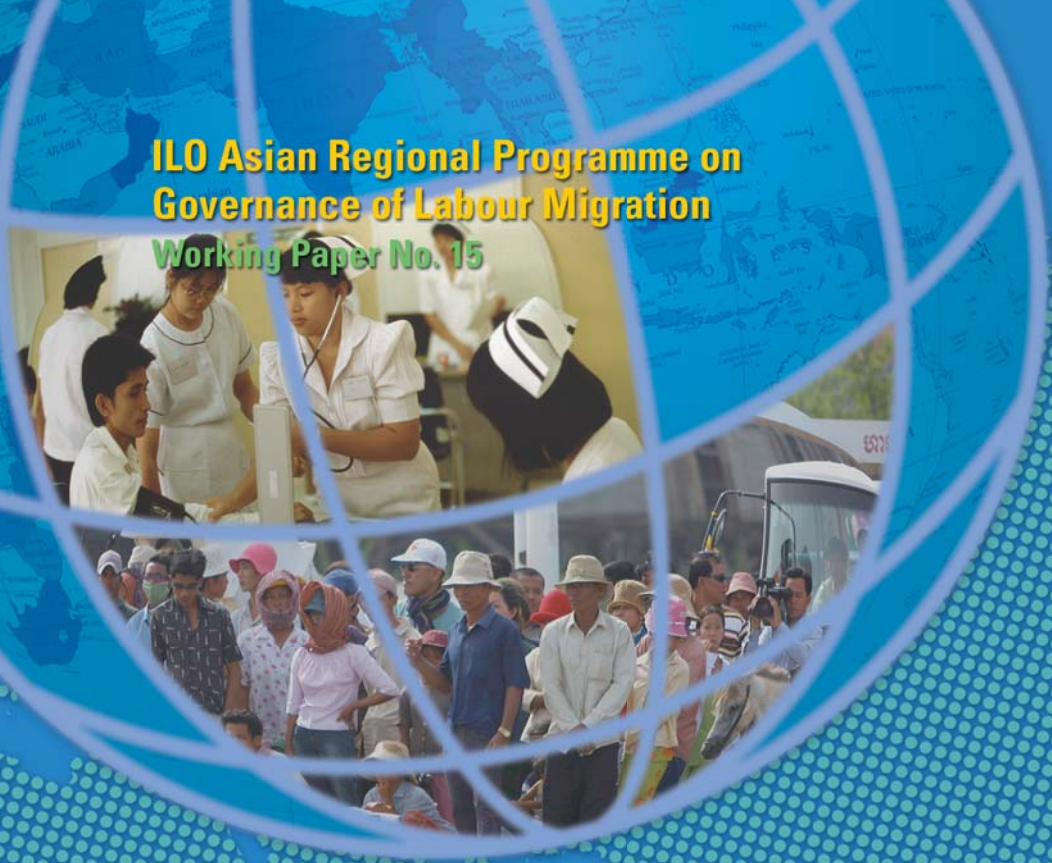
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Rural-Urban Migration and Policy Responses in China: Challenges and Options

Dewen Wang

Regional Office for Asia and the Pacific
July 2008

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Rural-Urban Migration and Policy Responses in China: Challenges and Options

Dewen Wang

Abstract

This paper examines the recent history of rural-urban labour migration in China in the process of its rapid socioeconomic transformation. It looks at the trends and patterns of this internal migration and its consequences on the rights and welfare of rural migrant workers and their families. The paper argues that rural-urban migration has been crucial to China's rapid economic growth and that the provision of decent work to rural migrant workers is needed to narrow inequalities and achieve more balanced growth in the country.

About the author

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The responsibility for opinions expressed in this working paper rests solely with the author or authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them, or of any products, processes or geographical designations mentioned.

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Rural-Urban Migration and Policy Responses in China: Challenges and Options

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1. Introduction

Rural-urban migration in China since the mid-1980s is in some ways unique. Though it shares some similarities in terms of origin, causes and processes with rural-urban migration in other developing countries, internal migration in China is unique in that its characteristics are rooted in the hukou system and the urban-biased policies that prioritized heavy industry during the command economy period. Since the reforms in the late 1970s, rural-urban migration has gradually grown and become a momentous force promoting market-oriented reform and labour market integration (Cai and Du, 2007).

Although a series of policy measures have been taken, reforming the hukou system is still incomplete, falling short of the requirements of integrating rural migrants and their households into cities and achieving the goal of a harmonious society. Rural migrant workers in urban labour markets are discriminatorily treated in their jobs, wages, access to public services, and social protection - reflecting the unfinished hukou system reform and urban employment protection for local workers. In recent years, the Chinese government has launched a package of policy initiatives to facilitate rural labour transfer and protect the rights of rural migrant workers and their households in cities, which will have a profound impact on China's economic growth and social development in the long run.

Internal labour mobility has been one of the driving forces of China's rapid growth. The increasing inflow of cheap rural labourers into cities has not only propelled the expansion of non-agricultural sectors at low labour costs, but also contributed to the improvement of labour productivity in the agricultural sector in the reform era. Empirical studies confirm that migration has contributed to fast growth in China, with labour mobility and reallocation accounting for about 16 to 22 percent of GDP growth since reforms started (World Bank, 1996; Lee, 1997; Cai and Wang, 1999).

