

## URBANIZING PEASANT WORKERS IN CHINA

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### **Abstract**

The paper aims to comment on China's ambition to urbanize 300 million peasant workers as a main task in realizing its urban dream. It investigates the severe peasant-workers related problems and points out that local government's financial capacity, peasant workers' vocational skills, social inclusion and degrading countryside are challenging the sustainable urban and rural development in China and need properly treated. The paper proposes possible ways for policy implications and highlights the importance of coherently promoting both classified urbanization and ruralization in China in the future.

**Keywords:** Urbanization, peasant workers, ruralization, China

**JEL classification:** R11, R12

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## **1. Introduction**

Ever since the reform and opening-up in 1978, China's urbanization development has been at an unprecedented speed, compressing into one century what have taken the developed world three centuries to accomplish (Friedmann 2006, 441). In the period 1978-2012, China witnessed the increase of the fraction of the nation's population dwelling in cities from 17.9% to 52.6% (Bai et al. 2014, 509). However, the real urbanization level in 2012 was only 35.3%, instead of 52.6% if calculated according to the urban registered residences since there are still 263 million peasant workers who belong to rural registration system but live in cities<sup>1</sup>. By 2013, the number of peasant workers reaches 268.9 million, of whom 166 million are permanently living and working in cities<sup>2</sup>. If the current trend holds, China's peasant workers are estimated to top 300 million people by 2020 (Rosato 2008, 99).

Generally, peasant workers have made great contribution to China's urban development by providing large amount of laborers who mainly undertake those heavy, dirty, risky and low paying jobs. However, owing to their rural household registration (*hukou*), these people are prohibited from accessing the same social welfares as those with urban *hukou* (Li 2011, 336). As a result, the 'floating population' was coined to describe the peasant workers who left their home villages, but couldn't completely settle in cities. Besides, the emergence of peasant

<sup>1</sup> Peasant-workers Reached 263 Million in 2012, (2 March 2013); [http://paper.people.com.cn/rmrbhwb/html/2013-03/02/content\\_1205637.htm?div=-1](http://paper.people.com.cn/rmrbhwb/html/2013-03/02/content_1205637.htm?div=-1)

<sup>2</sup> <http://news.sina.com.cn/c/2014-05-12/170130119182.shtml>

workers also induced severe rural hollowing problems in China when many peasants went to cities leaving most dwellings in villages unoccupied and farmland abandoned (Liu et al. 2010, 878).

In early March 2014, the Chinese premier set the goal of efficiently and orderly transforming 100 million peasant workers into new citizens, renovating shanty towns where 100 million people reside and locally urbanizing 100 million people in the Central and Western China (so called ‘Three 100 Million Project’)<sup>3</sup>. Then, on 30 July 2014, the State Council of China introduced further reforms of the *hukou* system, aiming to have 100 million peasant workers settled in cities by 2020. Comprehensive public service system (compulsory education, employment service, basic old-age pension, basic health care and housing) is also requested to be established to cover all urban permanent residents. However, there are large scale peasant workers floating in cities when China is currently undergoing dramatic socioeconomic transformations after decades of dual social structure which placed villages highly lagging behind the cities (Li 2013, 63). Are cities capable of having 300 million new members settled? Who will take care of the farming land and manage the villages? What are the policy implications to achieve China's urbanization ambition? By evaluating the current socioeconomic transformations in China, urbanization is not the only way out to deal with the peasant-workers' problems. Particular attention needs to be paid to several key areas which may challenge China's urbanization ambition.

The paper aims to comment on the China's ambition to urbanize 300 million peasant workers in the future, by investigating the peasant-workers' problems and proposes possible ways to achieve sustainable urbanization in the future. The second section analyzes the urbanization process and peasants' unique social identity in China. In the third section, the paper investigates the implementation challenges in urbanizing large amount of peasant workers in the near future. The fourth section provides policy implications for China's urbanization ambition.

