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ABSTRACT:

China has experienced a huge economic transformation due to economic reform. First, was the ownership transformation. In the process of China's economic transformation from planned economy to market economy, the state-owned enterprises (SOEs) became more and more incompetent and weak, decreased in size and were replaced by other sectors, such as Joint Ventures, wholly Foreign-owned enterprises, private companies, and TVEs (Towns and Village Enterprises). Second, was economic structure transformation from agriculturally dominated economy to an industrial and service one. During this process, there was a huge labor migration, especially rural laborers moved into cities. It was estimated that there were more than 80 million rural populations on the move, among which 20-30% lived in 25 cities with population over 1 million.

The report has 5 parts. The first part is a macro economic analysis of rural migrants' background. The second part presents the cause of rural migrants. The third and fourth parts are the effects of rural migrants on rural and urban economy respectively. The final part shows a brief conclusion and the effects of rural migrants on the China's economy.

In our paper, we concluded the relationship between rural labor migration and economic transformation in China, the consumption level of rural migrants, as well as, the effects of rural migrants on rural and urban economy.

First, rural migrants formation was a coincidence with China's major economic transformation, such as industrial structure transition and ownership structure transition. Thus the non-government sectors and the tertiary industry became the main absorption of laborers, including rural migrants absorption. Rural migrants were

also the result of push-pull factors from rural and urban areas, mainly due to the large income gap between rural and urban areas.

Second, rural migrants contributed a lot of remittance to their rural households, which increased the incomes of rural households. According to our survey, there was obvious difference in income and operation between rural households with and without rural migrants, between relatively developed rural areas and less developed areas.

Third, rural migrants lowered labor cost in urban cities. They normally worked in traditional service sectors (informal sector) such as construction, peddlers, daily fast food and household service s etc. Various researches suggested that the urban labor market was divided by the formal labor market and informal labor market. Instead of competing the same jobs with urban local labor forces, rural migrants tended to be employed in different types of employment. Even if the rural labors were employed by SOEs and COEs, they would not be treated the same as the local employees. Their wages were relatively lower than that of local employees. They also would not enjoy any benefits as local employees do. Therefor, low cost of rural migrants and human capital inflow are treasures for the city. Our research mainly focused on urban areas where rural migrants were concentrated. We did a comparative study that compared the incomes of rural migrants with local employees' and urban residence, their expenses and potential consumption level.

Fourth, rural migrants had positive effects on urban as well as the national economy. Some experts argued that rural migrants made the unemployment worse in the urban areas; however, we believe that unemployment happened in both rural and urban areas, but it caused by different reasons. Urban unemployment became serious after state-owned enterprises reformed its system. It was a systematic structural phenomenon, rather than caused by rural migrants. Urban and rural areas also need different labor pool with different skills. In other words, there was no strong evidence that rural migrant made urban unemployment worse.

Finally, rural migrants are capital outflow and re-concentration of assets for urban areas, but it is an economic loss for rural areas. On the other hand, they made people's life in their native rural areas better by bringing money back (remittance).

They injected necessary capital back rural areas, along with their new ideas, which helped to develop their hometown. It should be mentioned that there were also a lot of rural migrants in TVEs, especially in coastal areas where second industry were developed fast. Most of rural migrants are beneficiary of urbanization of rural industrialization. Rural migrants' income increased quite a bit when comparing with native farmers. Their consumption patterns were different from those native farmers either. They became large consumption group with high potential consumption level. In the process of reform, the income gap between rural and urban areas in China was actually large. It would be much larger if there were no rural migrants. In the sense of China's market potential, we must keep in mind that most of the population in China is low-income living in rural areas. Their migration made some, and will make more people enjoy higher income potentially resulting in higher spending which is a very important part of China's market.

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1. I Introduction: Macro Economy on Rural Migrants

There has been a dramatic transformation of China's economy since the economic reform. First, was the ownership transformation. China's economy transformed from planned economy to market economy, the state enterprises became more and more incompetent and weak, decreased in size and were replaced by other sectors such as Joint Ventures, Foreign-owned companies, private companies, TVEs (Town and Village Enterprises). Second, was that economic structure transformed from agriculturally dominated economy to an industry and service one. Third, were the strong driven forces from individual, family interest, interest from out-flow area and in-flow enterprises. During this process, there was huge labor migration, especially rural laborers moved into cities. In recent years, the wave has passed the high point and has entered into a stable increase stage. This has had a positive effect on the economy. According to surveys, the annual rate of rural migrants was 16% from 1985-1990, 21.7% from 1990-1993 and 4.5% from 1993-1996(Zhao, 1999). We can see the increased number of rural migrants from Table 1. In China, the rural migrants increased from 4.26 million in 1998 to 45 million in 1994 and 80 million in 2000. 20-30% lived in 25 cities with populations over 1 million. Shanghai was the major destination for rural migrants, followed by Beijing, *Guangzhou* and *Shenzhen.* Rural migrants in Shanghai increased from 1.25 million in 1988 to 3.78 million in 2000, which increased 3 times during the past 12 years. The ratio of rural migrants to local residents was 1:3 now.

Table1. Rural Migrants in China, million

Year	Rural Migrants in China	Year	Shanghai
1988	4.26	1988	1.25
1990	30-40	1993	2.81
1994	45	1995	--
1995	48-60	1997	2.76
2000	80	2000	3.78

Sources: China estimated data 1988-1995 from Zhao, R., W., & Li, S., 1999,*Research about Income Distribution of Chinese Residents*, China Fiscal Economic Press, P480-483. Cai, F., 2000, *The Problem of China Rural Migrants*, Henan People's Press, P5. Shanghai data from forth, fifth and sixth sampling data, see Zhang S.H. (ed.), 1998, *The Present and Prospecting of Shanghai Rural Migrants*, East China Normal University Press. P25, Table 1-2. 2000 data from 2000 China Population Census.

For China's economy as a whole, rural migrants represent the symbol of increased labor mobility and economic vitality. But with more and more rural migrants and the large volume of rural population, people who accustomed to residential stagnation felt astonished by a kind of floating population, especially the urban government whose main concern was the interest of local residents. On the other hand, rural migrants sent a lot of remittance back home, relieved local unemployment pressures and raised local fiscal revenues and income, thus the local government had a reason to encourage labor migration. Except that, there are huge labor forces in rural areas, 76% of rural laborers still mainly employed in farm industry though there are more and more employed in non-farm industry. The potential unemployment or surplus labor in rural areas is 150 million and unemployment rate is about 40% in rural areas which are higher than urban unemployment rate (Hong, Z.H. & Liang, H., 2000). Employment pressure in rural areas keeps the continual rural migrants out flow. It is estimated that rural migrants will increase 5 million annually in the next 5 year and will reach 160 million by 2005.

1 Rural Migrants and Industrial Transition

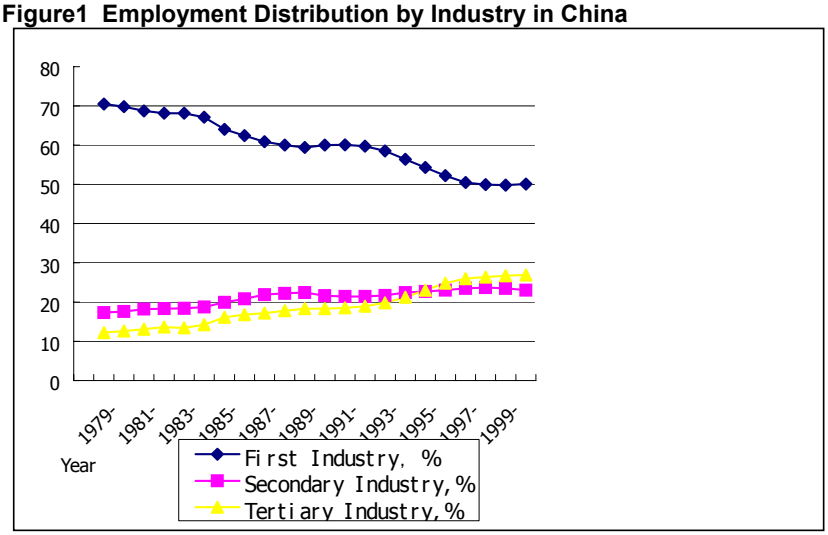
The rural migrants wave accompanied with China's economic transition, especially in industry structure, ownership structure and rural labor transfer. There is correlation between the economic transition and rural migrants formation. As we know, the economic structure transition will process smoothly if there is surplus labor force. With China economy moving from first and second industry dominated economy to rapidly development of tertiary industry, the surplus rural labor and its freely mobility plays an important role. At the same time, the non-state sector development becomes the main source for labor absorption, as we will analyze later. Compared to first industry, the second and tertiary industry's employment increase with 5.7 and 14.7 percentage respectively in the past 20 years. The tertiary industry becomes the main rural surplus labor absorption sector since 1990´s.

Table2 Employment Distribution by Industry in China

Year	First Industry (000)	Second Industry (000)	Tertiary Industry (000)	First Industry %		Second Industry %		Tertiary Industry %	
1978	283180	69450	48900	70.5	Change	17.3	Change	12.2	Change
1979	286340	72140	51770	69.8	-0.7	17.6	0.3	12.6	0.4
1980	291220	77070	55320	68.7	-1.1	18.2	0.6	13.1	0.5
1981	297770	80030	59450	68.1	-0.6	18.3	0.1	13.6	0.5
1982	308590	83460	60900	68.1	0.0	18.4	0.1	13.4	-0.2
1983	311510	86790	66060	67.1	-1.0	18.7	0.3	14.2	0.8
1984	308680	95900	77390	64.0	-3.1	19.9	1.2	16.1	1.9
1985	311300	103840	83590	62.4	-1.6	20.8	0.9	16.8	0.7
1986	312540	112160	88110	60.9	-1.5	21.9	1.1	17.2	0.4
1987	316630	117260	93950	60.0	-0.9	22.2	0.3	17.8	0.6
1988	322490	121520	99330	59.4	-0.6	22.4	0.2	18.3	0.5
1989	332250	119760	101290	60.0	0.6	21.6	-0.8	18.3	0.0
1990	384280	136540	118280	60.1	0.1	21.4	-0.2	18.5	0.2
1991	386850	138670	122470	59.7	-0.4	21.4	0.0	18.9	0.4
1992	383490	142260	129790	58.5	-1.2	21.7	0.3	19.8	0.9
1993	374340	148680	140710	56.4	-2.1	22.4	0.7	21.2	1.4
1994	364890	152540	154560	54.3	-2.1	22.7	0.3	23.0	1.8
1995	354680	156280	168510	52.2	-2.1	23.0	0.3	24.8	1.8
1996	347690	161800	179010	50.5	-1.7	23.5	0.5	26.0	1.2
1997	347300	164950	183750	49.9	-0.6	23.7	0.2	26.4	0.4
1998	348380	164400	186790	49.8	-0.1	23.5	-0.2	26.7	0.3
1999	353640	162350	189870	50.1	0.3	23.0	-0.5	26.9	0.2

Sources: China Statistic Bureau, 2000.The employment data after 1990 are deducted from 1990´s census

Figure1 Employment Distribution by Industry in China



Sources: China Statistic Bureau, 2000

2 Rural Labor Transition

In China, working labor increased from 401.52 million in 1978 to 705.86 million in 1999. Urban labor increased from 95.14 million to 210.14 million with percentage increased from 23. 7 % to 30% while rural labor increased from 306.38 million to 495.72 million with percentage decreased from 76.3% to 70% (China Statistic Bureau, 2000). The decreasing of rural labor is due to rural laborers transferred from the agricultural sector and worked in urban and town areas.

There has been a huge labor transition since the economic reform. The total labor increased 44.4% between 1980-1997, while rural labor only increased 8.8%. The surplus rural labor transferred from agriculture to non-agriculture sector increased from 20.28 million in 1980 to 135.27 million in 1997. It increased 5.67 times. The surplus labor transfer rate had a positive correlation with GDP (Surplus labor transfer rate is the ratio of current year transition labor number and total rural labor in the last year.). However, the employment rate didn't increase during this period. In 1998, economic growth rate was 7.8%, but employment increased only 0.5%, with new employee 3.57 million. For every percentage of increased GDP,

there was only 0.064 percentage of employment increased. It had only 0.46 million new employment positions were available.

In the 1980's, China annual economic growth rate was 9%. But its annual employment growth rate was only 3% (HU, A.G., & Wang, S.G., 2000, P332). The low employment growth rate was due to segmented labor market and labor-capital price ratio distortion. China has urban and rural labor markets separately, even for rural migrants in urban cities, their labor cost has different combination between local residents. The labor price in urban areas was very high and less competitive which caused the high estimation of urban labor cost. This was part of reasons that distorted relative cost of labor and capital. China's constant low interest rate also contributed to its low capital cost in recent years. The government encouraged infrastructure and other huge capital-intensive investment projects in order to incentive the stagnation of consumption, as well as national economic development. This encouraged people tend to prefer capital investment to labor utilization.

Table 3 Transition of Rural Surplus labor and Growth Rate of GDP, %

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Transition Rate	2.18	1.60	1.23	–0.28	0.43	0.55	1.99	2.81	2.18	1.67	0.71	1.10
Increase Rate of GDP	8.8	11.6	11.3	4.1	3.8	9.2	14.2	13.5	12.6	10.5	9.6	8.8

Sources: Li, B, H, & Huang, S.K, 2000,"The Research of China Rural Surplus Labor", in National Agricultural Census Office (ed.), *Rural Households Operational Behavior and Rural Labor Resource Development and Usage*. China Statistic Press.

