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# Rural-urban migration in China: An analytical framework of migrants' contributions to rural development

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**Abstract:** *In contemporary China, rural-urban migration takes place at a considerable scale. Due to its scale, as well as the particular context in which migration happens, studying the case of China can reveal important lessons on how policies can be designed to enhance positive impacts of migration on source communities. Relying on a review of literature from the fields of sociology, geography and economics, an analytical framework of positive contributions of China's internal migrants on the development of source communities, of the migration process itself and of the institutional, administrative and social contexts of migration is constructed. Interactions between these contexts on the one hand and the migration process and the associated contributions of migrants on the other hand are highlighted. The framework provides a guideline for approaching similar problems elsewhere and offers support in the identification and assessment of possible policy interventions.*

**Keywords:** *China, rural-urban migration, rural development, analytical framework*

## 1. Introduction

For the past few decades, China has experienced internal population movements at a massive scale. These population movements are driven by large rural-urban and inter-provincial disparities, rising labor demand in expanding industrial and services sectors, land scarcity and few off-farm opportunities in many rural areas (de Brauw et al., 2002; Seeborg et al., 2000; Wang & Cai, 2007; Zhao, 2005; Zhu & Luo, 2008). By the early 2000s, 100 to 200 million people are estimated to have moved to cities in search of employment (Chan, 2006; Wang & Cai, 2007), with approximately 20% of the share of the rural labor force working as migrants within China (Murphy, 2006; de Brauw

& Giles, 2008a; Brauw & Rozelle, 2008). Rural-urban migrants usually come from rural areas of the poorer inland provinces and from regions with poorly developed non-farm sectors. Furthermore, they tend to go to wealthier, urban regions; in particular they migrate to the economically more developed coastal provinces in the eastern part of the country (Carrillo Garcia, 2004; Fleisher & Yang, 2006; Song et al., 1996; Tian, Liu, & Xia, 2004; Wang & Cai, 2007; Zhao, 2005).

To a large extent, rural-urban migration is temporary and seasonal. Migrants maintain links with their home villages and circular migration dominates (Cai, 2003a; Hare, 1999; Murphy, 2006; Zhao, 2003; Zhu & Luo, 2008), ensuring an intensive exchange with their home communities. It is due to this exchange, combined with the mere scale of migration, that China's internal migrants can be expected to play an important role in the development of the communities of origin and thereby of the poor rural areas of the country.

The present essay hopes to shed light on this role of rural-urban migrants, on the positive development impacts on source communities and on the ways these impacts are influenced by the administrative, institutional and social environment in which rural-urban migration in China takes place. Based on a review of scientific literature from the fields of economics, sociology and geography, an analytical framework is developed, organizing the main findings on the subject in a comprehensive manner. Not only does this paper offering insights into the situation in China, but it also sheds light on a framework which can provide a tool for analyzing similar problems in other countries or even at the international level. The framework represents a checklist of the likely processes at work and thereby gives support in organizing thoughts around an admittedly complex issue.

In the following section, empirical evidence on the positive impacts of migration on the development of source communities in China is reviewed. The section concludes with the development of a first analytical framework representing these impacts. Section 3 amends this framework to capture the entire migration process from the communities of origin to the areas of destination, and the relevant flows of migrants and remittances between them. In

the fourth section, findings from the literature on the administrative, institutional and social context in which migration takes place are discussed and the framework is successively amended. Section 5 contains a summary of the framework, provides a short discussion of its usefulness and presents some lessons learned.

## 2. Positive impacts of migration on communities of origin

From the perspective of the migrant sending community, migration means outflows of people and resulting return flows of remittances and return migration. These return flows create a number of positive impacts on the communities, ranging from the widely discussed effects of remittances on return migrants' contributions to local development to less obvious economic general equilibrium effects. This section presents findings from literature on the positive impacts of migration on source communities. Based on these findings, the first element of the analytical framework is constructed.

### 2.1 Research findings

In general, non-farm employment and especially migration have become an increasingly important source of income for rural households in China during the past three decades (Benjamin, Brandt, & Giles, 2005; Zhu & Luo, 2008). Reflecting this fact, as well as migrants' high propensity to remit,[1] remittances make up a substantial share of the income of recipient households and of rural communities as a whole. For example, in 1995 remittances accounted for 25% of income of recipient households in 19 provinces (Cai, 2003a). In a 2002 household survey from Hubei province, Zhu & Luo (2008) even find 55% income shares of remittances. Consequently, it is observed that

1 According to Li (2001), 79% of a sample of migrants in Beijing remitted more than 40% of their income (cited from Murphy, 2006). Fang and Yang (2005) report that in 2002 migrants remitted a third of their income.

migration increases the (per capita) income of migrant sending households. At the same time, migration benefits poorer households, contributing to the alleviation of rural poverty (Du, Park, & Wang, 2005; Taylor, Rozelle, & de Brauw, 2003; Zhu & Luo, 2008; de Brauw & Giles, 2008a).[2]

Higher incomes leave households with the choice of how to spend additional funds. Different ways of spending, such as increased consumption or investment in productive activities, assets, health and education are conceivable. Several authors confirm the positive effects of migration on the consumption level of households in source communities (Cai, 2003a; Tian et al., 2004; de Brauw & Giles, 2008a; de Brauw & Rozelle, 2008).

Theoretically, additional funds available through remittances should loosen credit constraints faced by households, thus allowing the exploitation of investment opportunities (Rozelle, Taylor, & de Brauw, 1999; Stark, 1982; Zhu & Luo, 2008). Evidence regarding the impact of migration on productive investments, however, is mixed. Generally, no strong link between migration and productive investment has been empirically established yet. Nevertheless, de Brauw & Giles (2008a) detect higher productive investment among richer households. De Brauw & Rozelle (2008) find higher investment levels among non-poor households, but with more rigorous testing reject the hypothesis of higher productive investment. The situation somewhat changes when analyzing consumptive investments. The studies reviewed agree that remittances lead to higher expenses on durable goods and assets, such as housing and consumer durables, and thus to an improvement in living conditions (Murphy, 2006; de Brauw & Giles, 2008a; de Brauw & Rozelle, 2008).

A third field of possible investment is health and education. Murphy (2006) argues that, due to the relatively high costs of health care and education in rural areas,

2 Some qualification is needed on this point. First off, although poor households benefit, due to human capital constraints the poorest are often unable to migrate. Furthermore, the poverty alleviating effect of migration is not strong enough to lift all migrant households out of poverty (Du et al., 2005). Secondly, some households might even incur short term losses through migration, as part of a strategy to obtain funds for future productive investments (de Brauw, Taylor, & Rozelle, 1999).

people commonly use remittances for these purposes; however, she only presents scarce empirical evidence, citing a study by Huang & Zhan (2005) which underlines her statement.

