



Urbanization and rural livelihoods: A case study from Jiangxi Province, China



Qing Tian ^a, Liying Guo ^{b, c, *}, Lin Zheng ^d

^a Computational Social Science Program, College of Science, George Mason University, 4400 University Drive, Fairfax, VA 22030, USA

^b Institute of Natural Resources and Regional Planning, Chinese Academy of Agricultural Sciences, Beijing 100081, China

^c Center for Spatial Information Science and Systems, George Mason University, Fairfax, VA 22030, USA

^d Key Laboratory of Poyang Lake Wetland and Watershed Research, Ministry of Education, Jiangxi Normal University, Nanchang 330022, China

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ABSTRACT

The livelihoods of Chinese rural households are undergoing a transformation amid urbanization. While participation in the urban economy has improved rural living standards, rural income has consistently lagged behind urban income, and a broader prosperity gap persists between urban and rural areas. How to increase rural income and reduce the rural-urban gap remains a major challenge for the Chinese government. This study examines rural livelihoods within the broader development context of China, paying particular attention to the interconnection between agricultural and industrial development. We further elaborate Arthur Lewis's insight about Unlimited Supply of Labor to illustrate the various social, economic, and institutional components that affect the two-sector development dynamics in the Chinese urbanization context. Through an in-depth case study of eight villages in Jiangxi Province, we analyze the complex processes that shape the livelihoods of rural households, which also provides the micro-socioeconomic foundations for the macro-level development dynamics. Our qualitative interviews and field observations enable us to develop a deeper understanding of the decision-making of rural households and the multifaceted constraints confronting them in developing viable livelihoods. We reflect from a systems perspective on how development, migration, and land policies may synergistically foster healthy rural-urban development dynamics. And this will help lift system-level constraints and facilitate rural households with different characteristics, situated in different local environmental settings, building robust livelihoods via different paths.

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1. Introduction

China has been experiencing rapid urbanization which has profoundly transformed rural households' livelihoods (Peng, 2011; Siciliano, 2012; Liu et al., 2014; Long, 2014a). Participation in the urban economy and the overall economic growth in China have contributed to rural poverty reduction and improved rural living standards (De Janvry et al., 2005; Mukherjee and Zhang, 2007; Glauben et al., 2012). However, rural income has consistently lagged behind urban income, and a broader prosperity gap persists between urban and rural areas (Long et al., 2011; Liu et al., 2013, 2014; Long, 2014b; Li et al., 2015). The average net income for rural residents was 134CNY, 2,253CNY, and 9,892CNY in 1978, 2000, and 2014, compared to 343CNY, 6,280CNY, and 29,381CNY for

urban residents (NSBC, 2015). The average expenditure of rural and urban households in 2014 was 8,744CNY and 25,449CNY respectively (NSBC, 2015). How to improve rural income and reduce the rural-urban gap has remained a major challenge and top priority of the Chinese government, as described in a series of No. 1 Policy Documents issued by the Central Committee of the Chinese Communist Party since 2004.

Rural livelihoods in China are affected by a variety of institutional factors and policy changes. From 1949 to the late 1970s, development policy in China focused on heavy industry under strong central planning (Lin, 2009). To increase agricultural productivity and ultimately to support industrial development, communal farming systems were in place from 1966 to 1978. Because heavy industries had no need for large amount of labor, rural-urban migration was not permitted, controlled by a household registration system which is called Hukou. As China launched economic reforms in the late 1970s, the communal systems were dismantled. Farmland was contracted out to farmer households (up

* Corresponding author. Institute of Natural Resources and Regional Planning, Chinese Academy of Agricultural Sciences, Beijing 100081, China.

E-mail address: guoliying@caas.cn (L. Guo).

to 30 years), shifting production decisions to individual households (Heerink et al., 2007; Long, 2014a). Rural income and agricultural production were marked by fast growth during the early period of economic reforms (Fan, 1991; Lin, 1992). The growth of the industrial sector resulting from economic reforms also created labor demand in urban areas, spurring rural-urban migration. However, rural income entered a stagnant period in the late 1980s, and the growth rate of grain production slowed down (Huang et al., 2010). A disparity in broader social and cultural development between urban and rural areas also grew and widened. These issues are grouped into and generally referred to as Three Issues of rural development, namely Agriculture, Farmers, and Rural Areas (Zhang et al., 2004; Zhang and Chen, 2005; Shi et al., 2006; Yu and Jensen, 2010).

To improve agriculture and raise farmers' income, beginning in 2004, the Chinese government initiated some new policies. Agriculture taxes were eliminated, and subsidies in the form of cash, high-quality seeds, and machinery have been made to households. China's agricultural subsidies have been rising significantly since 2008 (Gale, 2013). But these subsidies, in general, have limited impact on increasing agricultural output because farmers' agricultural production decisions are heavily influenced by nonfarm income (Gale et al., 2005; Heerink et al., 2007; Huang et al., 2011; Gale, 2013; Tian et al., 2016). In 2006 China launched another rural development program called "Building a New Countryside." The program represents an integrated approach to rural development issues and aims to improve livelihoods, promote a civilized social atmosphere, develop clean and tidy villages and enhance efficient management (Long and Woods, 2011). Consequently public investments in rural infrastructure have been increased across rural China.

