

New Challenges for China's Anti-poverty Policy during the Process of Urban-rural Integration

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1. Introduction

Since the 1980s, the Chinese government has been dedicated to eliminating poverty in both rural and urban areas and has made significant achievements. Taking the poverty line of US\$1.25 for daily expenses, poverty incidence in China was estimated to be as high as 84.0% in 1981, much higher than that in India (59.8%); the figure sharply dropped to 16.3% in 2005 in China and was much lower than that in India (41.6%)¹. Most of the absolute impoverished population remaining in China are in "chronic" poverty -impoverished groups lacking normal labor capacity or basic means of subsistence (Asian Development Bank (ADB), 2004). Such groups will be adequately covered under the minimum living allowance system being established across the country. China's antipoverty policies seem to be complete and well-targeted thanks to the "development-oriented poverty relief" that has been a long-term policy of the Chinese government and has mainly targeted the

low-income groups in rural areas.

Nevertheless, the reality is not as it seems. New challenges are emerging from the ever-enlarging poverty issue during the process of urban-rural integration, i.e. this problem is closely related to the accelerating urbanization process in the past three decades and is expected to continue in the coming 15-20 years in China. If we study China's poverty problem by taking this process into account and consider "poverty" not only in income but also in multiple dimensions, which include factors such as lack of rights and deficiency in basic welfare, as well as antipoverty work not only to solve the "immediate" poverty but also control the risk of falling into poverty, we will clearly see that new challenges come along with the achievements already gained.

One huge challenge exists in the rural population's migration. In the past 30 years, China has experienced a mass migration of its rural labor force as never before, considered to be the largest population migration in peacetime in history (World Bank, 2009). The "floating population" resulting from this migration is an enormous

¹Refer to Ravallion (2010). The exchange rate between the US dollar and RMB was converted on the basis of the purchasing power parity in 2005.

and ever-increasing number, estimated at about 150 million. This mass migration has increased China's urbanization rate from 26% in 1990 to 47% in 2009. And the tendency is expected to continue in the coming 15-20 years².

However, a range of policies in China has been designed separately for rural and urban areas and for rural and urban residents, and so have the long-adopted antipoverty policies which therefore cannot counter the impact of rural-urban integration. Though the Chinese government has in recent years implemented dozens of policies and measures to build the subsistence safety net for urban and rural residents, the current problem lies in the fact that such a net is cut into two parts for urban and rural areas, instead of being an effectively connected "net" planned as a whole. This is the major cause of vulnerability in groups not covered by this net, which are obviously lagging behind the process of urban-rural economic integration.

Migration and urbanization in China will persist for a long period. Meanwhile, the complete elimination of urban-rural separation in social services and special anti-poverty policies in China is a long-term process³. So resolving the poverty of China's

²According to the official materials, China's urbanization will maintain a rapid pace in 15-20 years ahead. During the Twelfth Five-Year Plan period (2011-2015), the urbanization level in China is expected to reach and go beyond 50% and the country is expected to become an urban society. Please visit <http://www.askci.com/freereports/2010-03/201033071652.html>.

³According to the estimation of the China Development Research Foundation (2009), the cost of urban citizenization for migrant workers is RMB 2 trillion per

floating rural population is not only a long-term process but also a hard task. Attention should also be paid to the issue of poverty in this new and large vulnerable group in addition to the traditional rural poor groups.

2. The poverty risk of the rural floating population

From the perspective of lack of rights and deficiency in basic welfare, the poverty risk of the rural floating population is mainly shown as vulnerability, which means that members of this group are exposed to personal, employment, development and other risks.

(1) Unstable employment and

heavy workload. As is shown in a 2009 survey, only 42.8% of migrant workers signed labor contracts with their employers or employing units; 89.9% of them worked over the 44 hours per week prescribed by the Labor Law; and those in the catering industry worked more than 60 hours per week (NBS Department of Rural Social and Economic Survey, 2010).

(2) Inadequate guarantees for

medical care and personal safety. In 2009, the rates of pension as well as work injury, medical, unemployment and maternity insurance paid by employers or employing units for rural migrant workers were 7.6%,

year.

21.8%, 12.2%, 3.9% and 2.3% respectively; and the proportion of insured rural migrant workers in the central and western parts of the country was significantly lower than that in the eastern part (NBS Department of Rural Social and Economic Survey, 2010).

(3) **Danger of intergenerational poverty.** Due to the unequal right to education for migrant rural workers' children compared with that for children living in cities, the gap may grow even wider between the two groups, and thus will cause intergenerational poverty in migrant workers.

