

CHINA'S URBANIZATION, POPULATION FLOW, AND REGIONAL DISPARITIES IN ECONOMIC DEVELOPMENT

*Huiyao (Henry) Wang**

The number of China's outbound migrants is estimated to be 9 million (United Nations, Department of Economic and Social Affairs: UNDESA). An estimated 245 million Chinese internal migrants—a number equivalent to two-thirds the population of the United States—have left the countryside and migrated to the cities in recent years (Report on China's Migrant Population Development, 2014, National Health and Family Planning Commission of China).

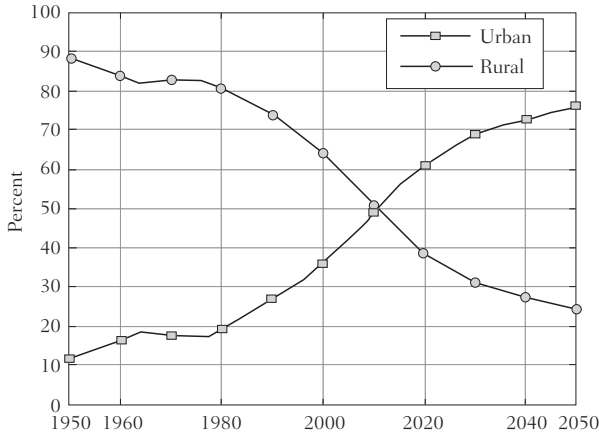
Urbanization Trends in China

China has experienced considerable urbanization in the last three decades. In 1949, there were only 132 cities and an urban population of 27.4 million, while in 2013, China already has 661 cities with a total urban population of 731 million.

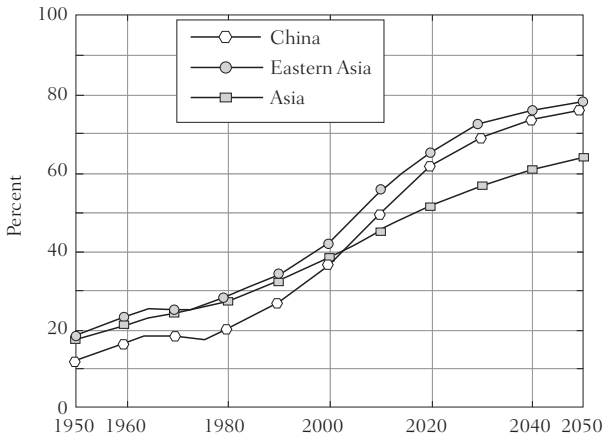
Urbanization levels are high in the coastal area and the Northeast and relatively low in Central and Western China. The provincial pattern of China's economic development is similar to the pattern of urbanization. Its urbanization plan for 2014 to 2020 aims at raising the urban population to 60 percent by 2020 and to initiate a new round of economic growth.

* PhD. Founder and President, Center for China and Globalization (CCG); President, China Global Talent Research Society; Dean, Institute of Development Studies, Southwestern University of Finance and Economics.

FIGURE 1
CHANGING RELATION OF THE URBAN AND RURAL POPULATION (1)



URBAN POPULATION BY REGION AND MAJOR AREA (2)



SOURCE: United Nations, 2014. *World Urbanization Prospects*. See <<https://esa.un.org/unpd/wup/Country-Profiles/>>.

In 2014, China had six megacities and ten cities with populations between 5 and 10 million (United Nations, 2014. *World Urbanization Prospects*); and, by 2030, China will add another megacity and six more large cities; by 2050, China’s urban population will increase by 300 to 700 million, with a forecasted urbanization rate of 79 percent.

China's new urbanization trajectory faces new challenges: the hukou system; the urban-rural income gap; the urban population's rising energy demand; and energy-related air pollution. And China has to improve the efficiency of urbanization. For instance, it must eliminate the barriers to labor movement and accelerate labor migration (World Bank and Development Research Center of the State Council, China, 2014) and avoid the emergence of overcrowded megacities.