The integration of migration into development is viewed as one of the important policy tools that enabled the smooth transfer of millions in the rural labour force out of the agricultural sector and reshaped Chinese socioeconomic structures. Non-agricultural earnings and remittances have tremendously alleviated rural poverty and are now becoming the major sources of rural income growth. The number of the rural poor has sharply declined from 250 million in 1978 to 23.6 million in 2005, and the headcount rate dropped from 30.7 percent to 2.6 percent (Wang and Cai, 2006). Unlike in Latin America,

internal migration in China did not appear to worsen urban income poverty, although rural migrant workers still face, to a certain extent, discrimination and social exclusion in the urban labour market (Park, *et al.*, 2007). However, the Chinese government has drafted a comprehensive agenda and made efforts to solve the issue of rights protection for rural migrant workers and their households.

This paper presents a brief history of internal migration in China, including its trends, challenges, and the options faced by the country in its period of rapid socioeconomic transformation. It has five sections including the introduction. The next section describes the trends and characteristics of rural-urban migration, and briefly discusses the issue of labour shortage of rural migrant workers in recent years. Section three investigates the issues of employment and rights protection for rural migrant workers and their households. Section four explores the hukou system reform and policy responses concerning the integration of migration into development through capacity-building and effective management. The final section concludes with policy implications

2. Trends and Characteristics of Internal Migration in China

2.1. Trends of Rural Migration

Internal migration can be divided into four types according to origin and destination: rural to urban, rural to rural, urban to rural, and urban to urban.[1] The official statistics from the 2000 census and the one percent population sampling in 2005 shows that the number of internal migrants in China went up from 144.4 million to 147.4 million in the period. Inter-provincial migrants was estimated at 49.9 million in 2005, up by 6.4 million from 2000. Rural-urban migration is the main type of internal migration in China and accounted for 40.7 percent of the total in the 2000 census. Meanwhile, urban-urban migration made up 37.2 percent, rural-rural migration 18.1 percent, and urban-rural migration 4 percent of the total.

In the early 1980s, when agricultural reforms first took place, the size of rural migration was quite small. Nationally representative household surveys did not exist at that time and researchers had to rely on small-size sampling or field investigations to get rough estimates of the scale of migration. It is reported that there were only around two

[1] The 2000 census and the 2005 population sampling have as criterion for identifying migrants that they have stayed in their destination areas for six months or more, and identifies townships in rural areas and districts in urban areas as the basic geographical units. Because people who migrate for less than six months are excluded, the scales of internal migration in the 2000 census and the 2005 population sampling are understated.

million migrants in 1983, and most of them were craftsmen, such as carpenters, construction workers and street vendors who moved within rural areas (Chen and Zhang, 2005). With the growth of agricultural productivity and the relaxation of government controls on migration, the massive population mobility evolved for the first time into a migration wave between rural and urban areas during the early 1990s, following a new round of rapid economic growth ushered in by Deng Xiaoping's visit to South China in 1992 that generated tremendous demand for cheap rural labourers, especially in coastal regions where township and village enterprises and private businesses emerged.

In the mid-1980s, a fixed household survey network was established by the Research Center for Rural Economy of the Ministry of Agriculture. The purpose of this network is to keep continuous observations on the changes in the rural economy and to draw policy implications for adjusting current policies and/or drafting new policies. This repeated survey provides us a means of analyzing the volume of rural-urban migration over time. Based on this source, rural migration in China totalled 30 million in 1989, soared to 62 million in 1993, maintained a slow pace during the period of the East Asian financial crisis and China's deepening of the state-owned enterprises reform in the late 1990s, but regained its momentum after China joined WTO and reached 102.6 million in 2004 (Chen and Zhang, 2005). Rural migration accounted for more than 20 percent of the rural labour force and nearly 40 percent of the urban labour force in 2004.

The National Bureau of Statistics started to monitor the statistics of rural migration beginning in the late 1990s. It gathered information on rural migration through the network of rural household surveys, which is nationally representative. Unlike the fixed household survey conducted by the Research Center for Rural Economy of the Ministry of Agriculture, the National Bureau of Statistics rotates its household sample every four years, so it is able to provide a more precise and representative estimate of the volume of rural migrants. Moreover, it contains information on both temporary (less than six months) and long-term (equal to or greater than six months) migrants, and in that way overcomes the shortcomings of the migration statistics in the 2000 census and the 2005 population sampling, which did not cover temporary migration.

As shown in Figure 1, rural migration has been on an upward trend. Rural migrants numbered 78.5 million in 2000 and 132.1 million in 2006. Compared with the statistics from the Ministry of Agriculture or from the population census and population sampling, it is obvious that the volume of rural migration from the nationally representative household surveys is larger. As a percentage of the total number of urban employed, rural migrants increased from 33.9 percent in 2000 to 46.7 percent in 2006, close to half of the total. The total number of rural migrants accounted for 16.0 percent of the rural labour force in 2000 and to 27.5 percent in 2006.

