



Economic transition, urbanization and population redistribution in China



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1. Introduction

China has been experiencing unprecedented urbanization since the 1980s when it entered the period of economic transition. From 1978 to 2010, China's urban population increased from 170 million to 670 million and its share of the total population rose from 18% to 50%. While China is running on the fast track of urbanization, a variety of problems have been popping up. Two major issues are the great amount of rural migrants counted as urban residents without rights of urban citizens, and the growing disparities between the highly urbanized east and the less urbanized inland. Understanding the urgency of these problems, the state has put forward the idea of 'new urbanization model', which emphasizes the quality of urbanization rather than speed as before. A key theme is to coordinate the industrialization and urbanization process.

Contemporary urbanization has gone hand in hand with industrialization (Chan, 2010; Henderson, 2003). Urbanization and Industrialization are synchronized in developed countries while over-and-under urbanization is considered common in developing countries (Chen, Liu, & Tao, 2013). However, there has no consensus

about the relationship between urbanization and industrialization in China. Some studies advocate that China is under-urbanization mainly by comparing urbanization rate and economic development (Chang, 2002; Chang & Brada, 2006; Guo, Lu, & Gan, 2002). Others hold that China is confronting over-urbanization (Lu, Yao, Li, Liu, & Gao, 2007; Zhou, 2006) generally by showing the noticeable evidence of the dramatic increase in the number of rural-urban migrants and urbanized land (Chen et al., 2013).

It is necessary to see through the process of urbanization and industrialization to perceive the essence of them. And it is well displayed by population redistribution, which is the spatial change of population. Urbanization comes as labor shifts out of agriculture and into urban production. Manufacturing and later services take advantage of economies of scale in cities and further enlarge the population size. In addition, people are attracted by the superior public services, cultural facilities, convenient infrastructures and more opportunities in cities as well. However, if those people have no access to basic rights of urban citizens, they will not settle down in cities, and then the labor pool which is required to support industrial development will be diminishing. Consequently, we propose a demographic perspective to examine the interaction between population redistribution and the dual process of urbanization and industrialization.

The paper is structured as follows. Following this introduction, the section will discuss the relationship between industrialization, urbanization and population redistribution under the context of economic transition. The third section examines the distinctive spatial patterns of floating- and *Hukou*¹- population redistribution through last decade. The paper then investigates economic and institutional determinants of population redistribution using spatial econometric models and concludes with a summary of major findings.

2. Economic transition, urbanization and population-redistribution

Industrialization and urbanization have not been well

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¹ In this paper, *Hukou* refers in particular to urban *Hukou*.

coordinated in China during the transitional period (Lu, Huang, Lu, & Zhou, 2005). Conventionally, analysis of this incoordination digs into their features of non-synchronism, and probes for the likely causes. However, coordination is not simply equivalent to synchronism. To identify the real problems requires us to understand its mechanism well first, which is currently still unclear. The innovative term of new urbanization promulgated by the central government put forward a development philosophy of coordination between industrialization and urbanization, rather than the synchronism-based understanding of the dual process of urbanization and industrialization. To echo the debate about the relationship between industrialization and urbanization in China, and to offer insights into new urbanization model, we propose a framework by linking population redistribution with the dual process of industrialization and urbanization (Fig. 1). First of all, we need to clarify the definitions of industrialization and urbanization. We adopt the common definition of industrialization, which indicates the process of increasing the proportion of secondary industrial output in the national output and the increasing proportion of industrial employment in the total employment. However, the definition of urbanization in this study is very specific, which emphasizes on the process of entitling more urban residents full access to urban welfares. Under *Hukou* system, it also could be defined as the process of increasing the proportion of *Hukou* population in urban population, since only *Hukou* population could fully enjoy urban welfares. Industrialization usually occurs in cities, which have basic infrastructures and facilities for industrial development. Industrialization uproots more and more rural people to work in secondary industries in cities. However, not all of these labor migrants could contribute to urbanization, because of *Hukou* system, which prevents most migrants from getting *Hukou*. No *Hukou* means no access to urban welfare, so majority of floating population will finally flow away from cities. Then urbanization would lag behind industrialization. In the long run, urbanization's ability of sustaining population growth tends to weaken and the labor pool, which further industrialization requires, would shrink. Once industrialization gets hindered, urbanization would get hurt. It leads to a vicious cycle.