3. Rural Labor Absorption

1) Non Agricultural Absorption.

The rural laborers reached 40 million between 1991-1997. At the same time, non agriculture employment in rural areas increased 5.3% during 1985-1990, 7.9%

between 1990-1994, and 2.4% during 1995-1999. In 1999, the non-agriculture employment accounted for 29.8% of total rural new employment. It became the only increasing source of rural labor absorption since the 1990's. Among the 50 million new absorption labor between 1985-1990, non-agricultural accounted for 40%. During 1990-1995, this number increased to 133% among 30 million new absorption labors because the non-agricultural labor increased 40 million and agricultural labor decreased 10 million. During 1995-1999, the labor absorption by non-agriculture was 12.8 million and accounted for 68.8% of 18.6 million new rural labors. The non-agriculture sectors include manufacture, construction, transportation, telecommunication, wholesales, retail and other services. However, during the past 10 years, the role of non-agricultural absorption of labor has decreased. In 1995, it provided less than 30% employment. It was 10% less than that was in 1985. It continued to decrease to 28.2% in 1999.

2) TVEs Absorption

Table 4 Employment in TVEs.

Year	Number	By sector %		
	(Million)	Agriculture	Manufacture	Service
1979	28.3			
1984	52.1	5.5	70.2	24.4
1985	69.8	3.6	59.3	37.1
1986	79.4	3.0	60.0	37.0
1987	88.1	2.8	59.8	37.4
1988	95.5	2.6	59.7	37.7
1989	93.7	2.6	60.0	37.4
1990	92.6	2.5	60.2	37.3
1991	96.1	2.5	60.5	37.0
1992	105.8	2.4	59.9	37.7
1993	123.5	2.3	58.8	38.9
1994	120.2	2.2	57.9	39.9
1995	128.6	2.4	58.8	38.7
1998	125.4	2.2	58.5	39.3

Sources: China Statistic Yearbook, 1999 & China TVEs Yearbook, 1999.

Towns and Village Enterprises (TVEs) are the major labor absorption source. For rural laborers, employment increased from 28.3 million in 1979 to 128.6 million in 1995, with annual growth rate 10%. The manufacturer was the main industry in TVEs, whose employee accounted for 60% of TVEs laborers.

There is regional disparity in TVEs development in China. TVEs in inner land and western areas are less developed compared with that in coastal areas. In 1995, there were 39% rural laborers employed in TVEs, while it was only 28% and 17% in inner land and western areas. Some provinces, such as Guishou, Guangxi, Qinghai and Ningxia, had negative employment growth rate. Therefore, it became a trendy in the 1980's for the surplus rural laborers to move prosperous areas where business was booming, or it had more job opportunities.

There are 3 models of TVEs due to history, location and social environment: Sunan Model dominated by village COEs, Wenzhou model dominated by private enterprises and Zhujiang Delta Model dominated by JVs. Sunan model was restricted by ownership. It was also strongly influenced by the local government. Its employment and output growth rate both were negative now.

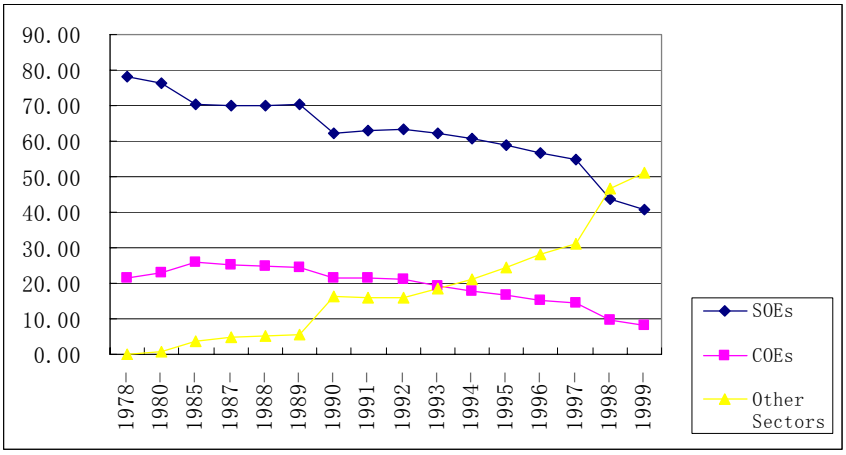
The output increased 2.7 times in Wenzhou Model. The employment absorption rate also increased 29% between 1993-1996. The major type of ownership in this model was private enterprises. In other words, privatization became the choice for most of TVEs (Cui, C.Y., 2000).

TVEs have been decreased since 1996; the annual growth rate was less than 18% during 1997-1999. This indicated that TVEs didn't play an important role in labor absorption in the late 1990's. The annual employment numbers have been decreased 5 million since 1997. There are only 120 million employees now in TVEs in China (China Economic Times, 2000, 3, 3).

The capability of labor absorption as a whole is also decreasing in China. In the mid-1980s, it absorbed 13 million annually. The number decreased to 7 million each year from the beginning of 1990s. It decreased further to 3 million in the mid-1990s. In the end of 1990s, it averaged 3-4 million decreases in numbers. The major reasons caused this decreasing were heavy taxes burden in rural areas and insufficient financial support from the government. The rural areas had to pay education tax and road infrastructure tax. They also needed to raise fund to support the local government institutions and cover its huge expenses, which were over staffed, inefficient, and bureaucratic (Wen, T.J. & Lu, F., 2000).

3) Ownership Transition and Labor Absorption

Figure 2 Employment by Ownership in Urban, %



Sources: *China Statistic Yearbook，2000*，P118－119. Other Sectors include Stock Companies, Private Companies, Joint Ventures, Self Employed and Others.

Table 5 Employment by Ownership in Urban, %

	Total (thousand)	SOEs	COEs	Share Holding Co.	Private	JVs	Self Employed	Others
1978	95140	78.32	21.53	0.00	0.00	0.00	0.00	0.16
1980	105250	76.19	23.04	0.00	0.00	0.00	0.77	0.00
1985	128080	70.19	25.95	0.30	0.00	0.05	3.51	0.00
1987	137830	70.04	25.31	0.36	0.00	0.15	4.13	0.01
1988	142670	69.98	24.72	0.44	0.00	0.22	4.62	0.02
1989	143900	70.24	24.34	0.57	0.00	0.33	4.50	0.02
1990	166160	62.27	21.36	0.58	0.34	0.40	3.70	11.36
1991	169770	62.81	21.37	0.29	0.40	0.97	4.08	10.08
1992	172410	63.16	21.00	0.32	0.57	1.28	4.29	9.37
1993	175890	62.08	19.29	1.31	1.06	1.64	5.29	9.34
1994	184130	60.90	17.84	1.87	1.80	2.20	6.65	8.73
1995	190930	58.98	16.48	1.94	2.54	2.69	8.17	9.20
1996	198150	56.74	15.22	2.08	3.13	2.73	8.62	11.48
1997	202070	54.65	14.27	2.53	3.71	2.88	9.50	12.46
1998	206780	43.81	9.49	5.21	4.71	2.84	10.92	23.02
1999	210140	40.79	8.15	5.77	5.01	2.91	11.49	25.88
Annual Increase Rate %								
1980-99	3.85	0.67	-0.85	--	--	--	32.42	--
1978-85	4.34	2.72	7.16	0.00	0.00	0.00	0.00	0.00
1985-90	5.34	2.85	1.32	20.36	0.00	61.54	6.41	0.00
1990-95	2.82	1.71	-2.38	30.97	53.45	50.70	20.50	-1.43
1995-99	2.43	-6.59	-14.12	34.56	21.39	4.51	11.53	32.64

Sources: China Statistic Yearbook，2000，P118－119. JVs include foreign, Hong Kong, Taiwan, Marco investment and foreign investment companies.

From the above Figure 2, we can see that there is a positive relationship between the enterprise ownership share and the labor absorption source. Both changed at the same direction. Before the economic reform, China's economy was dominated by State-Owned Enterprises (SOEs) and Collective-Owned Enterprises (COEs). After the economic reform, the share of SOEs and COEs has decreased rapidly. It has negative annual growth rate in the 1990s. Meanwhile, the share of other sectors, like wholly owned foreign enterprises (WOFEs), Joint ventures, share holding companies, and private enterprises increased a quite lot, with more than 50%

share of total enterprises. Private enterprises became the major labor absorption source for urban labors after 1995.

Through the economic background analysis, we can tell that rural laborers transferred to urban areas and non-agriculture sectors in China is accompanied with China's economic structure transformation, which transferred from first sector dominated industry to tertiary sectors dominated one, from state (SOEs and COEs) dominated economy to a non-state dominated one (JVs, WOFEs, and Private). From the standpoint of macro analysis, we, however, cannot see very clear that there is a correlation between economic transition and rural migrants. Therefore, we need to analyze the reasons of rural labor migration from push-pull framework from the standpoint of micro economic view in the second part. In the third and fourth pats, we will focus our research on the affects of rural migrants on rural and urban economy respectively.

II. Causes of Rural Migrants

I Theoretical Analysis of Migration

There are various models have been proposed to explain why internal migration happened. Though they applied different concepts, assumptions and frames of references, they all tried to answer the same question that what did cause the rural migrants happen.

According to Lewis, the internal migration is caused by geographic differences in the supply of and demand for labor. The resulting different in wages caused workers from the low-wage areas moving to the high-wage areas. As a result of this movement, the supply of labor decreased and wages rose in capital shortage areas, while the supply of labor increased and wages fell in capital surplus areas, leading to

an internal wage different at equilibrium that reflected only the costs of movement, in pecuniary and psychologically.

According to Todaro (1969,1976)'s Macroeconomics Model of Individual Choice, rational individual decided to migrate because cost-benefit calculation led him to expect a positive net return, usually monetary, from movement. People chose to move to where they could get most benefit and acquire skills; but before they could realize the higher wages associated with greater labor productivity they must have undertaken certain investments, which included the material costs of traveling, the cost of maintenance while moving and looking for job, the efforts involved in learning a new language and culture, the difficulty experience in adapting to a new labor market, and psychological costs of cutting old ties and forming new ones.

In recent years, a "new economics of migration" has arisen to challenge many of the assumptions and conclusions of neoclassical theories. A key insight of this new approach is that migration decisions are not made by isolated individuals, but by a large units of related people - typically families or households - in which people act together to maximize expected income, as well as, to minimize risks and reduce constraints associated with a variety of market failures, apart from those in the labor market. Unlike individuals, households are in a position to control risks for their economic well being by diversifying the allocation of household resources, such as family laborers. While some family members can be assigned economic activities in the local economy, others may be sent to work in urban labor market where wages and employment conditions are negatively correlated or weakly correlated with those in the local rural areas. If the local economic conditions deteriorate, family members fail to bring home sufficient incomes; the household can rely on migrant remittances to support family.

Although neoclassical human capital theory and the new economics of migration led to divergent conclusions about the origins and the nature of migration, both are essential micro-level decision models. Their difference is the units assumed to make

the decision (the individuals or the households), the entity being maximized or minimized (incomes or risks), assumptions about the economic context of decision making (complete and well-functioning markets versus disintegrated or imperfect markets), and the extent to which the migration decision is socially conceptualized (whether income is evaluated in absolute terms or relative to some reference group).

Contrast to these rational choice models, however, is dual labor market theory, which argued that migration stemmed from the intrinsic labor demands of modern industrial societies rather than a result of individual decision. According to dual labor market theory, immigration is not caused by push factors in sending areas (low wages or high unemployment), but by pull factors in receiving areas (a chronic and unavoidable need for unskilled labors). This built-in demand for unskilled rural labor stems from three fundamental characteristics of advanced industrial societies and their economies.

Firstly is structural inflation. Wages not only reflect conditions of supply and demand, but also show social status and prestige, social qualities that associated with the jobs which the wages are attached. A variety of informal social expectations and formal institutional mechanisms ensure that wages indicate the hierarchies of prestige and social status that people perceive and expect. The cost to raise wages for employers to attract low-level workers is typical higher than the cost of these workers' wages alone; wages must be increased proportionately throughout the job hierarchy in order to keep them inline with social expectations, which is known as structural inflation. This attracts local workers by raising entry wages during the period of labor scarcity. The result is expensive and disruptive in labor utilization. Therefore, it drives employers to seek easier and cheaper solutions. One of major solutions is to import migrant workers who are willing to accept low wages.

Secondly is a motivation. Occupational hierarchies are also critical for motivating workers. People work not only for income, but also for the accumulation and maintenance of social status. Mechanism to eliminate the lowest and least

desirable class of jobs will imply creating a new bottom tier, which is composed of jobs that used to be just above the bottom tier. Since it is necessary to have hierarchy, how to motivate workers became an unavoidable problem. What employers need is that workers view bottom-level jobs simply as a tool to the end of making money. Employment is simply for money without implications for status or prestige. Because of many reasons, immigrants satisfy with all these needs, at least at the beginning of their migratory careers. The gap in living standards between rural and urban areas in China means that even low wages in urban areas appear to be generous by the standards of rural community, though these migrant workers don't think themselves as a member of urban societies.

