

Employment of Farmers and Poverty Alleviation in China

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I . The Development Of Surplus Rural Labor Transfer and Problems

1.The enclosed dual social structure makes surplus rural labor detained in the countryside.

Before the reform and opening policy was taken in China, the nation was of an enclosed dual social structure and the rural society was separated from the urban society. Under the planned economic system, first priority was put onto the heavy industry and the light textile industry and the tertiary industry were comparatively underdeveloped. Thus, jobs provided to urban and rural laborers were not enough. During that period of time, capital investment was also mainly put onto the construction of urban industry and not much investment was spent on agriculture. In a country whose rural population covers 80% of the total, administrative decrees and regulations were taken to separate the rural society from the urban society completely. As a result, a dual social structure was formed in China. In this social structure, huge sums of rural laborers were kept out of the cities and enclosed in the countryside. The only thing they could do was to be dedicated to low-efficiency agricultural production on the comparatively limited farmlands. Additionally, due to the country's improper policy for agricultural economy, the production of grain kept being the main part of agricultural production and the development of a diversified economy and township industries was curbed. Due to the unitary economic structure, most rural people lived in poverty during a long period of time.

2.The rising of township enterprises provided the first opportunity for the rural labor transfer.

Since the end of 1970s, reforms were started on Chinese rural economy and the contracted responsibility system was put into effect in the rural areas, based on the household level with remuneration linked to output. Under this system, the farmers were granted the right of use and management of the farmlands. The indiscriminate

egalitarianism system based on the peoples' communes was abolished. With the improvement of the efficiency of agricultural production, the problem of surplus rural labor is becoming more and more serious. At first, most rural people could get enough food and clothes. Then, many of them could get surplus grain and accumulate a certain amount of money. Gradually, some surplus rural labor left the farmlands and started their small businesses in the townships, thus the beginning of the rising of Chinese rural enterprises. With the development of township enterprises and the development of a diversified rural economy, more than 130 million rural surplus laborers were absorbed and more than 110 jobs in non-agricultural production sectors were created. Working in these sectors, the surplus laborers were divided from agricultural production, but needn't have to leave the countryside. The income of the rural people tripled in a short period of time and township industry was soaring. On the other hand, no serious shake was made to the whole of Chinese society. Both the government and the farmers were satisfied with the rising of township enterprises. So the rising of township enterprises provided the first opportunity for rural labor transfer and became the prelude of transfer on a much larger scale and in a much huger scope.

3. Trans-regional surplus rural labor migration resulted in surging "labor migration wave".

Due to two different causes, the "surging wave of migrant laborers" appeared in China during late 1980s and early 1990s. At first, most local township enterprises had already gone into steady development and some changes had occurred in the general economic environment. Consequently, fewer and fewer new surplus rural laborers could be absorbed by local township enterprises. In other words, it became impossible for all the surplus rural laborers to find jobs in their hometown areas. Secondly, with the deepening of China's reform and opening to the outside world, economy of the eastern coastal areas and big cities is developing rapidly and becoming more and more prosperous. Those newly developed areas have a great need for new labor resources. Local surplus rural laborers were absorbed immediately, but the need is still very far from being satisfied. On the other hand, more and more surplus rural laborers appeared in the central and western underdeveloped regions of the country. To make a living or find new job opportunities, some of them have to leave their hometown areas. Under these circumstances, surplus rural laborers began to flow naturally from the underdeveloped central and western provinces to the comparatively developed eastern