(4) **Specific risks faced by female migrant workers.** According to the comprehensive survey launched by the National Coordination Group for Safeguarding the Rights and Interests of Women and Children (2007), in 2006, only 36.4% of employing units permitted full lawful maternity leave for their female migrant workers, only 12.8% reimbursed their female employees for medical care fees for maternity, and as many as 64.5% paid no salaries to female employees for their maternity leave; 58.2% of female migrant rural workers had to go back to their villages, rather than the city where they worked, for regular

checks during pregnancy, which brought lots of trouble for them and increased their economic burden and employment difficulty; and 46.3% of the surveyed female migrant workers said that they often felt exhausted both physically and psychologically, 18 percentage points and 11.5 percentage points higher than those for male rural workers and rural women respectively.

Thus it can be seen that compared to traditional income poverty, the impoverished group in the rural floating population is often difficult to define and its major risk is vulnerability. This poverty is multidimensional, and it is the result of policies rather than being chronic, which means the cause lies in defects in the policy system, rather than from inability of the vulnerable individuals.

3. The disadvantage in the current antipoverty policy system in relation to the poverty of the rural floating population

From the perspective of vulnerability and multidimensional poverty, the main disadvantage in the current antipoverty policy system in terms of the poverty of the rural floating population is that the current antipoverty system and policy are designed separately for rural and urban areas and residents in these areas and find it hard to counter the challenges brought by rural population mobility. To be specific, the problem is mainly shown in the following three aspects.

3.1 Non-inclusive urbanization patterns make it hard for the rural floating population to share the benefits

China's current urbanization process is non-inclusive of the floating population, thereby weakening the ability of this vulnerable group to cope with risks of transition poverty. This "non-inclusive" nature is obvious in the discriminatory employment and welfare system along with the household registration system.

Though discrimination against migrant rural workers in urban markets has been eased to some extent in recent years, there are still quite a number of defects in laws and regulations supposed to protect migrant workers from such discrimination. China's reform of the household registration system has lifted some restrictions on migrant workers registering in urban areas, but only in middle- and small-sized cities and towns. However, this reform has failed to reduce the costs to rural workers of working in cities, as most migrant rural workers tend to work in large and mega cities. Furthermore, there are still preconditions for migrant workers to register in middle- and small-sized cities and towns; for example, migrant workers can register in cities only if they buy houses in these places. This has cast a shadow of "elite urbanization" over urban-rural integration.

The discriminatory employment and benefits system accompanying the household registration system undoubtedly weakens the ability of the floating population to share in the achievements of urban-rural

integration, and are very disadvantageous for easing the vulnerability of this group.

3.2 The dual-structured urban-rural public service system limits the adequacy of the subsistence safety net in assisting vulnerable groups to respond to the risks of transitional poverty

The urban-rural public service system in China is still incontrovertibly a "dual" structure, which is mainly reflected in isolated policy systems for basic public services with different operational mechanisms in urban and rural areas. Such a division indicates that urban-rural integration has not been realized within the public service system thus far in China.

Take the compulsory education policy for example. Since 1985, China has adopted a compulsory education system of "local responsibilities and deregulated administration", which leads to an urban-rural divide. In such a situation, the central and provincial governments have strengthened the financial transfer payments for rural compulsory education; however, the governments of receiving cities are confronted with heavy financial pressure because of the lack of fiscal transfer policy support for compulsory education of migrant workers' children, since the financial transfer payments are still based on the permanently registered population.

Then we come to the basic medical care policy. The areas to be covered and management systems of the current basic medical insurance system for urban

employees and the New Type of Rural Cooperative Medical Care System (NTRCMCS) obviously have a dual urban-rural structure. Such systems cannot meet the requirements of the huge floating population in urban and rural areas in China, nor can they adapt to rapid economic development and urbanization.

The basic social security policy is also obviously structured in a dual urban-rural manner. Many areas in China have set up basic social security systems covering groups such as flexibly employed urban residents, migrant rural workers, farmers engaging in agriculture, and landless farmers, but these systems are nevertheless dualistically divided between urban and rural areas and separate private and public sectors in a fragmented way (Zheng Bingwen, 2009). There has been no integrated plan to link up the various social security systems. Taking the pension system for rural migrant workers for example, the basic pension scheme for urban employees and the new rural social endowment insurance have so far not been connected. Insurance levels for different social security systems (quality disparity) are quite different.

The lack of basic public services caused by the dual-structured system of basic public service weakens the ability of part of the floating population and landless farmers to respond to various personal or economic risks, and leaves them vulnerable to the potential risks of losing development opportunities and capacities, and consequently of impoverishment. Take

medical care for example. Separated urban-rural medical care services exclude a large floating population from the urban medical insurance system as well as NTRCMCS, reducing accessibility to services for the floating population.