Thirdly is economic dualism. The inherent dualism between labor and capital extends to the labor forces in the form of a segmented labor market structure. Low wages, unstable conditions, and the lack of reasonable prospects for mobility in the secondary sector make it difficult to attract local workers, who prefer to choose capital-intensive sector where provide higher wages, stable jobs and higher possibility of occupational improvement. To fill the shortfall in demand within the secondary sector, employers turned to rural immigrants.

Most Chinese scholars addressed the causes of large-scale movement of rural migrants in China by applying the theories above. They focused on three factors: 1) the push element which mainly came from the greatly increased of agriculture productivity and the increase of rural population, both of which led to a large scale of rural surplus labor. 2) From the view of comparative advantage, the urban areas created a lot of employment opportunities because of the economic reform and transformation to market economy. 3) The distribution channels for resources, labors and capitals were getting more effective and reasonable because of the mechanism of market economy. We will analyze empirically the causes of rural migrants in China.

2. Factors Affecting on Rural-Urban Migration: Empirical Analysis

The increasing gap of income in both rural and urban areas is the major factor that contributed to the wave of rural migrants since the mid-1980s. Many rural migrants rushed into large cities, which was the fast development areas by government policy such as Shenzhen, Guangzhou, Beijing and Shanghai. The rural migrants in Shanghai came from various areas of China, however, the majority of them came from the provinces which close to Shanghai, such as *Jiangsu, Anhui* and *Zhejiang*. In fact, 75% of rural migrants came from these provinces. Among of them, 1/3 was from Jiangsu. Therefore, there is a negative relationship between the distance and the volume of rural migrants.

After coming into Shanghai, the distribution of the rural migrants was unbalanced within the city. More and more migrants are concentrated on the joint areas of between urban and suburban. The percentage of migrants accepted by central *Jiedao* has gradually decreased. The major reasons for this distribution are: 1) the joint part is the important development areas, especially Pudong area. Many new infrastructure constructions and plants in these areas absorbed huge amount of rural migrant. 2) The low living cost and cheap housing rental in these areas were very attractive to rural immigrants.

We can say that social, economical, demographic and political factors contributed to cause this large scale of rural migrants in China, though the major motivation for rural migrants coming to the city is the unbalanced economic development between rural and urban areas. In other words, the large income gap between these two areas motivated rural migrants to leave their native homeland. Because of rapid economic development, rural areas freed a lot of surplus laborers, who are the major source of rural migration. Heavy tax burden, which caused many rural farmers couldn't make any money by doing agricultural work and even had to get subsidies to support themselves also drove farmers away from their hometown. Though state-owned enterprises lay off workers in most of cities, it still couldn't stop

rural migrants coming into the urban areas. We concluded that the difference of fertility, job opportunities, policy and income between rural and urban areas is the factor to contribute to rural migration. We will analyze these factors below.

1) The difference of Fertility Decline

The implementation of family planning played an important role in driving China's fertility level down since the early 1970s. The average number of children per woman has decreased from 5-6 during the 1950-60s to 2-3 in the later 1970s. However, fertility decline is uneven between urban and rural areas. Nowadays, most urban families have only one child while it's still common for rural families to have two or more than two children. This is especially true in those poor remote rural areas. Family is a basic work unit in rural areas in China. The more children a family has, the more laborers it has, and this implies that the more wealth a family would have in the future. This has been witnessed by a rapid growth of the labor force in rural areas in China. This was also one of the sources that rural surplus laborers came from.

On the other hand, population is aging in the urban areas in China. For example, Shanghai became the first city in China has a negative population growth rate. There are many large cities will follow suit in the years ahead. Without the floating rural and other migrants, the urban areas will have a labor shortage. The difference of fertility decline level between rural and urban areas is the first potential factor, which caused labor supply disparity as well as the rural labor migration.

2) The Difference of Job Opportunity

For a long period, China has excluded rural laborers outside the industrialization process. The rural areas have been a reservoir of surplus laborers. Since the economic reform and development of TVEs, more and more rural laborers entered into non-agricultural sectors. In 1995, among the 0.45 billion rural laborers, 0.127

billion was in non-agricultural sectors. All new employment opportunities will be created by non-agricultural sectors in rural areas. The average annual growth rate of urban employment was 4.8% between 1985-1990, 3.3% between 1990-1995 and about 1.8-2.8% between 1995-2000, which was much higher than that was in rural areas. There was also an economic structure transformation in urban areas, as we have analyzed above, which attracted new laborers.

The difference of labor demand and supply between rural and urban areas indicates the existence of abundant surplus labor in most rural areas. Therefore, it is an important approach to move rural laborers to urban areas in order to adjust regional unbalances. By doing this, rural laborers have the advantages of increasing incomes, while urban areas benefit from improvements in labor supply. The official of the Ministry of Agriculture suggested that the difference between urban and rural areas is the main cause of the wave of rural worker.

3). The Disparity of Income

The difference between urban and rural areas is widening and regional income disparity becomes larger. In 1978 the rural urban income ratio was 1:2.34, it decreased to 1:1.6 in 1985, and increased again to 1:2.17 in 1990, further increased to 1:2.49 in 1995 1:2.5 in 1998 and 1:2.65 in 1999(Li, B, H, &Huang, S.K, 2000; Yang Y.Y, 2000). The net income per capita of rural farmers was about 37.8% of urban residents income (China Statistic Bureau, 2000). In 1999, the disposable income of urban residents was 5854 R.M.B. Yuan annually with growth rate 9.3%. However, the net income of rural farmers was only 2810 R.M.B. Yuan with growth rate 3.8%. The present consumption level of rural farmers was equivalent to the level of urban residents in the mid-1980s. As we know, the regional disparities in China have a long historic root. With the rapid development of market economy, the income gap between urban and rural areas has become larger and larger. This is one of the major driving forces to encourage rural laborers to move to urban areas. The current diversity of income between rural and urban areas has exceeded the level of

developing countries and some areas in Asia. There is a pull factor due to development in the coastal area and a push factor due to regional disparity.

Generally speaking, the capacity of absorbing the rural migrants is much greater in developed areas than in less developed ones. According to the statistics, there are eight provinces and three large cities, whose National Income per capita are over 1,500 R.M.B. Yuan annually in 1998. They are Shanghai, Beijing, *Tianjing, Liaoning*, *Guangdong, Zhejiang, Jiangsu* and *Heirongjiang.* The population of these 8 provinces and three cities is 278 million. They absorbed about 13.68 million rural migrants. On average, it has 49 rural migrants per thousand local residents. For those provinces and autonomous regions whose National Income per capita is between 1,000 and 1,500 Yuan a year, like *Jilin, Shandong, Fujian, Shanxi, Ningxia*, and so forth, on average, it has 25.8 rural migrants. For those regions whose National Income is less than 1,000 R.M.B. Yuan, this ration is only 17.

We used multi-variants regression model based on 1997 data to analyze relationship between the number of migrants and the level of economic development in original areas. The model is as following:

コメント：

Y=B0+B1X1+B2X2+B3X3

Dependent variant Y=LN (The number of migrants)

Independents: X1=LN (wage per capita)
X2=LN (industrial product value per capita)
X3=LN (agricultural product per capita)

The result is: R=0.86658, F=244.1597 at significant level<1%.

Table 6 Regressions between Migrants Numbers and Economic Level in Original Areas.

Variants	Index	T value	T significance
Average Wage	-1.1371	-7.927	0.0000
Agricultural Product Value per capita	-0.5754	-4.173	0.0000
Industrial Product Value per capita	0.6715	25.877	0.0000
Index B0	5.5853	5.006	0.0000

The result showed that there was a negative relationship between the number of rural migrants and wage, agricultural product value per capita. This result matched with the reality where low income caused high expectation of mobility and also lowered agricultural product value, which drove people out of the agricultural department and became rural migrants.

Except the income gap, there was a welfare gap between rural and urban areas. Rural migrants have not enjoyed any pension and medical care fund; in addition, they have net expenditure on tax. In rural areas, farmers have to build their houses themselves. Some of them got into debt because of this. The rate of further education after primary school graduation was almost 100% in urban areas, and 59% in rural areas. The rate of further education after junior middle school graduation was 69% in urban areas, and only 10% in rural areas. There were about 24% of the counties that have not universalized the 9-year mandatory education. Except this, the Cooperative Medical Service now almost disappears. Only 10% of rural population had a minimum medical insurance. 70% rural migrants only share 20% of China's health expenditure. The gap of public products between rural and urban residents is as high as 1:6(Gu H.B., 2000).

When rural migrants moved out and found jobs, their income would rise a lot as we can see from Table 7.

Table 7, The income disparity between rural migrants and original residents, 1997

Province	Income gap (Yuan)	Case Number
Total	458.71	4153
Jiangsu	484.38	2101
Zhejiang	546.90	717
Anhui	383.60	939
Fujian	375.58	280
Shandong	257.58	116

While we focused on pull factors in income gap analysis, we have to also mention deteriouse of rural economy and heavy taxes burden on rural farmers. From 1988-1999, the taxes and miscellaneous charges on farmers increased more than their income increased. The various taxes and charges from towns and the village government increased 20.1%, which was 16.4 percentage higher than net income per capita increased according to the Ministry of Agriculture. From 1994-1995, net income per capita increased 12.6% annually, but the burden of taxes and charges increased 8.52% and 14.6% annually respectively (State Planning Commission, Macro Economy Research Institution, 2001). From 1997 to 2000, farmer's net income percentage decreased constantly. In some areas, the burden of farmer's taxes and charges was so heavy that their net income had no way to afford them. Framers even had negative income that pushed them leave their hometown. In recent years, the Central Government began to reform rural taxes and charges system.

3) The policy possibility

The Chinese government has paid more attention to the increase of rural incomes, as well as, the decrease of surplus rural laborers since the economic reform. It relaxed its restrictions on migrants from rural to urban areas. In 1983, rural laborers were allowed to enter into towns to do commerce jobs (e.g., peddler or purchaser) or to be employed without changing their *Hukou.* In 1984, rural laborers were allowed to settle down in towns by bring their personal foods. Recently in some coastal cities, the migrants are permitted to apply for the working authorization card and the residence certificate. The new policy also allowed the investors with certain amount of investment and people with special techniques to get "Blue-Printed Hukou". All of these policies relaxed restrictions on rural migrants and lowered barriers for them to come to the cities.

At the same time, the traditional regime of rural people's communities was demolished because of the development of market economy. The family as the basic work unit replaced it. Under this new system, the individuals enjoy more flexibility.

Farmers have more freedom to arrange their working times and production behaviors. Because of this, the rural labor force has been released to some extent from the land and agricultural labor productivity was improved. The modern farmers play several roles at the same time. They are workers, farmers and businessmen. They move frequently from rural and urban areas.

The studies of migrant motivation suggested that the main factors motivating outward movement are: the necessity for increase incomes to reduce rural farmer's burden, surplus laborers and a number of other factors including unsatisfactory social relation within the village and local cadres. Pull factors included the desire to develop themselves, acquiring skills, opportunities for waged employment, urban experiences, joining in families, friends and kin and local government policies encouraging rural urban labor mobility (Croll, E., 1996).

3 Our Research Perspective

The growth rate of rural migrants has been stable. Though their occupations and incomes didn't change a lot, their welfare status were still the same as before during their stay, they tried to stay as long as possible. The urban government even put restrictions on job employment of rural migrants and tired to replace them with local unemployment workers. The rural migrants themselves didn't care about this a lot. They didn't think it was a serious problem because most of them worked in informal sector.

With our rich experiences in rural migrants, we focused our research on Shanghai rural migrants. In order to have a brief comparison of rural migrants, we still spent a few times and resources in small towns and rural areas, so we conducted three vector surveys as Table 8 shows. The following analysis will be based on this survey. We also used historical data for comparisons in our research.

Table 8 Sampling Method

	Rural Migrants in Shanghai	Rural Migrants in Town	Rural Households
Sampling size	615	122	190
Sampling sites	Central cities: *Changnin* 50, *Jingan (Hongqiao*) 50, *Hongkou (Tilangqiao*) 50, *Yangpu (Dinghai*) 50; Districts between central and suburban: *Pudong* (Airport town) 170(including construction sites), *Baoshang (Luojing)* 40, *Minghang (Qibao)* 130; 2 formal enterprises: *Jiannan* Shipbuilding Co. 40, *Ruijin* Hospital 20.	*Bingcheng, Shandong Province* [1]	*Mouping* County, *Yantai* Prefecture of, *Shandong* Province (99) and *Huoshan, Anhui* Province (91)
Sampling method	Choose the districts scattered in different part of Shanghai first; then choose one town or *Jiedao/Juwei* within the selected district according to last several sampling list. Then we conduct sampling in the selected town*/Jiedao* to have face-to-face interview in their living or working place.	2 towns, interview individual in their working sites.	Face to face interview door by door in the villages.
Effective questionnaire	As we have face-to-face interview by our well-trained investigator who are experienced researchers or MA/PhD students in Shanghai Academy of Social Sciences, we get 100% effective questionnaire.		
Targeted interviewee	Rural migrants above age15, who live Shanghai more than 6 months and who come Shanghai for working one person per family.	Rural migrants who is working in town now though they may live in rural area	Rural households.

