

2005/2006 Summer Research Paper
The Development and Modernisation of China since the 1980's
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I would like to begin this paper by thanking the Faculty of Arts and CAPSTRANS for awarding me with the Summer Research Scholarship which has allowed me to undertake this research. I would also like to thank my supervisor, Associate Professor Kate Hannan for encouraging me to undertake Honours and assisting me over the summer.

My final thesis will hopefully cover several important issues related to the development and modernisation of China since the 1980's. However, to try and cover all of the issues of my thesis in 2,500 words would make the paper far too general. Instead I have tried to focus predominantly on one part of my thesis topic – rural to urban migration. I thought this area would be a good place to start my Honours research, as it has allowed me to study an important topic of my thesis. In addition I have tried to relate other parts of my thesis to the migration topic – seeing how some of the important issues facing China are uncovered through looking at the issue of migration. I have not attempted to come to any concrete conclusions in this paper; rather I have preferred to learn as much as I can about the issues at hand. By approaching the essay in this fashion I believe I have prepared myself for my Honours research in the most useful way possible.

This summer I have used the resources of the University of Wollongong's library and those of the library of the University of Sydney as my main focus, in addition to several articles and published works which I have purchased. The information which I obtained from Kate Hannan's 2005 lectures on China has also been very important to the foundation of my research this summer. Her paper entitled 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity'¹ was particularly useful for my focus on migration. There is indeed no shortage of literature about China's recent

¹ Hannan, Kate, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *Centre for Asia Pacific Social Transformation Studies (CAPSTRANS)*, International Convention of Asia Scholars (ICAS) 4 Conference – Shanghai, 20-24 August, 2005

developmental phase. Many books have been written or edited by intellectuals of both Western and Chinese origin, allowing for additional scrutiny and perspective. The internet has also provided me with some very useful and interesting articles, including official releases from the Chinese government.²

The People's Republic of China has been undergoing rapid and large scale change in recent decades - since the reform era began in 1978 under Deng Xiaoping.³ Cities on the eastern seaboard underwent, and are still undergoing a massive 'boom'. Cities such as Shenzhen and Guangzhou (which receives much investment from Hong Kong)⁴, Shanghai, Beijing, and Tianjin all benefited from massive growth, as well as the province of Fujian (which receives heavy Taiwanese investment thanks to its position opposite the island).⁵ These areas are part of a growing number of 'open cities' and 'Special Economic Zones'. The rapid development of these areas has brought to the forefront several long-term important issues regarding the world's most populous state.⁶ It has also created many new issues – one of which will be the prime focus of this paper. China's construction and manufacturing industries have soared, as has the rate of consumption – both private and industrial. However inequality has also risen on several fronts – between the urban and rural sectors, between east and west, and between urban residents and urban-to-rural migrants. Internal migration is one of China's most important issues, and it is the area which I have spent most of my effort studying over the summer. In addition to all of this have been issues surrounding the retrenchment of former state employees, social welfare, political rights, human rights and labour rights, the exploitation of the environment, and China's increasing interaction with the globalised world – including membership of groups such as the World Trade Organisation (WTO).

² These include 'People's Daily Online' (English) URL: <http://english.people.com.cn> and 'China Daily', URL: <http://www.chinadaily.com.cn>

³ Garnaut and Song, *China: Twenty Years of Reform*, p. 1

⁴ Naughton, *The China Circle*, pp. 3-8

⁵ *ibid*

⁶ Hemelryk Donald and Benewick, *The State of China Atlas*, p. 96. Source shows 2003 population of 1.285 billion people. (Although many 'unofficial' estimates put the figure closer to 1.6 billion, taking into account the many unregistered births).

One of China's most interesting features is the internal migration of its people. It is estimated that between 98 million and 100 million workers have migrated from China's rural areas to its rapidly developing eastern cities.⁷ Some have predicted that over the next 15 years another 300 million rural Chinese will make the same move.⁸ The lure has been the growing amount of labour intensive entry-level work available in clothing, footwear and textile factories, along with opportunities on construction sites.⁹ This has worked well towards achieving the government's goal of an urbanisation ratio of 50:50, outlined in 2001.¹⁰ In 1978 only 18% of Chinese were living in an urban situation, compared to 82% in rural areas.¹¹ By 2002 this percentage gap had been reduced remarkably. Figures showed that only 61% were living in rural areas, with 39% in urban areas.¹² There was also a 7% jump in urbanisation between 1997 and 2002 – indeed a rapid increase.¹³ Inherently, the number of Chinese cities with a 'non-agricultural' population of over 1 million increased from 18 in 1980 to 41 in 2001.¹⁴ The Chinese central government has also assisted the rate of urbanisation by attempting to change the image of rural to urban migrants from one of negative perceptions to one of more positive attributes.¹⁵ Indeed, the scale of China's rural to urban migration is huge, thanks in part to its booming eastern seaboard economy and government policy.

