



Spatial mismatch in post-reform urban China: A case study of a relocated state-owned enterprise in Guangzhou



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ABSTRACT

Accompanying rapid urbanization and economic transformation, the reconstruction of inner city in urban China has been taking place during recent decades. However, the social and geographic inequality resulted from such reconstruction and experienced by minority groups has received less attention to date. To address this, a case study using individual-level data based on a survey of a relocated state-owned enterprise (SOE) in Guangzhou was conducted. The study shows that similar to other cities in the world, the spatial mismatch that results in long and time-consuming commuting as well as lower quality of life exists. It has considerable adverse impact on the low- and middle-income employees of the relocated enterprise. However, it was not social or racial segregation but institutional transformation that brought about the spatial mismatch in China. Based on the dual economic system in China, both the planned and market systems played important roles in the enterprise's relocation and their employees' daily lives. Institutional barriers associated with the welfare system had a great impact on the geographic immobility of its employees. These include the retirement and medical insurance systems inherited from the planned economy and the supply of work unit buses, which rendered employees more attached to and dependent on their enterprise. However, these provisions were big burdens to the enterprise which reduced their profit and led to lower spatial mobility of its lower-income employees.

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1. Introduction

First articulated by John Kain in the 1960s, the spatial mismatch hypothesis (SMH) was one of the most enduring theories on the problems concerning inner-city poverty, growing unemployment and social segregation (Kain, 1992; Horner and Mefford, 2007). The early papers on the SMH by Kain argued that racial segregation in the housing market affects the distribution of employment for African Americans and reduces their job opportunities. They further suggested that postwar suburbanization of employment has seriously aggravated the problem (Kain, 1968). Although there are some who rejected the hypothesis, arguing against the impact of residential segregation on the employment opportunities of African Americans (e.g., Offner and Saks, 1971; Masters, 1975; Ellwood,

1981), the hypothesis has received wide attention in recent decades and is still alive (Kain, 1968, 1992; Holzer, 1991; Horner and Mefford, 2007). It was reviewed and summarized by researchers from different disciplines. The debate has focused on the issues of whether minorities have poorer geographic access to job opportunities than other groups, and on the core meaning and content of the hypothesis (Ihlanfeldt, 1994; McLafferty and Preston, 1996; Kain, 1992; Moss & Tilly, 1991; Preston & McLafferty, 1999). Under the rubric of the SMH, attention has been expanded from African Americans to other minority groups, such as Hispanic youths (Ihlanfeldt, 1993; Ihlanfeldt & Sjoquist, 1991), Latinos and other new immigrants, poor and low-wage workers, as well as minority women (Covington, 2009; Fan, Allen, & Sun, 2014; Zhang & Man, 2015).

Although much of the literature on the SMH focuses on race/ethnic discrimination issues, ethnic minority groups are too small in urban China for a meaningful examination of the SMH based on racial/ethnic discrimination (Li & Wu, 2008). With the economic reform since 1978, the original socialist system of jobs and housing

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allocation in China has undergone considerable changes. As a result, both labor and housing markets emerged and the more market-oriented economic system brought about great changes in urban China. Accompanying the rapid economic development of the economy, great social inequality also emerged in urban China (Khan & Riskin, 2001). Wu (2004) argued that socialist development strategies were one of the main reasons for the new urban poverty in post-reform China, “macro factors such as economic restructuring (the decrease in manufacturing activities and the rise in the tertiary sector), the shrinking of state-owned enterprises (SOEs), and a development strategy economizing the use of labor are contributing to urban poverty.” Employees of old SOEs, therefore, have become one of the groups that face the threat of poverty.

The relocation of employment opportunities from the inner city to suburbs is the main cause of jobs-housing spatial mismatch in the original formulation for the SMH. Similar to the situation in U.S. cities in the 1960s when the SMH was first articulated, urban China has witnessed considerable reconstruction and plant relocation in recent decades. The relocation of SOEs in China serves as an analytical bridge to connect the processes of institutional transition and changes in urban structure. Thus, this study seeks to contribute to the literature on the SMH in the context of the institutional transformation in China through examining whether spatial mismatch exists among the new minority group brought about by institutional transition.

Central to China's economic policy, the reformation of state-owned enterprises (SOEs) in recent decades has been recognized as a great success, especially in improving their productivity and efficiency as well as their positive impact on the economy. However, as institutional reform unfolded, problems also emerged and were widely discussed (see Bai, Lu, & Tao, 2009; Garnaut, Song, & Yao, 2006; Zheng & Chen, 2009). Much research to date focuses on the economic and institutional reform of SOEs, while little attention has been paid to the important socio-spatial issues associated with such reform. The relocation of SOEs is part of the socio-spatial transition that has led to changes in the geographic distribution of jobs. These changes were generated by multiple factors embedded in the process of institutional transition. However, this institutional background as well as its impact on jobs and housing remain relatively unexamined.