In our research, we have used new economics and push-pull model to analyze the formation of rural migrants from the point view of micro level. In the next part, we

[1] It is small town located in less developed area of Shandong with 43000 population and 8954 are farmers. With 54.2 thousand Mou land, this area plant wheat and corn mainly. There is private and TVEs more than 1500, COEs above village level is 79. Total product value 670 million RMB in 1999, among which 320 million is industrial value.

will focus on the analysis of rural migrants and rural households. We believe that China is a typical dual economic society. It has segmented rural and urban labor markets in employment which rural and urban labor forces are identified by *hukou*. We will analyze the effect of rural migrants on urban economy in the fourth part.

III The Effect of Rural Migrants on Rural Economy ----- Case Studies in *Mouping* of Shangdong and *Huoshan* of Anhui

Rural labor outflow is a common phenomenon in rural China. Rural migrants have attracted a lot of research attention internationally and domestically. But there is limited researches about rural migrants on rural economy, among which the most influenced survey is "China Rural Migrants: Emigrants and Sending Part" by the Center of Rural Economies, Ministry of Agriculture based on 1995's survey.

We believe that we should pay more attention to the topic of rural migrants, and their influence on rural economy. Rural households are more and more difficulty in increasing income through limited land resource; rural laborers outflow will be a trend in the future. On the other hand, land and agricultural operation is still the basic income source for most rural migrants. Due to the limitation of urban employment and certain migration cost, rural labor is migration temporary and periodically from rural economy.

In this part, we will analyze rural migrants on rural households economy based on our survey in *Huoshan, Anhui* Province and *Mouping, Shangdong* Province in summer of 2000. The total cases of *Huoshan* are 91 households and *Mouping* is 99 households.

Huoshan is a mountain area and relatively poor in *Anhui*. 91 Households we surveyed are located among *Jingjiling* village of *Heishidu, Lianggang* village of

Shangtushi and *Jingzuping* village of *Taiyang*. These three villages ranked economically medium and low place in *Huoshan* regarding their income level. They are all poverty-relieved areas in the county. Their main agricultural operations are rice, tea, bamboo, raw materials for Chinese medicine and pig. Selling Grain and tea are their major cash income resource.

Mouping belongs to *Yantai* prefecture of *Shangdong* province, one of the coastal provinces in China with relatively development level. We investigated in *Sijia, Baduqi*, and *Cahe* and *Xuangjiaqi* village of *Wanggezhuang*. *Mouping* County is located in hilly area of eastern *Shandong* , which is a relatively developed area in *Shandong* province. The main income for farmers are from apple planting. Agricultural operation includes wheat, corn, apple, peanut and pig. It is common for migration because it is a populace area with little land. The unmarried rural migrants contribute a lot of remittance to the homeland, especially unmarried females who may bring back cash 5000-6000 Yuan R.M.B. annual.

1. Rural Migrant in Rural Households

Among 91 households we surveyed in *Huoshan*, the average member of households was 3.88; average labor was 2.71 per household, with 3.36 *Mou* land and 16.34 *Mou* hilly lands per household. A group aged 41-50 had the largest land per household with average 3.67 *Mou* because their children have not get married or married without separate household. A group aged over 51, who had married children with separate household, had less land per household. 66 out of 91 households had rural migrants.

With 99 households surveyed in *Mouping*, the average member of households is 3.38 and average labor 2.81, with 1.86 *Mou* land and 3.66 *Mou* hilly land per household. In *Huoshan*, a group aged 41-50 had the largest land per household with average 2.43 *Mou* land and 4.39 *Mou* hilly land where they planted apples. 96 out of 99 households had rural migrants.

Most households in *Mouping* had rural migrants (97% in our survey) while fewer households in *Huoshan* had rural migrants (72% in our survey). *Anhui* has a tradition of migration in it history and one of the major rural migrants sources in Shanghai. The difference of rural labor out flow in these two case areas is the land per household. *Huoshan* has relatively more land per household than *Mouping.* Family with migrants has less land per household than those of the families without rural migrants both in *Mouping* and *Huoshan*. Another reason is the transportation. *Huoshan* is a mountain area in *Anhui,* the poor transportation is a barrier for people to migrate, as well as, get information outside. However, *Mouping* is located in *Yantai* area, a relatively developed area with more opportunities to attract rural migrants nearby.

Table 9 Basic Condition of Per Households, 1999

	Huoshan of Anhui					*Mouping of Shandong*				
	Cases	Population	Labor	Land *Mou*	Hilly land	Cases	Population	Labor	Land *Mou*	Hilly land
Total	91	3.88	2.74	3.36	16.34	99	3.38	2.81	1.86	3.66
By age：										
<30	6	3.17	2.00	3.17	13.83	3	3.00	2.00	0.33	1.33
31-40	38	3.82	2.13	3.06	10.43	25	3.04	2.00	0.98	2.56
41-50	30	3.97	3.29	3.76	24.76	60	3.62	3.18	2.43	4.39
>51	17	3.88	3.18	3.22	14.12	11	3.55	3.18	1.25	3.09
By migration:										
With rural migrants	66	3.86	2.79	3.33	17.60	96	3.45	2.87	1.87	3.71
Without migrants	25	3.92	2.60	3.47	17.60	3	3.33	2.67	1.83	3.00

Most of rural households will not choose the whole family to migrate. The reason is not that they don't want to give up land, but that it is too risky moving the whole family as the employment outside the villages doesn't have any social security. In two areas where we surveyed, most of rural households chose the main labor to migrate. There were very few cases in which the couples migrated and left their parents and kids behind. Most of households chose one family member to migrate. Among 66 households with rural migrants in *Huoshan* of *Anhui,* there were 42 households who had 1 migrant. In *Mouping* of *Shandong*, there were 59 households

who had 1 rural migrant. In *Mouping*, 60% of households had 1 migrant, 36% of them had 2 migrants. In *Huoshan*, 46% of them had 1 migrant, 24% of them had 2 migrants.

Table 10 Rural Households Labor Distribution by Age

Cases	<30	31-40	41-50	>51	Total
Huoshan					
With 1 rural migrants	5	16	13	8	42
With 2 rural migrants	0	5	6	1	22
With 3 rural migrants	0	0	0	2	2
Mouping					
With 1 rural migrants	1	16	37	5	59
With 2 rural migrants	2	7	21	6	36
With 3 rural migrants	0	0	1	0	1

Table 11 Rural Migrants of *Huoshan*

Duration of Migration	Male					Female				
	1-2 month	3-5 month	6-11 month	All year	**Total**	1-2 month	3-5 month	6-11 month	All year	**Total**
By Age										
<30	4	6	10	9	29	1	1	8	4	14
31-40	7	7	10	4	28	0	1	2	0	3
41-50	3	5	0	1	9	0	0	0	0	0
>51	0	1	0	0	1	1	0	0	0	1
By Education										
Illiterate	2	4	0	0	6	1	0	0	0	1
Primary	3	8	3	2	16	0	1	2	2	5
Secondary	8	7	16	8	39	1	0	5	1	7
High school	1	0	1	4	6	0	1	3	1	5
By Working Location										
Within county	4	9	9	3	25	1	0	1	1	3
Within province	6	5	5	2	18	1	1	1	0	3
Outside province	4	5	6	9	24	0	1	8	3	12
Total	**14**	**18**	**20**	**14**	**66**	**2**	**2**	**10**	**4**	**18**

Table 12 Rural Migrants of *Mouping*

Duration of Migration	Male					Female				
	1-2 month	3-5 month	6-11 month	All year	**Total**	1-2 month	3-5 month	6-11 month	All year	**Total**
By Age										
<30	0	0	0	50	50	0	0	0	47	47
31-40	0	2	3	21	26	1	2	6	11	20
41-50	2	1	0	8	11	1	1	2	0	4
>51	1	1	2	0	4	0	0	1	0	1
By Education										
Illiterate	0	0	0	0	0	0	0	0	0	0
Primary	3	2	2	0	7	2	2	2	3	9
Secondary	0	2	3	77	82	0	1	6	49	56
High school	0	0	0	2	2	0	0	1	6	7
By Working Location										
Within county	3	4	5	26	38	2	3	3	25	33
Within province	0	0	0	51	51	0	0	6	20	26
Outside province	0	0	0	2	2	0	0	0	3	3
Total	**3**	**4**	**5**	**79**	**91**	**2**	**3**	**9**	**58**	**72**

Most of rural migrants under 40 years old have only secondary school education. This is because the education level is normally low in rural areas. But we notice that there are a few differences between these 2 areas.

First, the rural migrants in *Huoshan* dominated by male while *Mouping* is almost even between male and female. The reason is that the former is a relatively undeveloped area with fewer opportunities for females, while the latter has a lot of textile and service industry for female employees nearby.

Second, the duration of rural migrants is different. *Huoshan* was about 6 months on average while most of migrants of *Mouping* worked all year round outside. This indicates that the former worked at a temporary or short-term basis, such as construction and service, while the later were hired through contracts that were relatively stable jobs in the second industry. Unbalanced development and

employment opportunities in various areas were also contributed to these differences.

Third, many of rural migrants of *Huoshan* migrate to other provinces (43%) which was the tradition of *Anhui*, while most of rural migrants of *Mouping* stayed inside the county (41%) or the province (56%). Only few of them went out of the province (2%). This is because that *Yantai* also had some opportunities for rural farmers of *Mouping*. The rural laborers in *Huoshan*, however, had to migrate outside the province. Because businesses in all cities nearby *Huoshan*, like *Liuan* and *Hefei*, were relatively slow and had less job opportunities to offer these migrants. Rural farmer were also reluctantly to move far away from their hometown and tended to stay nearby hometown if it's possible. Therefore, we concluded that rush of China's rural migrants into urban cities is due to lack of job opportunities nearby their hometowns.

2. Rural Migrants on Household's Income

Table 13 Household Income Comparison Yuan/Household

Age of Main Household Member	With Rural Migrants				Without Rural Migrants		
	Total Household Income	Rural Migrants Income	Agricultural Income	Non Agricultural Income	Total Household Income	Agricultural Income	Non Agricultural Income
Huoshan							
< 30	2820.00	1470.00	1350.00	0.00	1350.00	350.00	1000.00
31-40	3210.00	1866.00	1024.00	320.00	3676.46	1471.15	2202.30
41-50	3118.26	1456.52	1479.13	182.61	3877.14	1711.43	2165.72
>51	4471.54	2369.23	1710.00	392.31	2937.50	687.50	2250.00
Total	**3396.97**	**1792.42**	**1342.42**	**262.12**	**3519.80**	**1368.20**	**2151.60**
Mouping							
<30	9333.33	8333.33	500.00	500.00			
31-40	13900.00	6695.64	2943.48	4260.88	13250.00	4650.00	6500.00
41-50	16589.83	4000.00	6367.80	6222.03	8200.00	4000.00	4200.00
>51	11663.64	3636.37	4154.55	3872.72			
Total	**15154.17**	**4739.58**	**5110.42**	**5304.17**	**11566.67**	**4433.33**	**7133.34**

The main drive force for households to migrate outside their hometowns is to increase their income. The total income of households with rural migrants, and the income from rural migrants accounted for 53% of the total in *Huoshan, Anhui.* This ration was only 31% in *Mouping, Shandong*. For rural households in *Mouping*, the

income of rural migrants is not as important as those of the households in *Huoshan* though the average income (R.M. B. 4,739 Yuan) of their rural migrants was 1.5 times as much as those of *Huoshan* (R.M.B. 1,792 Yuan).

In *Huoshan*, the income from rural migrants normally accounted for 50%. But there were slight differences in different age groups. For example, in over 51 years old age group, this number was slightly higher because the households had 2 or more rural migrants, or with 1 migrant who worked all the year round outside. However, the income gap is larger between rural migrants in *Mouping*. The younger the main households members, the higher of rurally migrants income. For example, rural migrants under 30, their income accounted for 89% of total households' income with annually R.M.B. 8,333 Yuan. For an age group 31-40, their income accounted for 48% of total households' income with annually R.M.B. 6,695 Yuan. This is because young couples tend to migrate. They are also easy to find job opportunities with a good income.

According to our survey in urban, we also found that because there was a large income gap between rural and urban areas. We investigated the amount of remittance and their usage in our urban survey. We asked the rural migrants the remittance in 1999 and 2000, but only got 1999 remittance for rural migrants in small towns (our survey was earlier in small town -- mid of 2000). We also asked the total remittance they have brought back home since their migration. We listed the average annual remittance in Table 14. We found there is no difference in remittance for rural migrants in urban and small town though their consumption and income level differed obviously. The amount of remittance was about R.M.B. 250-300 Yuan monthly. Most of the money was used for housing and subsidies to their parents. If we assume there were 80 million rural migrants, the total amount of remittance annually would range from 200-240 billion R.M.B. Yuan ($24.1-28.9 billion annually), which is a huge contribution for rural areas and will improve people's living standard and consumption level. It's very obvious based on our survey, the families with rural migrants improved their life much more and faster than those families without rural

migrants.