The new super-city will accommodate over 100 million residents; Aim to stimulate the region's economy and promote the growth of innovative industries; A more decentralized pattern that sees more growth away from Beijing. On July 11, the Beijing Municipal Committee of the Communist Party of China (CPC) announced that Beijing would move some local industries and functions unrelated to its role as the country's capital to the suburbs and neighboring Hebei Province and Tianjin. The Beijing Municipal Government offices and affiliated institutions will gradually be moved to Tongzhou to make the city's central areas less crowded.

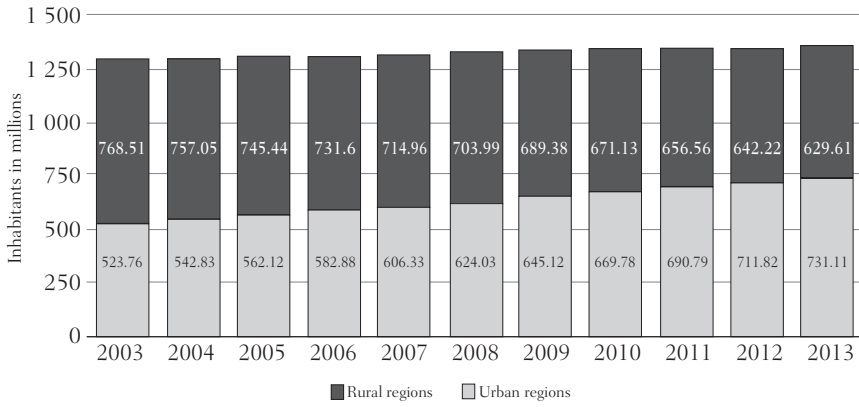
China's Internal Migration

Such urbanization and economic growth has been accompanied by a massive population shift from rural to urban areas.

Though the nominal urbanization rate in China today is 54.77 percent, the actual rate is only 36 percent due to the hukou system.¹ Only 36 percent of China's total population are urban hukou holders. For example, Dongguan's total resident population is 8.25 million, but the registered inhabitants are less than 2 million. The decrease of the floating population into Dongguan has caused a labor shortage. In addition, increasing internal migration has posed enormous challenges to floating population management.

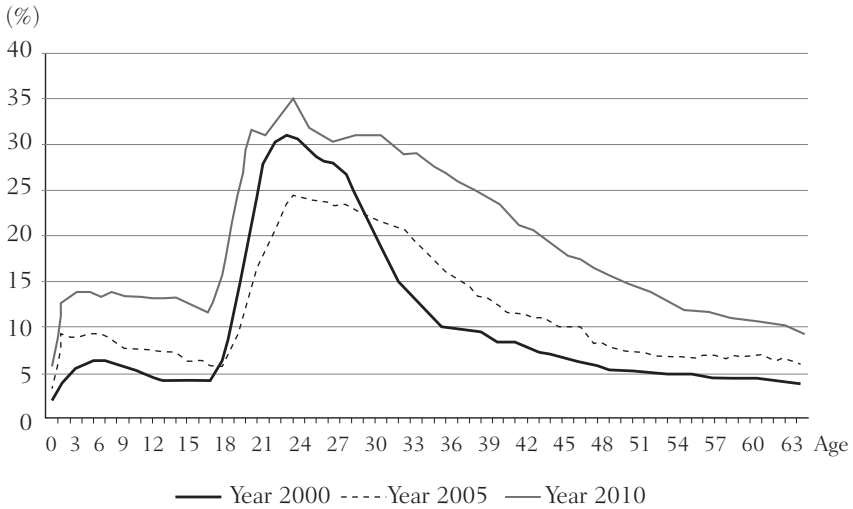
¹ Hukou migrants are those who are formally granted hukou status in the destination (city, town, and township).

FIGURE 2
CHINA'S URBAN AND RURAL POPULATION (2013)



SOURCE: *China Statistical Yearbook* (various issues): <www.stats.gov.cn/tjsj/ndsj/2014/index.ch.htm>.