## 2. China's urbanization and peasants' unique social identity

Generally, China's rapid urbanization which was identified by Joseph E. Stiglitz, as one of the two key factors affecting the twenty-first century, has been playing a major role in contributing to China's affluence. However, both the state-directed urbanization and urbanization driven by economic growth promoted China's urbanization side by side (Shen et al. 2002, 675; Li, 2010, 399). In a pretty long period since the P. R. China was founded in 1949, the development of urbanization and industrialization was fueled by disfavoring agriculture and rural development. Then, the *hukou* system was created and implemented in 1958 to restrict population mobility which drew clear distinction between peasants and laborers in cities, creating spatial hierarchies between cities and the countryside (Cheng and Selden 1994, 648). As a result, rural-urban divisions became strengthened in China and urbanization development was totally distorted by the urban-biased policy.

The opening-up and reform in China marked a significant change from centrally planned economy to market-oriented economy. Cities were granted much autonomy shifting from the passive agent to the central government to an active actor responsible for local prosperity (Zhu 2000, 180). The booming urban economy which generated many job opportunities has attracted huge amount of rural peasants. As a result, huge amount of rural laborers rushed into cities and such population mobility largely contributed to the urbanization growth in China in the 1980s and 1990s (Table 1).

**Table 1 Urbanization and its constitution in China, 1978-1998<sup>4</sup>**

	Urbanization	Natural growth	Net migration
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<sup>3</sup> <http://cpc.people.com.cn/n/2014/0305/c64094-24536194-5.html>

<sup>4</sup> National Bureau of Statistics of China. 1999. *China Statistical Yearbook*. Beijing: China Statistics Press.

Year	Urban population (10,000)	Level (%)	Growth in population (10,000)	Growth in population (10,000)	Share (%)	Growth in population (10,000)	Share (%)
1978	17250	17.9	582	144	24.8	438	75.2
1980	19139	19.4	645	158	24.5	487	75.5
1982	21479	21.1	1305	228	17.5	1077	82.6
1984	24017	23	1746	210	12	1537	88
1986	26366	24.5	1272	281	22.1	991	77.9
1988	28656	25.8	982	313	31.9	669	68.1
1990	30191	26.4	651	306	47	345	53
1992	32372	27.6	1829	255	13.9	1574	86.1
1994	34301	28.6	950	269	28.3	681	71.7
1996	35949	29.4	776	264	34	512	66
1998	37942	30.4	953	310	32.5	643	67.5

Accompanying China's urbanization, there is the long time dual social system which has divided the Chinese people into agriculture occupied and non-agriculture occupied groups. It is pretty difficult for people with rural *hukou* to change their household registration status and become urban citizens. As a result, peasants were firmly confined in their home villages, undertaking agricultural work. When China's reform and opening-up went to the further stage, released migration policy allowed peasants and their families to get permanent registrations in towns and cities if they were engaged in industrial or commercial activities. Then, there emerged a large amount of peasant workers either doing non-agricultural work in the local areas or leaving their home villages for works in cities. By 2013, there were 150 million new-generation peasant workers who were born in the 1980s and 1990s. 60% of them under 30 are unmarried, and 74% of them were schooled before migration<sup>5</sup>. However, peasants' such motivation of mobility is mainly attributed to the low agricultural incomes, few job opportunities in the countryside, shortage of public services e.g. schools for children, and landless status due to land requisition which forced them to migrated to cities for the non-agricultural work.

Generally, many parts of the Chinese countryside have been degrading during the past decades and become unsuitable for socioeconomic development and people's livelihood. At the meanwhile, high living cost and restricted access to local welfares make it hard for peasant workers to completely settle in cities. Thus, most peasant workers are 'floating' between cities and countryside. Basically, the peasant workers are of low educational level, precarious work, low salary and security shortages in cities<sup>6</sup>, and they are kept at severe disadvantageous status due to their rural *hukou* (Rosato 2008, 110). In recent decades, peasant workers have mainly transformed into three types, as physical laborers, successful business starters and new graduates who are wandering in cities for their fortune dreams. National statistics show that over 55% of peasant workers intend to develop their careers in cities and finally settle there<sup>7</sup>. These people have strong desire of enhancing their sense of urban identity, though they are still labeled as countryside person.

