999; Murphy 2002; World Bank 2007). Having been exposed to working at a non-agricultural work, which involves not only pure manpower skills but also management and technical skills, can be an important factor for their working experience.

Experienced migrant workers with a relatively long migration duration of five-10 years will have already learned some technical and management skills and market competition and risk management. Upon their return to their home areas, they will have used their experiences being a bosses (*lao ban*) rather than migrant workers (*da gong zhei* or *da gong mei*) (Ma 2002, 797).

Moreover, some migrant laborers have become leaders in their communities after their return to their home villages. With their newly acquired knowledge and skills from the urban areas, migrant laborers have been told by their fellow rural villagers that they can become a leader in their society, hoping that they can induce something in their society which may lead to their development and their society's transformation.

Analysis

Migration of rural Chinese in the urban areas gave some slight changes on their living conditions and status in the rural areas. We can see that because of their migratory work it improved in filling the poverty gap between urban and rural areas. Although, we cannot say that migration will be the answer to closing the gap or narrowing it totally. Through the years, it became one of the important elements in achieving development in the rural areas. However, there is a lot of catching-up to do for the rural areas to be at the same place and position as the urban areas.

The rural Chinese have seen non-agricultural work and internal migration as vehicles and instruments of opportunities. Arable land in China is depleting and that surplus labor in agriculture is so high that many people have been displaced and cannot anymore work in the farm areas. Jobs in urban areas and non-agricultural work sectors have been the answer to accommodate the surplus laborers in agriculture. However, the problem lies in the lack of knowledge and technical skills of these surplus laborers in order to match them with the existing available jobs.

Remittances of migrant laborers play a lot of difference in the development of rural areas. It fuels the development of rural economy through the usage of money by the migrants' family and at the same time, the money that these migrants are pouring back to their home areas are vital in the absence of resources and money that the government usually spends on these areas.

Labor migrants have been playing a vital role not only in helping the development of the rural areas but also the development of its populace who just stayed in the villages and cannot migrate. They become agent of catalyst themselves as they invest and employ the techniques that they learned from the urban areas and through their works in the non-agricultural sector.

Conclusion

The future of labor migrants in China is bright and hopeful. The positive impact that they contribute for rural development will continue and it will further increase if proper policies will be implemented by the state, ensuring their welfare and development in the urban areas. Support and policies from the central government are needed in order to protect the rural migrants.

The central government must shift its policy of development that will prioritize both urban and rural areas. The “go-West”

policy of the state must also continue and that it must be properly implemented in the rural areas. Giving the much-needed attention and support that these areas need. State investments and revenue must pump in the areas to spur development and investments both from local businessmen and foreign companies.

Internal migration can be one of the solutions to the problems of rural areas, particularly its issue of development. However, the state must never solely rely on it; they must do something in order to help the people from the rural areas. After all, migratory work is just an immediate choice of the rural Chinese to their problems, still the answer lies in the hands of the state.

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