provinces or big cities, thus the forming of the surging “migrant labor wave”. At the very beginning, the trans-regional flowing of migrant laborers was in disorder and many serious problems were caused. Due to its shake to the society, some people even insisted to block labor flowing by administrative degrees or regulations. Later, proper policies were taken by the government to direct the flowing and efficient management began to be made. As a result, the flowing of migrant laborers was regulated and put into order and new opportunities were available for more and more surplus rural laborers to hunt a job by themselves, to start an undertaking by themselves and to reduce poverty by themselves. During some years, the total number of migrant farmers added up to an incredible number of 60 million to 80 million. This was rather rare in the whole of human being’s migration history. Generally speaking, the flowing of migrant laborers in China is market-oriented and good for the development of national economy. At first, enough cheap labor resources are provided to economic construction of the developed regions and big cities, at the same time, heavy pressures caused by more and more surplus rural laborers was lessened in the economically undeveloped regions. Secondly, this helps the rural people to increase their income and becomes an important way for the poor farmers to reduce poverty and become wealthy. A saying in some poor rural areas goes that “one person goes out to work and the whole family shakes off poverty.” Thirdly, many rural labors are trained by working in the outside world and the general level of labor quality in the underdeveloped regions has been increased. Finally, it helps the underdeveloped provinces to accumulate funds for economic development. Take Sichuan Province for example, the total annual income volume of the migrant laborers from that province reaches over RMB 20 billion yuan, which exceeds the total revenue of the whole province. There is no doubt that the income of its migrant laborers is adding new energy to the development of local economy in an undeveloped area and also playing an important role in the poverty alleviation of the rural people in that area. Formerly, the allocation of labor resources in China was mainly planned by the government. The spontaneous labor migration in China symbolizes a shift from government-planned allocation to market-oriented allocation of domestic labor resources. This shift accelerated the formation and healthy development of China’s labor market. It also helps to spur the reform of many old systems in China, for example, the old recruitment system, the old wage system, the old training system and the old household registration system, etc.

4.Managers of new township enterprises are trained and township economy is becoming more and more vigorous.

After years of practicing in the economically developed areas, a large number of rural laborers stopped migrating and started their own enterprises in their hometowns with what they had gained when working as migrant workers in the outside world. Three to eight years' experience widened their vision, improved their ability and enabled them to be managers of different sorts of enterprises. Some are managing small or medium sized private or collective-owned township enterprises and some even became presidents of large enterprises. Many became "star managers" who are running very successful businesses. Still take Sichuan Province for example; the number of frequent migrant laborers from this province every year is more than 10 million. Up to now, altogether 400,000 former migrant laborers have stopped migrating and chosen to open their own businesses at home. If the percentage is the same in other provinces, in the whole country, altogether 2.4 million former migrant laborers have started their own enterprises at home. (The total number of migrant laborers in China every year is about 60 million.) On average, one enterprise could provide 5 job opportunities, then altogether 120 million job opportunities have been created by those enterprises. Most of those enterprises are located in villages or small towns in the underdeveloped central and west China and they have become new growing points in local economy. Many new business development zones have come into being at small rural towns where this sort of enterprises is gathering together. This is accelerating the development of those towns.

5.Generally speaking, the present situation is still not very optimistic.

At the present time, the total number of surplus rural laborers is 150 million, and generally speaking the supply still exceeds the demand on the labor market. On the other hand the unemployment rate in the urban districts is climbing in recent years and there are more and more surplus urban laborers. Additionally, after China's entry to WTO, the pressure from international competition on Chinese agricultural production is felt stronger and stronger and Chinese farmers are faced with more complex and more serious conditions in improving their income. Because of all these factors, the general employment situation for Chinese rural laborers is not very optimistic.

However, there are still many favorable conditions for China to solve the problem of

surplus rural laborers. Since the first wave of migrant laborer flowing appears in China, eighteen years has passed. During that period of time, the country has got very helpful experience in solving the problems associated with it. The flowing was random and in disorder in early years, but now it has been put into order and under efficient directions. It is impossible to solve the problem of employment for 150 million surplus rural laborers solely by the government. Only if the spirit of creation and diligence of the laborers were activated, could that problem be solved successfully. A practical solution would be in three steps. First, the surplus rural laborers migrate and work in outside developed regions; the second, they stop migrating and start their own business at home; finally, with the industrialization of the small rural towns and China's agricultural production, and with the development of the whole of China's western undeveloped regions, the demand of labor market may approach the supply. Moreover, all levels of the governments have also proclaimed many decrees or regulations to support and regulate the employment of rural surplus laborers as well as the urban unemployed workers. At present, China is taking efficient measures to stimulate domestic market demands, to strengthen the construction of infrastructures, to accelerate the development of the service sectors and to provide training to laborers. Great achievements have been made in all these fields. Although there are still many difficulties in the way, it is definite that the problem of surplus laborers could be solved successfully in China.

II. The Evolution of China's Policy on Employment of Rural Labor

According to Mr. Song Hongyuan, a researcher at the Rural Policy Research Center of China Ministry of Agriculture, and his companions, China's policy on the employment of rural labor force has had 4 major changes since 1979 and five stages could be divided by the changes.