During the socialist planning era of China, traditional *danwei* (which were mostly SOEs) played an important role in the allocation of jobs, housing and other social services for urban residents. The predominant spatial form of traditional work unit and its residential area, such as the *danwei* compound and *danwei* residential district that emerged in urban China during this period still have a great impact on its urban space currently (*Danwei Xiaiqu or Gongren Xincun*) (David, 2005; Wang & Murie, 2000; Wu, 2005).

At the early stage of the SOE reform during the 1980s, the stability of SOEs was ensured by providing them some free administratively allocated land for self-use. This enabled SOEs to build cheap housing for their employees and attract their employees to “attach” to them. This kind of spatial form continued even after the leasehold market was established when the PRC Land Administration Law was modified in 1988. Under the dual system of land use that covers both public land use (e.g., land use for transportation or public facilities) and tradable land use (e.g., land use for residential, commercial and industrial purposes), certain users (*danwei*, including some SOEs) can also receive some land from the government with administratively allocated land use rights without payment and get much profit if the land enters the land use market. Under this dual system, some *danwei* (including SOEs) built *danwei* welfare housing for their employees at low prices.

The housing reform in China was implemented since 1998 as part of the modernization reform of the enterprise system. It aimed

at separating the function of housing allocation from *danwei* and encouraging individuals to purchase housing from the market. The market transformation stimulated the demand for both housing and land use and also fostered economic development. According to China's land law and policies, the first-hand tradable land market is monopolized by local governments, which bought farm land at low prices from farmers collectives. After improving the essential infrastructure, land is then “prepared” and sold by local governments to developers at much higher prices. Land sale has become one of the main revenue sources for most local governments, and this stimulates land development rapidly. At the same time, the price of tradable land is mostly decided by location, which means that the relocation of an enterprise from downtown to less centrally located areas (e.g., suburbs) will bring in extra profit, especially for industrial SOEs that received land from their governments. This market-oriented transformation facilitates the relocation process. Under this transformation, urban space in most Chinese cities expanded rapidly after 2000. Meanwhile, some industrial SOEs started to relocate from downtown to suburban areas.

Most relocated SOEs had received land from local governments before. They can make extra profit by moving to suburban areas, which involves selling their land in urban centers at high prices and buying new land at much lower prices in suburban areas. At the same time, accompanying the deepening of SOE reform, multiple forms of non-SOEs, such as foreign enterprises, private enterprises, and shareholding enterprises, emerged and developed rapidly. As a result, the profit and market shares of SOEs decreased after the 1990s. They suffered from losses amounting to more than 30% in the 1990s and such losses increased by more than 20% in the 2000s, resulting in mass layoff and lower income for their employees, who constituted urban poverty clusters according to some China scholars (Liang & Fang, 2011; Yuan, Xue, & Xu, 2006) (Fig. 1).

The relocation of SOEs and profit-making land transactions were thus closely related to the institutional transition. However, the inequality experienced by the urban poor as a result of this process is often ignored by local governments. The impact of such enterprise relocation on their employees and other people thus needs careful examination. For instance, would employees of SOEs become the minority group faced with spatial mismatch or poor access to employment in ways similar to African Americans in U.S. cities? As a structural barrier, spatial mismatch has a great influence on commuting trips, residential mobility and the information-searching ability of vulnerable groups. It restricts their opportunities in urban housing and local labor markets (Preston & McLafferty, 1999). So what are the factors that impact on the spatial mismatch of these vulnerable groups under the institutional context of urban China and on social inequalities? How do they cope with the problems? To address these questions, this study examines whether SOE employees experienced the problems associated with the spatial mismatch of jobs and housing and how well they cope with these problems through a case study of an SOE in Guangzhou China.

2. Literature review

The SMH has been widely discussed in recent decades and its scope has widened as it developed over time. The spatial mismatch experienced by minority groups under different contexts is a major concern in urban research in recent years. While much of the work on the SMH focused on the role of race and residential segregation as major factors, Houston (2005) argued that the emphasis on racial discrimination may have hindered the spatial mismatch hypothesis from developing a coherent conceptual framework that incorporates wider structural and spatial issues. Stoll and Covington (2012) also indicated that racial differences in spatial mismatch

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