The Global Financial Crisis and Migrant Workers in China: ‘There is No Future as a Labourer; Returning to the Village has No Meaning’

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Abstract

This essay examines the impact of the global financial crisis on rural migrant labour in China, with a focus on unemployment. It illustrates the interaction of global and China-specific processes in the context of the worldwide recession. The essay first summarizes China’s unique socio-economic system and the mechanisms that have created a system of ‘rural migrant labour’ and ‘super-cheapened’ it to help make China the ‘world’s factory’. The main part of the essay examines the unemployment situation for migrants in late 2008 and the first half of 2009, and the dislocations and problems migrant labourers are facing. The China story is complex but interesting, not only for its rather complicated lexicon and statistics that often confuse outside observers, but also for its distinctive system of exploiting the rural population and internal migrant labour. This system makes the impact of the global crisis on migrant labourers, which are at the bottom of the global supply chain, all the more apparent. The last part of this essay analyses recent governmental fiscal-stimulus policies and measures as well as their impact on rural migrant labour, making some broader observations and linking the crisis to China’s model of development.

Introduction

The epic-scale Hajj-like movement of migrants in China during the Spring Festival (lunar new year), called ‘spring movement’ (chunyun), which usually takes place in January or February, has become an annual world-media spectacle over the past two decades.¹ Last year’s annual ritual started much earlier than usual — in fact, it started in 2008. Migrants began to trickle home from October 2008, three months before the Spring Festival, which...
fell on 26 January in 2009, as the global financial crisis dampened consumer demand in the
developed world and export orders for Chinese goods dried up. This special but prodigious
army of migrants, called ‘rural migrant labour’ (nongmingong) makes up China’s ‘special
forces’ and ‘comparative advantage’ in its ascendancy as the ‘world’s factory’. Indeed, the
‘Made in China’ success story of the past two decades is the story of rural migrant workers
toiling for subsistence wages to produce the lowest-priced (‘China-price’) exports to the
world (Pun, 2005; Harney, 2008). Rural migrant workers are not only the backbone of
China’s manufacturing sector, but they also form the base — and are ‘at the bottom’, along
with their brothers and sisters in Southeast Asia, such as Vietnam — of the global supply
chain. As a result, the rhythms of the global economy and China’s internal migrant labour
are now closely intertwined.

However, China’s tale of industrialization over the past two decades is more than a
typical Dickensian story of industrialization or Lewisian rural–urban transition — these
paradigms tell only half of the story. The full story is riddled with special ‘Made in
China’ characteristics, particularly through China’s unique system of discrimination and
exclusion based on the hukou (household-registration) system. Unfortunately, these
characteristics are often at best quite obscure to many outsider observers. Arguably, a
Dickensian process with special Chinese features has produced one of the most
exploitative systems of rural labour in modern times.

Indeed, even before the crisis, China’s massive numbers of migrant workers were
already socially, economically and legally marginalized (Chan, 1996; Solinger, 1999;
Wu, 2004; Wang, 2005). They are therefore highly vulnerable to the effects of the global
slowdown. The recession has decimated large numbers of migrants’ jobs in many places
in the world. In those other countries, ‘foreign’ immigrants’ jobs are mainly at risk; in
China, it is the domestic migrants’ jobs (Fix et al., 2009). China’s hukou system enables
local governments to treat internal migrants much like foreign migrants. The very size of
China’s huge migrant-labour population makes the scale of impoverishment that the
slump has brought about staggering. In early 2009, unemployed migrants numbered
more than 20 million, representing about 40% of the world’s estimated total unemployed
as a result of the global slump (IFPRI, 2009; Xinhua.net, 2009). This economic calamity
has sparked a ‘race to the bottom’ in rights protection and working conditions that is even
more intense than before, as employers exploit migrants who are hungry for work
(Adams, 2009). Chinese officials have openly admitted that migrant workers are ‘worst
hit’ by the financial crisis (Fu and Si, 2009). As rural migrant workers fall outside of
China’s current social security system, the mass unemployment experienced by this
social group makes it arguably the largest victim of the global financial crisis worldwide.

High levels of unemployment among migrant labourers in the Pearl River Delta, also
known as ‘the core of the world’s factory’, in late 2008, combined with non-payment of
wage arrears and/or compensation, triggered some unusual mass protests, during which
angry laid-off workers clashed with riot police. Indeed, those making up the present
(second) generation of migrant workers are more educated, more rights-conscious and
perhaps also less tolerant of abuse and injustice, as well as readier to defend their interests
when treated badly (Harney, 2009). Those witnessing how a brawl between two different
ethnic migrant groups in Guangdong sparked a large-scale riot in Urumqi in July 2009,
would not call the political and social stability concerns over migrant issues overly alarmist.

