INCLUSION OF MIGRANT WORKERS: CHALLENGES FOR CHINA’S LARGE CITIES

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I. RURAL-URBAN MIGRATION IN THE CONTEXT OF CHINA’S URBANIZATION

Urbanization of China has been accelerated, resulting from the rapid economic growth, since the late of 1970s when opening up and market-oriented reform policies were adopted. At the end of 2012, China counted over 711.8 million urban dwellers, or 52.6 per cent of the country’s total 1.354 billion people. The urbanization rate rose 34.7 percentage points from 1978 to 2012, compared with 14.0 percentage point increases of the world average level during the same period.

Like most economies, China’s urbanization is accompanied by rural-urban migration, yet, as one of the most populous nations in the world, China has been experiencing the most extensive internal migration. There were 262.61 million rural migrants by the end of 2012, among whom 163.36 million sought jobs away from home lasting at least six months and were counted as urban population by Chinese statistical ways. Shown by the Figure 1, around three quarters of the total migrants are between 21-50 years old. Additionally, there were 22.9 million children aged 14 years or below migrated to cities with parents, accounting for 10 per cent of the national population of children within this age range according to the census in 2010. For the working aged migrants, more than half concentrated in manufacturing and construction industries (see Figure 2).

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1 In this paper, China refers to mainland China.
Contrast to some developing countries, where rural migrants live in cities without adequate job opportunities, Chinese rural migrants is featured by being employed in city's non-agriculture industries but are excluded from the urban public-service system such as education, medical care, housing, and social security, due to the unique household registration system, known as ‘hukou’ system. This system differentiates Chinese people into rural and non-rural residents, preventing rural migrants working and living in cities from enjoying equal access to urban public services as other urbanites who hold a city ‘hukou’. It is just in this sense, the rural migrant is referred as ‘migrant worker’ in China, implying they were only working people in cities rather than citizens.

![Figure 1](image1.png)

**Figure 1 Composition of Migrant Workers by Ages**

![Figure 2](image2.png)

**Figure 2 Composition of Migrant Workers by Employed Industry**
Rural migrants have become an important and integral part of Chinese industrial workers and have made great contribution to the country of evolving into ‘the world factory’. They increased welfare for rural and urban residents and created wealth for the society, but have not fully accepted by cities. With a large number of ‘semi-urbanite’ status rural migrants, China urbanization is an unaccomplished process. The major task for China’s urbanization lies in accommodating the large number of migrant workers into cities, providing them the same public services as the residents with urban ‘hokou’ are entitled.

II CHALLENGES FACING LARGE CITIES IN ACCOMMODATING THE MIGRANTS

1. Large cities are the major destination of the migrants

About 57.4 per cent migrant workers in China are from the less-developed central and western regions and get employed in the developed eastern (coastal) areas, and nearly two thirds migrants search job out of their home provinces. Furthermore, shown by the Figure 3, more than 30 per cent migrant workers prefer working in the 4 municipalities and 28 provincial capitals, which are all the large cities among China’s total 657 cities. Another 34.9 per cent workers find jobs in 285 prefectures, most of which are still large cities.

![Figure 3. Composition of Migrant Workers by Destination Cities](source: National Bureau Statistics, National Migrant Workers Survey Report of 2012)

2 Four municipalities directly under the central government include Beijing, Tianjin, Shanghai, and Chongqing.
According to a survey, more job opportunities, well-paid jobs, and colorful culture activities are the most-cited reasons behind rural migrants’ preference for large cities, and first-tier cities such as Beijing, Shanghai and Guangzhou are the most popular. The three eastern large cities witnessed a fast-growing population of ‘non-hukou’ migrants in the reform era. Table 1 illustrates that for the three cities, more than one third of population in Beijing and Guangzhou, and more than 44 per cent in Shanghai migrate from other regions in 2010 and most of them are rural migrants.