Besides remittances, the second return flow to communities of origin is migrants returning home. In principle, return migrants have a high potential to contribute to the development of their communities by bringing back savings, technology, entrepreneurship and experience gained during their stays at the areas of destination (Murphy, 2006; Zhao, 2002). With respect to the use of savings, households with return migrants are found to have higher investments in production machinery, especially in machines used for farming. Furthermore, return migrants are also found to own more consumer durables and housing stock (Zhao, 2002).

Evidence of return migrants creating new businesses is scant and of limited geographical scope. Nevertheless, instances of successful business establishment by returnees and positive development contributions are reported. Murphy (1999) finds that returnees created rural industries in South Jianxi in the late 1990s. Relying on a sample from nine provinces taken in 1997, Ma (2001) finds that return migrants help families engage in commercial activities. The author argues that through a general strengthening of human capital these entrepreneurial activities have substantial positive impacts on other households as well. Murphy (2006) summarizes the evidence stating, “Even though returned migrants who create businesses may not be large in number […]”, they may have an “[…] impact on the local economy […] greater than their numbers alone suggest” (Murphy, 2006:26).

So far, the discussion has mainly focused on the impact of the flows associated with migration on the migrant households themselves. Indirect effects on non-migrant households have only been studied peripherally. Such indirect effects can be summarized as general equilibrium effects which affect local economies via the working of factor and product markets.

In theory, migration has the potential to affect the supply and demand for commodities, labor and other production

factors, which in turn may change relative prices and wages in the local economy. These effects are stronger the less perfect the market environment and the weaker the market integration of the locality is with the outside world (Taylor & Adelman, 1996). The reviewed literature on migration in China reports impacts on labor and land markets, which in turn lead to consequences for non-migrant households.

With respect to labor markets, out-migration is expected to reduce the local labor force, leading to an increase in marginal productivities of labor. Furthermore, to the extent that migrant employment allows households to invest in productive activities and construction, local labor demand may increase. This may result in higher returns to labor in both home production and off-farm employment (Cai, 2003a; de Brauw & Giles, 2008a, 2008b). Indeed, a number of studies, albeit carried out at a rather aggregate level, seem to confirm this hypothesis. Tian et al. (2004) studied the contributions of rural laborers to agricultural and non-agricultural GDP and found that a transfer of rural laborers to off-farm activities increases labor productivities. This result is supported by Zhang & Tan (2007) who, over the period of China's economic reforms, analyzed the facilitation of rural-urban migration, finding increasing and converging marginal products of labor in rural areas. De Brauw & Giles (2008b) analyze the effect of migration on educational attainment of young rural residents and show that migration decreases middle and high school enrolment of both young people with migration opportunities and young people staying in communities with high out-migration. This observation points to increased opportunity costs of attending school through higher returns to local employment.[3]

In addition to the labor market impacts of migration, several authors show that higher availability of land after out-migration benefits households which stay behind. De Brauw & Giles (2008a) report an increase in land per capita after migration. Furthermore, in spite of restricted land markets, poorer households appear to be able to take

3 This result of decreasing school enrolment with increasing migration should also be considered in light of the statement made above that households receiving remittances use these funds for educational expenses.

advantage of larger farm sizes.[4] Zhu & Luo (2008) state that migration reduces demand for land and helps in "breaking up the vicious cycle of poverty – extensive cultivation – ecological deterioration – poverty" (Zhu & Luo, 2008:6).

Although not strictly of empirical nature, a simulation study employing a village equilibrium model in Jianxi province provides further insights into the workings of these general equilibrium effects. Simulating the impact of a 10% increase in migration from a village, the author shows how households without migrants gain through the increase in (shadow) wages associated with a reduction of the village labor force and also benefit from a decreased demand for animal traction services (Kuiper, 2005).

To conclude this discussion of positive impacts of migration on source communities, it may prove interesting to take a more general perspective and look at the relationship between migration and income distribution in source communities. In fact, according to the reviewed studies, migration can be seen as a means to reduce income inequality and is found to disproportionately benefit poorer households, thus leading to a reduction in income gaps within villages (Benjamin et al., 2005; Zhu & Luo, 2008; de Brauw & Giles, 2008a).

## 2.2 A framework of positive impacts of migration at the local level

The review of the empirical evidence in the previous section offers the opportunity to identify impacts of migration and allows extracting the main mechanisms at work. Figure 1 summarizes these impacts and mechanisms, proposing a condensed framework of positive impacts of migration at the local level.

The oval shape in the figure depicts the local community, consisting of migrant and non-migrant households. At the lower part of the diagram, the flow of migrants out of the village is shown. This outflow leads to a depletion of the

4 With household labor force constant, this increase in farm size may in turn lead to increased marginal productivities of labor.

labor force and to higher returns to labor, transmitted through higher land/labor ratios. This implies higher incomes for non-migrant households and for non-migrated members of migrant households.

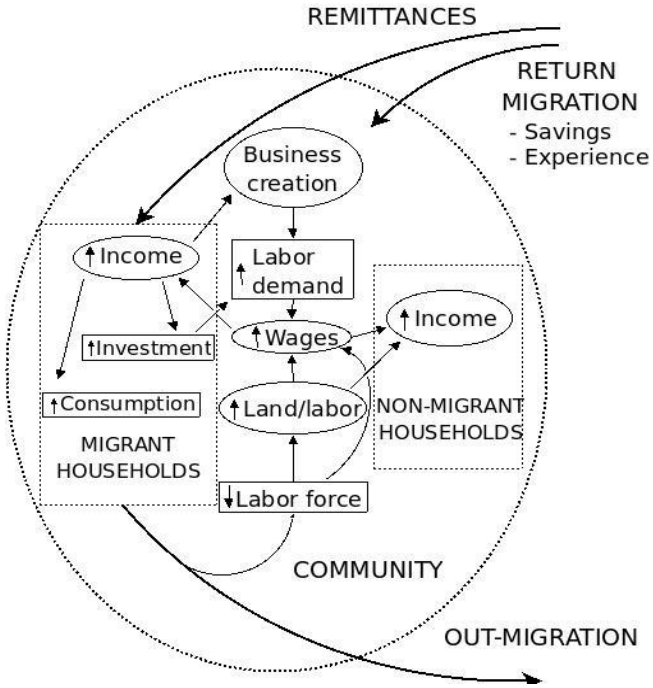


**Figure 1: Positive impacts of migration at the local level. Source: Own illustration.**

The upper part of Figure 1 displays the return flows to the community, which consist of remittances and return migration. Remittances directly increase the income of migrant households. Extra income is spent on either current consumption or on investment. Investment includes productive and consumptive investment, as well as spending on health and education. Productive investments, including business creation in particular and investment in house construction, have the potential to enhance local labor demand, further increasing returns to labor. Return migration, the second return flow as indicated by the second upper arrow in the graph can further enhance business

creation through financial and human capital brought by returnees.

