
Can China Achieve Urban-Rural Integration Through the Urbanisation Campaign?

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The Chinese leadership's focus on its "urbanisation" campaign brings to light the government's push towards fuelling domestic demand and attempting to strike a balance between the urban-rural divide. According to a blue book released by the Chinese Academy of Social Sciences (CASS), a premier academic research organisation in the fields of philosophy and social sciences, directly under the State Council, China's current rate of urbanisation is likely to result in 60 percent urbanisation by 2018. At present, this figure tops 54 percent.

Boosting domestic consumption and creating employment has been a key focus area for the Chinese government with every one percent of growth in Gross Domestic Product (GDP) creating 1.3 million to 1.7 million jobs specifically in China's urban areas in 2012. The CASS study announced that a total of 12.66 million jobs has been added since 2012. What comes across as a dichotomy, however, is that while the income generation of China's rural and urban residents has witnessed an increase from 2010 to 2012, the increasingly large income gap between the two sections has not gone unnoticed and requires immediate attention. In fact, the annual per capita income

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in the highest income households is nearly 20 times more than that of lower income families.

Before 1978, development strategies favoured capital-intensive and heavy industry over light industry and agriculture.¹ The rural and urban

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sectors were segregated so that surpluses in the rural sector could be collected through price distortion to subsidise the industrial sector.² But this policy slowed urbanisation.³ Labour was underused in the urban sector and cities were unable to provide enough employment. Moreover, the *hukou* system was created to restrict the mobility of surplus rural labour while land and capital also faced mobility restrictions. As a result, from 1952 to 1978, the urban population increased only 5 percentage points. The rural–urban division policy was carried over to the reform era, while migration restrictions eased only beginning in the early 1990s.⁴ Since the early 1980s, the national urbanisation policy has restricted the size of big cities, promoting small cities and towns instead.⁵ This has played a key role in determining urbanisation levels in the reform era.

China's new approach to urbanisation will go through a litmus test when it has to cater to the 260 million migrant workers who await the benefits stemming from this policy approach. Following decades of urban expansion, the city dwellers comprise 52.6 percent of China's total population. Interestingly, this figure falls to 35.3 percent of the population if calculated on the basis of household registration, known as *hukou*. The *hukou* system in China ties public services such as healthcare and education to residential status. Those without local *hukou* are barred from sending children to public schools, coupled with tougher restrictions on housing and car purchases. The gap between public welfare for the locally registered population and for newcomers unable to register—largely migrant workers—is increasingly proving a disconcerting trend for the government.

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“China’s urban areas have demanded labour from rural migrants, but offered little in return, including no public welfare, let alone housing”, says Wang Xiaoguang at the Chinese Academy of Governance, terming it as unfair, thus, demanding a change in state strategy. Denial to equal access to public welfare unless one changes his/her *hukou* status, puts a lot of pressure on the government’s urbanisation campaign, which in the last three decades seems to

have focussed on the expansion of city areas Based on the above realities and also acknowledging the drawbacks of the existing scheme of things, the 18th National Congress of the Chinese Communist Party (CCP) has advocated for a “new type of urbanisation” in which the people will be accorded first preference. At the third plenum of the CCP’s Central Committee, incorporating human-centred urbanisation into an approved policy termed “core of urbanisation” has been emphasised upon with the primary task of human-centred urbanisation being to help migrants in registering as urban residents. The CCP has set a target of a new *hukou* status for nearly 100 million migrant workers by the end of 2020. It appears that the foundation of China’s new urbanisation campaign is to grant *hukou* status to migrants in cities.

In order to bring about a change in the status of migrant workers, the *hukou* system itself needs to be revamped and it was decided at the third plenum to remove controls over farmers settling in towns and small cities, and relax restrictions on settlement in medium-sized cities. Although the Chinese government has announced that basic public services in urban areas such as healthcare and education will be available to all permanent residents and all rural residents will be covered by the affordable housing system and social security network, the campaign will prove successful

only when there is equal access to public services for both migrant workers and urban residents.

The China Development Bank (CDB) issued a report in March 2013 advocating how developmental finance is boosting China's new urbanisation and further identifying potential areas for expanding domestic demand.⁶ The CDB approaches

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the national development strategy with a market approach through long-term investment and financing to support the new urbanisation campaign. The CDB's annual work conference at the end of 2012 announced that the bank would issue over 50 percent of its new loans in 2013 in the field of urbanisation and associated construction. As the model of developmental finance supporting urbanisation development matures, CDB's contribution to the level of urbanisation development has resulted in an accelerated pace of urbanisation, with cities nationwide taking on a new look.⁷

Giving the example of Xingyi township in Xinjin county, Sichuan, the Party Committee Secretary Zhou Minxing stated, "Our development is based on scientific planning... The layout of residential quarters and farmland is the result of careful planning." With rows of building blocks lined up in the residential quarters, a modern agriculture demonstration area is also on display nearby. Notably, Xingyi is one of the five pilot townships in the township planning cooperation promoted by the CDB and Chengdu. With the support of the promised CDB loan of 340 million yuan, construction of the Xingyi Organic Ecological Agriculture Township is currently underway.