Table 1  Population in Beijing, Shanghai, and Guangzhou in 2010

<table>
<thead>
<tr>
<th></th>
<th>Beijing</th>
<th>Shanghai</th>
<th>Guangzhou</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident population (million) (1)</td>
<td>19.61</td>
<td>20.31</td>
<td>12.70</td>
</tr>
<tr>
<td>Resident from the regions other than the cities (million) (2)</td>
<td>7.04</td>
<td>8.97</td>
<td>4.76</td>
</tr>
<tr>
<td>(2)/(1) (%)</td>
<td>35.9</td>
<td>44.2</td>
<td>37.5</td>
</tr>
</tbody>
</table>

Note: 1. Resident population refer to those who inhabitant in the cities at least six months.

Source: The sixth population census bulletin of the three cities.

2. Pressures for large cities to accommodate migrants

China is a typical urban-rural dualistic economy and society, which leads to big gaps in public service provision levels between rural and urban areas as well as farmers and city dwellers.Granting the same level of public service to the rural migrants as urbanites, also denoted as ‘citizenization’ in China, could cause a large increase in government fiscal expenditure.

In a case study of Ningbo city, the second largest city in coastal Zhejiang province, that has 3.23 million rural migrant workers from other regions in 2010 among its total population of 7.61 million, it was found that the costs for per

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4 See Shen et al (2010)
person would be 61.5 thousand yuan if the rural migrants were granted the same level public service as their urban counterparts in Ningbo (see the Table 2). The annual expenditure would be 58.2 billion yuan, accounting nearly 49.6 per cent of Ningbo city government’s annual fiscal general budgetary revenues in 2010. This indicates that citizenization of rural migrants could be a large fiscal burden to the city and the local governments usually show their reluctance to bear the pressures.

Table 2 The Cost Estimation of Citizenization in Ningbo

<table>
<thead>
<tr>
<th></th>
<th>compulsory education</th>
<th>public health</th>
<th>employment support</th>
<th>social security</th>
<th>housing</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>per person (yuan)</td>
<td>8953.7</td>
<td>919.7</td>
<td>1120.0</td>
<td>32514.0</td>
<td>18000.0</td>
<td>61507.4</td>
</tr>
<tr>
<td>per year (billion yuan)</td>
<td>8.5</td>
<td>0.9</td>
<td>1.1</td>
<td>30.8</td>
<td>17.1</td>
<td>58.2</td>
</tr>
</tbody>
</table>

Source: Shen et al (2010)

There are several institutional reasons underlying the unwillingness of the city governments to pay the estimated expenditures. Firstly, public services are mainly provided by the local governments in China instead of the central government. Localization in the provision for public services lowers the city governments’ willingness to equalize the public service level between the local residents and rural migrants from other regions. In a city, to grant the right of enjoying public service to the migrants within its own administrative jurisdiction, the social benefits would be internalized in the city. If, on the other hand, the governments incorporate the migrants coming outside the cities, the resulting externalities are regarded as merely losses for them.

The second reason is related to the taxation system and local government performance evaluation system. In China, the fiscal revenues of local
governments mainly generated from value added and sale taxes. And the economic growth indicators account for large shares in assessing local governments’ performance. These two institutional arrangements stimulate the local governments prefer industry development to public service provision. While these contribute greatly to urban economic vigor and national economic growth, they also bring about the shortage of public infrastructure construction and service provision in cities. Many cities still lack the capacity to provide adequate public goods to the local urbanites, let alone to cover the migrants.

The third reason involves in land administrative and ownership system. Under current urban land administration system, the city governments need to get construction land quotes from provincial or central governments. The distribution of the quotes to the large cities does not fully take the large number of migrants into consideration and land using for public service become even more shortage due to the limitation of usable land. Meanwhile, the land ownership system in China is also urban-rural dualistic. In the urban areas, land is nationally-owned while in the rural is collectively-owned. The rural migrants need to give up the contracted land if they convert their rural residential ‘hukou’ to urban one. When they were granted ‘hukou’ of the city working in, the land they would hand over is still within the region they move out. The cities taking in migrants therefore had little motivation to truly accommodate the rural comers, for in these cities perspective, it was the migrants’ home regions got benefits from farmers’ quitting rural land.