The trend of increasing rural to urban migration has however slowed recently. Many more rural Chinese are instead deciding to stay at home in their rural communities. The result has been a substantial shortage of labour throughout the booming construction and entry-level manufacturing industries. This has been particularly evident in the Pearl River Delta and the southern province of Guangdong (bordering Hong Kong).¹⁶ For

⁷ Hannan, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *Centre for Asia Pacific Social Transformation Studies (CAPSTRANS)*, International Convention of Asia Scholars (ICAS) 4 Conference – Shanghai, 20-24 August, 2005

⁸ Fishman, *China Inc.*, p. 7

⁹ Hannan, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *op cit*

¹⁰ *ibid*

¹¹ Hemelryk Donald and Benewick, *op cit*, p. 27

¹² *ibid*

¹³ *ibid*

¹⁴ *ibid* (There are in fact 166 Chinese cities with populations of over 1 million. These are however not automatically considered 'urban'. Only the 41 cities have a 'non-agricultural' population of over 1 million..)

¹⁵ Hannan, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *op cit*

¹⁶ *ibid*

example, in Shenzhen, 90% of factories claim to be in need of large amounts of workers.¹⁷ There are numerous examples of employers resorting to desperate measures in order to attract these workers. Some companies have sent envoys to China's western and central provinces, such as Hubei in hope of bringing back some workers, but have often returned with less than a third of their quota.¹⁸ Other companies have resorted to offering incentives for workers to bring back their friends when they go home for public holidays.¹⁹

A number of reasons have been touted as to why this slowing in rural to urban migration has occurred. Firstly, the wages of entry-level work for rural to urban migrants have remained low for a considerable amount of time despite the booming growth in the increasingly urbanised east coast. Some studies show pay rates remaining static over a 10 year period.²⁰ In fact the 'real wage' amongst rural to urban migrants has actually dropped by 8% in some regions.²¹ 1995 figures from Shanghai show that rural migrants earned only 40% of the income of the city's 'residents'.²² Discrimination against migrant workers appeared to be the main reason for this claims Meng, who notes that the gap could not be explained by labour productivity or 'personal endowment differentials.'²³

In addition to the relatively poor pay, conditions have often been far from desirable. There have been cases where workers have been blatantly exploited through working unimaginably long hours and made to live in squalor residences at warehouses and factories. This situation fits particularly with the jobs which many young migrant women have taken in the clothing, textile and footwear manufacturing industry.²⁴ Young migrant men on the other hand have been facing an industry which largely disregards safety standards.²⁵

The migrants' continued connection to their old communities has been part of the reason why such poor conditions are provided. The migrants' hometowns and rural

¹⁷ Hannan, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *op cit*

¹⁸ *ibid*

¹⁹ *ibid*

²⁰ *ibid*

²¹ *ibid*

²² Meng in Garnaut and Song, *op cit*, p. 162

²³ *ibid*

²⁴ Fishman, *op cit*, pp. 96-97

²⁵ Hannan, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *op cit*

family networks have behaved as unofficial social security networks.²⁶ In times of illness or low work possibilities these communities have provided safe havens. Thus businesses have not felt required to provide social services and additional entitlements to their migrant employees.²⁷ This is in contrast to the former state-owned enterprises of the pre-reform era, which provided many services, such as free childcare, healthcare, education, and housing, in addition to lifetime employment for their employees.²⁸

In addition to this, government policy has also been geared towards improving rural wages, especially the income of farmers. Its recent success has coincided with the spate of migrants deciding to stay at home. The average income of farmers rose by 16% in the first half of 2004.²⁹ This has largely been assisted by a raise in the price of grain, and substantial tax relief. The government's policies have also aimed at increasing employment opportunities in rural areas.³⁰ Thus, as we can see there are several factors which could help to explain the slowing rate of rural to urban migration.

This scenario is being approached with a variety of methods and ideas. Government policies in China have varied considerably, reflecting the interests of both the local governments and central leadership. Local officials in China's central and western areas have made concerted efforts at courting investors and manufacturers.³¹ They believe extra employment opportunities will aid in the development of their regions. The governments of China's more developed eastern areas, such as those in Shanghai and Guangdong have responded by moving their focus from manufacture (which is heavily labour intensive) to the more advanced areas of capital intensive production and service industries.³² In addition the central government's 'Go West' policy has promoted investment and expansion into China's western and central regions.³³ In addition it has highlighted the need to improve the infrastructure in rural areas.

²⁶ Hannan, 'POL318 Lecture – Week 10: Economic Reform, Opening to the Outside World, Social Discontent and Rural-to-Urban Migration', University of Wollongong, Wollongong, 2005

²⁷ *ibid*

²⁸ Meng in Garnaut and Song, *op cit*, p. 158

²⁹ Hannan, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *op cit*

³⁰ *ibid*

³¹ *ibid*

³² *ibid.*

³³ *ibid.*

Employers have also taken advantage of several options in order to increase their chances of success in China's changing labour landscape. Some manufacturers in particular have been in favour of raising wages on the eastern seaboard in order to attract workers. Indeed China is under increasing pressure from the outside world to raise its wages. This has been borne not out of concern for the well-being of Chinese workers, but for reasons related to international trade and China's membership of the WTO.³⁴ The United States and European Union in particular have accused China of 'dumping' on the international market by over-producing thanks to cheap production costs. Other manufacturers have preferred to take a different line and advocate moving westwards, in order to allow capital intensive production to prosper.³⁵ So as we can see, no matter which paths are taken, there appears as though there will be significant ramifications for China's development.