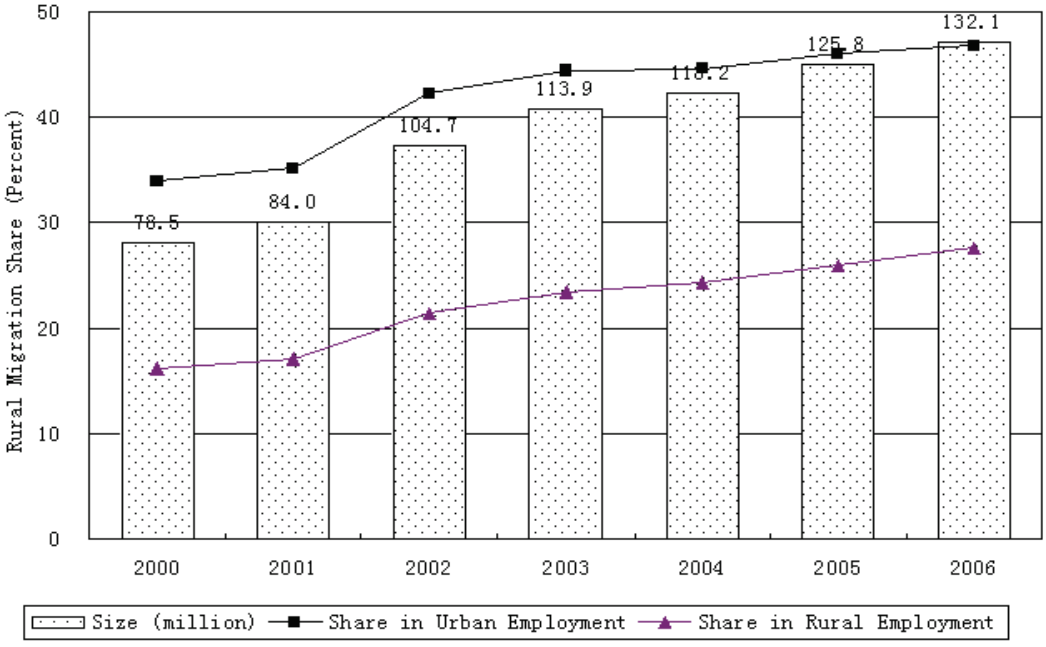


Figure 1. Trends and Shares of Rural Migration in China, 2000-2006
Source: National Bureau of Statistics, Rural Household Survey Yearbooks (Various Years), China Statistical Yearbook (2007), China Statistics Press, Beijing.

2.2. Characteristics of Rural Migration

Migration is a process of selection. A number of studies shows that most migrants come from the most productive age group. Population mobility and migration is a response to demand for cheap labour generated by industrialization and urbanization in the process of economic development. International experiences illustrate that rural to urban migration is quite rapid during the stage of fast industrialization. Rural labourers or households will make the decision whether or not to migrate according to labour market conditions and their own endowments. If the prospective benefits are greater than the costs, they tend to choose migration; otherwise they stay in the farm.

Table 1. Distribution of Rural Migrants by Age and their Average Age

Age Group	2001	2002	2003	2004
16-20	22.2	20.2	19.5	18.3
21-25	26.8	26.1	27.8	27.1
26-30	16.1	15.9	15.6	15.9
31-40	22.2	24	23	23.2
40+	12.7	13.8	14.1	15.5
Average Age	27.8	28.3	28.2	28.6

Source: National Statistical Bureau, China Rural Household Survey Yearbook (2005), China Statistics Press.

The productive population age structure of rural migrants allows rural labourers or households to maximize their benefits from migration and improve their comparative advantage in the urban labour market. The demographic characteristics of rural migration relate highly to their low opportunity costs, high productivity and long-term income expectations. Rural migrant workers are primarily young people with an average age of about 27-29. Rural migrants who are 30 years old and below accounts for more than 60 percent of the total number of rural migrants (See Table 1). In 2004, male migrants accounted for 66.3 percent and female migrants accounted for 33.7 percent of the total number of rural migrants. The proportion of migrant women was higher in the eastern regions than in the central and western regions, and they were 37.4 percent, 26.0 percent, and 23.6 percent in 2004, respectively.

According to the China Urban Labour Survey (CULS), 62.3% of migrants are married. But the ratio of families that migrate together is low because social services, particularly children's education and housing, are unavailable to most migrants (Wang and Cai, 2005). Because of the restrictions of the hukou system, few migrants move along with their families. However, family migration has gradually increased in recent years. The number of family migrants was 24.7 million in 2004 and rose to 26.4 million in 2006, an increase of 7 percent that can be largely attributed to the deepening of the urban hukou system reform and friendly policies to encourage rural migration. The increasing inflow of the rural young population has significantly changed the urban population age structure. In 2000 alone, migrants reduced the urban dependency ratio by 2.5 percentage points and the aging population ratio by 0.8 percentage point (Cai and Wang, 2005).

Migration is heavily influenced by human capital endowments. If ranked according to educational levels, non-migrants with non-agricultural employment would be at the top, followed by inter-provincial migrants, then intra-provincial migrants, and finally

non-migrant farmers at the bottom (Roberts, 2001). According to the rural household survey conducted by the National Bureau of Statistics, more than two-thirds of migrants have middle-school education. From 2004 to 2006, the proportion of rural migrants who had no education or had only primary school education declined from 18.4 percent to 16.0 percent, while the proportion of migrants with middle-school education and above increased from 81.6 percent to 83.9 percent (See Table 2). In 2004, the proportion of rural migrants who had middle-school education was 18.3 percentage points higher than the national average for all rural labourers. Rural migrants are likely to participate in training programs because education and training play an important role in their employment choice and wage determination (Wang et. al, 2007). The proportion of rural migrants who received various trainings also increased over time. From 2004 to 2006, the proportion of rural migrants who received professional training rose from 28.2 percent to 35.2 percent. On average, rural migrants are now approaching the human capital level of urban workers, indicating they are now competing with urban workers for jobs, especially in the low-skilled labour market and informal sectors.

Table 2. Composition of Rural Migrants by Education in China

Education	2004	2005	2006
No education	2.0	1.7	1.7
Primary School	16.4	14.8	14.3
Middle School	65.5	67.3	67.0
High School	11.5	10.7	11.1
Technical Vocational School and above	4.6	5.5	5.8

Source: National Statistical Bureau, China Rural Household Survey Yearbook (2005-2007), China Statistics Press.

