



# The self-employment of the industry choices of dispossessed farmers in China



Dinghuan Yuan<sup>a</sup>, Xiaoling Zhang<sup>a</sup>, Haijun Bao<sup>b,\*</sup>, Yang Fu<sup>a</sup>

<sup>a</sup> Department of Public Policy, City University of Hong Kong, Hong Kong

<sup>b</sup> School of Public Administration, Zhejiang University of Finances and Economics, Hangzhou, China

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## ABSTRACT

Rapid urbanization has generated an increasing number of dispossessed farmers in China, with the issues and problems involved gaining extensive attention by the government and academia. Some of them are turning to entrepreneurial activities as an alternative means to earn a living that can solve their long-term livelihood. This study has identified the factors influencing their choices of self-employed industry based on the Grounded theory. Then four hypotheses are developed and quantitatively tested by the Multinomial Logit regression analysis method with 219 observations collected in Zhejiang Province. The empirical results indicate that the four hypotheses receive different levels of support. The decision-making of specific industry is the result of synergistic effects exerted by both internal and external factors. Dispossessed farmers with similar characteristics tend to choose similar industries. The entrepreneurial, adjustment and protective, policies are put forward to facilitate the likelihood of dispossessed farmers' successful startups.

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## 1. Introduction

China has been experiencing rapid urban development by land requisition to meet the increasing land demand driven by rapid economic and urban growth (Hui and Bao, 2013; Xu et al., 2011). Due to the dual land system resulted from land reform in 1982, Chinese land institution is different from other countries (Xu et al., 2011). Since then, there has been the dichotomy of state ownership of urban land and collective ownership of rural land (Zhang and Donaldson, 2013). It is required by the government that only state-owned land could be used for commercial and public use, and therefore, rural land used for such purposes must be firstly transformed into urban land (Xie et al., 2002). During the land assembly and land requisition process, the power of eminent domain seems to be a universal agreement (Knetsch, 1983). The Chinese government has the power of eminent domain to acquire collectively owned rural land with compensation policies made by itself (Keliang and Prosterman, 2007; Xie et al., 2002). Such experience is not exclusively Chinese, it is not unusual in the United States

(Collins and Shester, 2013), Hong Kong (Hui et al., 2008), Addis Ababa (Gebre, 2008), Ghana (Larbi et al., 2004) and so forth, subject to the payment of just compensation. This controversial strategy, on the one hand, has played a major role in China's modernization (Huang, 2015) and economic growth (Lichtenberg and Ding, 2009). The negative impacts on the environment and culture heritage are generated, such as the deteriorating land ecosystems, a loss of agriculture land (Qian et al., 2013) and the increasing entropy (Seto and Kaufmann, 2003; Xu et al., 2013), on the other hand. It also brings about great challenges to human society (Wang et al., 2010), such as an increasing number of dispossessed farmers whose farmland have been expropriated (Bao, 2009; Cao et al., 2008) and heightened tensions in state-dispossessed farmers relationship (Parker, 2009; Tang et al., 2008). "Dispossessed farmers", also known as "land-loss farmers" (e.g., Long et al., 2010) or "landless farmers" (e.g., Po, 2008), are incapable of integrating themselves into urban life (Bao and Wu, 2002) and are confronted with a wide range of potential risks (Yu et al., 2014). Some (He et al., 2009) claim that this vulnerable group is entitled to scarce public goods, such as education, housing, healthcare and employment due to the *hukou* system, an institutional discrimination to the rural (Zhao, 2017). Some dispossessed farmers, thus, may become more impoverished after land deprivation as land used to serve as their resources, assets, and insurance (He et al., 2009; Hui et al., 2013). Although the

\* Corresponding author.

E-mail addresses: [dhyuan2-c@my.cityu.edu.hk](mailto:dhyuan2-c@my.cityu.edu.hk) (D. Yuan), [xiaoling.zhang@cityu.edu.hk](mailto:xiaoling.zhang@cityu.edu.hk) (X. Zhang), [baohaijun@zufe.edu.cn](mailto:baohaijun@zufe.edu.cn) (H. Bao), [yangfu6-c@my.cityu.edu.hk](mailto:yangfu6-c@my.cityu.edu.hk) (Y. Fu).

study in Zhejiang province drew contrary conclusions that the total welfare of dispossessed farmers increased by 11.8%, their social security and psychological conditions deteriorated (Li et al., 2015).