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rural townships, including Xingyi township for a pilot scheme to extend support in planning based on the principle of industrial support. In a span of two years, the two sides summed up and formulated the “Chengdu Rural Township Planning Guide” to pave the way for cracking the urban-rural dual structure in Chengdu. Both the CDB and Chengdu have focussed on small townships, particularly small suburban townships to push forward the unified financing and construction of nearly 34 sub-projects. With the CDB issuing a cumulative total of 3.15 billion yuan of loans for these projects, the construction of the CDB-financed new rural communities stands complete, covering most districts and counties in Chengdu, catering to nearly 70,000 farmers as they move to their new homes—thus, completing the process of the aforementioned urban-rural integration in Sichuan. Moving towards China’s eastern coastal province of Jiangsu, urban-rural integration in Danyang in the hinterland of the Yangtze river delta, by fostering the Danyang Investment Group, has increased its assets to nearly 20 billion yuan. Resultantly, construction in Danyang’s new urban areas, new townships and new residential communities is booming.

Bottlenecks in the Urbanisation Drive

The Chinese leadership’s focus on its “urbanisation” campaign apparently has to cater for nearly 260 million migrant workers who await the benefits calculated on the basis of household registration, the *hukou* system. However, one would ask, is this enough? A pertinent question is: how would the Chinese government cater to the nearly 250 million former farmers who are now relocated in the cities as the migrant workers? While acknowledging that there is a need to change the status of migrant workers, the *hukou* system itself needs overhauling, with integration of urban and rural development an inflexible prerequisite given the

huge imbalance between China's urban residents and migrant population. The main arena of future urbanisation shall be the small and medium-sized cities, along with key townships, primarily since these places lack essential funds to carry out the urbanisation campaign, and also lack the systems and mechanisms that are instrumental in attracting sustainable incoming funds.

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What also comes to light is the issue of poverty alleviation of 100 million plus Chinese residing in the interiors, which the urbanisation campaign of the government intends to address by making growth more balanced. The official Xinhua press reports that local teenagers in the far less-developed central, west and northeast regions of China manage to get only one meal a day. The Laiyuan county, for instance, located 160 km southwest of Beijing, has been home to people living below \$1.25 a day. While there is no denying that housing is a very vital determinant in the development model of any developing state, people also need to have secure jobs since it has a direct bearing on social stability, and on urban-rural integration. According to a July 2014 *Bloomberg News* report, China released two different figures of unemployment having a divergence of almost one percentage point, underscoring a lack of clarity. While the Ministry of Human Resources and Social Security said the registered urban jobless rate was 4.08 percent at the end of June 2014, soon after, the National Development and Reform Commission placed the urban jobless at 5.05 percent. The reports exclude more than 200 million migrant workers, with the methodology kept undisclosed. Yao Wei, a Chinese economist based in Paris, states that "... the new survey-based unemployment data should fill some gaps, especially on calculating the unemployment rate of the population that is not locally registered."

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Stemming primarily from lack of financial resources, the per capita annual income of farmers in Laiyuan reached a bare 3,000 yuan (\$490). Given that the national average is 7,917 yuan, Laiyuan is placed far below in comparison to the rest of China. What come across as a ray of hope for this county are the newly opened travel routes which have cut down travel time from Beijing, Tianjin and Shijiazhuang, thus, attracting more visitors and resultantly boosting income generation. China's urbanisation has resulted in an irreversible trend – that of adversely impacting schooling in the rural areas. Many Chinese have lamented the divide in the education system between the urban and rural areas. Since a growing number of Chinese migrant workers are opting to move their children from villages to cities for better quality education that is fully resourced, various primary schools, especially in Jiangxi, Hubei, Henan and Guizhou provinces, are facing the predicament of losing students to this trend. According to a 2012 report on rural education, released by the 21st Century Education Research Institute, an average of 63 primary schools, 30 teaching spots and three junior high schools disappeared every day in China's rural areas between 2000 and 2010. This draws a direct correlation with government data figures between 2000 and 2012 which state that more than 150 million farmers moved to urban areas in this span, surging at 12 percent. While “human-centered urbanisation” is a prime focus of the government, simultaneous measures also need to be rolled out to attract qualified teachers in rural areas with incentives such as financial subsidies and improved living and working environments.