Rural migrants are highly concentrated in the eastern regions (See Table 3). In 2006, 70.2 percent of rural migrants worked in the eastern regions, while 14.9 percent worked in each of the central and western regions. Rural migration is also concentrated in medium and large cities. In 2006, 64.8 percent of rural migrants worked in prefectural and capital cities. It seems that the concentration trends in eastern regions and medium and large cities have not changed over time. Most of the rural migrants come from inland provinces with large-sized populations such as Anhui, Jiangxi, Hubei and Sichuan, where rural migrants accounted for more than 30 percent of the total rural labour force. The increasing concentration of rural migration in eastern regions is a response to income disparities and development gaps across regions. For example, per capita GDP in Shanghai (the highest) was almost 10 times that in Guizhou (the lowest) in 2006, the volume of trade in eastern regions accounted for 92.5 percent of the national aggregate

foreign trade in 2006. Rapid growth and trade expansion in eastern regions have created more job opportunities and attracted massive flows of labour. Although migration is becoming more responsive to income disparity, the increasing mobility has not reduced income inequality mainly because of the unfinished reform of the hukou system and other factors that continue to accentuate regional disparity (Lin *et al*., 2004).

Solinger (1999) conducted an interesting study comparing Chinese urban restrictions concerning rural migrants and the stringent policy measures adopted by Germany and Japan to limit immigration. He found that in terms of entry rules, citizenship rights, and treatment, the former is more restrictive than the latter. The existence of the hukou system has forced rural migrants to enter the urban competitive sectors and prevented them from entering the urban protected sectors. As shown in Table 4, the five largest sectors that absorbed rural migrants were manufacturing, construction, services, catering, and wholesale and retail. Their corresponding proportions were 35.7 percent, 20.5 percent, 10.2 percent, 6.0 percent and 4.6 percent, respectively. Table 4 also shows that the proportion of rural migrants employed in the manufacturing sector increased from 30.3 percent in 2004 to 35.7 percent in 2006. The increasing employment in the manufacturing sector can, to a large extent, be attributed to China's accession to WTO by the end of 2001. After that, Chinese foreign trade has maintained an unprecedented growth, which in turn has stimulated a corresponding rapid output growth of the manufacturing sector. Both output growth and trade expansion generated huge job opportunities for absorbing rural surplus labour. The rapid expansion of the manufacturing sector has caused a shortage of rural migrant workers in the southern coastal regions (Wang, et al, 2005). Changes in the working age population structure and the rapid rise in the wage rates of rural migrant workers indicate that the supply of China's rural surplus labour has entered a turning point (Wang, et al, 2005; Cai and Du, 2007), which is highly relevant to China's labour market policies, economic growth, and development.

Table 3. Spatial Distribution of Rural Migrants (%)

Region	2003	2004	2005	2006
East	68.0	70.0	70.5	70.2
Central	14.7	14.2	14.4	14.9
West	17.3	15.8	15.0	14.9
City Level				
Capital Cities	29.1	28.1	29.0	28.0
Prefectural Cities	31.8	34.3	36.1	36.8
Counties and below	39.1	37.6	34.9	35.2

Source: National Statistical Bureau, China Rural Household Survey Yearbook (2005-2007), China Statistics Press.

Table 4. Employment Distribution of Rural Migrants in China

	2004	2005	2006
Manufacturing	30.3	34.8	35.7
Construction	22.9	20.2	20.5
Services	10.4	10.6	10.2
Catering	6.7	6.0	6.0
Wholesale and Retail	4.6	4.7	4.6
Others	25.1	23.7	23.0

Source: National Statistical Bureau, China Rural Household Survey Yearbook (2005-2007), China Statistics Press.

3. Labour Market Discrimination and Social Exclusion of Rural Migrant Workers

The labour market is segregated in urban China. The primary labour market has better protection with high salaries, stable employment, and good working conditions. In contrast, the secondary labour market is more competitive with low salaries, unstable employment, poor working conditions, and insufficient protection for workers. The dual labour markets divide the Chinese urban economy into formal and informal sectors. Urban local workers are often employed in the formal sectors with better protection while rural migrants are mainly employed in the informal sectors with less protection.

Before the mid-1990s, the inflow of rural migrants into urban areas was largely supplemental to the urban labour force. The fast-growing urban economy generated massive demand for labourers, resulting in structural shortages of urban workers, especially in sectors such as construction and sanitary services, which have poor working conditions and high demand for physical labour. In the meantime, the expansion of the tertiary sector and the private sector also created more opportunities and diversified channels for rural migrants to be employed in the trade and service sectors related to the everyday life of urban residents.

Since the mid-1990s, the deepening of state-owned enterprises has made millions of urban workers redundant and caused severe lay offs and unemployment in the urban labour market. For example, the number of employed in state-owned sectors (including collective enterprises) was 144.1 million in 1995 but declined to 96 million in 2000. The share of state-owned enterprises in total urban employment dropped from 75.7 percent to 41.5 percent in the period, representing a reduction of 34.2 percentage points. In 2006, employment in state-owned sectors accounted for only one-fourth of total urban employment. When majority of the urban labour force is employed in the private sector, the employment relationship between local workers and migrant workers is changed. In the competitive labour market, rural migrants to a certain extent become rivals to urban

local workers, especially in informal sectors and competitive industries with low skill requirements.