The Chinese government's recent approach to promoting rural development reflects its continued commitment to strengthening farmers' land rights and the use of land rental markets for farmland consolidation, in an attempt to improve land-use efficiency and agricultural income. Farming operations are typically small in China with an average cultivated land of about 0.6 ha per household, according to the country's 2007 agricultural census. In the past few years, China has stepped up its effort in farmland consolidation by providing a variety of special supports to large farms, ranging from cash subsidies to assistance in building facilities. At a rural reform workshop in the village of Xiaogang where eighteen farmer households first initiated individual household management of contracted farmland, President Xi reconfirmed that there will be no change in farmer households' land rights, according to People's Daily on June 06, 2016. China has also begun to relax the Hukou system, especially in smaller cities, allowing and encouraging rural households to settle in these cities (The Brookings Institution, 2015).

Previous studies have used different lenses to examine various aspects of rural development in China, including the role of policy and institutions. An important institutional issue that has been a subject of debate is land tenure (Li and Li, 1989; Wei, 1989; Chi, 2000; Dong, 2008). Currently, farmer households have use rights for contracted farmland. Land in rural China is owned by "collectives," which are not well defined (Liu et al., 2014). Some scholars argue that privatization of land is necessary to secure land rights of rural households and solve the Three Issues of rural development (Palomar, 2002; Zhang, 2002; Liu and Han, 2006). The current land tenure and Hukou system are also identified as barriers to rural-urban migration (Mullan et al., 2011; Ma and Lian, 2011; Deininger et al., 2014). Sociologists use the lens of "social exclusion" to examine past policies that placed an emphasis on urban development, and Hukou in particular, to explain the disadvantaged position of rural households and marginalized living conditions of migrant workers in cities (Wong et al., 2007; Yin, 2008). Agricultural economists study the development of farmland rental

markets, arguing for the need to stimulate their growth (Yao, 2000; Deininger and Jin, 2005; Tu et al., 2006; Jin and Deininger, 2009). Geographers examine spatial patterns of rural development and the rural-urban gap, often using national data that are measured at the level of counties or provinces (Long et al., 2011; Liu et al., 2013; Li et al., 2015). Development studies based on surveys show that large household size, low education, and number of nonworking members are associated with household poverty (Glauben et al., 2012), and the location of a village closer to large cities is correlated with higher income (Veck and Pannell, 1989).

These studies have generated important insights into rural development in China. However, research on how these social, economic, institutional, and geographic factors interact to affect the development of rural livelihoods is relatively lacking. And such research can offer additional insights into the root causes of rural development issues. This study uses a systems approach to examine the complex, interactive processes that shape the livelihood options of rural households, the choices they make and the outcomes of their choices. We examine rural development within the broader development context of China and pay particular attention to the interconnection between agricultural and industrial development. Indeed, researchers have increasingly recognized the importance of examining rural livelihoods beyond the agricultural sector in an urbanizing world (Rigg, 2006; Rigg et al., 2012; Henley, 2012; Dercon, 2013; Hazell and Rahman, 2014; Wilson and Burton, 2015; Rigg et al., 2016).

Lewis (1954) proposed the theory of Unlimited Supply of Labor to explain how the development dynamics of agricultural and industrial sectors can affect migrant workers' wages. He used a simple two-sector macroeconomic model to show that in the initial stage of development, the industrial sector only draws more labor from the agricultural sector, and migrant workers' wages do not rise with the growth of the industrial sector. The theory of Unlimited Supply of Labor has been used to explain slow wage growth for migrant workers in China (Cai, 2010; Yao and Zhang, 2010; Zhang et al., 2011). We build upon Lewis's insight to further elaborate the two-sector development dynamics in the Chinese urbanization context, centered on transfer of rural labor to the urban sector. Our analysis of the complex processes underlying rural livelihoods also provides the micro-socioeconomic foundations for the macro-level development dynamics.

The analysis was based on surveys, interviews, and field observations across eight villages in Jiangxi Province. The villages are located in the Poyang Lake Region (PLR), an important agricultural production area for Jiangxi and China more generally. The annual per capita net income of farmers in PLR was 5,789CNY in 2010 and below the national average of 5,919CNY (Yan et al., 2013). As with other rural areas in China, rural livelihoods in PLR have become progressively dependent upon nonfarm work. Based on our household surveys, on average, 65% of rural income was from nonfarm sources in 2006.

The interviews and field observations enabled us to develop a deeper understanding of the decision-making of rural households and the multifaceted constraints confronting them in developing viable livelihoods. We used the survey data to further strengthen our qualitative understanding. We reflect from a systems perspective on how development, migration, and land policies may synergistically foster healthy rural-urban development dynamics. And this will help lift system-level constraints and facilitate rural households building robust livelihoods via different paths.

We are aware of the danger of drawing general conclusions from a particular case. It is hoped that our policy discussion may draw more attention to the importance of placing the well-being of rural households at the center of urbanization. Successful urbanization must benefit rural households because the livelihoods of rural

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