Nowadays, even though the pressures are enormous, the expenditures for extend city public service to rural migrants in large cities have become ineluctable as the "second generation" migrant workers, the children of the first generation, are emerging in China. Born in the late 1980s and early 1990s, some even born and grew up in cities, the young migrants have become more involved in urban life, and are indifference to farmland. Unlike their predecessors who flooded into cities to make money and went back to their village after getting old,
the younger generation, fitting no more into their home villages and longing for a decent life in cities, has already become the permanent residents in cities no matter what kind of ‘hukou’ they hold.

III. MEASURES TAKEN BY THE LOCAL AND CENTRAL GOVERNMENTS

It is anticipated that urbanization rate would be 70 per cent in 2030 in China. As another 300 to 400 million farmers would be urbanized in China, measures and policies to enable migrant workers to get urbanite status need to be taken. Actually, local and central governments have strengthened the public policies to address the problems. Since citizenization of rural migrants cannot be accomplished at one go, the governments took a gradual process but with quickening paces.

There were some other backgrounds for intensifying the measurements besides the existence of the second generation migrants. Chinese government has paid much attention to social development rather than merely economic growth in recent ten years and building a harmonized society has become a social consensus. Marginalization in urban life and exclusion from urban welfare net of rural migrants would not be healthy to long-term social development.

A second reason arose over the changes of rural migrant labor supply. Aforementioned Figure 1 shows a tendency that the amount of migrants between ages of 21-50 began to decrease, indicating that the supplies of working aged migrant workers are declining while the demands for labors are still large in China. Since 2005, the phenomena of shortage of migrant workers has been occurring in eastern large cities, which leads to continuing raising of migrants’ wages and improvement of their welfares.
1. Measurements taken by city governments

Measures or public policies for accommodating rural migrants have been taken by both local and central governments. For the local governments, they tailored the policies according to their fiscal capacity and the characters of migrants in their cities. Summarized from experience of several cities, the measures mainly include:

1) Establishment of ‘score-accumulation system’. The system is designed for rural migrant ‘naturalization’ by evaluating the eligibility of migrant applicants to access urban welfares and gain urban ‘hukou’. In such cities with a large number of rural migrant as Ningbo, Shanghai, and Guangzhou, in a bid to extend the coverage of social safety net to migrant workers, the migrants were rated and marked considering their education background, working years in the city, technique skills, and employment performance, etc. The higher score a worker gets, the more urban welfare could be granted. When reaching a certain score, for instance, children of the migrants could be eligible to enroll in a higher-quality public school. When the score accumulate to the required point, the migrants could transfer their rural ‘hukou’ from home village to the city. By this system, the large city gradually open the gate to enable current migrant workers have passageway to enjoy more public services and even obtain urbanite status.

2) Improvement of schooling for migrants’ children. In China, the provision of compulsory education falls into the responsibility of city governments. In the early period, children of rural migrants used to go to unregistered informal migrant worker schools, which were set up especially for child migrants due to the lack of public schools. Recent years, many cities, like Beijing and Shanghai, tried to have all the child migrants to study in public schools. In Shanghai, for instance, beginning in 2008, the government launched a three-year campaign aimed at incorporating at least 70 per cent of migrant children into primary
education, and 100 per cent into secondary education. Other cities provided subsidies to schools agreeing to accept migrant children. As migrants usually live in the suburbs of city, city government of Ningbo especially build new public schools there.