Stage 1: From 1979 to 1983: Controlled Labor Migration

Before the policy of reform and opening was taken in China, urban and rural areas were divided by different household registration systems and employment systems, and the flowing of laborers from the latter to the former was rigidly limited. The State Council had proclaimed many decrees to limit and control the following of rural population to big and medium-sized cities. Employment of rural labors by enterprises in the cities was also limited and those rural laborers that had been accepted illegally had to be combed out.

Stage 2: From 1984 to 1988: Labor Migration Permitted

From the year 1984 on, rural people are permitted to go into the cities to hunt a job or start their own businesses, but couldn't enjoy the social welfare special to the urban residents. Simultaneously, the government supports to exchange of laborers between two different regions or between rural and urban areas. From that year on, the export of labor force from impoverished regions is also encouraged by the government.

During this period of time, the scale of the flowing and exchange of rural laborers was soaring.

Stage 3: From 1989 to 1991: Random Labor Migration Was Controlled

In late 1980s, the flowing of rural surplus laborers between different areas reached a very large scale but was basically unchecked, and this caused some problems to public transportation, social order and the management of labor market. To deal with these problems, the government began to take stronger measures to regulate the random flowing of rural surplus laborers. That didn't mean the flowing was completely restricted nor all the migrant laborers from rural areas were ordered to go back home. Most decrees which had been issued to support the flowing were still kept in effect. At the same time, the government started to do some experiment in some areas in order to find a scientific way to explore and make good use of surplus rural labor resources.

Stage 4: From 1992 to 2000: Regulated Labor Migration

From 1992 on, new policies started to be taken by the government and the flowing of laborers was gradually transferred from a random state into an orderly state, under the macro-regulation of the government. A registration system came into effect for the employment of migrant laborers. From then on, the laborers are required to hold a registration card when migrating into another district. Still in this period, the reform to the management of household registration system in small towns was started. In one word, labor migration was put into order by efficient and proper government regulations in this stage.

Stage 5: From 2000 up to now: Free and Fair Labor Migration

From the second half of the year 2000, the Chinese government started to abolish improper restrictions on the migration of rural laborers to the urban areas, and gradually, the two formerly divided labor markets respectively in the urban and rural areas started to merge into one. Reforms in related systems as social welfare system, household registration system, education system and housing management system

were also started. All these provide fair and reasonable environment for the employment of migrant labors in urban areas. So the labor migration in China at the present time is progressing smoothly.

III. Contribution of Surplus Rural Labor Transfer to Poverty Alleviation in China

The Chinese impoverished areas lack the ability to provide job opportunities, and the average salary level in these regions is also much lower. So these areas are the main resources of migrant laborers in China. According to statistics from the State Statistics Bureau, in 1999 only, the number of migrant laborers from the 592 national impoverished counties totaled 10.96 million, covering 11% of the whole labor force of those counties. For those labors, migrating to the comparatively developed areas to work is not only a transfer of working places and a way of making a life, but also a change of life styles and life environments. The transfer or change could also more or less improve their levels of thinking styles and views of life. Of course, that is also an efficient way for those impoverished people to improve income and reduce poverty. Usually, one migrant laborer could play a key role in lifting his or her family out of poverty.

1.The impact of labor transfer on individual laborers and their families

(1) Impact on the laborer's skills and capacity

For a migrant laborer, the first thing for him or her after coming to a new place is to get accustomed to a new social environment and different living habits, then to learn the necessary skills needed in the field he or she has chosen. Usually, a week to a month's training is given to a new worker before he or she takes a working post. The pre-post training is only the first step. In the days to come, the worker will keep improving his or her technical ability in practice. Usually, the pre-post training and the "learning by doing" process could change a new migrant laborer who only has the skills of traditional farming into a worker who has one or several sorts of work skills.

Working in a different place, migrant laborers from the impoverished regions also get the chance to see the relationships in the complex social and economic life. What they see and learn enriched their knowledge in economic processes and activated their spirit of innovation. This could also cultivate their courage to take the risk and start their own businesses sometime. After years of working outside, many migrant laborers got enough experience and ability so that they were able to seize proper

chances to stop migrating and go back home to start their own businesses. Now, many former migrant laborers are running their own businesses in their hometowns successfully.