## 3. The migration process

Based on scientific evidence available for China, Figure 1 sets up a basic framework for analyzing positive impacts of migration on rural communities. As the goal of this paper is to analyze migrants'contribution to rural development, this framework can be extended to depict the entire process of rural-urban migration, thus including the diaspora at the respective destinations.

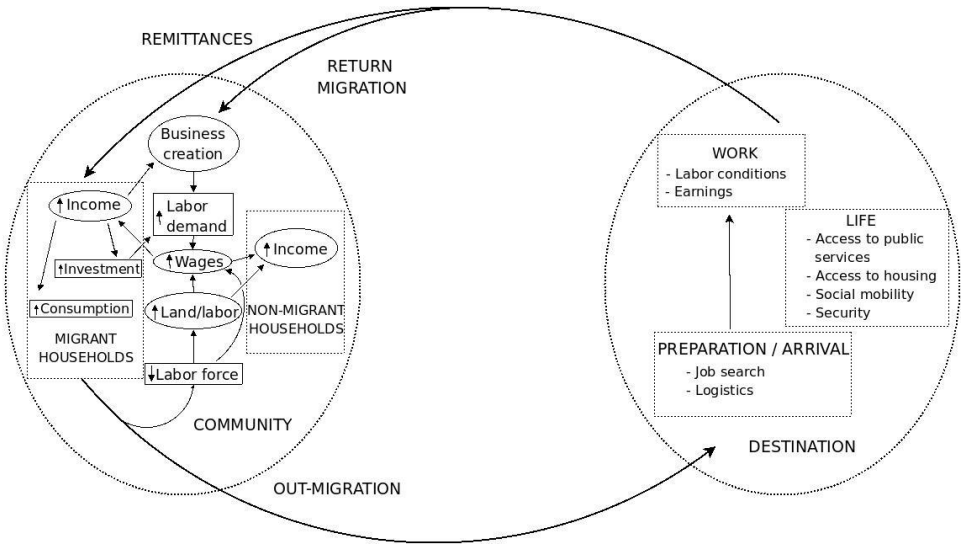


**Figure 2: The migration process.**
**Source: Own illustration.**

Figure 2 illustrates the circular flows between communities of origin and destination areas. People move out of their communities while remittances and return migrants come back. At an initial stage of their migration, (prospective) migrants have to organize their relocation. This includes a certain degree of preparation, such as choosing the destination, managing logistics like the journey itself, finding initial accommodation, and finally searching for a

job.[5] Once a migrant finds employment, he or she is able to generate earnings and is subject to certain labor conditions. These conditions may determine income levels, but may also have other implications for the migrants that reach into the social and psychological sphere. Apart from work, life of a migrant at the destination involves aspects such as access to housing and public services, social mobility and personal security. The conditions faced by the migrant with respect to these factors have an influence on his or her personal well-being, as well as on the monetary net earnings that can be generated through migration.

Hence, it can be expected that any factor which has an influence on the different elements of the framework presented in Figure 2 – out-migration, preparation/arrival, work, life, return migration and remittances - ultimately determines the strength and extent of the positive impacts rural-urban migration can have on the communities of origin. The following sections will discuss existing literature on these factors and gradually construct a comprehensive framework for analyzing the interactions between the context in which migration takes place and the local level benefits of migration.

## 4. The context of migration and local level benefits: Points of interaction

### 4.1 The household registration system

Arguably the most striking institutional factor affecting migration in China is the country's household registration system (HRS), the so called *hukou* system. Established in the early 1950s, the system was initially used for the purpose of monitoring the population. By the 1960s it increasingly served to control population mobility and became the main instrument of China's internal migration policy (Chan &

5 Geographically, this initial stage of the migration process takes place at the home villages and at the destinations, and therefore should be separated in the graph; however, as for reasons of simplicity and from a conceptual point-of-view one might talk of one single stage, which is depicted as one element located at the area of destination.

Zhang, 1999; Zhao, 2005). Basically, the HRS determines an individual's legal place of residence and work, based on the mother's *hukou* registration place and status (Chan & Zhang, 1999; Fleisher & Yang, 2006). In the pre-reform era, access to employment, subsidized food and social services such as child education, housing or public health services in urban areas, was tied to an urban *hukou* (Carrillo Garcia, 2004; Chan & Zhang, 1999; Fleisher & Yang, 2006; Tian et al., 2004). This effectively deprived rural residents of the possibility to live and work in urban centers (Zhao, 2005).

In the course of China's economic reforms, the system was gradually relaxed, permitting rural residents to enter urban areas to work and live; however, until early 2006 reform was still incomplete (Fleisher & Yang, 2006). Moreover, the system still is the basis for the implementation of discriminatory practices regarding employment, job security and social services, with migrants lacking urban *hukou* still at a disadvantage (Cai, 2003b; Carrillo Garcia, 2004; Fleisher & Yang, 2006). In principle, it is now possible for rural residents to obtain urban *hukou*, but there is large variation among provinces and cities. According to Cai (2003a) three different models can be distinguished. First, there are small towns which practically abolished the *hukou* system, granting residential status to migrants as soon as they have a permanent income source and legal housing in the locality. Second, medium and some large cities undertook reform at a medium level, posing somewhat higher requirements for obtaining a local *hukou*, such as long-term labor contracts. This model poses a medium threshold to rural-urban migration. A third model can be found in mega-cities. Here, difficulties for low-skilled people and workers to change their *hukou* are substantial, while it is comparatively easy for highly skilled professionals to do so. In any case, it is not possible for people to obtain a local registration without consent of the receiving jurisdiction (Dollar, 2007).[6]

6 Referring to an earlier and still somewhat stricter stage of the system and drawing parallels to international migration, Chan & Zhang (1999) state, "The system is similar to the American immigration visa permit system except that the American system is much more transparent" (p. 823).