China opened its door since 1978 when a top-down reform was launched, and then has entered a transitional period. The reform permeated various facets of society, two of which are closely tied up to demographics. The first is the process of marketization. The emergence of non-state owned economy creates market and

generates more competition to improve economic efficiency (Naughton, 1994). It also builds the premise for the globalization process which induces the influx of foreign capital and the boom of export-oriented economy. The utilization of foreign capital and the outward economy has greatly fostered manufacturing nationwide, especially in the coastal areas (Rodrik, 2006; Zhang, 2003). As a result, China gradually immersed into the global economy and became the so-called 'world factory'.

It is important to note that population redistribution has very close relationship with China's rising up as a "world factory". Specifically, rapid industrialization process creates jobs and offers higher incomes, attracting massive rural labor into urban sectors. Inter-regional migration from the inland to the coastal region and intra-regional migration from peripheries to the central cities have turned to be a consequential way of efficient labor allocation (Fu & Gabriel, 2012). The coastal region is well connected with the global market and has better legal, financial and technological infrastructure that foreign investors favor (Leung, 1996; Wei, 1995; Zhao, Chang & Sit, 2003). In addition, the increasing returns to scale and positive feedback mechanism help the coastal region realize self-agglomeration (Fujita & Hu, 2001), which uproots more and more labor out of the rural area. Theoretically, industrial agglomeration accompanied by the concentration of population would effectively facilitate the process of urbanization. In this regard, industrialization leads to urbanization. But in China, this relationship has been complicated by its *Hukou* system.

Contemporary *Hukou* system is a legacy of the central planning. Although it no longer could bound people in their registration place, it still affects people by its connection with urban welfare services (Chan & Buckingham, 2008). In addition, current *Hukou* system still strictly confines people to their original *Hukou* status. As a result, labor migrants, who have contributed much to industrialization and then urbanization, seldom settle down in cities since they have very limited chance to change their *Hukou* status from rural to urban. And urban *Hukou* is the only precondition for a person to have access to majority of welfare services in a city. In this sense, this *Hukou* system denies labor migrants' permanent residence in cities and makes them "temporary" and "floating" population. (Liu, 2005; Zhu, 2007). In addition, the *Hukou* status of rural workers puts them on the inferior position at the segmented urban labor market. Overall, the undesirable situation that the migrant labors suffer from the contemporary *Hukou* system, may induce the shrink of urban labor pool. It would hinder further industrialization

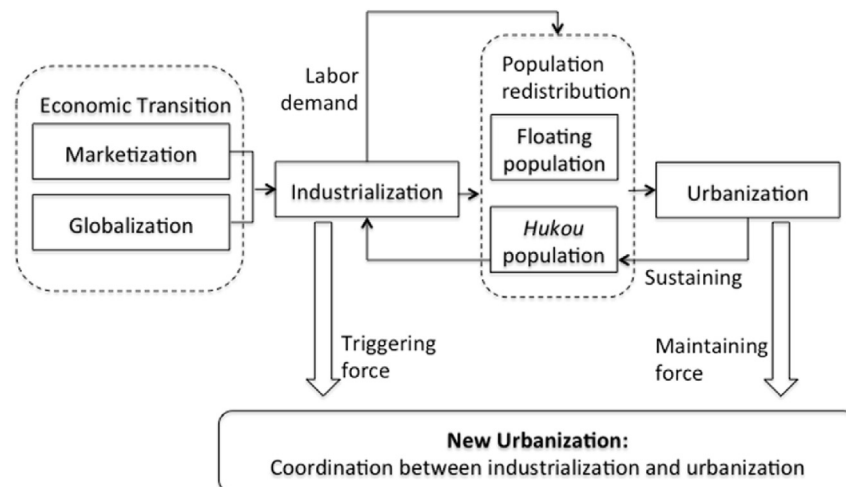


Fig. 1. Framework of the relationship between population redistribution, industrialization and urbanization under economic transition.

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