3) Improvement of housing condition. In China, low-rent house subsidized by city governments only available for urban ‘hukou’ holders. Most rural migrants rent houses in suburb areas, where living conditions were poorer but the rents was affordable by their relatively low salaries and many young workers live in the factory dormitories. There were three ways for local government to improve the migrants’ housing condition. The first one is improve public facilities such as road, garbage collection, and road lights, etc, in the migrants’ gathered-living areas. The second one is to provide subsidies or other preferential terms to the factory owners to build more dormitories. And the last one is to grant eligible migrants the public rental house.

4) Improvement of city governance. With more diversified residents, city governance becomes important. In rural migrants’ gathered-living areas, migrant workers are allowed to involve the community management. Moreover, non-government organizations began to play roles in help migrants to become integrated in cities. With the financial support of local governments, agencies for law assistance, job searching and training have been established at city and county level specifically to provide assistance to rural migrants.

2. Polices taken by the central government

Although responsibilities for citizenization of rural migrants mainly belong to city governments, the central government also made efforts to guide and support local governments.

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5 See Lan (2014).
1) Establishment of coordination organization. The State Council set up a Joint Committee in 2006 to coordinate rural migration affairs among ministries. And an office especially dealing with daily works relating to migrant workers was also set up.

2) Launch of training programs. Since 2004, the central government had initiated programs for training rural migrant workers, which were implemented at ministerial level, and training costs are shared by the central government and provincial governments. A ‘Sunshine Project’ was started in 2004, for example, aims at training more than 10 million migrant workers. The subsidies to each trainee have been increased over years6.

3) Increase fiscal transfer payments to city governments. As the schooling of child migrants composed pressures to city fiscal coffers, from 2008, the central government transferred special payments to the large cities with more rural migrants. Ningbo, for instance, received 50 million yuan payments in 2009 from the Financial Ministry. The central government also increased subsidies to large cities in health and social security for migrant workers.

IV. CONCLUSION: FURTHER POLICY SUGGESTIONS

It seems that ‘hukou’ (household registration system) is the barrier between the status of migrant workers and citizens in China. Both central government and local governments strengthen reforms on ‘hukou’ system with an objective of merging urban and rural ‘hukou’ into one type of registration system. For the central government, documents have been issued in recent year to encourage the small and medium cities to unified rural and urban ‘hukou’ and grant ‘hukou’ to migrants outside the cities, yet, still leaving large cities to maintain much stricter hukou conversion application standards to avoid faster population growth in large cities.

6See Li (2008).
For local governments, several provinces and cities have abolished the dual-type ‘hukou’ system and issued identical ‘hukou’ to both urban and rural residents within these provinces or cities. However, some cities’ reform had to restore back. Zhengzhou and Shijiazhuang, the capitals of Henan and Hebei provinces with total population of 9 million and 10 million respectively, conducted reform to grant more rural migrants of the city urban ‘hukou’ and opened public schools to the new migrants in early year of the 2000s. The reform was suspended quickly after realizing that there were not enough schools available to accommodate the large number of moving-in rural children.

The experiences might imply that inclusion migrant workers should not be as simple as grant them urban ‘hukou’. The above-mentioned analyses indicated that the large costs for expanding urban public services to rural migrants could be the most important hindering factor. Therefore, establishment of costs co-sharing mechanism between the central and local government would be critical for speeding up the process of citizenization of migrant workers in China. The central government needs to increase transfer payments in the fields of public service to large cities

Related institutional reforms are also essential. For instance, establishment a unified urban and land market by granting farmers the right to trade their rural land would ensure them to cash in on their land's market value, enabling them to use the capital to go into business in the cities, which would help them to settle down in cities. Furthermore, land using quotes distribution should be linked with the number of migrant workers moving into cities so as to give more incentive to large cities to embrace more rural migrants. As for the taxation system, more taxes need to be leave with local governments by modifying the current tax sharing proportions between central and local governments. Moreover, the central government should burden more responsibility of provision public services. If, for example, a central government funded and
nationally unified endowment and medical insurance system took the place of current urban-rural dualistic and regional varied system, rural migrants would more easier to survive in cities.

**REFERENCE:**