The *hukou* system in its current state has consequences both for the situation of migrants in urban areas, the functioning of national labor markets and for the overall scale of migration. Regarding the latter, researchers agree that the HRS still supports segmentation between rural and urban labor markets and significantly reduces rural-urban migration (Cai, 2003b; Fleisher & Yang, 2006; Wang & Cai, 2007; Zhao, 2005). Persisting rural-urban gaps in returns to labor and regional income disparities are at least partly attributed to the workings of the system (Cai, 2003b; Seeborg, Jin, & Zhu, 2000; Sicular, Ximing, Gustafsson, & Shi, 2007; Zhang & Tan, 2007).

With respect to the situation of the individual migrant, the *Hukou* system unfolds a range of negative effects. Administrative hurdles faced when trying to obtain permanent urban residencies make migrants move regularly between the community of origin and the destinations, creating a pool of temporary migrants, the so called "floating population" (Fleisher & Yang, 2006; Goodkind & West, 2002; Seeborg et al., 2000). For the individual migrant, this means that he or she can only obtain a temporary occupation and has to incur higher costs through increased travel (Tian et al., 2004). In addition, requirements to obtain temporary residency permits, work permits, and different kinds of identity cards forces people without a correct *hukou* to incur additional costs in the form of fees, bribes or simply the time needed to get required formalities completed (Carrillo Garcia, 2004; Fleisher & Yang, 2006; Wang & Cai, 2007; Zhao, 2005).

Regarding the field of employment, the *hukou* system leads to discrimination in the labor market, barring rural migrants from accessing certain occupations, both through official restrictions and through the discrimination of employers. This has the consequence that migrants work either in low-skilled jobs under harsh labor conditions or in the informal sector, and are therefore often subject to a certain degree of wage insecurity and discrimination (Carrillo Garcia, 2004; Fleisher & Yang, 2006; Tian et al., 2004; Zhang, 2006; Zhao, 2005; de Brauw & Giles, 2008b).

The still restricted access of rural migrants to social services, such as child education, health insurance or public

housing, leads to higher expenses, thus increasing the costs of migration (Carrillo Garcia, 2004; Fleisher & Yang, 2006; Zhao, 2005).

To summarize, by posing administrative obstacles and by providing the basis for occupational and social discrimination, the HRS increases the physical and psychological costs associated with migration (Zhao, 1999) and decreases the net earnings generated from migration. The consequences are lower incentives to undertake the effort of moving. Furthermore, the difficulties of getting established at an urban destination lead to more temporary migration and tend to result in higher rates of return migration (Murphy, 2006; Seeborg et al., 2000; Zhao, 2003). It is found that entire families rarely migrate, rather sending out only single members who maintain ties with the home community (Murphy, 2006; de Brauw & Rozelle, 2008).[7]

Figure 3 puts the HRS into the context of the migration process and illustrates likely consequences of the system for the positive impact of migration on local development. Lower out-migration reduces the depletion of the local labor force, thus limiting associated increases in returns to labor. The negative signs on the right-hand side of the diagram show the negative impacts the system has on the process of preparation and arrival (e.g. by the costs of logistics), the negative impact on the sphere of "life" (e.g. through the limited access to social services), and finally the problems related to the sphere of "work", resulting in a reduction of net earnings.

7 It should be noted that China's central authorities have recognized the need to further reform the *hukou* system and that efforts are made to create a unified labor market without discriminatory practices (for further information, see Huang & Pieke, 2005). Nonetheless, the outcome of these efforts has not yet entered the scientific literature.

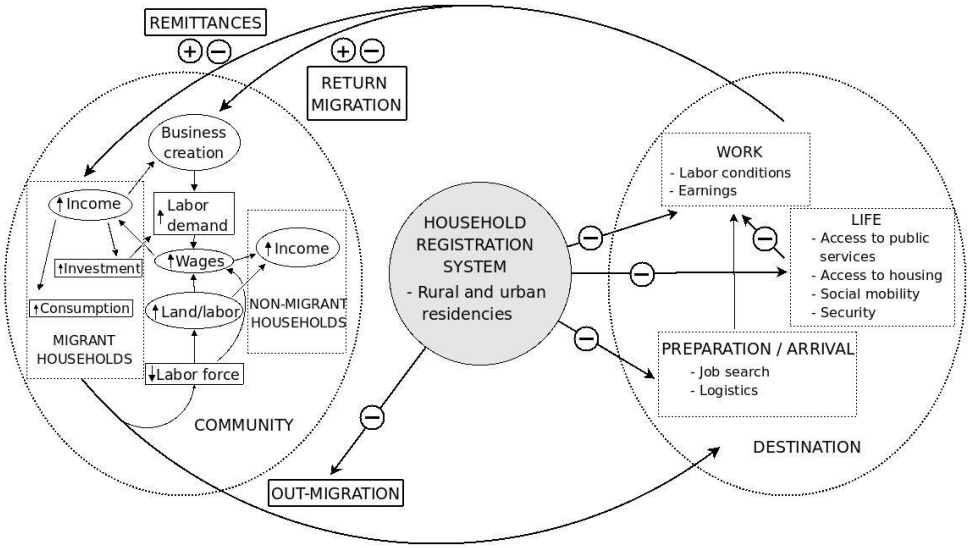


**Figure 3: Impacts of the household registration system on the migration process.**
**Source: Own illustration.**

As lower out-migration implies a lower pool of potential returnees and as lower net earnings mean lower financial resources available to the migrants, the total effect on return migration and remittances should be negative (as depicted by the negative signs near the two respective boxes). Nonetheless, as the *hukou* system is partly responsible for the difficult living and labor conditions at the destinations and as it makes migration often temporary, migrants are driven to keep stronger contacts with their home communities. By trend, this can be expected to keep remittances and return migration at a higher level, thus enhancing the positive impact of these return flows.[8] As a consequence, it becomes hard to assess the net impact of the HRS on the benefits of migration. In fact, the net effect depends on the relative importance of limited increases in returns to labor and reduced return migration and remittances as compared to the positive development

8 With respect to remittances, this statement is supported by findings from Cai (2003b). According to the study, the likelihood to remit follows an inverted U shape with the duration of migration. Moreover, temporary migrants are found to remit more frequently and in higher amounts. In fact, migrants who had visited their home at least once during the year before the survey used by Cai was undertaken, also tended to send more remittances.

impacts brought about by tighter relations between migrants and the home community.