According to a lot of other surveys, remittance per capita annually was about R.M.B. 2000 Yuan. The total remittance flow to rural areas annually was about 160 billion R.M.B. Yuan (about $20 billion) which was about 2.56 times fiscal budget expenditure on production and other agriculture cost of 1998, or about 60% of total private fixed capital investment (Cai, F.，2000). Many rural migrants became mainly driven sources of local development. According to other survey, in 22 low-income counties, there were about 0.92 million rural migrants back home, accounting for 86% of total out flow labors. They opened 8800 new enterprises and created 1.38 million job opportunities in non-agricultural sectors. There were 28000 rural migrants became technical leaders in local TVEs after they backed home (Cui, C.Y., 2000). There were about 2.4 million rural migrants backing home to be entrepreneur (Xi, Y., Cui C.Y. and Zhao Y., 2000).

Table 14 Remittance Utilization of Rural Migrants

	Shanghai			Small Town	
	99	2000	Average in recent years	99	Average in resent years
House Building	494.5139	382.3611	308.8345	278.6867	229.5900
Subsidy Family	244.3388	219.7690	246.9	302.2679	276.3662
For Parents	215.4514	167.8819	370.38	129.6875	141.7354
Marriage	297.5490	192.6471	241.54	250.0000	1304.3478
Raising Kids	275.6720	292.2097	--	--	--
Investment	833.3333	.0000	0.00	143.0	341.6
For self	150.4386	134.2105	--	--	--
Saving for Kids	291.6667	291.6667	--	--	--
Other	69.2857	26.1905	41.23	138.8889	512.5065
Total	287.1306	234.8241	300.00	273.8429	278.7687
Case number	505	505	297	122	104

3 Rural Migrants and Household Operation

Household operation includes agricultural and non-agricultural operation. Agricultural operation is based on contracted arable and hilly land from collective unit. The household contracted land reform of 1980's was assigned land according to population and labor of households. As the limitation of total land and land is considered as basic security of rural households, most households have not given up the contracted land though their main labor may work outside at a temporary basis or all year around. As we can see from the Table 15 that the contracted land doesn't have any difference between households with or without rural migrants both in *Huoshan* and *Mouping.* For an age group under 30, the land of the households without rural migrants is lower than those with rural migrants; it is because the former are special households such as with disabling person. Among different age groups, the operational land is less for younger groups as many of them separated from their parents and shared the land with their brothers or sisters so that land per households decreased.

Table 15 Comparison of Contracted Land per Household, Mou

By Age of Main Household Member	*Huoshan*				*Mouping*			
	With Rural Migrants		Without Rural Migrants		With Rural Migrants		Without Rural Migrants	
	Land	Hilly Land	Land	Hilly Land	Land	Hilly Land	Land	Hilly Land
<30	3.58	15.60	1.10	5.00	0.33	1.33		
31-40	2.98	8.04	3.20	15.03	0.93	2.57	1.50	2.50
41-50	3.83	26.04	4.04	24.10	2.24	4.81	2.50	4.00
>51	3.00	13.01	3.95	17.75	1.42	3.33		
Total	3.23	15.4	3.49	17.60	1.87	3.71	1.83	3.00

There is also a difference in agricultural operation between the households with or without rural migrants. They normally use their land to produce foods to support themselves. They also use the land for special operation. We divided their operation into 4 types: type 1 is a pure grain operation household, type 2 is grain + tea (or

apple), type 3 is grain +tea (or apple) +others; type 4 is grain +tea (or apple) +other+ livestock. We can see from Table 16 that among households with rural migrants, 50% belongs to type 4, they are traditional multiple operational households. Most of households with rural migrants of *Huoshan* not only plant grain, but raise pigs, use hilly land to plant tea and bamboo, part of them plant raw materials of Chinese medicine and special vegetables. Most rural households with rural migrants of *Mouping* raise rabbits and plant vegetables except planting traditional grain, apple, peanut and raising pigs. Especially households at 31-40 and 41-50 age groups traditionally have rural migrants in their families.

Table 16 Comparison of Agricultural operation items.

By Age of Main Household Member	<30	31-40	41-50	>51	Total
Huoshan	**6**	**38**	**30**	**17**	**91**
With migrants	**5**	**25**	**23**	**13**	**66**
(1) Grain		3	1		4
(2) Grain+Tea	1	5	1	0	7
(3) Grain+Tea+Others[1]	2	3	7	4	16
(4) Grain+Tea+Others+Livestocks[2]	2	14	14	9	39
Without Rural Migrants	**1**	**13**	**7**	**4**	**25**
(1) Grain		1			1
(2) Grain+Tea	1		1	2	4
(3) Grain+Tea+Others[1]		5	2	2	9
(4) Grain+Tea+Others+Livestocks[2]		7	4		11
Mouping	**3**	**25**	**60**	**11**	**99**
With rural migrants	**3**	**23**	**59**	**11**	**96**
(1)Grain	2	9	1	1	13
(2)Grain+Apples	1	2	8	3	14
(3) Grain+Apples+Others[3]		4	13	2	19
(4) Grain+Apples+Livestocks[4]		8	37	5	50
Without Rural migrants		**2**	**1**		**3**
(1)Grain					0
(2)Grain+Apples					0
(3) Grain+Apples+Others[3]		1	1		2
(4) Grain+Apples+Livestocks[4]		1			1

Notes1：Mainly bamboo and raw material for Chinese medicine.
Notes2：Swine; Notes3：Peanut and vegetables.
Notes4：Swine and rabbit. Households rearing swine are always rearing rabbit.

Non-agricultural operations include trade, transportation, manual labor and agricultural products, as well as service for agriculture. There is a difference between *Huoshan* and *Mouping*. Most of rural households with rural migrants in *Huoshan* don't operate non- agricultural products anymore. Only 6 households are in non-agriculture operation, which open retail shop and small agricultural production sites. However, half of households without rural migrants have non-agricultural operations mainly in transportation. There are 16 households with migrants but have non-agricultural operation in *Mouping* , who do trade, transportation and households enterprise. Their income is much more than those of *Huoshan*. However, as the scatted distribution of village, the non-agricultural operation is hard to make money, neither it does satisfy farmer's needs. In other word, for most households in both areas, they can make more money through migration instead of working on the farms.

Table 17 Comparison of Non-Agricultural operation items.

By Age of Main Household Member	<30	31-40		41-50		>51		Total	
	Huoshan	*Huoshan*	*Mouping*	*Huoshan*	*Mouping*	*Huoshan*	*Mouping*	*Huoshan*	*Mouping*
Total	**1**	**7**	**6**	**5**	**11**	**5**	**2**	**18**	**19**
1 With rural migrants		2	4	2	10	2	2	6	16
Trade		2			3		1	2	4
Transportation			2	1	5			1	7
Industry			1	1	2	2	1	3	4
Other			1					0	1
2 Without rural migrants	1	5	2	3	1	3		12	3
Trade		2		1				3	0
Transportation	1	2		2		2		7	0
Industry		1	1		1	1		2	2
Other			1					0	1

4. Basic Conclusions.

1) Most rural household who has working age laborers chooses to migrate, especially in the relatively developed areas. But they still choose agricultural operations for

their social security, which relates with China's dual economy and present social security system.

2) There is obvious difference for rural migrants between undeveloped and developed areas. In undeveloped areas, rural migrants have to take more risks in order to have a long-term job as they have to migrate far away from hometown due to limited opportunities nearby. However, in relatively developed areas, rural migrants have opportunities nearby their hometowns, as well as, more opportunities for rural female. Because of unbalanced resources distribution and cultural differences, the rural farmers in less developed areas have fewer opportunities.

3) Among the total households income, rural migrants had a high share, especially in developed rural areas, it became the main source of every rural household. Because of the disadvantage in transportation and technology, agricultural operations cannot provide sufficient income for farmers. Rural migrants' income is much higher in relatively developed areas. However, except young group households, the income of most rural migrants is lower than their agricultural operational income. The later is still the main income source for farmers.

4) Despite of main labor migration, the households have not changed their traditional operation. Compared with those households without rural migrants, those households with migrants have multiple agricultural operations. They have surplus laborers who may come back to help farming in busy seasons.

IV. Rural Migrant' s on Urban Economy

Rural migrants are the assets of human capital outflow and re-concentration. The migrants are relatively high quality laborers in poor areas. They don't enjoy the advantages of city's well-built welfare systems and get paid part of their contributions

in their host cities. Thus the urban areas gain much more from this human capital flow than the cost they have to pay for, in other words, the host cities get far more benefits than its cost.

In order to know the contributions of rural migrants to the economy, we can use human capital calculation method and labor cost expenditure by enterprise method. As human capital method needs detail questionnaire, we used the labor expenditure for substitution. There is direct labor cost - the basic income of rural migrants and other indirect cost-benefit, welfare, ect. For rural migrants, not only their direct labor cost is lower than the local resident, but also they don't enjoy the welfare benefit, which almost accounted for 50% of local residents wage.

In 1995, the income of rural migrants (>15 years old and stayed more than 1 month) averaged monthly R.M.B. 704.41 Yuan. It was R.M.B. 665.25 Yuan in 1997. In 1995, average monthly income of local residents was 845.82 Yuan according to our sampling. The average wage is 1002.08 Yuan in 1995, 1087.28 Yuan in 1997 and 1386.75 Yuan in 1999 according to Shanghai Statistic Yearbook. For direct labor cost, rural migrants was about 60-70% of local residents. But Shanghai residents have other indirect costs; the monthly welfare cost in 1995 was 322.24 R.M.B. Yuan, 382.23 R.M.B. Yuan in 1997, 474 R.M.B. Yuan in 1998- all of which accounted for 50% of their wages, thus the real cost of local residents was double than that of rural migrants. Surely the labor cost was influenced by other factors, such as education, age etc. We can see from Table 18 that rural migrants income were higher than local residents in illiterate level group, but the income of the local residents were higher than that of the rural migrants in other education levels. If we considered the welfare benefit, the gap would be much larger.

Table 18 Income by Education: Shanghai Residents and Rural Migrants

Education	1995 Local Residents		1995 Rural Migrants		1997 Rural Migrants	
	Number	Income	Number	Income	Number	Income
Total	2449	845.82	5898	704.41	21921	665.25
Illiterate	22	303.50	256	498.16	1210	206.91
Semi-illiterate	16	573.13	47	510.87	-	-
Primary School	225	559.47	1420	621.24	5175	287.63
Middle School	1172	779.36	3473	711.48	12361	402.53
Secondary School	696	940.26	628	894.94	2493	693.09
University	318	1137.87	74	1187.86	682	1736.42

Table 19 Income by Education: Shanghai Rural Migrants and Small Town Migrants

Education	Shanghai Rural Migrants, 2000	Small Town Migrants, 1999
Total	826.52	440.58
Illiterate, Semi-illiterate	664.42	--
Primary	715.14	435.0
Middle	892.81	437.94
Secondary	764.95	463.08
University	2750.00	--
Total case	576	113

Because education levels contained stocked human capital, it affected income obviously both for rural migrants and local residents. In 1995, average monthly income for illiterate and semi-illiterate rural migrants was the lowest, R.M.B. 500.13 Yuan. Migrants who had college degree had the highest income, R.M.B. 1,187.86 Yuan, which was 2.38 times of the lowest one. In 1997, the gap increased to 3.44 times. For local residents, monthly income for college-educated workers was R.M.B. 1,137.87 Yuan in 1995. It was 3.75 times of illiterate and semi-illiterate groups', which were R.M.B. 303.50 Yuan.

The monthly income for college-educated migrants was R.M.B. 2,750 Yuan, which was 3.3 times of illiterate and semi-illiterate educated groups. This income difference reflected market efficiency in Shanghai's wage market. However, we should note the other problems. There are very few rural migrants with high education levels. They may not meet the demands of Shanghai's rapid economic development, as well as its labor market. This will become a barrier for rural migrants entering into Shanghai's labor market. So it is urgent to set up some necessary training programs for rural migrants in the future, and train them to be skilled workers. By doing this, not only can these rural migrants supply Shanghai's labor market, it also will improve the quality of workers and contribute to the national economic development over the long run.

As we want to see the income function from the perspective of human capital, we draw the analysis from Schultz (1960), Becker (1964) and Mincer (1958,1974), which thought that the income difference was caused by human capital and working experience. For the urban residents, their income can be decided by education and working years as Mincer's equation:

$$LnY=a+a_1S+a_2X+a_1X^2+e$$

Where:

Y Monthly income

S Education years

X Working years

X^2 Square of working years

Yu (Yu. X., J., 2000) and others have given some estimations based on Sampling data of urban residents. Since rural migrants have characteristic of floating, they don't show a period of working years, but they show different duration years in urban cities, which affected their income. Therefore, in our model we used the duration

years in Shanghai as substitute for working years in rural migrants human capital investment estimation model. The result is as following:

lnY=6.276+0.0259Edu+0.00374Year+0.238Year*+1.934,

Where:

Y	personal monthly income
Edu	Education years
Years	Duration of Years in Shanghai
Year*	Square of Duration of Years in Shanghai

R=0.331, F=13.127 at significance level <1‰, Rurbin-watson residual=1.934

Table 20 Shanghai Rural Migrants' Return of Human Capital Investment

	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
Constant	6.276	.089	--	70.362	.000
Education Years	0.02588	.009	.159	3.002	.003
Duration Years in Shanghai	0.00374	.019	.028	.199	.843
Square of Duration Years	.238	.124	.272	1.922	.056

We can see that the return of education for rural migrants was 2.59%, almost the same level as general urban population (Yu. X.,J., 2000). This suggests that certain education level is the decisive factor on rural population migration as well as their income. This argument also confirms the former researches that rural migrants were those who have relatively higher education levels in rural area; most of them are secondary school educated. We have to realize that these well-educated rural migrants (in their hometowns) can get such a high return only if they leave their undeveloped homelands.