FIGURE 3
INTERNAL MIGRANTS IN CHINA'S TOTAL POPULATION BY AGE



SOURCE: 2005 population sample surveys and the 2000 and 2010 national censuses.

The average age of migrant laborers has increased. In 2000, of all the migrant workers, those between 19 and 24 made up more than 10 percent of the national population. However, in 2010, the age range had been ex-

tended to 18 to 45 years old. It is noteworthy that the percentage of migrant workers falls sharply after the age of 45.

Spatial Patterns of Internal Migration in China

The coastal regions have been in the lead in developing markets, and they also play important roles in eliminating institutional obstacles that prevent workers from moving across regions.

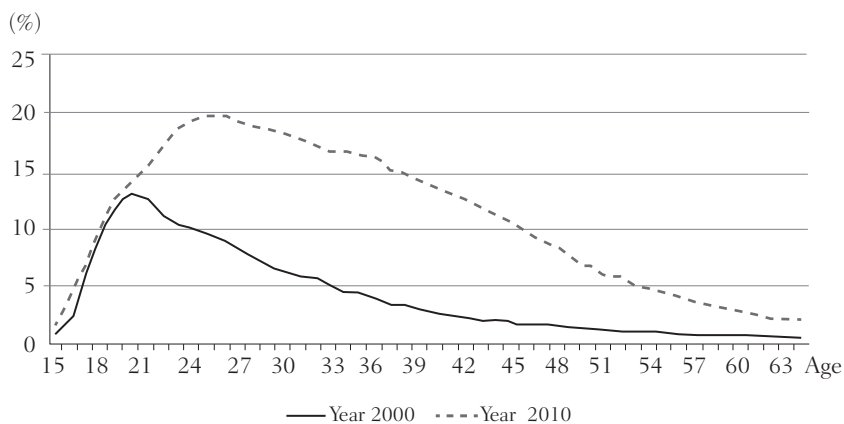
As a result, Eastern China has become the prime destination for intra-provincial and inter-provincial migrants.

FIGURE 4
DISTRIBUTION OF INTERNAL MIGRANTS WITHIN
AND TO THE EASTERN REGION
(%)

<i>Destination</i>	<i>Years</i>	<i>Origin</i>				
		<i>East</i>	<i>Central</i>	<i>West</i>	<i>National</i>	
					<i>Percentage Change</i>	
East	1987	49.7	61.7	44.2	52.0	--
	1990	56.0	59.0	49.3	54.6	+2.6
	1995	63.5	71.8	56.5	63.1	+8.5
	2000	64.4	84.3	68.3	75.0	+11.9
	2005	78.3	89.8	80.1	84.6	+9.6
	2010	79.4	90.7	83.6	86.4	+1.8

SOURCE: 1987, 1995, and 2005 population sample surveys and the 1990, 2000, and 2010 national censuses.

FIGURE 5
 PERCENT OF MIGRANT WORKERS IN
 CHINA'S TOTAL POPULATION BY AGE



SOURCE: 2005 population sample surveys and the 2000 and 2010 national censuses.

The acceleration in population flow to the eastern region, however, has been slowing down. From 2005-2010, the share of internal migration to the central region increased by nearly 0.8 percent, while to the western regions, it dropped by nearly 2.6 percent.

New trend: Megacities to second/third-tier cities. A survey released by Zhaopin.com, a leading human resource and recruitment company in China, shows that approximately 66.1 percent of graduates chose to find a job in second/third-tier cities spontaneously instead of staying in first-tier cities, compared with 51.6 percent in 2014, and 49.7 percent in 2013 (China Social Science Network, 2015). And a new trend has emerged: with economic growth, there is greater pressure in megacities.