Liu Yan, 24 years old, a junior middle school graduate. In 1996, she left home to work at a cosmetics factory in Guangdong province. She worked there for three years and her monthly salary was about RMB 1,000. In 2000, she went to the city of Guiyang to join her brother who had get acquainted some shoemakers during working as a migrant laborer in a factory there. In Guiyang, the brother and the sister learned basic techniques in leather shoe making, then, they went back home. With the money they had saved during working as migrant laborers and with the knowledge, ability and skills they had learned in the outside world, they rented housing and bought materials to open a leather shoe workshop. They had a rather hard time during the first year, but from the second years on, things became smoother and smoother. Now they averagely make about a dozen pairs of leather shoes every week. In selling one pair, they could get a profit of about 12 yuan. They are very happy with their income and the success of their business. They think the success depends on what they got during working as migrant laborers in the outside world.

(2) Income of the migrant laborer's family increased and the family's means of subsistence enriched

The main purpose for a rural labor to go out to work is to increase his or her family's income. According to the statistics from the State Statistics Bureau, in 1999, the total volume of income of all the migrant rural laborers from the 592 national poor counties covers 25.85% of the total annual income of all the rural families in those counties. According to the results of sample survey of the Labor Mobility Components of the World Bank Southwest and Qinba Mountains Poverty Reduction Projects, the export of labor force resulted in a sharp increase in the family income of the poor farmers. Since the starting of labor force export in these regions, the average annual income per capita of rural households increased from RMB 1507.58 yuan to 1897.78 yuan, increasing by 25.88%. (See the following table.)

The change of the average annual income per capita of rural households before and after labor force export started

	Average income per capita	Rate of income from labor force export (%)
Before	1507.58	19.46
After	1897.78	33.19

Due to the increased income from labor force export, the means of subsistence of the

poor rural families also greatly enriched. According to statistics, except expense on grains, expenses on other main means of subsistence like meat, clothing, housing, medical care, education, of those families involved in the World Bank projects are much higher than those families not involved. The following table could also show the change of average annual amount of some main means of subsistence consumed by one family member before and after labor force export started.

Means of subsistence or expense	Grain (kilogram)	Pork (kilogram)	Expense on clothing (yuan)	Expense on housing (yuan)	Expense on medical care (yuan)	Expense on education (yuan)	Expense on books & magazines (yuan)	gifts to folks or friends
Before started	311.69	35.64	116.90	147.09	122.59	96.10	4.30	88.47
After started	346.22	45.00	131.40	229.77	117.61	137.13	6.45	100.75

2.The Impact of Labor Transfer On Poverty Alleviation at the Macro Level

(1) Contribution of Labor Transfer to Alleviating Absolute Poverty

According statistics from the State Statistics Bureau, from 1998 to 1999, the average net income of farmers in all the national impoverished counties increased from RMB 1317.55 yuan to 1346.8 yuan, climbing by 29.25 yuan. During the same period of time, the average income from labor force export increased 59.94 yuan. That is to say, the increase in their average income depended on the export of labor force. In fact, without increased income from labor export, the average net income of farmers in those national impoverished counties would have declined rather than have increased. The influence of labor export on the alleviation of poverty could also be shown in another point of view. In the year 1999, if the income from labor export was not included in the total income of farmers in the national impoverished counties, the poverty incidence in those counties could be as high as 26.25%; if that part of income was included, that rate would be as low as 14.46%, declining by 11.79%. From another point of view, if that part of income was not included, the total number of impoverished population in those counties could come up to 19.707 million; if included, the total number would be 18 million. It could be calculated that 45% of the decline in the impoverished population and 70% of the decline in poverty incidence were due to labor export. So conclusion could be reached that labor transfer in China contributes a lot to the poverty alleviation in the country.

(2) Impact of Labor Transfer on Development of Human Capital

The labor transfer not only increased the income of those migrant laborers, gave them chances to get critical technical training, made them more fitful to the needs of modern society, enriched their knowledge in the market, improved their courage to take risks in economic life and improved the value of their labor force, but also improved their consciousness in investing in the education and training of their younger generation. According to the results of a survey conducted by China Western Human Resources Development Center on the Labor Mobility Component under the World Bank Southwest Poverty Reduction Project in Jinxi County, Guangxi Autonomous Region, 50.3% of the migrant laborers from that county spend part of their incomes on the education of their younger generation, and the average amount of that kind of expense comes up to RMB 699.5 yuan. Additionally, export of labor force also improved the power of the poor migrant laborers in offering expenses in medical care. Still in Jinxi County, 51% of the migrant laborers also spend part of their incomes on medical care and the average amount of expense in that field comes up to 387 yuan.