## 4.2 The land tenure system

After three decades of market oriented reforms, China still has a unique land tenure system. Land is collectively owned and rights of control and income are granted to farmers for 30 years, leading to an equitable land distribution (Huang, Otsuka, & Rozelle, 2008). Furthermore, the system entails that farmers cannot sell land and that land can be subject to reallocations through village authorities (Deininger & Jin, 2005).[9] In particular, the possibility of land reallocations leads to tenure insecurity (Huang et al., 2008; Krusekopf, 2002; Kung, 2002; Shi, Heerink, & Qu, 2007).

Theoretically, there are several interactions between land tenure and migration. First, land can act as a substitute for migration, with higher land holdings making migration a less attractive option. Here, the Chinese land tenure system through its equalizing effect might deter migration – especially in households with lower land endowments. Second, selling or renting out land may provide households with funds for establishing themselves in the cities. Thus, as land sales are prohibited and as households renting out land may receive less land after reallocating, the system may lead to lower rates of migration. Third, as land reallocations can be expected to benefit non-migrant households with lower land endowments, these households will have a lower incentive to migrate. Finally, land fulfills a social security function, providing a fall-back system in the context of urban job insecurity and little coverage of the official welfare system. Hence, households might not be willing to take the risk of losing land to reallocation in exchange for permanent settlement in an urban area (Fleisher & Yang, 2006; Jing & Yao, 2002; Lohmar, 1999; Rozelle et al., 1999; Tao & Xu, 2007). Families may decide to not migrate at all or to at least

9 Nevertheless, it should be noted that the extent to which village authorities undertake land reallocation varies to a great degree (Krusekopf, 2002) and that the central government seeks to improve tenure security by restricting land reallocations by village authorities (Gulati & Fan, 2007).

leave some family members behind (Fleisher & Yang, 2006; de Brauw & Giles, 2008b).

In contrast to theory, however, research findings suggest that rural households' migration decisions are not affected by tenure insecurity, giving hints that this aspect of the Chinese land tenure system has no influence on migration (Jing & Yao, 2002; Lohmar, 1999; Rozelle et al., 1999). In addition, Jing & Yang (2002) find that equal land distribution enhances migration, pointing to a positive impact of the land tenure system.

Although it is hard to draw a robust conclusion of regarding the land tenure system's net effect on migration given the empirical results available, it is often cited as major barrier to rural-urban migration (Fleisher & Yang, 2006; Zhao, 2005; de Brauw & Giles, 2008b). This might at least be true with respect to rural land rental markets. According to findings from Rozelle et al. (1999), there is a positive influence of households' ability to rent land on their decision to migrate. Hence, institutions conducive to the establishment and the proper functioning of a land rental market may facilitate rural-urban migration.

In Figure 4, the land tenure system is included into the framework of the migration process. Basically, through their impact on rates of out-migration, land tenure arrangements may alter the number of rural migrants moving to urban areas and thereby the potential of remittances and return migration. As the preceding discussion has shown, there are counteracting forces at work and the direction of this effect is not clear. In case that the system leads to a net reduction in migration, the potential for remittances and return migration might be lower. Otherwise, the return flows and associated development impacts, as well as the increase in local returns to labor will be higher.

Over and above, a similar effect as already observed in relation with the *hukou* system arises. As entire families are less likely to migrate, migrants tend to maintain stronger ties to their home communities. The consequence may be higher return flows and therefore a stronger contribution of migrants to rural development.

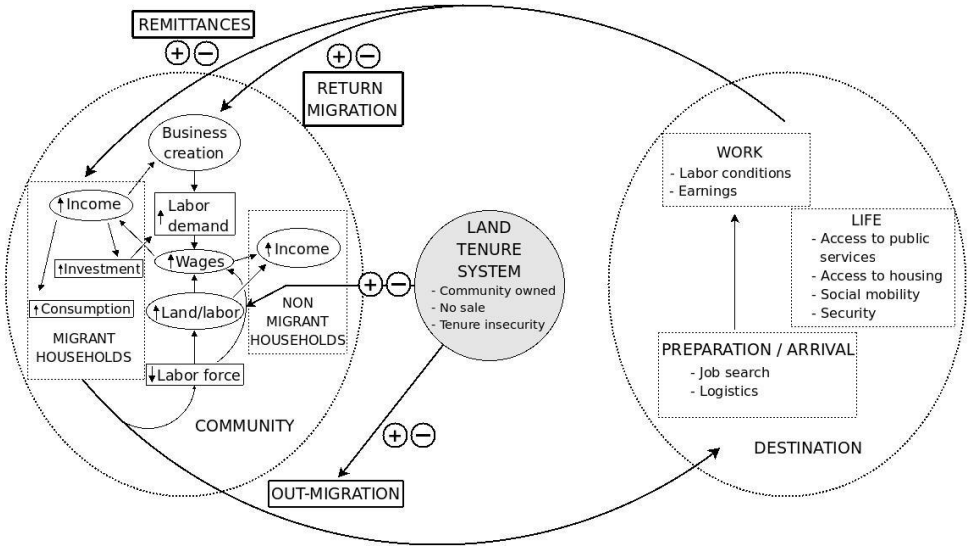


**Figure 4: Impacts of the land tenure system on the migration process.**
**Source: Own illustration.**

In summary, it became obvious that positive development impacts of rural-urban migration in China also depend on the land tenure system. The net impact of land arrangements, however, is ambiguous and depends on the relative strength of the counteracting single effects.

## 4.3 Actors in the migration process

The act of migration requires significant efforts from the side of a (prospective) migrant. A destination has to be chosen, employment and housing has to be arranged and the journey itself has to be organized. Further, adaptation at the destination may impose a considerable psychological burden to the migrant and once money is earned and saved, it will become necessary to manage the transfer of remittances. Due to the complexity of these tasks, a migrant hardly acts on his/her own, but instead operates in the context of different actors involved in the migration process. Such actors, which can include state agencies, private

persons, as well as enterprises from the private or state sector, can be expected to have a significant influence on the outcome of the migration process. In the aggregate, this outcome may influence the positive impacts of rural-urban migration for development.