FIGURE 6
GDP GROWTH
(%)

<i>City</i>	2010	2011	2012	2013	2014
Shanghai	14.08	11.83	4.72	7.47	9.07
Beijing	16.13	13.37	11.25	9.55	9.39
Guangzhou	16.04	16.75	9.46	13.79	8.34
Shenzhen	16.83	20.05	12.59	11.97	10.36
Tianjin	22.64	21.32	15.14	11.52	9.41
Chongqing	20.89	26.82	14.46	10.45	12.71
Suzhou	19.24	16.12	12.08	8.36	5.73
Wuhan	20.45	21.41	18.47	12.45	11.78
Chengdu	23.30	25.21	17.10	11.92	10.40
Hangzhou	16.69	17.87	11.30	6.91	10.28

SOURCE: Bureau of Statistics of each province. Calculated by CCG, National Bureau of Statistics of China.

MIGRANTS' LIVING CONDITIONS IN CITIES

Rural-urban migrants are the main source of labor for industry in China, helping to maintain its low-cost advantage.

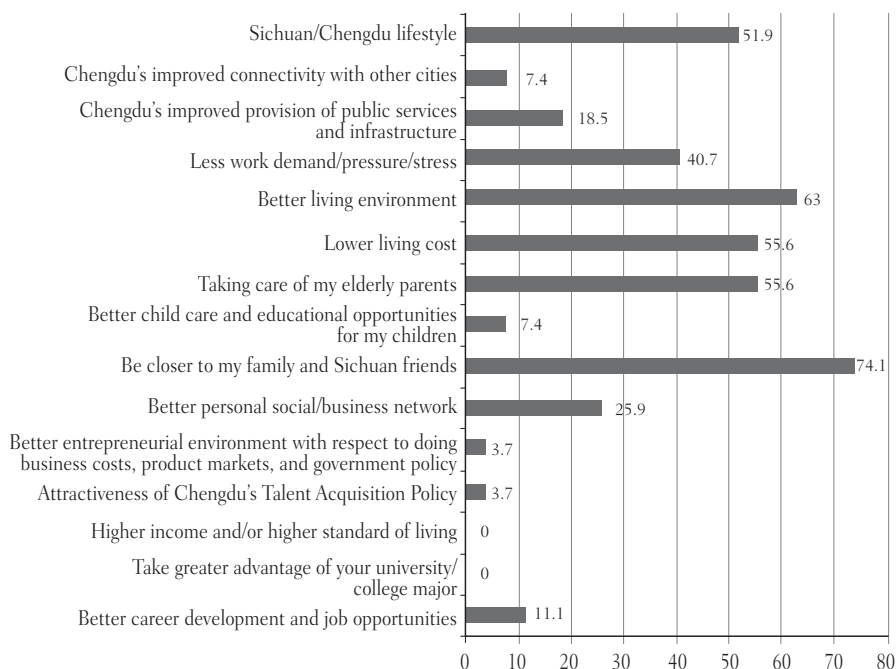
The hukou system is a unique institutional barrier: individual Chinese accessibility to social services and welfare benefits is determined by the hukou. It prevents individual development and makes successful integration difficult. The children of migrant workers are not entitled to enjoy local services on equal terms with their peers, such as education.

Migrants from rural areas are not free to sell their rural land holdings. This limits their ability to buy urban housing, invest in urban businesses, and integrate into urban civil society.