Although the urban labour market is now more open to rural migrants, the unfinished reform of the hukou system still causes some problems, including inequities in employment opportunities, less protection in workplaces, and low access to social security and public services for rural migrant workers and their households. Most rural migrant workers can only find jobs that are temporary, dirty, dangerous, and physically demanding. Some of them run into issues of wage delays or arrears. They have to pay high tuition fees and extra fees if they send their children to urban public schools. Suffering from social exclusion in urban labour markets, rural migrants do not consider themselves as urbanites even if some of them have lived in cities for many years.

3.1. Employment and Wage Discrimination

In the urban labour market, the local hukou is a necessary precondition for obtaining a job in the formal sectors. Therefore, the hukou status works as an identity label that segregates migrant workers from local workers. Without the local hukou, rural migrants cannot obtain formal jobs in the formal sectors, such as government departments and state-owned enterprises, and could only do so in non-state-owned or competitive sectors. According to China's Urban Labour Survey which was conducted in five large cities, nearly 60 percent of rural migrants worked in non-public sectors in 2001, and this proportion went up to 70 percent in 2005 (Wang, 2006). Wang et al. (2004) presented empirical evidence that rural migrant are less likely to be employed in urban monopoly and non-competitive sectors due to the constraints of the hukou system.

Rural migrant workers don't have equal pay for equal work with their urban counterparts. Although they take on the same kind of positions within industries, migrant workers are paid less and enjoy fewer benefits than their urban counterparts. Controlling for differences in factors that cause differences in their productivities, some portion of the wage differentials (the unexplained part) could be attributed to labour market discrimination against rural migrant workers (Meng and Zhang, 2001). According to CULS, the average hourly wage was 3.14 Yuan for migrant workers but 5.40 Yuan for urban resident workers in 2001. The wage decomposition found that 40.3 percent of the wage difference between local and migrant workers could be attributed to labour market discrimination due to institutional barriers of the hukou system and a set of other related welfare and benefit systems. With the development of the urban labour market and economic reforms, labour market discrimination has been reduced over time. The second-wave CULS survey showed that the average hourly wage was 3.94 Yuan for migrant workers and 6.32 Yuan for urban resident workers in 2005, and that the unexplained part

of the wage differentials declined to 27.4 percent of the total (Wang, 2006).

Rural migrant workers cannot enjoy the same access as urban workers to public employment services because public employment agencies and training institutions in urban areas are mainly designed to meet the needs of the urban population and are closed to rural migrant workers. The formal employment channels are also often costly, complicated, inefficient, and out of reach of rural migrant workers. According to the rural household survey of the National Bureau of Statistics in 2004, 65.3 percent of rural migrant workers got help from their relatives and friends, while those that relied on government employment agencies and recruiters accounted for only 1.9 percent and 12.6 percent, respectively. In 2006, the National Bureau of Statistics launched a nationally representative sample survey on the quality of life of rural migrant workers. According to this survey, 54.2 percent of rural migrant workers searched for jobs through their network of relatives and friends, 10.5 percent by themselves, 7.4 percent through advertisements and posters, 5.2 percent via hiring agencies and employers, and 6.3 percent through job markets and fairs. The State Council's Report on Migrant Workers states that only between 20-30 percent of migrant workers receive employment services in sending areas, but less than 10 percent receive these services from government agencies.

3.2. Informalized Employment and Poor Working Conditions

The majority of rural migrant workers are employed in competitive sectors such as manufacturing, construction, wholesale and retail, catering and services, and so on. According to the 2000 census, rural migrant workers accounted for 24.2 percent of the workforce in manufacturing, 25.1 percent of the workforce in construction, 20 percent of the workforce in wholesale, retail and catering services, and 18.1 percent of those in social services. The number of rural migrant workers employed in those four industries accounted for 82.4 percent of total rural migrant workers in cities. With the continuous inflow of rural migrants into cities, the proportion of rural migrant workers in competitive sectors have increased over time. As shown in Table 5, the proportion of rural migrant workers in manufacturing, construction, wholesale, retail and catering, and social services in 2005 are 35.2 percent, 31.8 percent, 27.4 percent and 32.3 percent, respectively. The proportion of rural migrant workers in mining, transportation and communication, real estate, and other sectors have also increased, but their proportion in electricity, gas and water, and finance have decreased. Because the 2000 census and 1 percent population sampling in 2005 do not take into account rural migrants who stay in cities for less than six months, it is worth noting that the results in Table 5 underreport the proportions of rural migrant workers in the total urban workforce.

Table 5. Proportions of Rural Migrant Workers by Industry

	2000	2005
Agriculture	4.1	3.0
Mining	7.8	10.3
Manufacturing	24.2	35.2
Construction	25.1	31.8
Electricity, Gas and Water	4.5	4.4
Transportation and Communication	9.0	13.9
Wholesale, Retails and Catering	20.0	27.4
Finance	4.3	3.6
Real Estate	9.3	17.5
Social Services	18.1	32.3
Others	5.5	6.0
Total	14.3	18.7

Source: National Bureau of Statistics, 1 percent of the 2000 Census Long-Form Data and 10 percent of the 2005 population sampling data.

The labour contract provides a basis for standardizing the relationships and responsibilities between employers and workers, which could be used as an important indicator to describe the informal employment of rural migrants. Without contracts, it is difficult for workers to protect their rights through formal arbitration and dispute settlement channels. According to the National Bureau of Statistics, 79.3 percent of rural migrant workers did not sign contracts with their employers in 2004. But the survey on the quality of life of rural migrants conducted by the National Bureau of Statistics showed that 54 percent of rural migrant workers signed contracts with their employers in 2006. Although there has been progress in the provision of social protection to rural migrant workers in recent years, it seems that the proportion of signed contracts in 2006 is overestimated. The first-wave CULS survey in 2001 showed that only 29 percent of the migrant workers had signed a contract with their work units or employers, much lower than the 53 percent for urban resident workers in five large cities. The second-wave CULS survey in 2005, however, showed that the proportion went up to 33 percent in five large cities. If the remaining 7 small cities were also included, then the proportion would increase to 42.9 percent. According to the one percent population sampling, 37 percent of rural migrant workers and 55 percent of urban workers signed a contract with their employers in 2005.