Spatial expansion and the integration of migrants into the urban system are two major issues confronting China's urbanisation campaign.

The latter requires job creation and the provision of social welfare and public services. However, restrictions on migration are limiting the expansion of urban employment. If urban expansion proceeds faster than the expansion of jobs

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(and population growth in cities), urban density will decrease, weakening the function of cities as agglomeration centres. This is something that is already being witnessed in China. The imbalance between the spatial expansion of cities and population integration suggests that an effective urbanisation policy should be able to motivate local governments to create jobs and provide social welfare to migrants. But the current situation shows that local governments are focussing on expanding urban areas and securing more land revenue.⁸

A major bottleneck in terms of management issues is the efficient use of land. If achieved, this could translate into sizeable energy savings, greater environmental protection, and better quality of life. But it requires supportive government policies led by forward-looking urban planning with high-density clustering. Instead, distorted local government incentives have caused a disorderly spatial expansion of cities. Most need to increase their land areas to accommodate the growing needs of their residents and industry, and they need to redevelop former industrial sites and build efficient mass transportation systems.⁹ Moreover, China faces severe water shortages, especially in the northern regions, where agriculture uses too much water under a distorted price system. To help prevent further water shortages, policies on efficient land use could include reducing the cultivation of water-consuming crops and balancing food production at the national level. In addition, reforms in water rights would result in considerable savings in urban and industrial water usage.¹⁰ International experience has shown that urbanisation usually modernises agriculture and

improves food security. If the existing land for construction were used more efficiently, the pressure to convert farmland into construction land would decline.¹¹

Therefore, the major bottlenecks towards realising the newly unveiled urbanisation plan of China include: settlement of the rural (migrant) population in the cities; financial constraints and restructuring of the funding mechanisms; and intensifying usage of land resources. By the end of 2012, China had 710 million urban residents. This was a historic moment as, for the first time, China's urban population, surpassed its rural population. Minister of the Chinese Ministry of International Economic Exchange Centre, Hong Xu, avers, "China's urbanisation must focus on quality development... The primary task is to enable migrant workers to gain urban status." Notwithstanding that the urban populace accounts for 51 percent of China's total population, only 35 percent has the *hukou* status. In May 2013, authorities in Guangzhou took the lead in Guangdong province by scrapping the *hukou* system, thereby enabling farmers to receive the same training, education and pension benefits as the urban residents. In so far as financial constraints and streamlining the funding system are concerned, urbanisation will prove to be a demanding challenge for the Xi Jinping administration.

The national development bank estimates that the capital demands of China's investment in its urbanisation campaign are likely to touch 25 trillion yuan (\$4.1 trillion) by 2016. With limited financial resources, Chinese analysts argue that heavy/sole reliance on government funds will see deficit spending becoming high and render the development pattern untenable. In the conference on urbanisation, a declaration was made to adopt sustainable funding mechanisms into finance policies. Zhang Liqun, a macro-economic researcher at the Development Research Centre of the State Council argues, "... currently, large amounts of private capital cannot find suitable investment channels. As long as the government

provides fair opportunities and creates a favourable market environment, financial resources will be able to play a useful role in liberating all levels of social forces.”

Huang Ming, Public Security Vice Minister advocates that the new *hukou* system would make stable employment and housing the requirements for urban status by 2020, with the Public Security Ministry, together with another 11 central ministries, drawing up a plan for *hukou* reforms. The details of this plan remain unknown. What comes out of this debate is that in order for China to develop well-planned and sustainable urban communities, the integration of urban and rural development is an inflexible prerequisite and unless and until there is redressal of the huge imbalance between China’s urban residents and the migrant population, the Chinese dream of pushing forth a humane urbanisation agenda will not be fully realised.

Finally, intensifying usage of land resources would be a critical sector of focus. China has relatively poor per capita land resources, with average annual reduction of arable land being over 40 hectares and its arable land approximate to 120 million hectares. Exploitation of land in the past three decades for China to become a “modern society” has proved detrimental. This sharp decline in arable land area could have a direct bearing on food security. China’s urbanisation conference also reflected this concern by announcing a “red line” for the arable land left that is/should be exclusively available for farming. Although the leadership in China under Xi Jinping has advocated for proactive progress in the promotion of “human-centered urbanisation”, the influx of people into the bigger cities, looking for better opportunities always entails a population explosion that could well be overwhelming for China to handle politically, economically, and most, importantly, socially.

Notes

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11. For more details, see Li, n. 1.