A Survey on Migration Flows between Beijing and Chengdu

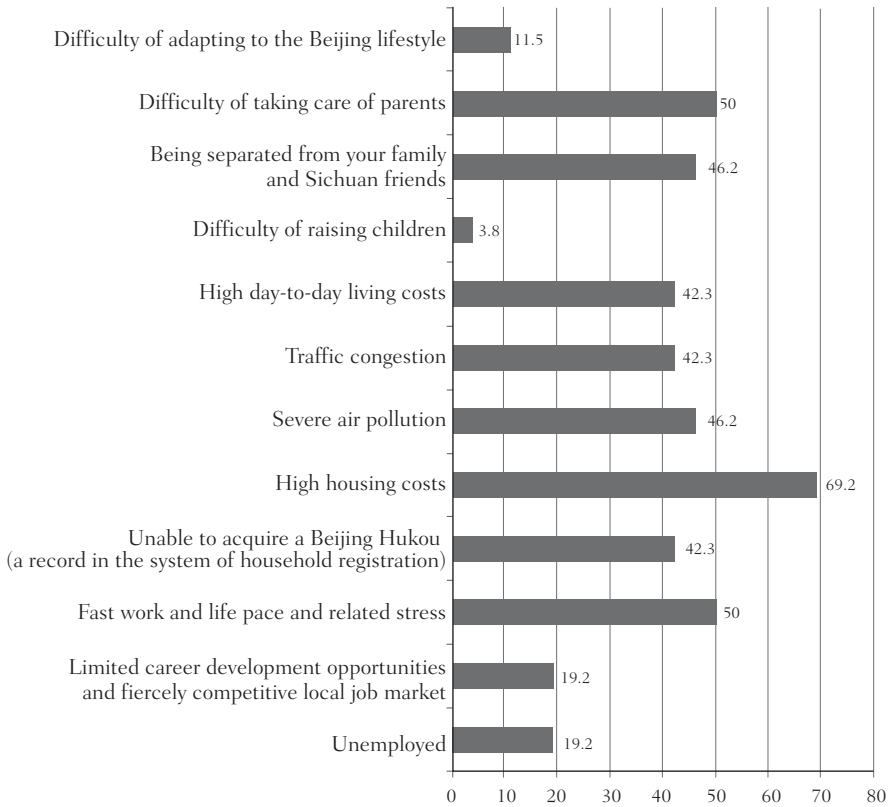
In 2005, the Center for China Globalization (CCG) conducted a survey examining the flow of educated and skilled talent between Beijing and Chengdu. And we found that, for Sichuan talent, family ties are the most important reason for them to relocate to Chengdu; The better living environment is the main reason that attracted both Sichuan and non-Sichuan talent to relocate to Chengdu. The inability to acquire Beijing hukou status is an important factor that pushes Sichuan talent to leave Beijing; also, housing costs, living costs, and air pollution are the main reasons pushing people to leave Beijing. A better environment for personal growth and job opportunities are the two major reasons for the remaining Sichuan talent stays in Beijing.

FIGURE 7
SURVEY QUESTION: WHAT ATTRACTED YOU BACK TO CHENGDU
TO PURSUE YOUR CAREER? (UP TO 8 OPTIONS) (%)



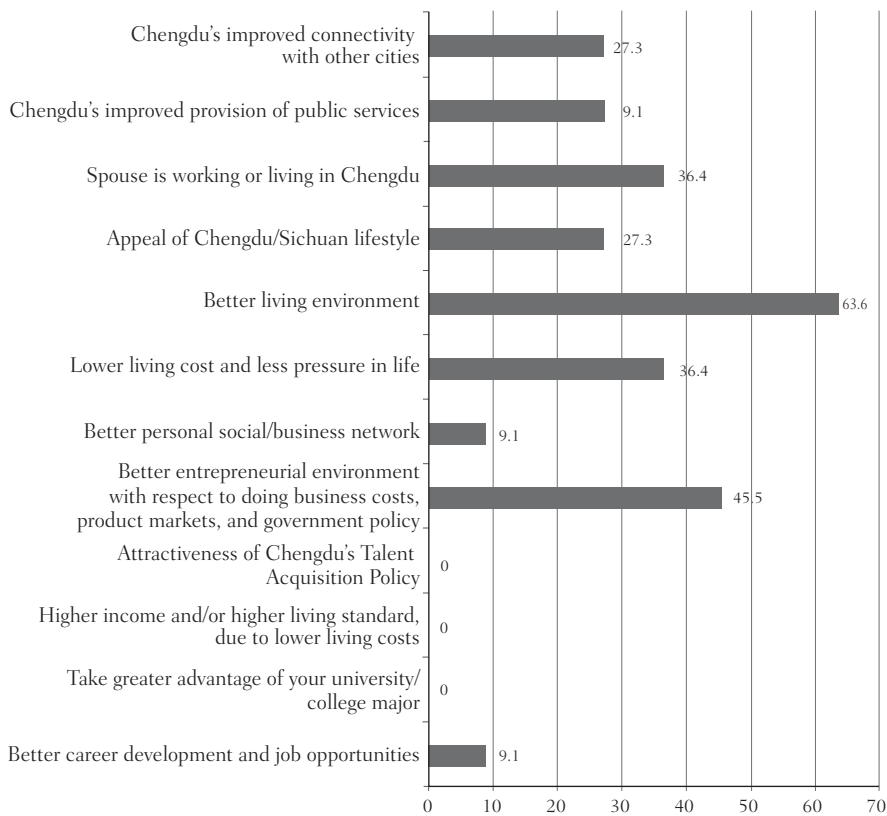
- Group 1: The Sichuan talent who lived and worked in Beijing, but then subsequently returned to their home province by relocating to Chengdu.