Rural migrant workers are often subjected to poor working conditions. Many studies have shown that rural migrant workers work long hours without overtime pay. According to the Living Quality Survey in 2006, rural migrant workers on average worked 6.3 days

a week, and 8.9 hours a day. Among them, nearly 40 percent worked more 9 hours a day, 46.9 percent worked 7 days a week, 36.7 percent worked 6 days a week, and only 15.6 percent worked 5 days a week. China's labour law stipulates 8 hours a day and 5 days a week for workers, and that overtime work should be compensated highly, but employers do not comply with the law and rural migrant workers are rarely compensated adequately when they work overtime or during holidays. Working overtime puts rural migrant workers at a greater risk of health problems. Due to poor working conditions, rural migrant workers face a high number of work-related illnesses, injuries and deaths. In 2004, there were 136,000 fatalities from workplace accidents, up from 100,000 in 2000 (Wen, 2005). Migrant workers accounted for 80 percent of the deaths in mining, construction, and chemical factories (Zheng and Liang, 2005). Approximately 90 percent of patients suffering from workplace-related diseases were migrant workers (China Daily, Feb 17, 2006).

3.3. Social Exclusion of Social Security and Public Services

Compared with local workers, most migrants are excluded from social security safety nets such as pension insurance, unemployment insurance, and health insurance. Their participation rates are very low. According to the CULS surveys (See Table 6), the participation rates of migrants in pension insurance and health insurance were 6.7 percent and 7.7 percent in 2001 in the five large cities, while the participation rates of urban local workers were 69.2 percent and 67.6 percent, respectively. Little progress has been made by the migrants over time. In 2005, the participation rates of migrants in pension insurance and health insurance were 8.8 percent and 7.5 percent, respectively. In contrast, small cities have become more open to providing social insurance services to rural migrants. As shown in Table 6, the participation rates of migrants in pension insurance, unemployment insurance, and health insurance were 13.3 percent, 7.7 percent, and 14.3 percent, respectively, much higher than those in large cities, where more attention is paid to the provision of social insurance for urban local residents.

The Living Quality Survey of Rural Migrant Workers in 2006 showed higher participation rates of rural migrant workers in the social insurance schemes (See Table 7). The results report that the proportions of rural migrant workers who did not buy pension insurance, health insurance, unemployment insurance and work injury insurance were 73.4 percent, 73.8 percent, 84.7 percent, and 67.5 percent; the proportions of rural migrant workers who were covered by the above-mentioned four types of insurance through employer-sponsored benefits were 11.9 percent, 12.6 percent, 8.4 percent, and 23.1 percent, respectively; the proportions of rural migrant workers who bought the above four types of insurance by themselves were 6.6 percent, 7.3 percent, 2.6 percent, and 4.6 percent, respectively; and the proportions of rural migrant workers who are

covered by the above four types of insurance through programs funded jointly by themselves and their employers were 8.2 percent, 6.4 percent, 4.4 percent, and 4.8 percent, respectively.

Table 6. Comparison of Social Insurance Coverage between Urban Residents and Migrants (%)

	Urban Residents			Migrants		
City Size	Large cities	Large cities	Small cities	Large cities	Large cities	Small cities
Year	2001	2005	2005	2001	2005	2005
Pension Insurance	69.2	76.9	76.7	6.7	8.8	13.3
Unemployment Insurance	-	33.8	45.0	-	2.4	7.7
Health Insurance	67.6	63.9	72.4	7.7	7.5	14.3

Source: 2001 and 2005 China Urban Labour Survey in 5 large cities including Shanghai, Wuhan, Shengyang, Fujian, and Xian, and 5 smaller cities in surrounding areas.

The results from the one percent population sampling show that the participation rates of rural migrant workers in social insurance schemes are much lower than the statistics of the Living Quality Survey of Rural Migrant Workers in 2006. The proportions of rural migrant workers who participated in pension insurance, unemployment insurance, and health insurance were 12 percent, 5.6 percent and 15.8 percent in 2005, which are similar to the CULS results in 2005. One of the reasons for the high ratios in the 2006 Living Quality Survey is that the survey allocated 81.2 percent of the sample size to rural migrant workers with stable jobs and 18.8 percent to those with flexible jobs or the self-employed. If we only calculated the proportion of rural migrant workers who were employees in their working units, then the participation rates in pension insurance, unemployment insurance, and health insurance were 17.1 percent, 8.8 percent and 21.1 percent in 2005 from the one percent population sampling. Even if we take into account the progress in 2006, the estimates from the Living Quality Survey appear a bit overstated.

Table 7. Participation of Rural Migrant Workers in Social Insurances in 2006

	Pension Insurance	Unemployment Insurance	Health Insurance	Work Injury Insurance
No Insurance	73.37	73.77	84.65	67.46
Firm Purchased	11.89	12.61	8.41	23.09
Migrant Purchased	6.56	7.23	2.55	4.62
Joint Purchase	8.18	6.39	4.39	4.83
Total	100.00	100.00	100.00	100.00

Source: National Bureau of Statistics, the Living Quality Survey of Rural Migrant Workers in 2006.