In spite of the official hurdles to rural-urban migration described up to now, Chinese authorities seek to promote unification of the national labor market and to encourage movements of migrants to urban areas. While receiving areas in principle have an interest in limiting migration, it is the role of the central government (recognizing the role of rural laborers in industrialization and urbanization) and especially the role of authorities from sending areas with a labor surplus, to facilitate migration (Huang & Pieke, 2005). Accordingly, official efforts aimed at assisting rural laborers in obtaining employment in other areas are undertaken. This assistance comprises the provision of job information, employment services, job and financial literacy training or logistic services, including remittances services (Tian et al., 2004; Zhan, 2004, cited from Murphy, 2006). Yet, there are a number of deficiencies associated with the official undertakings. First, official projects are still comparatively isolated and lack the resources to reach a significant scale (Murphy, 2006). Second, making use of services offered by official agencies, such as job intermediation, is perceived to be relatively expensive compared to private support (Knight & Song, 1999; Zhang, 2006; Zhao, 2005). Finally, prospective migrants have little trust in existing agencies, as their activities are often associated with fraudulent practices (Zhang, 2006). As a consequence, when organizing their move, rather than relying on official services, migrants often prefer to revert to the support of social networks.

There are several studies which highlight the importance of social networks in facilitating migration. De Brauw & Giles (2008b), Rozelle et al. (1999) and Zhao (2003) agree in their findings that the probability to migrate out of rural communities is positively influenced by the size of the existing migrant labor force. De Brauw & Giles (2008a) present results from a survey which shows that 90% of migrants had family members, friends or other acquaintances from the home village living at the destination

before their arrival. Similarly, other authors consistently find that in the late 1990s between 60% and 90% of migrants had received support from friends or relatives (Hare, 1999; Knight & Song, 2003; Meng, 2000, cited from Zhao, 2003). Zhang & Li (2003) emphasize the crucial role of personal networks in the job search process and find that farmers with access to social networks are more likely to find migratory employment.

As already mentioned, the networks supporting migrants usually consist of relatives, friends or other acquaintances, often persons from the same community (Carrillo Garcia, 2004; Hare, 1999; Zhang, 2006; Zhang & Li, 2003). Within the Chinese context, these networks bear the special connotation of *guanxi.* According to Zhang (2006:106) "*guanxi* networks are webs of social ties that facilitate the exchange of favors between different parties," based on mutual obligation and trust. As such, *guanxi* networks fulfill a host of different functions. First of all, migrants receive support in finding employment in urban areas. This support ranges from the transmission of information regarding job opportunities (Cai, 2003a; Zhang, 2006; Zhang & Li, 2003; Zhao, 2003), to referrals (Hare, 1999), to the provision of employment in own small enterprises and to the joint establishment of small businesses (Carrillo Garcia, 2004). In this context, networks are also helpful in ensuring the payment of wages and in decreasing the duration of unemployment (Zhang, 2006). Secondly, migrants are provided with informal credit from within their home villages before the journey or with money after their arrival (Rozelle et al., 1999; Zhang, 2006). Thirdly, migrants receive information on how to prepare for the journey and the life at the destination and can obtain help with settlement and adaptation (Carrillo Garcia, 2004; Zhang, 2006). Finally, friends or relatives offer to bring remittances back to the home villages (Murphy, 2006). Consequently, the risks and the physical and psychological costs of migrating are reduced, resulting in an increase in the net returns to migration (Zhang, 2006; Zhao, 2003). Overall, due to the reduction of uncertainty, population mobility is facilitated (Cai, 2003b).

On the other hand, the downside of the strong reliance on

social networks creates a potential to limit social mobility, as migrants often limit their social network in the urban areas they migrate to as their social network includes only friends, relatives or fellow villagers. In the spirit of a path dependency, this may have the effect that migrants are channeled to specific jobs in cities. In particular, women may be put at a disadvantage due to the gendered character of these networks (Zhang, 2006). Furthermore, social networks entail the risk of nepotism and of discrimination against those without access. As such, they may lead to labor market inefficiencies (Zhang & Li, 2003) and reduce social mobility and preclude migrants from unfolding their full potential by obtaining the best possible occupations. Finally, due to the predominant reliance on networks in the labor market, job arrangements are often informal without legal contracts. This weakens the position of migrants relative to their employers, allowing for delayed payments of wages, unpaid additional work or long working hours (Zhang, 2006).

Beside official agencies and social networks, financial institutions providing remittance services are important actors in the migration process. While, as mentioned above, money is sent home via friends or relatives, in 2004 about three thirds of all domestic remittances were transferred via formal channels, including China Post, rural credit cooperatives and commercial banks (Cheng & Zhong, 2005). Due to the high transaction costs associated with transfers from informal sources, formal financial services can have a significant influence on the amount of remittances actually arriving at source communities and thus increase the amount of remittances received in communities. Crucial roles are geographic availability, security of the transfers, and the accessibility of the services to senders and recipients.

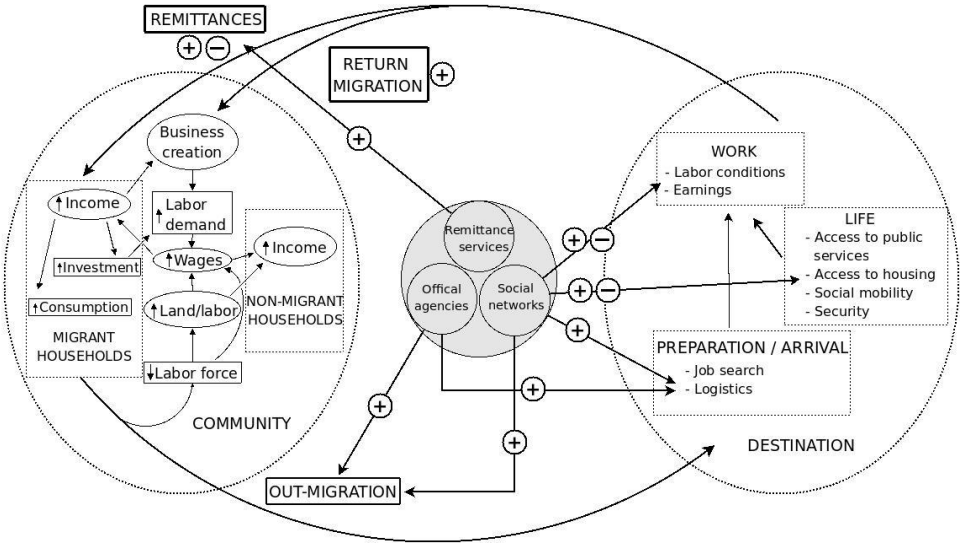


**Figure 5: Impacts of actors on the migration process. Source: Own illustration.**

Figure 5 summarizes the above discussion in relation to the framework of the migration process. By assisting rural-urban migrants, official agencies enhance out-migration by facilitating job search and other logistics associated with the move. The same is true for social networks, which additionally help migrants to cope with daily life in the cities and can ensure payment of wages.[10] In combination, the potential for return migration and, through higher net returns from migration, remittances is increased. Having said that, through their potentially discriminatory nature, the danger of reduced social mobility and the possible abuse of migrants' rights, a negative impact of social networks on remittances arises, leading to reduced contributions of migration to the development of home communities. Finally, formal financial institutions offering remittance services, with their ability to reduce transaction costs and enhance transfer security, have a potential to increase remittances.