<sup>5</sup> Report: New-generation migrant workers get less rights, pay (February 21, 2011). <http://english.peopledaily.com.cn/90001/98649/7294772.html>

<sup>6</sup> Liu Y. S., "Huide qu de Guxiang Xuyao Xinsilu (New idea is needed for backing to hometown)", *Renmin Ribao (People's Daily)*, 11 March 2014.

<sup>7</sup> [http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512\\_551585.html](http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512_551585.html)

### 3. Implementation challenges

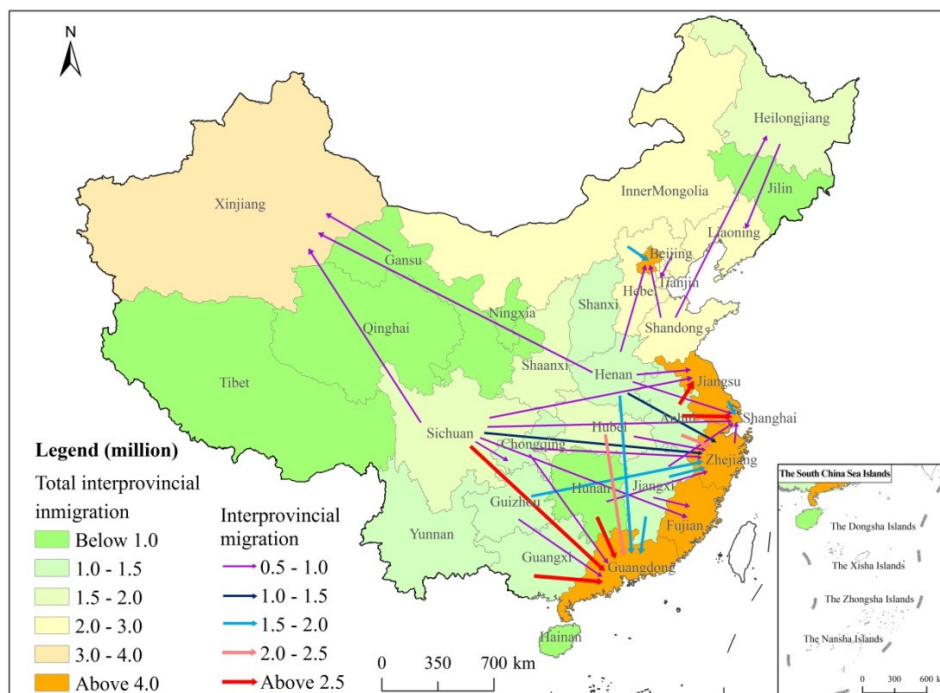
Generally, to urbanize 300 million peasant workers when there is huge rural-urban differences will pose great challenges for China. We hereby conclude three main types of challenges in terms of money, jobs and rural decline.

#### 3.1. Money to accommodate the new citizens

Having an urban identity not only needs the change of rural *hukou* registration, but also requests equal access to urban welfares and public services. This costs quite much money for local municipalities, especially those large cities which are the main destinations of migrant workers. It is estimated that over 800,000 RMB is needed to provide every new citizen with equal public resources and services<sup>8</sup>. Thus, a total amount of 80 trillion RMB, an average of 122.5 billion RMB for each of the 653 Chinese cities, should be mobilized and invested. This would generate great challenges to cities' financial capacity when quite many Chinese cities still rely firmly on land sales for local revenues, which is of course not sustainable<sup>9</sup>.