What could the responses and reactions to the slowing of rural to urban migration mean for the continuing development and modernisation of China? Perhaps one of the major implications could be a lessening of the vast inequality which exists in China today. In the recent era of reform China has actually seen inequality rise between the rural and urban sectors. In 1985 the average rural household had an annual household income of 58% of its urban equivalent.³⁶ By 2000 this figured had fallen to 35%.³⁷ As mentioned earlier, government policies in recent years have been aimed towards increasing the wages of rural residents and reversing this trend. By developing infrastructure and enticing investment in China's less developed western and central regions the equality gap may be decreased. Thus, those Chinese 'refusing' to go to the Eastern seaboard for work may be inadvertently aiding the progression of their home regions' development. This would be particularly the case if Chinese employers do indeed increase wages despite the move further west. This may be possible, not only because of the pressure provided by the WTO and international community, but also because many businesses

³⁴ Hannan, 'POL318 Lecture – Week 10: Economic Reform, Opening to the Outside World, Social Discontent and Rural-to-Urban Migration', *op cit*

³⁴ *ibid*

³⁵ *ibid*

³⁶ Hemelryk Donald and Benewick, *op cit*, p. 36

³⁷ *ibid*

have not only sighted cheaper labour as a reason for contemplating relocation. Rather, they have stressed the money which can be saved through tax incentives and savings on the cost of land and services such as electricity.³⁸ Any potential wage increases would also assist in alleviating the gap in equality between rural migrants and urban residents in the urban sector.

The slowing migration situation may also have implications for the relationship between employees and employers. In recent decades it has been predominantly the employers with the power to control this relationship. Migrants have had little choice but to accept poor wages, squalor housing, little benefits and poor rights in the event of undertaking work in the booming eastern areas of China. However, the situation which employers now find themselves in may mean they will have to provide workers with a 'fairer' deal. If workers have the power to make businesses move across the country, perhaps they are becoming strong enough to demand a better situation. If an increasing rate of strikes and increased union memberships are any indication, then this may indeed be the case.³⁹

Amazingly, all of the aforementioned worker shortages have taken place whilst there are huge numbers of urban unemployed. What indeed could be the implications for the massive amount of former state workers who were retrenched during the reform of China's state enterprise system? An estimated 28 million of these 'urban dispossessed' were retrenched during the period of 1998 to 2002.⁴⁰ Some estimates have suggested that as many as 9 million of these former state workers remain unemployed.⁴¹ Solinger claims the total number of laid-off state workers to number around 60 million.⁴² The newer, more commercially-minded enterprises have identified them as being higher maintenance than rural migrant workers, and it appears to Fishman that they are clearly unwanted as employees.⁴³ These workers had become used to the plethora of services provided by

³⁸ Hannan, 'China's Rural-to-Urban Labour Migration: Mobility, Exclusion and Opportunity', *op cit*

³⁹ China Industry News (tdctrade.com), 'Overseas Trade Boosts Number of Trade Unions', URL: <http://my.tdctrade.com/airnewse/index.asp?id=15885>, Date Accessed: 18/02/06

⁴⁰ Hemelryk Donald and Benewick, *op cit*, p. 39

⁴¹ Meng in Garnaut and Song, *op cit*, p. 166

⁴² Solinger in Hays Gries and Rosen, *State and Society in 21st-century China*, p. 50

⁴³ Fishman, *op cit*, p. 91

their former employers. As mentioned earlier, employers felt as though they were less obliged to provide such services to migrant workers because of their quasi social security network back home. This factor has been in addition to the complacency many of the former state workers have had of accepting a job of 'low status'.⁴⁴ Thus the migrants are not the reason for the urban unemployed as they tend to exist in separate urban labour markets; rather they have instead lowered labour costs for employers.⁴⁵ Moves by manufacturers and enterprises to head inland may still further damage the chances of the urban unemployed of finding employment, even if it was not the particular type of employment they were after. What would be substantial however, is if the rights and benefits given to workers do increase dramatically enough to entice these "urban dispossessed"⁴⁶ back into the workforce. On the other hand, some academics and politicians are concerned about the extent of simmering discontent amongst this large urban group, and worry about the political implications this may incur.⁴⁷ As one author claimed, "they feel abandoned by society."⁴⁸ Whatever occurs, for the present it seems the fate of these unemployed workers remains uncertain. Thus, there could indeed be many implications across China from reactions and responses to the slowing rate of rural to urban migration.

As we can see, any study of modernisation and development in the People's Republic of China will raise a number of very important issues. Some of the most important of these are related to the topic of rural to urban migration. We can see that its implications are far reaching and that it is an issue which is connected to many of the most critical questions surrounding China's development and modernisation.

⁴⁴ Meng in Garnaut and Song, *op cit*, p. 166

⁴⁵ *ibid*, p. 160

⁴⁶ Solinger in Hays Gries and Rosen, *op cit*, p. 50

⁴⁷ *ibid*, p. 52-53

⁴⁸ *ibid*, p. 52