Though rural migrants personal human capital return is almost the same as other residents, their income is relatively lower than that of local residents as they don't have any welfare benefits as we mentioned before. In fact, the reason they attracted to employers was their lower cost. According to our survey in 2000, among 613 people, there were only 12 people had health insurance and 27 people got reimbursement from their employers when they were ill. None of them had pension benefits. Generally speaking, rural population has a lower education level than urban residents. There is only 85% people can get middle school education, among of them only 75% can graduate. There is only about 35% of rural young people can enjoy 9 years mandatory education in China (Gu, H.B., 2000).

According to our former research, among all these factors, the income was mainly influenced by whether employee had *Hukou.* Therefore, the low cost of rural migrants was surely attractive to their employers and benefited China's economic transition. Based on our sample analyses of 1995's survey, the cost of local laborers was 50% higher than that of rural migrants when the government controlled human capital flow and occupation opportunities (Wang & Zuo, 1996).

2 Low Labors Cost Contribution

1) Factors on Labor Cost

Education is not the only factor that affected labor cost and there are also other factors.

First, we can see that there is difference of enterprise ownership distribution between rural and local residents, which may also the factor on labor cost.

Secondly, we have mentioned in the first part that employment ownership structure has changed a lot. State planning sector has decreased dramatically while the private sector's share has increased a lot. SOEs and COEs have decreased from

78.3% and 21.5% in 1978 to 59% and 16.5% in 1995, 40.8% and 8.1% in 1999. At the same time, the private sector's share increases from 0.2% in 1978, to 12.2% in 1995 and 18% in 1999. The private sector has become the main absorption for new labor instead of SOEs and COEs. Thus the rural migrants employed more and more by non-state sector, their share of employed by state sector decreased from 39.3% in 1995, to 32.25% in 1997 and 14.5 in 2000.

Table 21 Comparison of Employment Ownership, %

	Shanghai residents, 1999	Shanghai Rural Migrants, 2000	Small Town Rural Migrants, 1999
SOEs	62	8.7	23.0
COEs	10.3	5.8	14.8
Private	--	32.1	9.0
Self employed	--	35.0	40.2
JVs	14.5	13.82	.8
TVEs	--	3.4	10.7
Others	13.2	7.3	1.6
Total Case	3.368 Million	589	122

Table 22 Shanghai Rural Migrants Employment by Ownership, %

Ownership	1995	1997	2000
Total Cases	5898	24558	589
SOEs	24.7	18.91	8.7
COEs	14.6	13.34	5.8
JVs	7.1	8.47	13.82
Private Enterprises	5.1	5.93	32.1
Government Institute	2.8	1.21	--
TVEs	7.7	9.52	3.4
Self-Employed	28.4	33.6	35.0
Household Service	1.9	2.42	--
Others	7.7	6.58	7.3

Sources: 1995 and 1997 Sampling of Shanghai Rural Migrants
by Institute of Population and Development Studies, SASS.

Third, from the tables we can tell that the wage income is relative lower for rural migrants in any type of ownership enterprises.

Table 23 Comparison of Income by Ownership

	Shanghai Residents, 1999		Shanghai Rural Migrants 2000		Small Town Rural Migrants, 1999	
	Mean	%	Mean	%	Mean	%
SOE	1404.33	62	697.8431	8.7	515.00	23.0
COE	925.25	10.3	1233.2353	5.8	383.33	14.8
Private	--	--	965.5479	32.1	427.27	9.0
Self employment	--	--	939.6341	35.0	366.00	40.2
JVs	1644.00	14.5%	1247.6790	13.82	300.00	.8
TVEs	--	--	2753.6500	3.4	623.08	10.7
Others	1510.4	13.2%	435.71	7.3	362.5	1.6
Total case	1386.75	3.368 million	1041.3874	589	440.58	122

Sources: Shanghai residents date from2000Shagnhai Statistic Yearbook, p48-49.
Item Others included Private, self-employment and other item un listed.

Table 24 Monthly Income by Occupation

Occupation	Local Residents, 1995		Rural Migrants, 1995		Rural Migrants, 1997					
					Total		In Urban area		In Suburban	
	Number	Income, Yuan	Number	Income, Yuan	Number	Income, Yuan	Number	Income, Yuan	Number	Income, Yuan
Total	2449	845.82	5898	704.41	21921	665.25	18051	692.95	3870	536.03
Professional	345	1023.99	122	1181.82	841	1130.65	771	1129.35	70	1144.96
Cadre	148	1155.69	150	1518.25	153	1425.22	141	1459.63	12	1020.83
Clerical	237	999.41	63	853.97	324	994.01	305	973.64	19	1321.05
Commerce	130	1221.42	1521	721.14	535	1263.39	484	1037.12	51	848.43
Service	179	856.41	997	673.62	495	761.72	442	775.45	53	647.17
Agriculture	14	1660.71	148	518.36	15407	591.77	12057	606.60	3350	502.43
Manual Labor	812	887.04	2728	647.84	1894	748.32	1767	756.54	127	634.06
Others	584	435.99	169	688.79	2272	662.02	2084	666.22	188	615.48

Fourth, occupation also influenced labor cost, or we can say different labor may have different job opportunities and occupation choices. Especially for rural migrants, there are job restrictions by the local government.

From Table 24 we can tell that, the occupation had obvious impact on income in 1995. The white-collar rural migrants, technicians or management groups had fairly well income. The technician groups had monthly average R.M.B. 1181.82 Yuan in 1995; Cadres had R.M.B. 1518.25 Yuan. In 1997, they went up to R.M.B. 1,129.35 Yuan and 1,459.64 Yuan respectively. They were the highest -paid occupation for rural migrants. At the same time, blue-collar workers had the lowest income, which was as low as monthly R.M.B. 500-600 Yuan. The problem is that there were too few rural white-collar professionals. Therefore, rural migrants as a whole are low-income level group in urban areas.

Table 25 Rural Migrants Monthly Income by Industry, Occupation,

	Shanghai Rural Migrants, 2000		Small Town Rural Migrants, 1999	
	Mean	Number	Mean	Number
Construction	1780.0526	38	400.00	1
Industry	1227.8093	194	462.08	80
Transportation	1000.0000	2	250.00	2
Hand manufacture	1037.9310	29	--	--
Commerce	997.7468	79	825.00	4
Service	738.7810	137	573.00	23
Peddlers	1175.8621	58	--	--
Junk Collector	600.0000	2	--	--
Low level nursing	647.6190	21	--	--
Hour Service	516.6667	3	--	--
Other	578.1154	26	355.00	11
Total	1048.4771	589	482.11	121

64.26% of rural migrants among total observers were employed in the industry fields with low-level skills (*Dagong*). They made a living through hard working. Basically they did physical works, so they had relatively lower income with monthly

R.M.B. 578.92 Yuan on average. According to our 2000 survey, the income of *Dagong* groups was almost the same as before. The percent of self-employed rural migrants and family enterprises were 29.76%. They averaged R.M.B. 778 Yuan monthly. Their living standard was almost the same as the native of Shanghai residents. The left 5.98% rural migrants were doing other businesses, including settled down their enterprises in Shanghai. They had high income with monthly R.M.B. 1,695 Yuan on average. Though the number of this kind rural migrant limited, their influence on local economy was big.

Table 26 Rural Migrants Income by Employment Type, 2000

	Mean	Number
Formal Employee	1198.6034	232
Household Server	537.5000	4
Temporary Worker	882.9771	131
Self employed	1007.8056	183
Without Work	.0000	16
Private Owner	1135.1852	27
Floating Peddlers	504.33	12
Others	516.8889	9
Total	1019.5091	605

2) Multiple Factors Comprehensive Analysis on Labor Cost

We used following multi-variants model to analyze income/ labor cost of rural migrants in 1997:

Y=B0+B1X1+B2X2+....+B23X23

Dependents Y=Ln (Income)

Independent: Sex, age, Marriage status, Education level, Duration in Shanghai, Occupations

We dealt with all 6 variables as dummy variables. Sex is male and female (as reference variable). Age has 3 dummy variables--15-30 (as reference variable), 31-54 and 55 above. Marriage status has 2 dummies--unmarried and married (including divorced and widowed, as reference variable). Education level has 5 dummies--

university and above, senior high school, junior high school, primary school and illiterate (as reference variable). Duration staying in Shanghai has 4 dummies--living 1 month- 1 year (as reference variable), 1-5 years, 5-10 years and more than 10 years. Occupation has 13 dummies.

Table 27 Income Regression Analysis of Rural Migrants, 1997

Variables	Index	T Value	T Significance
Age：			
31-54	0.018163	2.282	0.0225
>55	-0.07939	-3.593	0.0003
Sex：			
Male	0.162578	20.763	0.0000
Marriage：			
Unmarried	-0.07735	-9.276	0.0000
Education level：			
Primary School	0.100513	5.765	0.0000
Junior Middle School	0.218213	12.864	0.0000
Senior Middle School	0.369954	19.72	0.0000
University	0.860395	35.397	0.0000
Duration in Shanghai：			
1-5 years	0.04999	6.928	0.0000
5-10 years	0.106686	8.37	0.0000
>10 years	0.104534	5.888	0.0000
Occupation：			
Construction Worker	0.256509	21.903	0.0000
Manufacture Worker	0.033334	2.633	0.0085
Transportation	0.253538	14.331	0.0000
Manual Labor	0.012103	0.85	0.3952
Agriculture	-0.06706	-3.12	0.0018
Trader	0.195442	16.165	0.0000
Restaurant Server	0.049584	3.061	0.0022
Household Server	-0.07086	-2.894	0.0038
Peddler	-0.08154	-5.213	0.0000
Investor	0.846471	14.758	0.0000
Junk Collector	-0.07294	-1.639	0.1012
Scraps Collector	-0.63216	-6.047	0.0000
Parameter B0	5.940533	302.597	0.0000

The results as follows: R=0.4938, F=252.6773, at significance level <0.1‰

From the regression analysis based on1997's data, we found that age and education level had a positive effect on income of rural migrants with high significant level. The division of age group had a better reflect on income and higher significant level. The new variables-marriage status and duration in Shanghai increased R with a higher significant level, which stated that unmarried migrants had a lower income than married people. The duration in Shanghai had an obvious positive effect on income.

We also used following multi-variants model to analyze income of rural migrants in 2000:

Y=B0+B1X1+B2X2+.....+B23X23

Dependents Y=Ln (Income)

Independent: Sex (dummy, male=1), Ln (age), Marriage status (dummy, unmarried=1), Education level (years of education), Duration in Shanghai, Employment types (dummy, *Dagong*=1), Occupations (8 dummy variables), totally 15 variables

We dealt with all 4 variables as dummy variables. Sex is male and female (as reference variables). Marriage status has 2 dummies--unmarried and married (including divorced and widowed, as reference variables). Occupation has 8 dummies and takes other as reference variables. We also used dummy variables of employment by ownership types -*Dagong* and self-employee as the indicator of differences between formal and informal employment. The result: R=0.42, F=4.299, at significance level<1‰, Durbin-Watson's residual is 1.914.

Table 28 Income Regression Analysis of Rural Migrants, 2000

Variables	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
Constant	6.115	.135		45.423	.000
Sex (male)	0.01556	.007	.130	2.167	.031
Duration Years in Shanghai	0.02905	.007	.226	3.896	.000
Education	0.03625	.010	.223	3.777	.000
Family Type (married couple together)	0.06534	.066	.067	.984	.326
AGE	-0.001858	.003	-.041	-.564	.573
Employment Type:					
Dagong	.111	.064	.116	1.755	.080
Self employee	.312	.097	.321	3.213	.001
Occupations:					
Construction	0.06376	.112	.034	.569	.570
Transportation	0.08138	.308	.014	.264	.792
Manual labor	-.167	.129	-.073	-1.294	.197
Commerce	-.186	.115	-.136	-1.616	.107
Service	-0.07563	.078	-.073	-.968	.334
Peddler	-.244	.131	-.148	-1.869	.063
Junk collector	-.533	.323	-.094	-1.652	.100
Others	0.05185	.141	.023	.367	.714

3.Labor Cost Distortion and Urban Unemployment Problem

From Table 29, we can see that the informal sectors became the major labor absorption sources in China, while the role of SOEs and COEs in labor absorption became negative since the mid-1995. That is why a lot of cities put the labor employment restrictions on the rural migrants. Based on the Chinese official statistics, the unemployment rate was about 3% in China, however, the real number was about 7-10% based on other researcher's estimation, if we included into *Xiagang (Laid off from SOEs) and* other unemployed members.

Table 29. Contributions to Labor Absorption, 1980-1997

		1980/90	1990/94	1994/95	1995/96	1996/97
Labor force increment (millions)		215.5	32.9	7.5	9	7.5
Absorption (Per cent)	Formal sector	49	147	183	96	19
	1State	11	26	7	-2	-27
	2Collective	5	-8	-17	-14	-19
	3Other	1	18	17	8	20
	4Private	3	27	64	32	45
	5TVE	29	84	112	72	-1
	Informal* sector	51	-47	-83	4	81

Sources: Thomas G. Rawski，1999，China: Prospects for full employment，EMPLOYMENT AND TRAINING PAPERS 47，ILO，Table 3.