FIGURE 8
 SURVEY QUESTION: WHAT PUSHED YOU TO LEAVE BEIJING?
 (UP TO 6 OPTIONS)
 (%)



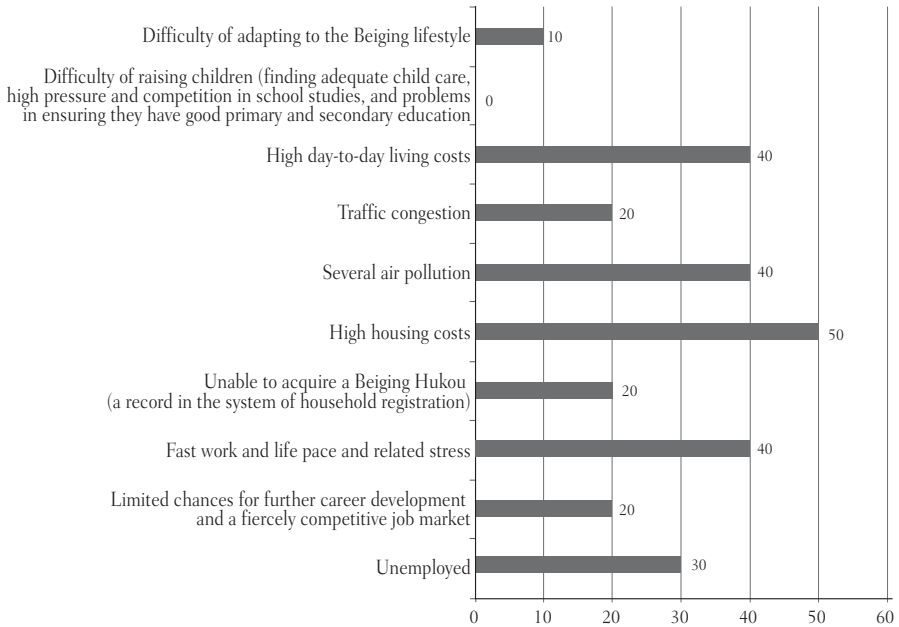
- Group 1: The Sichuan talent who lived and worked in Beijing, but then subsequently returned to their home province by relocating to Chengdu.

FIGURE 9
 SURVEY QUESTION: WHAT ATTRACTED YOU TO CHENGDU
 TO PURSUE YOUR CAREER? (UP TO 7 OPTIONS)
 (%)



- Group 2: The talent not originally from Sichuan, but who lived and worked in Beijing, and now have relocated to Sichuan.