According to statistics from the Ministry of Human Resources and Social Security of the People's Republic of China⁴, the number of migrant workers who were covered by the urban medical insurance system in 2009 was 43.35 million, accounting for only 29% of all 150 million migrant rural workers in China. Actually, though NTRCMCS has covered almost all rural areas, migrant workers are excluded from the system due to difficulties in payment and reimbursement (Lin Wanlong, 2009a).

3.3 Specialized anti-poverty policies based on urban-rural segmentation cannot include the population trapped in transitional poverty in specialized poverty monitoring and supporting systems

The current poverty reduction offices and social security departments in charge of rural poverty alleviation are set up based upon administrative divisions, and can only launch poverty relief projects targeting local rural poor groups within their own jurisdiction, thus being unable to help the poor floating population. The urban minimum living allowance system, on the other hand, only

⁴Ministry of Human Resources and Social Security of the People's Republic of China, Statistic Bulletin for the Development of Human Resources and Social Security 2009, http://w1.mohrss.gov.cn/gb/zwxx/2010-05/21/content_382330.htm.

provides minimum living allowances for the urban poor population, but not for the floating population in urban areas. It thus can be seen that both urban and rural poverty relief systems have strong “local limits”, so that the large floating population is excluded from present poverty alleviation systems and becomes an “out of-system” poor group.

The double standards of poverty adopted for urban and rural areas in fact exclude the rural floating population and the current separate monitoring systems for urban and rural areas cannot detect the poverty suffered by them. As the poor people within the huge floating population are not included in monitoring, poverty monitoring quality, and thus the design of antipoverty policies, will be substantially affected. Poor people still comprise a substantial proportion of migrants, even according to the general income poverty line. In the report containing the studies described above, the World Bank quoted certain statistics from the rural household survey launched by the National Bureau of Statistics: the poverty incidence for migrant families was 8%, whilst that for left-behind households was 11% (World Bank, 2009). Other studies have shown that the poverty incidence for the mobile population from rural areas to cities was 14% in 2002 (Khan and Riskin, 2005), indicating that this is more than 20 million poor of the rural mobile population of 150 million. Whichever figure is more accurate, close attention must be paid to the income poverty of the mobile population.

4. Conclusion and policy recommendations

To sum up, the ever-increasing population of migrant rural workers, landless farmers and left-behind people in China's urban-rural integration form new poor and vulnerable groups that are different from traditional ones, with low incomes, limited development resources and severe conditions. At present, China's macro antipoverty policy and specialized poverty relief policy systems have several defects in tackling the risks of transitional poverty confronting these groups. The main problem is the urban-rural divide in the policy system.

China must establish a policy system and a development mode that benefits all vulnerable groups and allows them to share the achievements of urban-rural integration. We should avoid problems such as a widening rich-poor gap and estrangement or even opposition between rich and poor groups, which occur frequently in the context of urbanization in developing countries. China must not put undue emphasis on efficiency and speed; instead, we should reform the single urban-rural economic integration into a comprehensive process. We should devote major efforts to developing labor-intensive industries and enhancing urban capacities for job creation and build a unified and fair production factor market in urban and rural areas, especially promoting the “non-elite” household registration system so that there are no restrictions on household registration for the immigrant population. This will enable most employees in urban

areas to gain permanent residence in urban areas.

The “dual” urban-rural public service system should be reformed to eliminate public service quality disparity for different groups and promote urban-rural integration in the basic public service policy system. The essence of building an “integrated” urban-rural public service system is breaking the boundaries between urban and rural areas step by step, establishing an integrated rather than a “fragmented” urban-rural public service system, and building a nationwide subsistence safety net covering all the vulnerable groups in urban and rural areas, taking urban and rural residents as a whole. Taking the actual situation and conditions into account, we will accelerate and enhance the setting up of links between existing urban and rural policies. Based upon all these elements, we can finish the transition between policy systems and realize policy integration.

We should consider the floating population when setting antipoverty objectives and establishing a linked-up urban-rural poverty reduction system. China's new poverty reduction strategy will pay more attention to transitional poverty suffered by vulnerable groups, highlighting risks of impoverishment for these groups, and making it a crucial link in future macro poverty relief strategies to enhance development capacities and opportunities of vulnerable groups. We should establish and strengthen poverty relief policy by targeting people rather than being locality-limited; moreover, we should develop comparable and gradually improved urban and rural poverty lines as well as a poverty monitoring system covering urban and rural areas. We should also integrate the resources of poverty relief organizations and establish integrated urban-rural poverty relief coordination institutions to promote a linked-up and unified urban-rural poverty relief system.

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