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Several factors contributed to the low participation of rural migrant workers in social insurance schemes. First, there is no national policy initiative that tries to integrate rural migrant workers into urban social security systems. The current pilot experiments are implemented locally, causing large variations in participation rates of rural migrant workers across cities. Second, there are complications in determining who is responsible for funding social security extensions, and many local governments and employers are not willing to contribute to the social insurance schemes for rural migrant workers because of the high mobility of rural migrant workers and the lack of a compatible national system for them. Finally, many migrant workers are not willing to contribute to such programmes because they are relatively young and want their maximum take-home pay.

The Living Quality Survey in 2006 also revealed that housing conditions were poor for rural migrant workers. Of the total, 29.2 percent lived in collective dorms, 20.1 percent without kitchen facilities, 14.3 percent lived in work sites or temporary work sheds, and 12.5 percent as commuters between work sites and suburbs. Rural migrant workers seldom went to regular hospitals to see doctors when they were ill. About 37.8 percent of rural migrant workers just buy some over-the-counter medicines from drugstores, and 20.5 percent went to private clinics. Only 32 percent went to regular hospitals because most of them thought the expenditures too high.

According to the Living Quality Survey in 2006, about 17.2 percent of rural migrant workers sent their children to urban local schools. Of those that went to school, 71.9 percent went to public schools, 22.0 percent to private schools, 5 percent to migrant schools, and 1.1 percent dropped out of school. The annual schooling expenditures were on average 2450 Yuan, equivalent to nearly 20 percent of total household income. In addition to regular schooling fees, nearly half of rural migrant workers have to pay extra fees or "donations" for their children to go to school and the per capita extra fees amounted to 1226 Yuan. The CULS surveys show that the tuition fees differed by more than 50 percent between students with and without local hukou in 2001, but this difference declined to around 30 percent in 2005. The differences in the cost of education are similar in large and small cities alike (Park, et. al., 2007).

4. Institutional Reform and Policy Reponses

China's rural to urban migration has unique features associated with institutional transition. The increasing volume of cyclical internal migration in China lies at the institutional root of the hukou system. China has gradually taken a series of policy measures to reform its traditional labour market system in the reform era. Realizing the vital contribution of migration to economic growth and rural development, the Chinese government has shifted its migration management policies from the control of internal migration to its encouragement. The hukou system reform has made some progress but this is still insufficient. In recent years, the Chinese government has drafted and implemented several important policy initiatives and issued some laws and regulations to strengthen the rights protection for rural migrant workers and to improve their welfare. Those policy changes will have profound effects on future internal migration in China.

4.1. Hukou System Reform

It is well known that the hukou system is an institutional arrangement that divides the total population into rural and urban sub-populations and puts a strict control on population migration between rural and urban areas and across regions in the command economy. This system has functioned not only as a residential registration for households, but also attached a series of hidden entitlements, including guaranteed employment, basic social security and social welfare, subsidized public services (education, health care, transportation, and so on), and subsidized housing to individual hukou status. Before the reform, the introduction of the hukou system in the early 1950s was designed to implement the priority strategy of heavy industrial development. This system prevented the rural population from freely migrating to urban areas through strict policy control and kept the rural labour force in the agricultural sectors. In the meantime, the state monopoly system intervened in the purchase and marketing of agricultural products at low planned prices and allocated food in the cities to maintain low wage levels. Such an institutional arrangement is meant to accelerate the transfer of economic surplus from the agricultural sector to the industrial sector and so help the accumulation of industrial capital.

Since the reform and opening up of the Chinese economy, the development strategy of comparative advantage has gradually replaced the traditional one. The development of township and village enterprises (TVEs) in coastal areas and the expansion of urban non state-owned sectors created a huge demand for cheap labour force. On the other hand, the successful agricultural reform in the early 1980s had released millions of surplus labourers from agriculture. In order to meet the demand for labour in TVEs and cities, the Chinese government gradually relaxed control on labour mobility instead of totally abolishing the hukou system. In 1984, farmers were allowed to do business outside their hometowns and were encouraged by the state to work in nearby small towns where emerging TVEs demanded labour. In 1985, the Ministry of Public Security issued Temporary Rules on Migratory Population in Cities and Towns, which required all those aged 16 and above who stayed in cities and towns for more than three months to apply for temporary residence permits. This policy provided the legal basis for managing the floating population through the temporary residence permit system. In 1995, the period requirement for staying in cities was adjusted to one month.

In 1998, the Chinese government announced that migrants who had lived for a certain time in a city were permitted to obtain a local urban hukou, as long as they had a fixed residence, a stable and legal occupation, or a source of income. This was a relatively radical reform at the time. In the same year, the Ministry of Public Security issued new regulations relaxing control over hukou registration, allowing persons who joined their parents, spouses, and children in cities to register with the urban hukou.

However, the progress differed significantly by size of cities. Small towns were more open to rural migrants to apply in the local hukou if they have a stable source of income and a fixed place of residence. But the thresholds were higher and the procedures more complex in medium-sized cities. In mega cities like Beijing and Shanghai, strict conditions were imposed in the entry of rural migrant workers, but the green lights were only given to the wealthiest, highly educated, and skilled migrants.

The costs and the management difficulties involved in completely abolishing the hukou system were probably the main concerns of the local city governments. If the rural migrants became "new city members", the provision of social protection and public services to them would raise a tremendous burden to local finances because the entitlement programmes were organized on a localized rather than nationwide basis. For the medium and large cities, the local governments worried that completely abolishing the hukou system would worsen the welfare of local residents and raise their complaints and objections because majority of rural migrants were concentrated in those cities and the proportion was likely to increase if the door was opened to them. The unfinished hukou system will still affect the employment and welfare of rural migrant workers and their households in the future, especially in medium and large cities.