Moreover, since most peasant workers are flowing into large and medium-sized cities in the Eastern China, as shown in Figure 1, cities there would thus bear heavy burden to transform and admit the potential citizens. Most probably new and high entry barriers would be created by local municipalities to prevent the influx of peasant workers.

**Figure 1 Population mobility in China based on the sixth national census**



#### 3.2. Employment and social inclusion

Becoming new citizens, peasant workers are under tremendous pressure to be well adapted to city lives. What they can live on? Will they continue to do the heavy and low paying jobs? Generally, there exists the dilemma and difficulty between peasants' hunting for jobs and enterprises' looking for highly skilled and knowledge-based workers. Investigations show that 66.7% of peasant workers born in 1980 and thereafter are of middle school and lower education degrees<sup>10</sup>. They lack the skills to increase their employability and lack access to personal and professional development. What's more, the upgrading of urban industries in

<sup>8</sup> [http://www.china.com.cn/news/txt/2013-03/30/content\\_28402842\\_4.htm](http://www.china.com.cn/news/txt/2013-03/30/content_28402842_4.htm)

<sup>9</sup> [http://finance.ifeng.com/a/20140521/12373227\\_0.shtml](http://finance.ifeng.com/a/20140521/12373227_0.shtml)

<sup>10</sup> [http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512\\_551585.html](http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512_551585.html)

recent years demands for more technical and professional laborers, which become more challenging for those manual-based job hunters. As a result, around 63% of the peasant workers are undertaking work in manufacture, construction and retails industries which are of low education demanding<sup>11</sup>. However, the lower monthly payment from doing these jobs is 2290 RMB which made peasant workers hardly possible to afford various life cost in cities<sup>12</sup>.

Social inclusion to cities also challenges the peasant workers who because of their rural identity and social status, frequently face discriminations from their city peers. This would cause problems like depression, mental health and loneliness among the potential new citizens. Social stratification and incompatibility between peasant workers and local citizens would also emerge if the social inclusion problem couldn't be properly settled in due course.

### **3.3. Degrading countryside and food security**

How to maintain the rural vitality when facing labor outflows also challenges China's urbanization sustainability. Rural management entities become aged and weakened since there are large amount of left-behind population (58 million children, 47 million women and 45 million aged) (Ye et al. 2009, 28). What we have seen are the ever hollowing villages, consisting of rural industry recession, backward infrastructures and rural cultural deterioration<sup>13</sup>. This is mainly attributed to the labor loss and long-time negligence of training skilled laborers and rural managers. Villages thus turn to be places lack of competition and innovation capacities. As a result, the degrading countryside becomes unsuitable for habitation and development, and has in turn aggravated peasants' outflow.

Who will do the farming work also needs particular attention. Investigations find that over 40% of agricultural laborers in China are over 50-year old. Over 75% of young peasant workers have little farming knowledge and even reluctant to do the farming work (Liu et al. 2014, 73). This has caused low agricultural productivity and quite much abandoned and inefficient used farmland in China. At the meanwhile, the diversified diet structure from the growing urban population in China would generate daily food demand increase by 20%. Thus, China needs to supply an annual increase of 10 million tons grain, 800,000 tons meat and 400,000 tons edible oil<sup>14</sup>. How China feeds itself when there is a shortage of agricultural laborers and increasing food demand during the urbanization process? In this sense, the Chinese Central Government must be alert on food security issues when it endeavors to promote urbanization development.

## **4. Policy implications and concluding remarks**

### **4.1. Cost-sharing mechanism**

A cost-sharing mechanism should be established, involving the central government, local municipalities, enterprises and individuals (Yang 2011, 31). Ever since the tax-sharing reform in 1994, local municipalities have been bearing the main role in supplying public services and infrastructure for the urban citizens, though fiscal revenues are mainly controlled and distributed by the central government. The massive duties while limited financial powers of the local municipalities would not suit the challenges when there are more and more peasant workers to be settled in cities. Thus, more transfer payments from the exchequer should be distributed flexibly to those local municipalities which are to bear more duties to accept those peasant workers.