## 4.4 Social factors

[x] This does not contradict the statement made above that migrants might not get paid due to the informal characters of their job arrangements. Both cases are conceivable.

This section deals with the social conditions which influence how Chinese rural-urban migrants fare during their daily life and in labor markets. Admittedly, these conditions are partly related to factors discussed before, such as the HRS or the strong reliance on social networks. Nevertheless, they are presented in a separate section as the author believes that they are in principle rooted in the social sphere.

A core problem of rural-urban migrants in China is the discriminatory treatment and the exclusion faced by migrants. This discrimination and exclusion extends from the political to the economic and social spheres, and follows lines of ethnicity, language (dialects) or social status (Carrillo Garcia, 2004; Yang, 2001).

In the political sphere, migrants lack basic political rights. As they usually do not have a local *hukou* status, they cannot participate in local elections and hence have no political representation. This is especially important in a context where the local administration often consists of a coalition of the rich and factory owners (Yang, 2001). With respect to the economic sphere, migrants face discrimination in the labor market, associated with difficulties to access white-collar jobs or technical and managerial positions (Yang, 2001). Moreover, migrants tend to be selected for the more arduous and exhausting jobs (Knight & Song, 1999) and are subject to wage discrimination (Meng & Zhang, 2001). An important factor in the social sphere is the restricted access to housing, caused both by official restrictions and migrants' low income (Yang, 2001; Zhao, 1999). The difficulties of migrants to get integrated and assimilated in the destination communities stemming from reservations and prejudices present in urban society leads to geographical segregation of migrants and the formation of migrant communities (Carrillo Garcia, 2004; Yang, 2001). Furthermore, areas where migrant communities typically live often provide only an inadequate level of social services and police protection (Carrillo Garcia, 2004).

To summarize, economic discrimination reduces the income generating potential of the members of rural-urban migrants. The lack of personal security due to poor police protection may raise costs incurred by the migrants. Poor

access to social services and housing increases the hardships associated with living at the areas of destination. Social exclusion and lack of political participation reduce upward social mobility and deteriorate the mid- and long-term prospects of rural-urban migrants. Consequently, the workings of social factors decrease net-returns to migration, may make migration more temporary (as opposed to permanent), and may reduce incentives for the rural population to migrate.

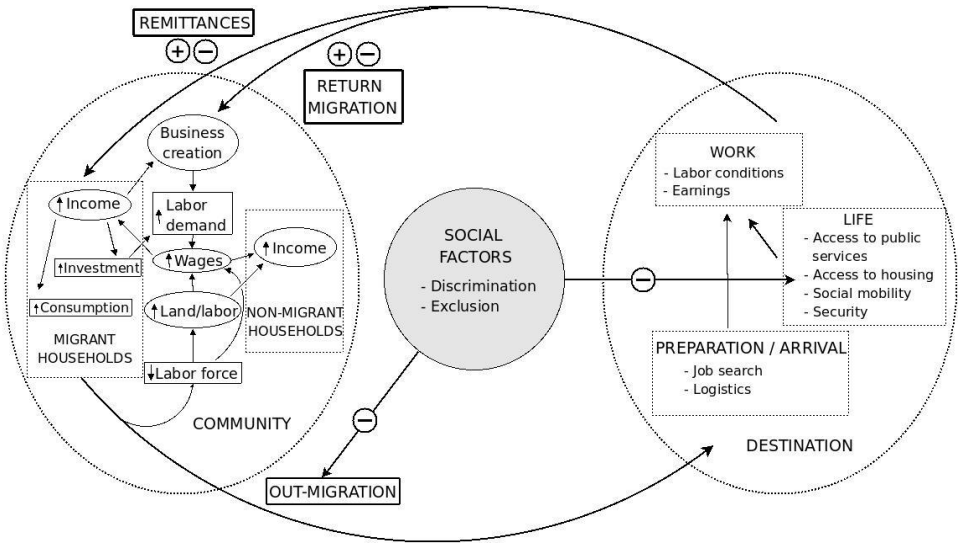


**Figure 6: Impacts of social factors on the migration process. Source: Own illustration.**

Figure 6 illustrates the likely consequences for the positive impacts rural-urban migration can have on local development. Through reduced out-migration, the potential for return migration and remittances is reduced. Through the less rewarding life in cities, remittances may be lower, again; however, more temporary migration may lead to higher rates of return migration and higher amounts of remittances sent back home. The net effect on local development impacts again depends on the relative strength of the different effects on the flows out of and into the villages.

## 5. Summary and conclusions

Figure 7 combines the migration process and its influencing factors – the HRS, the land tenure system, the actors in the process and the social factors – into one single analytical framework.

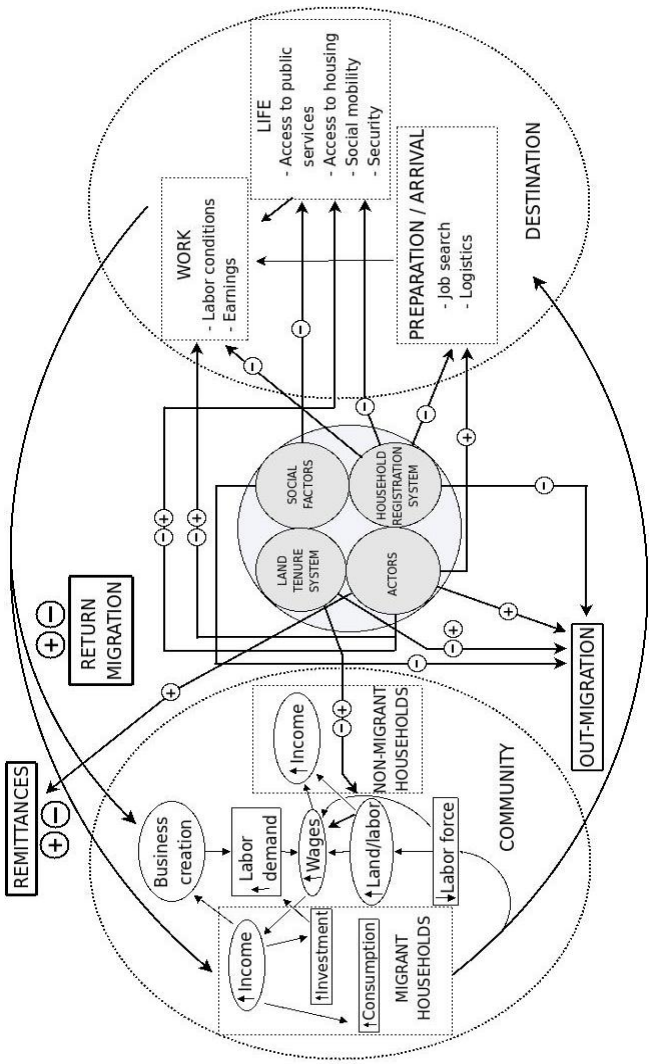


**Figure 7: Impacts of institutional and social factors on the migration process and positive development impacts at the local level.**
**Source: Own illustration.**