3.The Impact of Labor Transfer on Development of China’s Poverty Alleviation Policy

(1)In view of the active role of labor transfer in the poverty alleviation, the poverty alleviation office of the Chinese government takes it as one of the key points to considerate in making the country’s poverty alleviation policy. In 2001, China issued “The National Program for the Development and Poverty Alleviation in the Rural Areas (2001—2010)”. It writes: “The scale of labor force export from impoverished regions should be enlarged actively and properly and professional training for laborers in those regions should be improved. Moreover, directions should be given to the flowing of migrant laborers and the flowing should be in an organized and scientific way. The developed coastal regions and big cities should give preference to those from impoverished regions in accepting migrant laborers and should take an active attitude in providing job opportunities to them. One underdeveloped region and one developed region may form a pair, and the latter serves as the corresponding import region of exported labor force from the former. Governments of both the import and

the export regions have the responsibility to protect the legal right of the migrant laborers. The local governments should also take measures to improve the laborer's working and living conditions and help them to solve all sorts of problems.”

(2) Seeing the active role of labor transfer in the poverty alleviation in China, many bi-lateral or multi-lateral international organizations also give emphasis on labor transfer poverty alleviation projects in the country. For example, the World Bank has already started such projects in the impoverished Qin-Ba mountainous region and the southwestern region in China. Special financial support is given to organizations that organize labor force export and special loans are lent to those poor laborers who need money to go out to work. International Labor Organization has also started similar projects aiming at supporting the development of agricultural production and the increasing of income of the rural people in impoverished regions in China, in which the support to labor force export is also related directly to poverty alleviation.

IV. Recommendations

Generally speaking, the supply of labor force still exceeds the demand on labor market in China and the demand is now mainly lies in technical and skilled workers, so rural surplus laborers, most of whom only have skills in farming and do not know much about conditions of the market, are unprivileged when hunting a job on the urban labor market which is far from rural areas. Moreover, the economic and living conditions of the poor rural laborers also limit their chances on the urban labor market. To improve the employment rate of those laborers and reduce poverty for them, it is recommended as follows:

1. Strengthen surveys on rural labor resources and disseminate relevant information. Dependable information on the conditions of rural labor resources is the basis for exploring the resources, directing the flowing of migrant laborers and cultivating a healthy employment market. So investigation is extremely necessary.

2. Regularize the labor market and protect the legal rights of the labors. An employment market without regulation is unhealthy and will hinder the transfer of surplus labor from impoverished regions, so efficient measures should be taken to regulate the labor market. First, management on the employment agencies must be strengthened and a united management system and a scientific management process should be established on the employment market, so that the employment agency

system is put under proper regulation according to related laws. Secondly, seeing that the migrant laborers are included in the unprivileged group on the employment market, special organizations should be established to protect their legal rights and give them legal aids when necessary.

3.Strengthen the role of employment agencies. Since most migrant laborers from the impoverished regions do not have even the basic information on the conditions of the employment market, the role of agencies could not be substituted in improving the efficiency of labor transfer. First, NGOs and communities in the cities should be encouraged to go into the field of employment agency. Secondly, some existing organization like the so called “labor force service companies” should be transferred into formal employment agencies according to the demand of the market; Finally, the establishment of employment agencies within the impoverished regions should be encouraged so that they could provide information or service directly to people who intend to go out to work. Of course, the establishment of agencies in impoverished regions must be under regulation and should be support by all the related sides.

4.Provide diversified training to laborers. Training in all sorts of forms should be provided to laborers from impoverished regions to meet the demand of the employment market. Only if the rural laborers had got necessary technical ability and work skills to be qualified for a position, could the employment rate of rural surplus laborers be increased. It is recommended that vocational training be taken into consideration in the reform of the education system in rural regions, so that vocational training could be included in the whole of general education. Additionally, technical training targeted to the demand of employment market should be developed in rural regions. Finally, all the qualified enterprises, organizations and individuals should be encouraged to provide all sorts of technical training to the laborers.

5.Eliminate the dividing lines between urban and rural regions and establish a united labor market under a socialist market economy. First, improper limitations to migrant labors, for example, the limitations in type of sectors and type of working posts, should be eliminated. Secondly, reforms on the household registration system should be made to relax restrictions to the migrant labors in living and employing out of home.

6.Provide necessary policy support to returned laborers who plan to start their own businesses.

After working outside for years, some laborers have got enough experience and ability.

When chances come, they would like to go back home and start their own businesses. Necessary directions, policy support and other needed supports should be given by the local governments.

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