Based on official records, urban unemployment worker increased from 3.93 million in 1992 to 5.58 million in 1997 in China. China also had 30 million furloughs, which increased from 3 million in 1993 from SOEs and COEs. (Zhang, Y., 1999). Unemployment in China can be divided into three categories. First is the cyclical unemployment, which is new concept after the economic reform. Second is transition unemployment. Since the employment now is more conducted by the demand and supply of the market, it has a strong regional characteristics as well as disparities. For example, when competitive forces brought furloughs to rust-belt cities in northeast regions of China, it resulted an increase in what might be called "transition unemployment." In fact, it was the result of institutional changes that devalued the contributions of workers, who were formerly regarded as productive employees. By the mid-1990s, when managers acquired authorization to dismiss surplus workers, the backlog of redundant workers had grown large. Third is structural unemployment. Structural unemployment arose because of a long-term mismatch between the numbers and qualifications among workers, and the availability of complementary resources. China is the same as other populous low-income nations. Structural unemployment appeared in rural areas where had an unfavorable man/land ratio, limited infrastructures, and low per capita level of physical and human capital. Thus,

the surplus rural labor was more severe which caused the push on rural migrants' formation.

Table 30. Official and Alternate Figures on Urban Unemployment, 1980-1997

Year	Number (millions)	Youth unemployment (%)	Urban unemployment rate (%)		
			Official data	Alternative data	
				*	**
1980	5.4	70.6	4.9		
1990	3.8	81.6	2.5		
1991	3.5	81.9	2.3		
1992	3.6	82.4	2.3		
1993	4.2	79.0	2.6	3.3	3.7
1994	4.8	63.2	2.8	3.6	4.1
1995	5.2	59.7	2.9	4.0	4.7
1996	5.5	--	3.0	4.9	5.9
1997	5.7	--	3.1	5.7	7.0

Source: Thomas G. Rawski，1999，China: Prospects for full employment，EMPLOYMENT AND TRAINING PAPERS 47，ILO，Table 4.

When most of the urban people recognized the benefits of rural migrants who pushed the process of urban economic structure transitions----- the rise of tertiary industry, non-government ownership enterprises, they became to realize that their life would be better off if they could live with rural migrants and took advantage of their contributions to the host cities. This group of people welcomed the rural migrants. On the other hand, some urban people thought that rural migrants was competing job opportunities with local residents. This became a very sensitive point when the unemployment problems was getting worse under the process of SOEs' reform, which caused a large amount of *Xiagang (laid off from SOEs and COEs)* and furlough workers.

Various researches suggested that the urban labor market be divided by formal and informal labor market. Migrants were mainly worked in informal sectors. Even if they changed their jobs from time to time, they remained in the informal sectors. In

other words, instead of competing the same jobs with urban local laborers, rural migrants tended to be employed in different types of employment.

Even if SOEs and COEs employed the rural labors, they still informally employed these rural migrants. Rural migrants wages were relatively lower than that of local employees. They didn't enjoy the benefits of welfare either. Therefore, the low cost of rural migrants and human capital inflow are treasures for the host cities. We have mentioned about the results in this survey before, there was only 12 rural migrants in formal sector had health insurance. None of them had pension benefit. There were only 27 migrants who ever got reimbursement from their employers when they got ill.

Among rural migrants, there was also difference between formal *Dagong group* and self-employed group. The formal *Dagong* group was a relatively young group of people. Most of them came to the city by themselves. So they tended to save more money. The self-employed group had a longer duration in Shanghai and a family with them. They were more familiar with the local environment so that they can do business in the city. Their income was a little bit higher than that of *Dagong* group*, though* self-employed group had a lower education background than that of *Dagong* group and also a much older group of migrants.

Table 31 Comparison Indicators of Formal *Dagong* and Others

	Monthly Income	Monthly Saving/ Remittance	Monthly Expenditure	Education Years	Duration Years in Shanghai	Average Age
Formal *Dagong* 40%	803.67	347.63	432.96	7.82	4.30	26.35
Others 60%	854.06	202.98	575.36	7.13	4.75	30.00
Average	833.33	259.67	519.55	7.40	4.59	28.57
Total Case	564.00	592.00	592.00	591.00	331.00	591.00

Not only did rural migrants work mainly in informal sector, but also they were never permanent employed. They normally found jobs through an informal or causal

way. We can see from the Table 32 that, the rural migrants who worked in SOEs and COEs, found jobs mainly through relatives and friends or by themselves, rather than through the local government occupation agency. Based on our survey, 39% and 82% of rural migrants, who worked at SOEs and COEs respectively, found their jobs through relatives. In other words, almost half of them found jobs through relatives and friends. Only 38% of them found job themselves. The rest 12% was through other sources, such as local Government Organization (1.7%), employer recruiters in local area (4.8%) and Occupation Agency (1.9%).

Table 32 Way to Find Job Distribution by Ownership

Way to find job	Local Government Organized	Employer recruitment in local	Occupation intermediate	Relatives and friends	Find by self	Other	Number
SOEs	7.8%	25.5%	7.8%	39.2%	15.7%	3.9%	51
COEs		5.9%		82.4%	5.9%	5.9%	34
Private	2.7%	4.8%	2.1%	58.0%	28.7%	3.7%	188
Self Employed		1.0%	.5%	28.7%	67.8%	2.0%	202
JVs		1.3%	1.3%	72.5%	22.5%	2.6%	80
TVEs	5.0%	5.0%		80.0%	10.0%		20
Others			14.28%	42.85%		42.85%	7
Total	1.7%	4.8%	1.9%	50.2%	38.0%	3.4%	582

The rural migrants faced a lot of challenges in their host cities, especially the challenge from laid-off workers from SOEs. At the end of 1995, there were 143.6 thousand unemployed workers and 360.8 thousand laid-off workers in Shanghai. In 1997, there was 235 thousand laid-off works, and 119 thousand of them came from SOEs. The local government focused on re-employment of the local residents, which gave a high pressure on rural migrants' job-hunting. Many companies had to kick the rural migrants out in order to have the positions available for the local residents. For example, *Xuhui* prefecture began to lay-off rural migrants in order to have more positions for the local residents and there are 3000 such kinds of positions. Generally speaking, rural females dominated in baby-sitter and housekeeper occupation category. In recent 2 years, many local laid-off women began to enter this field.

There were more than 10 thousand local women doing this kind of job, which made many rural female migrants difficult to find jobs in Shanghai. The local government encouraged laid-off workers to substitute rural labors in such kind of informal positions.

In fact, the increase of furlough workers was largely due to the systematically arrangement between rural and urban laborers, mainly due to the higher wages of urban laborers', as well as, their generous welfare, which caused the higher cost of urban labor. We have mentioned in our sample analysis of 1995, when we controlled the effect of human capital flow and occupation opportunities, the cost of local urban labor was 50% higher than that of rural migrants'. The largest cost gap was between local and rural manual laborers. The local self –employed workers have not any advantages compared with their rural migrants. This income/cost disparity could not be explained by human capital, but by the special rights of urban residents. Two parts comprise the wage of rural residents: competitive wage decided by supply and demand of the market, it can be evaluated through the wage of rural migrants and urban special rights wage respectively; and urban special rights wage. The price of this systematically wage is the high unemployment/*Xiagang* rate (Wang & Zuo, 1996).

The local government has implemented several measures to replace rural migrants with local *Xiagang* workers in order to relieve serious unemployment problems in urban cities, which mainly caused by the reform of SOEs. However, the effect was not good. The reason was that the informal labor market was supposed for the rural migrants, but the local residents reluctantly to do that.

We had a case study in local SOEs----a large ship company in Shanghai, which employed a lot of rural migrants. They had 3,000 rural migrants in l996. Under the local government's requirement, the company decreased its rural migrants 10% annually. This company has 8,000 total formal employees and 2000 rural migrants now. They employ rural migrants to do dirty and dangerous jobs. Because the cost of rural migrants is only 2/3 and 1/2 of local workers' and they also don't incur any other costs on enterprise. That's why the company is willing to hire them.

When we asked the rural migrants about their thoughts of government restrictions on their job opportunities, those who had long duration and stable positions did not have any worries. They thought they were very competitive with their skills and hard working compared with local workers. In fact, there were substitutions between the local residents and rural migrants in labor market. According to other researches, there was 15% rural migrants potentially replaced the positions for local residents (Wang, G.X, 2000). However, as long as local residents could decrease labor cost by lowering their welfare level, they would replace the rural migrants. This would make rural new-entrants, who didn't have skills and relationships in the host cities, difficult to find jobs. When they had no jobs and no money, some rural migrants might make crimes. This was the main reason of higher crime rate among rural migrants, which gave great pressures on public security. The basic result depended on national economic development, including seeking for new sources, maintaining higher growth rate, restructuring economic structures, increasing domestic demands, reforming SOEs and narrowing regional gaps.

From the above analysis of occupation, ownership and employment distribution of Shanghai rural migrants, we can see that most of them work in informal sectors like trade, services and constructions. In a relatively better or monopoly industry with higher salaries, there are almost no rural migrants. Most of them concentrated in traditional service positions to meet resident's daily demands. In large cities, such as Shanghai and Beijing, the local government has restrictions on rural migrants' job-hunting, though the employers themselves are willing to accept rural migrants due to their low labor cost. The government also receives additional fees if the employers want to recruit rural migrants. The local government's occupation agency only serves the local labor, thus labors depended largely informal channels for their job-hunting, such as relatives and friends introduction as we mentioned before. Due to lack of protection, the rural migrants became a vulnerable group in capital-labor relationship.

4. Potential Consumption Group

China's economic developed to a new stage, which the consumption became an important driven force for future development. The decline of domestic demands has becomes a bottleneck in China's economy during the latest years. The contribution of consumption to economic growth gradually decreased from 1985-2000 in regard to consumption, investment and exportation factors. During 1985-1990, marginal consumption rate was 67%; during 1990-1995, it decreased to 58.7% and it was 56.4% in 2000. During these periods, the marginal consumption of urban resident's has kept the same level during the past 20 years. Therefore, the main reason was due to the decline of farmers' marginal consumption. In the1980s, it kept at 35%. In the1990s, it deceased to 20%. If we take the whole consumption as 100, the share of rural residents' consumption has decreased from 68% in 1979 to 47% in 1997, while the share of urban residents' increased from 32% to 53%. We can also confirm this figure with the distribution of the total sales value of consumption goods. The share of rural areas changed from 52% in 1979 to 59% in 1984, then went down to 43.4% in 1997 (Cui, C.Y. & Chen, J.G.2000).

Rural migrants have a higher income level than the average of rural population. Their consumption behavior has changed a lot after they lived in urban areas. On the other hand, rural migrants have a higher potential marginal consumption that may become the trigger of present China's economic development if they have more incomes in the future, or, if more rural people join the wave of migrants to the cities.

We had a regression analysis between the income of rural migrants and the average wage of local residents in 1995. The regression index R square was 0.814885, which showed a positive correlation. Rural migrants also participated in circulation and transportation, and increased the supply of foods and vegetables. At present, among intensive production of farming in suburban of Shanghai, 80% land are contracted to rural migrants operation. Because of rural migrants' active purchases and business operations, as well as the competition between them, they offer local residents more options of vegetables, meats and eggs with more attractive prices.

Table 33 Monthly Expenditure Rural Migrants and Rural Population

Item	Rural Migrants in Shanghai				Rural migrants in Small town, 1999		Rural Population 1999	
	1995		2000					
	Monthly expenditure	%	Monthly expenditure	%	Monthly expenditure	%	Monthly expenditure	%
Housing	42.27	11.73	75.91	13.46	3.61	1.55	19.39	14.75
Water, Electronics, Gas	9.82	2.72	40.24	7.14	2.05	0.87		
Daily Food	192.74	53.49	298.74	53.0	98.66	42.34	69.08	52.56
Transportation and communication	2.25	0.628	18.79	3.33	2.87	1.23	5.72	4.35
Education for Children	9.03	2.51	41.64	7.39	3.20	1.37	14.02	10.67
Entertainment	5.30	1.47	12.02	2.13	1.48	6.35		
Cigarette (for husband)	26.93	7.47	46.43	8.24	29.43	12.63	--	--
Clothing (for wife)	11.81	3.28	74.16	13.16	6.39	2.74	7.67	5.84
Savings/remittance	50.67	4.06	115.38	20.47	52.93	35.9	--	--
Others	9.51	2.64	47.75	8.47	1.65	0.7	15.55*	11.83
Total	360.33	100.00	563.59	100.00	233.02	100.00	131.43	100.00

Sources: 1995 Sampling Survey and 2000 Sampling Survey of Rural Migrants, Institute of Population and Development Studies, SASS. Rural consumption data source from China Statistic Bureau, *2000 Yearbook of China Rural Household*, P198-200.

* Including family equipment, medical expenditure and others.