FIGURE 10
 SURVEY QUESTION: WHAT PUSHED YOU TO LEAVE BEIJING?
 (UP TO 5 OPTIONS)
 (%)



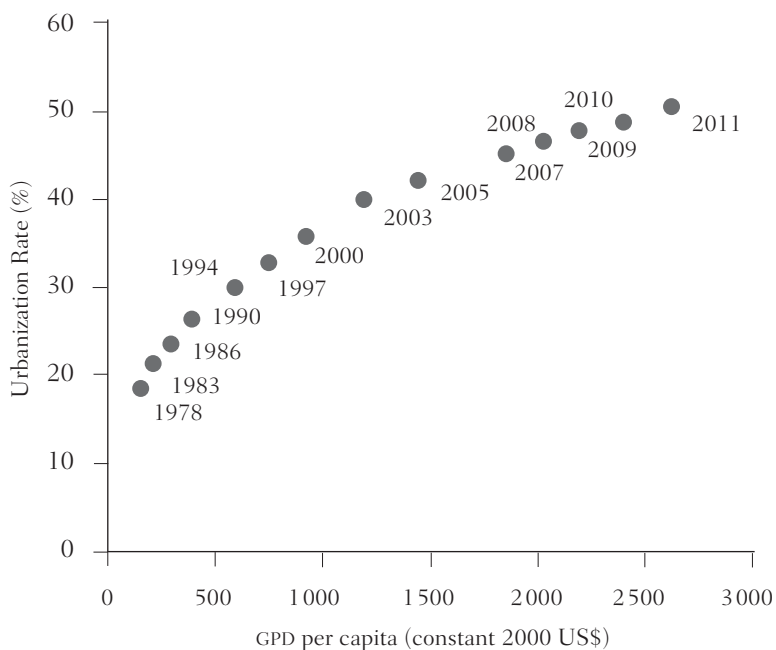
- Group 2: The talent not originally from Sichuan, but who lived and worked in Beijing, and have now relocated to Sichuan.

Our Findings: For Sichuan talent, family ties are the most important reason for relocating to Chengdu. The better living environment is the major reason that attracted both Sichuan and non-Sichuan talent to relocate to Chengdu. Unable to acquire Beijing Hukou is an important factor that pushed Sichuan talent to leave Beijing. Housing costs, living costs, and air pollution are the major reasons pushing people to get out of that city. A better environment for personal growth and job opportunities are the two major reasons for the remaining Sichuan talent to stay in Beijing.

China's Urbanization, Population Flow, and Regional Disparities in Economic Development

China's economic growth has been accompanied by a massive population shift into urban areas (World Bank and Development Research Center of the State Council, China, 2014).

FIGURE 11
URBANIZATION RATE AND PER CAPITA INCOME
IN CHINA (1987-2011)



SOURCE: World Bank and Development Research Center of the State Council, China (2014).

FIGURE 12a
GDP AND URBAN POPULATION GROWTH RATES IN CHINA (1973-2012)

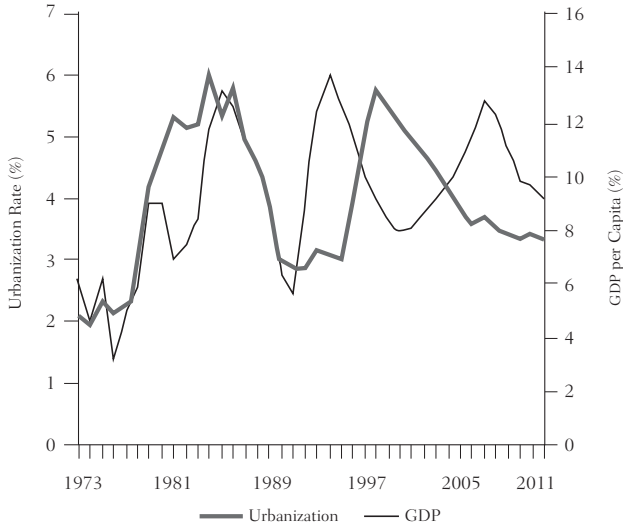
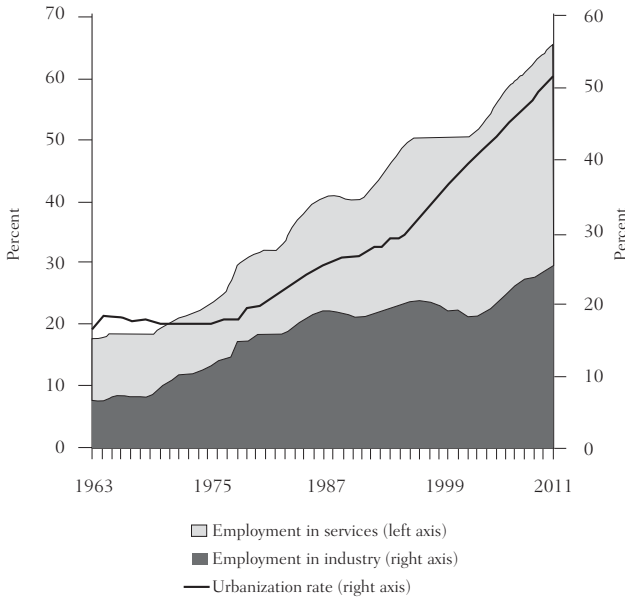