Although certainly still oversimplifying, it becomes clear that the potential positive impact rural-urban migration can have on the development of home communities depends on a number of factors which interact with the migration process in a complex manner. In spite of this complexity, what matters is the eventual impact of these factors on the flows out of and into the villages – namely out-migration, return migration and remittances. Unfortunately, while in most cases the impact of a single factor on single elements can be identified as unambiguously positive or negative, the exact direction in which the flows – especially return migration and remittances – are affected aggregately is often hard to discern.

For example, the HRS reduces out-migration and net returns from migration and, in general, makes life at the destinations with respect to all aspects of work and life more difficult. A first, the direction of impacts is that a smaller pool of migrants with lower net earnings has a lower potential to send remittances and to return. Furthermore, due to limited out-migration, marginal returns to labor in home communities remain low. On the other hand, as migration becomes more temporary and as temporary migrants send more remittances and, by definition, return more often to their home communities, the two return flows and thereby their positive impacts are enhanced. Hence, there is another direction in which the HRS works, which can be regarded as positive for the development of home communities.

With respect to the land tenure system and social factors, similar forces are at work. On the one hand, incentives to migration are lower, reducing out-migration, return migration and remittances; while on the other hand, migrants tend to maintain stronger ties to their home communities, which enhance their contribution to local development. To the extent that a reduction of barriers to migration may increase incomes at origin (through increasing marginal returns to labor), while at the same time weakening the ties between migrants and source communities (thus leading to less positive development

impacts), this highlights a policy dilemma. From a theoretical point of view, the solution would be to search for an optimal level of barriers to migration which maximizes its net development impact; however, accepting the notion of an optimal level of barriers to migration requires a careful analysis of the costs and benefits of these barriers which goes beyond the scope of the model presented here. On the benefits side, besides the positive development impact of higher remittances and return migration included in the framework, barriers to migration ensure a more ordered process of urbanization (as becomes visible through the relative lack of shanty towns in China). Furthermore, a reduction of incentives to migrate might deter prospective migrants from making a mistaken decision in favor of migration based on imperfect information.[11]

On the cost side are not only the foregone economic efficiency gains through the equalization of marginal returns to labor, but also the administrative cost of maintaining the barriers. Furthermore, from the point of view of the migrants themselves, the kind of barriers which currently exist in China increase the psychological cost of migration (see sections 4.1 and 4.3). Dismantling the barriers would, at least partly, reduce this cost. Finally, giving people the free choice where to live and work may have an added value of its own.

In the end, the answer to the question whether an optimal level of barriers to migration exists and, if so, how high it is, depends on the relative weight of the costs and benefits of these barriers. The evidence reviewed in this paper alone is not enough to give a final judgment. In general, it is questionable whether it is at all feasible to compile the information required. Nonetheless, given the substantial costs of the barriers to migration discussed in this paper, it might well be that the optimal level is actually zero. Regarding international migration, one might also argue that cultural factors alone constitute a sufficiently high barrier to migration to ensure that migrants maintain

11 Potential migrants might be misinformed about the life and labor conditions at the destinations and underestimate the hardships associated with the move. For an account of this, see Zhang (2006) who describes the distortion of information through *guanxi* networks.

ties with their communities and have a high propensity to eventually return to their countries of origin.

Nevertheless, to bring this discussion back to a more practical level, it is of interest to ask for recommendations regarding policies aimed at boosting the contributions of migrants for the development of source communities. For the case of China, the authors of several of the studies reviewed have made recommendations going into this direction: Murphy (2006) proposes to improve remittances services and to foster competition in the remittance service market. More generally, in order to increase migrants'capacity to remit, she suggests improving migrants' conditions in the cities, including fair and timely wage payments and adequate labor conditions. Furthermore, job introductions and training in vocational skills and financial literacy may promote the participation of more poor people in urban labor markets. In order to reduce the high importance of social networks in the transmission of job information and in the establishment of employment arrangements and to counteract the negative consequences of undue reliance on these networks, policymakers may act to gradually replace them with formal institutions (Zhang & Li, 2003). In this context it may be important to tackle the deficiencies of the current official efforts. At the local level, improvements in rural health and education systems may make more remittances available to improve rural livelihoods. Likewise, the expansion of rural micro-credit programs would allow a higher number of people to benefit from remittances (Murphy, 2006). Moreover, local authorities may take actions to increase incentives for migrant entrepreneurs to return to their villages, thereby fostering business establishment in villages (Zhao, 2002).

With respect to international migration, what is the usefulness of the literature review and the conceptual framework presented in this essay? As this is a case study of the local development impact of rural-urban migration in China examined from the broader point-of-view of the entire migration process, the work can act as a guideline for similar efforts in different contexts. This paper not only illustrates the complex interactions between the development impact of migration and the migration process, but also presents the

environment in which it all occurs. The framework itself reminds us of the different forces at work and points to the likely effects they have. As such, it can act as a checklist for similar analyses. It gives support in organizing thoughts, helps in identifying policy options aimed to enhance contributions of migration to development, and assists in assessing the effects of these policies. Furthermore, the framework reveals that efforts to promote the contribution of rural-urban migrants to the development of their areas of origin can be undertaken at a variety of points in the migration process – at origins, destinations and in between. Nevertheless, it should be stressed that the framework still focuses only on the positive impacts of migration on local development. Negative impacts, such as the reduced incentives to obtain higher education analyzed by de Brauw & Giles (2008b), social effects through the separation of families when parents migrate without their children or the physical and psychological burden of migration to the migrant are still neglected. Any discussion of migration and development should also take into account such negative effects.

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