According to the survey in 1995, monthly expenditure of migrants in Shanghai was R.M.B. 360.33 Yuan. Among of them, 192.74 Yuan for foods, which accounted for 53.49% of the total expenditure. Engel Index was 50%. The second item was savings and remittance, monthly average 50.67 Yuan and accounted for 14.06% of total expenditure. The third item was housing, monthly average 42.27 Yuan and accounted for 11.73% of the total expenditure. 80% of rural migrants rented local residents' houses, which caused the rise of rent in the joint areas between urban and

suburban, it also brought an additional income for local people. If we assume there're 1,250 thousand migrants rent houses, annual rent is 1000 Yuan, then the local residents can receive 1.25 billion Yuan. This definitely will benefit Shanghai's economy as local people will spend this amount or part of this amount income and improve their consumption level.

Compared with rural residents, rural migrants have a higher expense due to their higher income. The monthly expense for rural migrants in Shanghai was 563.59 Yuan in 2000, which was 4 times of that of rural residents. It was also twice of that of rural migrants in small town.

Table 34 Income and Expenditure of Rural Migrants in Small Town, 1999

Yuan

	Monthly Income	Monthly Expenditure
Total	**422.79**	**233.01**
By Sex		
Male	442.92	236.86
Female	411.00	229.71
By education		
Primary	355.38	583.56
Secondly	421.56	197.17
High School	499.23	147.15
By Marriage		
Married living together	230.00	621.27
Unmarried	444.09	196.31
By Industry		
Construction	500.00	30.00
Manufacture	475.87	153.37
Hand Labor	250.00	102.50
Trade	57.50	559.17
Service	344.35	459.83
Other	350.00	288.33

For consumption research model, we used expanded liner expenditure system (ELES). This model substitutes total expenditure by income, marginal budget

proportion by marginal potential consumption, i.e., an increase of expenditure of goods I for every increased $1 of income (Zhang, S.H., 1998).

The formula of ELES is:

$Vi= p_i r_i + B_i (Y-\sum p_i r_i)$ i,j=1,2,3……n

Where:

Y is income;

B_i is MPC for goods i;

When we used ELES to analyze consumption of rural migrants, the result was not satisfactory because of their potential great amount of saving. Thus we took into saving/remittance into consideration. We also used family type and employment type as dummy variables, which we considered that might have influences on people's consumption. The form of ELES is to be adjusted into following formula:

$Vi= a_i + B1_i Y+ B2_i S+F+E$

Where:

Y is income

S is saving or/and remittance;

F is the dummy variable in types of family;

E is the dummy variable in types of employment;

$B1_i$ is the marginal potential consumption of goods I;

$B2_i$ is the marginal potential saving/remittance;

We classified family expenditures of rural migrants into 7 categories:

1) Housing, water, electricity and gas
2) Food, cigarette and wine
3) Transportation and communication
4) Children's education
5) Entertainment and other
6) Clothing and cosmetics
7) Saving/remittance

We also used the dummy variables to see the correlation of the type of family and family expenditure. We found that married couple with young kids who lived together in Shanghai tended to have lower expenditures, except for their children's education. There was no obvious difference between *Dagong* group and other occupation groups.

Table 35 Estimation of Expended Liner Expenditure System, Rural Migrants in 1995

Categories	a_i	$B1_i$	$B2_i$	R	S.E.	D.W.
Housing, water, electricity and gas	-7.6905	0.2003	-0.1962	0.5748	111.12	1.3789
Daily food, cigarette and wine	19.6074	0.64500	-0.6258	0.9048	114.49	1.8212
Transportation and communication	-4.7958	0.0121	-0.0077	0.2398	29.3348	2.0316
Children's education	-19.2834	0.08086	-0.09149	0.4179	63.1458	1.8723
Cultural entertainment and other	9.3611	0.01875	-0.0101	0.1990	61.85	1.8207
Clothing and cosmetics	2.2472	0.03908	-0.0380	0.3243	45.2387	1.7292
Total expenditure	368.41	0.20736	--	0.6487	45.2387	1.7262
Saving/remittance	-353.3621	0.7939	--	0.9513	297.3458	1.4037

Source: Calculation based on the sampling survey conducted by Institute of Population and Development Studies, Shanghai Academy of Social Sciences, 1995.
$B1_i$ can be an estimator of marginal potential consumption (MPC)

Table 36 Estimation of Expended Liner Expenditure System, Rural Migrants in 2000

Categories	a_i	$B1_i$	$B2_i$	R	S.E.	D.W.
Housing, water, electricity and gas	-68.570	0.315	-0.337	0.663	367.81	1.956
Daily food, cigarette and wine	189.188	0.127	-0.162	0.632	150.09	0.862
Transportation and communication	16.356	0.0052	-0.0002	0.111	45.33	1.811
Children's education	-22.122	0.0465	-0.049	0.349	143.69	1.842
Cultural entertainment and other	39.67	0.036	-0.089	0.187	198.67	1.746
Clothing and cosmetics	-2.94	0.0439	-0.027	0.409	103.10	1.863
Total expenditure	**59.2**	**0.533**	**-**	**0.738**	**482.84**	**1.864**
Saving/remittance	-38.54	0.436	-	0.704	430.03	1.841

Notes: $B1_i$ can be an estimator of marginal potential consumption (MPC).
If included large consumer goods expenditure, the total expenditure is 906.32.

If compared the data of 2000 with 1995's, we found that there was a change in marginal potential consumption (MPC) in housing and gas expenditure, and food expenditure. The former increased from 0.2 in 1995 to 0.315 in 2000. The later decreased from 0.645 to 0.127. There was a large change in savings. It decreased from 0.794 in 1995 to 0.436 in 2000. Rural migrants have a high potential marginal consumption in housing (0.315) and have decreased in marginal potential consumption of savings, we can say that their consumption behavior has changed a lot when time went by. We believe that they will be a large consumption group in China in the future, which is important for China's economic growth and development.

Table 37 Estimation of Expended Liner Expenditure System, Shanghai Residents in 1995

Categories	a_i	$B1_i$	R	Mean of Expenditure $p_i r_i$
Housing,	11.7164	0.0313	0.9888	19.9155
Daily food, cigarette and wine	51.3922	0.1771	0.9743	197.784
Transportation and tele communication	-5.4295	0.0511	0.9289	7.9563
Entertainment, education and cultural services	1.0931	0.0620	0.9023	7.3342
Clothing and cosmetics	-5.9605	0.0861	0.9805	22.5541
Health and medical care	4.1628	0.0088	0.9801	6.4680
Miscellaneous goods and services	-16.6578	0.0654	0.9620	0.4739
Total expenditure				262.486

Sources: Li., M.L., 1997, Quantitative Analysis on Consumption Pattern of Shanghai's Urban Residents, on Shanghai's Urban Social-Economic Survey Team, (ed.), Papers of Shanghai's Urban Social-Economic Survey, 1995-1996, p 120-124.

V. Conclusion

Rural migrants played an important role in increasing of rural employment and incomes. Rural migrants benefit to both urban and rural areas. Though the competition among rural migrants has increased, their movement made 10-30% surplus rural labor become a useful resource and brought 120 billion remittances. They created an 80-100 billion consume market in urban areas and contributed a lot to taxes. On the other hand, they have lands at home for their security; they tend to go back when having the employment problems in urban areas. They participated in transportation and service industry. At present, 70% of rural population only accounted for 40% of durable consumer goods market and 20% of total savings. If we can transfer 500 million rural populations into urban residents, it may create 600 billion Yuan consume market and increase 1,000 billion Yuan final consumption with annually 70 billion Yuan (Zhang, Z.F., Li Y, Cui C.Y.& Cheng J.G., 2000).

Rural migrants benefit to urban industry transition, especially tertiary sector development. Shanghai municipal government can receive 600 Yuan annually for

every rural migrant in formal sectors, some of which spent on local labor reemployment. The local government came to realize the real benefit from rural migrants.

According to traditional estimation methods for urbanization, there were 10 million increases in urban population annually since the 1990s and now 30% of them lived in urban areas. However, if we take into 50-80 million rural migrants into account, the real urbanization rate was about 33-36%. If we consider into the other 130 million rural migrants who lived in towns, the urbanization rate will be 45-46%. It will be 50% if we include all rural migrants' children (Zhang, Y., 1999). The low cost of rural migrants is partly due to their inferior education level comparing with urban residence (though they are relatively higher education level in rural area).

Some people who didn't support the rural migrants argued that migrants substituted local laborers and made the unemployment problem worse in urban areas. Their higher crime rate and other problems, which caused by their different life style, worried them. The latest urban prediction about rural migrant is based on an assumption that the present segmentation will continue. In order to maximize human resources, some cities like Shanghai emphasize attracting talents and loose their policies to draw more skilled laborers to work in the city during their best age period to contribute the local economy.

China is now focusing on IT development, which requires human capital with higher education level. If China becomes a formal member of WTO, more foreign companies will enter into China market, which have more high human resource requirement. Besides there will be more rural migrants formation due to agriculture product competition from foreign countries to make the rural farmer less competitive.

There are also ambiguous factors. Considering the effect of income increase, economic growth and production development, the government gives positive comments on rural migrants. However there are differences among central, urban and rural government. The outflow rural government gives high opinions about rural migrants as they benefit a lot from this labor mobility so that they tend to support their migration. As for recipient urban government, they have negative opinions about

rural migrants and tend to use restrictions to control the flow of migrants. The central government stands between and tends to accept ambiguous and contradictory policies as they trade-off between interest of rural and urban government. In fact, the positive side of rural migrants is obvious even in urban areas. The urban citizens have depended a lot on them, however the government will continue to control the flow of migrants and put restrictions on them.

China reformed its social security system only in the urban areas. If rural migrants cannot become employee in formal sectors in the future, or they cannot afford insurance themselves, we believe that they will control their present consumption level in order to save more money for their "retirement". In other words, this consumption group will not be realized if the Chinese government doesn't reform the social security system national wide, especially in the rural areas. Meanwhile, a lot of urban areas ran into financial troubles in reforming its social security system. Some of urban governments have intention to invite rural migrants to join local social system so that the local government can take their contribution to support or solve the financial crisis of its current system. If urban areas can admit these young and healthy rural migrants into their social security system, their net contribution will be large. This will help to reduce the local government's financial pressure. From the point view of local urban governments, they should provide rural migrants with social security system for their own interest. But it's hard for the urban government to design a take-away benefit plan for rural migrants. The increase of social security coverage will be meaningless for rural migrants if there is no such kind of take-away benefit; it may also hurt their interest because the plan may increase their labor cost without considering their benefits.

The good news is that the central government has realized the importance of labor mobility, as well as, its benefit and interest to economy. But they still worry about the pressure of rural migrants on urban economy. Thus the Ministry of Labor and Social Security (MoLSS) controlled Key Monition Areas for Rural Labor Migration and Employment in September, 1999(number 64 files) and set 34 rural labor concentrated areas as key monition areas, including Shanghai, Beijing, *Guanzhou*

and *Shenzhen,* 58 counties as key out flow monition pilots and 14 cities in transportation key sites in order to keep the rural migrants inflow under control.

China's economy has not reached high growth rate, as before, especially the stagnation of consumption become the bottleneck of further economic development. Various researches focus on the curative method for China's stagnation of consumption. Most people think the large income gap among different groups; especially the income gap among rural population is the obstacle for China's economic development. Therefore, they emphasize to speed the urbanization and rural migrants transition of China. The central government starts to pay attention to the employment problems in both rural and urban areas in order to share the interests of rural labor migration. The First important measure is the "Several Ideas about Healthy Development of Small Towns" (Economic Daily, 7/5,2000), which took the development of small towns as a strategy in order to trigger rural development, increase farmers' income, relieve the surplus products and develop markets for manufacture and service industry. The Second important measure is the rural labor employment development pilots from 2000-2003 by the Ministry of Labor Social Security (MOLSS), State Planning Commission, the Ministry of Agriculture and the Ministry of Science etc. The government took a lot of different approaches to create job opportunities for rural laborers. These approaches are: 1) setting up an open and competitive labor market which includes both urban and rural laborers in some large cities, 2) organizing training seminars for rural surplus laborers, as well as rural migrants in urban cities, 3) developing the labor market of western areas, 4) encouraging the rural government to attract its local rural migrants to invest home (MOLSS Office, 2000.7.26).

However, the urban enterprises have different interests from the government, no matter what kind of ownership. The low cost of rural migrants becomes the main driven force for the employers to hire them. Another attraction of rural migrants for enterprises is their informal employment status. It's very easy for the enterprises to fire or lay off them. In other words, their hiring is beyond the control of the national Labor Law. A lot of enterprises hire rural migrants to lower the labor cost and

increase their productivity. At the same time, Labor Bureau has reduced its influence on controlling employment activities of enterprises. In the process of labor marketlization, the enterprises tend to recruit laborers from their own variety channels rather than from the government institutions or from the employment agencies. Though the Labor Department tried to put a lot of restrictions on the employment of rural migrants, it only could control a small percentage. It estimated that there was only 40% of rural migrants who worked in government control sectors were affected by these restrictions. In fact, the real percentage is much smaller in the reality. It all depends on the interests' trade off between hiring rural migrants and the benefits of these organizations. Under the circumstances, the labor absorption mainly depends on non-government sectors; it is hard for the government to control the employment market. Most of private enterprises are free to recruit laborers. They normally prefer to hire cheap rural migrants. If the increase of non-state sector is still the trendy in China, the rural migrants will be increase in the future as a whole.

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