4.2. Public Policy Actions and Legislation

In contrast to the lagged hukou system reform, the Chinese government has taken more active public policy actions to provide public service and to protect the rights of rural migrants. The central government and some local governments have begun to unify the labour market, extend training and services, and provide social security to rural migrants. With the implementation of these new policy measures, the narrowing of the differences in employment opportunities, payments, and welfare between local and migrant workers will provide a mature socio-economic environment for speeding up the hukou system reform and finally abolishing this system.

In 2002 and 2003, two landmark policy documents from the State Council – *Document Number 2 of 2002* and *Document Number 1 of 2003* called for "fair treatment, reasonable guidance, improvement of management, and better services" for migrant workers and triggered a proliferation of workplace regulations and social security provisions over the following few years. In March 2006, a series of seven measures were passed to further protect the rights and interests of rural workers to meet the multidimensional challenges of transferring rural surplus labour. The content of this important policy document includes: (1) a guarantee of the minimum wage and a system to monitor the delivery of wages to migrant workers; (2) enforcement of the labour contract system and regulation of labour administration of rural workers; (3) provision of

employment services and job training to migrant workers and the removal of discriminatory restrictions; (4) enlargement of rural workers' social security coverage to include employment injury, medical care, and pension schemes; (5) provision of access to urban public services and improvement of migrants' housing conditions; (6) improvement of the mechanism to protect migrants' democratic political rights and land contract ownership; (7) promotion of local economic development and township and village enterprises (TVEs) to encourage the local transfer of the surplus rural labour force.

The concrete policy measures have been implemented at various government levels. For example, a national program for training rural migrant workers started in 2003 and planned to provide 60 million prospective migrant labourers with short-term vocational training and post-departure training between 2003 and 2010. The Sunshine project aimed to adapt or upgrade the skills of ten million people in poverty-stricken sending provinces. By establishing links between training institutions and enterprises, 87% of the 8.3 million rural inhabitants who have participated in this training have already found off-farm employment. In recent years, different provinces have adopted experimental measures to establish a social insurance system for their migrant workers such as Beijing, Guangdong, Shanghai, and Zhejiang. Following a well-supported and successful national campaign against defaulting firms, a reported 80% of migrant workers were fully paid in 2005. To build on this progress, the government also established a detailed wage payment supervision system to prevent further abuses (Tunon, 2007).

In order to improve the management of internal migration, the Chinese government has taken measures to improve its data and information collection system. For example, a national urban labour force survey is conducted regularly and there are now a thousand 'rural labour flow and employment monitoring stations' to improve information networks around the country. A regional labour cooperation framework was set up in the Pan-Pearl Delta area in 2004 and in the Pan-Yangtze River Delta area in 2006 to promote the sharing of information on local labour markets and to facilitate trans-provincial employment services and migration. In March 2006, the State Council approved a request from the Ministry of Labour and Social Security to set up the Joint Committee on Migrant Workers, which is empowered to conduct a holistic examination of the conditions of migrants, hold consultations, and draft policy recommendations based on their findings.

The Chinese government has also strengthened the legislation to protect the rights and interests of rural migrant workers. In 2003, the state council issued the *Regulation on Work-related Injury Insurances*, calling for extending this system to rural migrant workers. In 2006, the National People's Congress passed the *New Compulsory Education Law*, defining the principle of free public education and the provision of compulsory

education for migrant children. In 2007, the National People's Congress promulgated the *Labour Contract Law* and the *Employment Promotion Law*. Both of them will come into force beginning 2008. The *Labour Contract Law* prescribes that firms, including private and individual firms, have to sign contracts with their workers and there are some clauses on dispatching labour. The Employment Promotion Law stipulates that rural migrant workers enjoy equal labour rights as urban workers and the same access to training and public services.

5. Conclusion

Rural-urban migration has been a driving force in dismantling the Chinese dual economy, promoting labour market integration, and realizing rapid economic growth. The scale of internal labour migration is unprecedented in China's history and the impacts are profound. The Chinese migration policies have evolved from being very strict to acceptance, encouragement, and facilitation. This has come after the realization of the contribution of migration to structural changes and economic development. The process of rural-urban migration in China is a confirmation that the development of the labour market and the improvement of management capacities are both important in maximizing the benefits from migration. Although the unfinished hukou system reform still associates employment with individual identity and so still hinders labour mobility and causes labour market discrimination, the active policy actions and legislation in China in recent years will improve the employment opportunities and welfare of rural migrant workers and create a condition for finally abolishing the hukou system.

The Chinese experiences illustrate that migration is more than just a labour issue and its broad implications demand similarly broad responses. The strengthening of migration management, the delivery of more equitable public employment services, the extension of training programmes and social security are the key component of formalized employment and decent work for rural migrant workers. In the long run, such employment promotion strategies will stimulate social mobility and help to increase rural incomes, narrow inequalities, level urban-rural and regional disparities, and achieve a balanced development. The Chinese practices and lessons may shed some light on effective migration management in the course of social transformation.

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This paper examines the recent history of rural-urban labour migration in China in the process of its rapid socioeconomic transformation. It looks at the trends and patterns of this internal migration and its consequences on the rights and welfare of rural migrant workers and their families. The paper argues that rural-urban migration has been crucial to China's rapid economic growth and that the provision of decent work to rural migrant workers is needed to narrow inequalities and achieve more balanced growth in the country.

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