FIGURE 12b
STRUCTURE OF LABOR MARKET AND URBANIZATION RATE (1963-2011)



SOURCE: World Bank staff estimates based on CEIC dataset.

Based on the model developed by Chenery and Syrquin (1975) and using the data covering 31 provinces between 2000 and 2013 from the *China Statistical Yearbook* (various issues) and *Chinese Population Statistics Yearbook* (various issues), we investigated the relationship between China's urbanization, population flow, and regional disparities in economic development.

Dependent variable: We used *the ratio of non-agricultural population* as the proxy for the provincial urbanization rate. And three *independent variables:* 1) *The logarithm of per capita GDP.* We used this to feature the regional development level; 2) *The population size of a province.* We used population size as a proxy for scale economies of a province; and 3) *Net migration rate,* the difference between immigrants and emigrants to and from an area in a period of time, divided by 1 000 inhabitants (based on mid-year population). We used this to measure the impact of population flows on provincial urbanization.

Our Findings

Per capita GDP, which represents the level of regional economic development, has a significant positive effect on the urbanization level, strongly suggesting that the latter depends on regional economic development. Generally, population has a negative effect on urbanization. A spatial analysis shows that the effect of population on urbanization appears to be significantly positive only in the western provinces, but not significant in the eastern area and significantly negative in the central provinces. This suggests that overpopulation in China, especially in eastern and central provinces, eventually impacts the urbanization level. Population flow has a positive effect on urbanization. A spatial analysis shows that the effect of population flow appears to be significantly positive only in the eastern and central provinces, but not in the western area, suggesting that the population flow exacerbates the gap between the eastern, central, and western areas.

Conclusion and Policy Implication

Conclusion: The empirical analysis of provincial urbanization levels shows regional disparities of urbanization in China. The reforms in favor of the

coastal provinces lead to a widening of these regional disparities. However, the speed-up of that policy in Western China will hopefully stimulate the development of urbanization in the future. As a developing country characterized by regional imbalances, coupled with an imperfect market economy and a large population, the Chinese government shall develop multiple models of urbanization that fit the country's different regions.

Challenges for City Management Due to Urbanization: crime, social security inequality, employment, wealth gap, economic inequality, and cultural conflicts.

China has a huge number of new graduates every year. In 2015, an estimated 7.5 million university graduates will enter the Chinese work force. Many of these new graduates cannot get hukou in first-tier or second-tier cities. And they still prefer to stay in large cities for more employment opportunities.

Policy Implication: Break through the threshold for the flow of talent: 1) Cancel the restriction on residential land sale for rural people and encourage them to buy urban housing, invest in urban businesses, and integrate into urban civil society; 2) bring in more foreign nationalities to improve the international level of cities. Reform the entry, exit, and remain policy and lower the "Green Card" threshold for foreigners; and, 3) ease the policy on hukou status for new graduates in first- and second-tier cities.