Processes of social and economic restructuring have been observed in rural areas across the world (Woods, 2013), but China has faced particular challenges from its rapid urbanization and related migration, political and economic reform, and environmental pressures (Long and Liu, 2016). Against this backdrop and to address the increasing social concerns, the central government in China promotes the policy of “New-type urbanization” and “Building new countryside” to relocate rural resources to realize rural restructuring and promote rural development (Long et al., 2016; Long and Woods, 2011) with a greater emphasis on “people-oriented” development (Wang and Wang, 2015). The issues of the dispossessed farmers, such as unemployment therefore, are gaining extensive attention from political and academic spheres (Liu et al., 2014). Nevertheless, the majority of studies overwhelmingly focus on marketization of rural collective land (e.g., Parker, 2009; Zhou, 2013) and policies to improve compensation (e.g., Cao et al., 2008; Chan, 2003) and social security (e.g., Hui et al., 2013; Liang et al., 2014) while the literature on the strategies to settle their long-term livelihood is largely absent. In spite of some skill training programs initiated by local authorities to facilitate future employment, the effort was not enough compared to the demand (Li, 2011). Unemployment has become a major challenge for these dispossessed farmers in China (He et al., 2009).

In effect, most people would like to be self-employed concluded by the International Social Survey Program of 1998, which asked random samples of individuals from 11 countries (Blanchflower and Oswald, 1998). Self-employment or entrepreneurship is regarded as a crucial determinant of the economic growth and an essential factor in shaping the spatial distribution of economic activities on the national territory (Faggio and Silva, 2014; Huang, 2008; Schumpeter, 1921). In addition, some (Faggio and Silva, 2014) argue that it can also improve the city employment. Thus, the policy makers in a number of countries, in response to these beneficial element, has initiated and established some institutions to promote business start-ups, such as the Small Business Administration (SBA) agency in US, the Department for Business, Innovation and Skills (BIS) in the UK (Glaeser et al., 2015). Since dispossessed farmers enter self-employment in a wide variety of ways, with or without creating a new organization or taking innovative activities, which is the definition of entrepreneurship (Carroll and Mosakowski, 1987), the term “self-employment” is supposed to be more suitable to this study.

Even as China becomes more urban, the politics of its countryside will continue to be central to the PRC and around the world (Yeh et al., 2013). This study, thus, focuses on the emerging phenomenon of dispossessed farmers turning to be self-employed as an alternative strategy to solve the unemployment issue in Zhejiang province. This study aims to explore what factors influence dispossessed farmers' choices of industries for self-employment in Chinese villages where the rural institutions has been restructuring and transforming dramatically. To what extent can these factors affect their choices? By clarifying what and how these factors impact their choices in the rural villages, we will have a general clue of the current situation of Chinese dispossessed farmers. The outcomes of this study can give some inspirations and guidance to policy makers. With variegated favorable policies as responses to dispossessed farmers' choices, it is supposed to improve the likelihood of success of their startups. The policies may make the transforming urban system more inclusive and help sustain a long-term livelihood for dispossessed farmers (Bao and Peng, 2016; Seuneke et al., 2013). This paper is organized into six sections. Following the introduction, the grounded theory, defined by

Glaster and Strauss (1967) is thus used to establish a theoretical model. Hypotheses development is then presented in the third section, followed by a methodology and data analysis. This section involves the development of a Multinomial Logit model from questionnaire survey data mainly collected in Zhejiang Province. The fifth section contains a detailed discussion of the statistical results. The final section summarizes the results of analysis and put forward the implications and suggestions for future studies and practice.

## 2. Grounded theory

The existing literature does not put forward a theoretical model on the influencing factors of self-employment of dispossessed farmers' industry choices. Despite being able to analyze and summarize some factors, little research has been done up to date. It is thus necessary to obtain more detailed information from fieldwork. The basic information pertaining to interviewees, who are entrepreneurial dispossessed farmers in Yiwu are shown in Table 1.

### 2.1. Open coding

Unstructured and casual conversations were conducted with the interviewees. This can help them to talk with us in a relaxed and non-threatening situation. By repetitive listening to the recordings, the key influencing factors were then refined. The original words of the interviewees were used as much as possible in the coding to capture the original meaning and abate researcher bias. The open coding results are shown in Table 2.

### 2.2. Axial coding

Axial coding is used to establish the intensive relationship network surrounding the category. It links the main category with its corresponding category. Five main categories were identified based on the interactive relationships and logical order at the conceptual level. The results of axial coding are shown in Table 3.

### 2.3. Selective coding

Selective coding makes the relationship among the main categories more specific. This analysis method conceptualizes the codes and links the codes, which can make the analytical story more theoretical. The analysis results of selective coding are shown in Table 4.

Consequently, the research established the theoretical model on the influencing factors of dispossessed farmers' industry choices as shown in the following Fig. 1.

## 3. Research hypotheses

### 3.1. Individual element

Personality-based theories of entrepreneurship posit that it is the personal traits making people prone to behaving and succeeding as entrepreneurs (Glaeser et al., 2015). The established entrepreneurs often have higher risk-tolerance (Glaster and Strauss, 1967), the spirit of innovation and confidence (Brockhaus and Horwitz, 1986) than non-founders. The relationship between such personality traits and entrepreneurial behavior is discussed frequently in entrepreneurship research (Begley and Boyd, 1987). Some (Zhang, 2011) claim that personality traits have a positive relationship between business creation and business success, while others (Rauch and Frese, 2007) argue that there is no such relationship.

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