Investment from the enterprises in the fields like education, medical care, pension and infrastructure construction should be highly encouraged. Enterprises are also the important sources of job opportunities for the potential citizens. Correspondingly, a comprehensive investment-return mechanism could be created to promote social investments in various industries.

<sup>11</sup> [http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512\\_551585.html](http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512_551585.html)

<sup>12</sup> <http://finance.people.com.cn/BIG5/n/2013/0528/c1004-21634595.html>

<sup>13</sup> <http://www.rard.org/post?postId=851>

<sup>14</sup> <http://finance.sina.com.cn/chanjing/cyxw/20140526/124019226358.shtml>

Capitalizing the peasants' shares of rural collectively-owned properties becomes necessary to compensate their cost of settling in cities. This initiative requests reforms of property right system in rural China. By way of market means, the resources (contracted land and housing land) which are possessed and distributed by individual peasant can be transformed into properties, and further transformed into capital which is a mortgage and tradable. This reform would enable peasant workers to be citizens of properties.

#### **4.2. Training and social care**

Since there exists the inconsistency between job-demanded skills and laborers' level of knowledge and skills, employment-oriented training system should be established to cover those peasants who are willing to work in cities but lack related skills. Manual work is not the sole source on which they can rely. Through employment training and occupational planning, certain group of peasant workers could transfer their professions and enter into high paid and knowledge based fields. At the meanwhile, a unified human resources market should also be promoted in both urban and rural areas. People, no matter if they are peasants or urban citizens can equally access job opportunities and get equal pay for equal work.

Security, sense of belonging and dignity are the key factors of social inclusion after the peasant workers achieved material satisfaction and success. In this sense, social care is playing important role in having the new citizens both spiritually and psychologically integrated in cities. Local municipalities, enterprises and NGOs need to not only create equal living and working atmospheres for peasant workers, but also care more for their psychological changes. It is necessary to provide psychological consultation and support, transform the closed nature of peasant workers' social communications, and strengthen their social assertion in cities.

#### **4.3. Classified urbanization and ruralization**

Not every Chinese peasant worker is ready or suitable to settle in cities since many of them still have very strong rural feelings. They come to work in cities either because of their landless status due to land requisition, or because the degrading countryside no longer suits to live and raise a family. Moreover, being a country of over 1.3 billion population, there must be certain amount of peasants doing farming work. Thus, classified urbanization according to peasants' willingness and capabilities should be promoted in China. For this concern, ruralization which consists of redevelopment of villages and towns, infrastructure renovation, industry cultivation and interest protection should be promoted in rural China<sup>15</sup>. Ruralization provides the peasants with a platform of employment or setting up own business in places where they can at the same time, take care of their families and farming land. Besides, ruralization can help relieve population and financial pressures in local municipalities and contribute to revitalize the countryside.

Since there are increasing rural laborers turning to non-agricultural work, new agriculture-management body must be encouraged and promoted in China accordingly. By way of land transfer, agricultural cooperatives or agricultural corporations can manage large amount of farmland while peasants can benefit from leasing their land. This prevents land abandonment and shifts from the traditional household-based farming pattern to large scale and specialized agricultural production. Thus, food security could be ensured in China in the long run.

All in all, urbanizing Chinese peasant workers is a natural process (Su 2010). Considering the current urban-rural relations, the realization of China's such ambition should be rested upon stimulating rural vitalities. This can enable the peasants to choose either migrate to cities or stay and participate in ruralization development. All these endeavors should be oriented by peasants' lives in peace and contentment.

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<sup>15</sup> Liu Y. S., "Huide qu de Guxiang Xuyao Xinsilu (New idea is needed for backing to hometown)", *Renmin Ribao (People's Daily)*, 11 March 2014.

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