

Internal Migration Benefits China's Rural Areas

Do rural areas benefit when their residents migrate to cities? A new national ID card and a program to facilitate legal temporary residence in the cities have made migration easier for rural residents in China. Research on the effects of rural to urban migration in China shows a positive relationship between consumption and income of households in migrant home communities, but no significant relationship between migration and investments in non-agricultural productive assets. The ability to migrate is also associated with a drop in secondary school enrollment.

Domestic migration is changing the nature of China's labor market

China's Population Census figures show the number of migrants living outside their home counties for more than six months grew from 20 million in 1990 to 79 million by 2000. When temporary migrants are included (those residing away from home for one month or more), the migrant population in 2006 reached 132 million.¹

Internal migration—a potentially important mechanism for reducing poverty in rural areas—is being carefully studied using a unique panel of household data from 88 villages across eight provinces.² These panel survey data, collected by the Research Center for the Rural Economy (RCRE) at China's Ministry of Agriculture, were supplemented by a follow-up survey conducted by Bank researchers and RCRE during 2004.

The annual RCRE household survey asks village leaders about migrants, and the number of registered village residents working and living outside the village. On average 3 percent of working age adults were migrants in 1987; by 2003 this had risen to 23 percent. The share of residents working as migrants varied considerably across villages (see fig. 1).

Migration rose with the distribution of ID cards

The timing of the ID card distribution can be used to estimate the effects of migration on household well-being and investment decisions. This distribution of ID cards facilitated mobility in China (and therefore migration flows) but was unrelated to other factors that could be affecting consumption, incomes, or household's investment decisions (see fig. 2).

Migration is positively associated with household consumption and income growth

Poorer households experienced both higher consumption growth and more rapid income growth as the cost of migration fell, suggesting that migration from rural communities reduced inequality within China's villages. The average income per capita of poorer households rose as they supplied more labor to productive activities, and acquired more land for agricultural production.

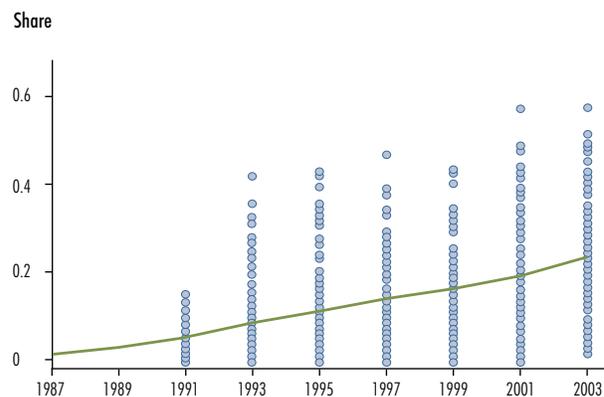
Migration also facilitated the accumulation of housing wealth, consumer durables, and investments related to agricultural production, but there is little evidence of more investments in assets for non-agricultural production, a finding that is contrary to assertions in the China literature and evidence from the literature on Mexico-U.S. migration.

The ability to migrate is associated with a drop in secondary school enrollment

At the average level of village participation in the migrant labor market, a one-percent increase in the size of the migrant labor force is associated with a fall of 0.18 to 0.23 percent in the probability that a middle school graduate will continue on to high school.

This negative effect on high school enrollment is likely driven by signals of the low return to a high

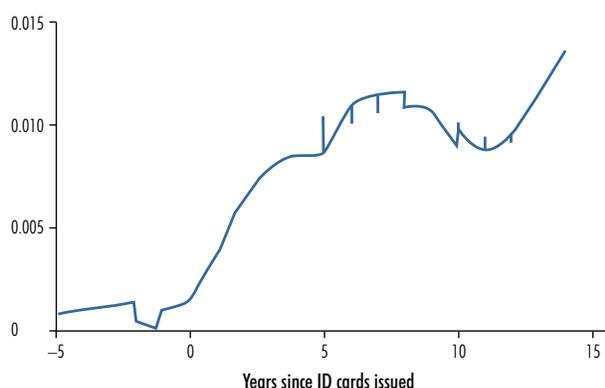
Figure 1. Percent of registered residents who live and work outside their village and home county varies widely across villages in China



Source: RCRE Village Surveys, 1987–2003.

Figure 2. Share of migrants in village populations has risen since national ID cards have been issued

Change in share of migrants in village population



Source: RCRC Village Surveys, 1986–2003 and Supplementary Village Governance Survey, 2004.

school education for migrants in urban areas. Although migrant wages in cities are higher than wages for off-farm employment in rural areas, the marginal return for attending high school may be quite low for migrants. Labor markets in China's cities tend to be segmented and migrants are typically employed in occupations that do not require much more than a junior high school education.

Moreover, the returns to high school education may be strongly linked to also completing college. Given the sharp increases in college tuition after 1996 and the lack of well-functioning financial aid or student loan programs in China, however, returns to high school education associated with later completion of college may be falling in rural areas where the probability of entering college is already low.

John Giles, Senior Labor Economist
jgiles@worldbank.org

Notes

- ¹ For a useful discussion on measuring the size of the migrant population and authoritative estimates, see Fang Cai, Albert Park, and Yaohui Zhao. 2007. "The Chinese Labor Market in the Reform Era." In *China's Great Economic Transformation*, ed. Loren Brandt and Thomas G. Rawski, Cambridge University Press. The 2006 estimate of the migrant population is drawn from the 2006 agricultural census, and reflects the number of migrants living outside their home counties for more than one month during the year.
- ² Alan de Brauw and John Giles. 2008. "Migrant Labor Markets and the Welfare of Rural Households in the Developing World: Evidence from China." World Bank Policy Research Working Paper 4585, April; Alan de Brauw and John Giles. 2008. "Migrant Opportunity and the Educational Attainment of Youth in Rural China." World Bank Policy Research Working Paper 4526, February.

Further Reading

Earlier work demonstrated that rural to urban migration lowered exposure to income risk in rural China, and that households responded by engaging in less precautionary saving.

John Giles. 2006. "Is Life More Risky in the Open? Household Risk-Coping and the Opening of China's Labor Markets." *Journal of Development Economics* 81(1): 25–60.

John Giles and Kyeongwoon Yoo. 2007. "Precautionary Behavior, Migrant Networks and Household Consumption Decisions: An Empirical Analysis Using Household Panel Data from Rural China." *The Review of Economics and Statistics* 89(3): 534–51.