This essay presents a survey of the impact of the global financial crisis on migrant labour in China, with a focus on unemployment. As internal migrant labour is at the core of the ‘China model’ and has resulted in China’s pivotal role in today’s global economy, it is not hard to see that the ramifications of this issue go far beyond China (Powell, 2009). The section that follows briefly elucidates the unique Chinese system of producing ‘rural migrant labour’ and the mechanism of the *hukou* system that has ‘super-cheapened’ and increased the vulnerability of this disadvantaged group. This is followed by an examination of migrants’ unemployment situation in late 2008 and the first half of 2009 and includes deciphering the rather complicated unemployment statistics available from multiple sources, as well as a discussion of the problems migrant labourers are facing. The China story is necessarily a complex one because of its unusual system of treating its rural population and migrant labour and the concomitant complex system of lexicon and statistics. The concluding section makes some broader remarks and links the current crisis to China’s model of development.

**The making of cheap migrant labour:**

demography and the *hukou* system

The cheapness of China’s migrant labour today is the product of both past demography and the overall economic development strategy adopted since the beginning of the socialist era. China is a classic case of a country with a rapid growth in population within the context of a finite supply of farmland over the past five centuries, which has been amply documented and analysed (see, e.g., Chao, 1986). A huge surplus rural population existed even before the Communist Revolution in 1949. In five of the following six decades of the socialist era, the same demographic process continued to intensify the pressure on relatively finite arable land, generating an even larger rural surplus population.

Ironically, instead of pursuing a development strategy that would have helped to relieve the already huge population pressure on the land, China opted for the traditional Stalinist-socialist growth strategy based on rapid industrialization and a focus on heavy industry in the cities. This unbalanced strategy is notorious for its exploitation of the rural sector and for creating huge disparities between the urban–industrial and agricultural sectors, and was bound to generate immense outflows from the countryside (Bideleux, 1985; Chan, 1992). Indeed, the rural exodus started to gain momentum in the 1950s with rural collectivization. From the mid-1950s, the government began to impose various measures to stem rural outflow (Tien, 1973; Cheng and Selden, 1994). A series of migration-control measures were gradually adopted, culminating in the formal codification of a *hukou* (household registration) regulation to control population mobility comprehensively in 1958 (Chan, 1994; 2009a; Wang, 2005). This regulation decreed that all internal migration be subject to approval by the local government. From then on, Chinese citizens had lost the freedom of residence and migration within their own country. Each person had a *hukou* classified as ‘rural’ or ‘urban’, and was treated accordingly. For the newborn, the *hukou* classification would follow that of the mother until 1998 (Chan, 2009a). The *hukou* mechanism, as a central instrument of a command system established for big-push industrialization, was instituted mainly to prevent what were deemed ‘undesirable’ rural-to-urban migratory flows (Lin *et al.*, 1996; Naughton, 2007). The peasantry was denied the opportunity to move to the city.

4 In his dissection of China’s current capitalism and efforts to ‘get the China story right’, Huang (2008) emphasizes in Chapter 1 that ‘the devil is in the details’, referring to the importance of interpreting Chinese statistics and definitions correctly.

5 Detailed descriptions of these mechanisms can be found in Cheng and Selden (1994), Wang (2005) and Chan (2009a).
However, the *hukou* system encompassed far more than simply controlling rural–urban population and labour mobility, as is commonly assumed. It was also, and still is, a mechanism of social control and the main tool for excluding the rural population from access to state-provided goods, welfare and entitlements, starting with the most basic, food grain, in the early 1960s (Wang, 2005; Chan, 2009a). Indeed, in the Maoist era, the ban on rural outflows, along with an array of other related institutions and measures, such as the collectivization of farmland and the restriction on its conversion to non-agricultural uses, decisively bottled up surplus labour in the countryside. These measures effectively circumscribed the peasantry’s economic, social and political opportunities and rights, thereby creating a massive pool of super-low-cost rural labour, along with land that had very little market value (Tang, 1994; Qin, 2005; Kelly, 2008). By immobilizing the peasantry, restricting its members to tending the land at basically subsistence levels of compensation, and excluding them from access to social welfare and the right to move to the cities and to better jobs, China created two very different societies (Li, 2005; Naughton, 2007), or what is generally known in the Chinese literature as an ‘*eryuan jiegou*’ (a ‘two-tier structure’): on the one hand there was the urban class, whose members had industrial jobs and access to (at least basic) social welfare and full citizenship, and on the other hand, there were the peasants, who constituted a *de facto* disenfranchised underclass. Cho (2009: 60) characterizes this dichotomy aptly: ‘Urbanites raised by the state’ versus ‘peasants raising themselves’. Indeed, this system of rural–urban segregation, or what some scholars have called ‘apartheid’, and differential treatment have underpinned China’s social, economic and political structures for almost the entire 60 years of the socialist era.6

It was on the foundation of this macro-socio-economic/political structure that China launched its now world-famous economic reforms at the end of the 1970s. The reform raised rural productivity significantly and unleashed millions more surplus workers, who were later allowed to find work in the city. As China gradually piloted and unfolded its reform strategies, it soon latched on to a labour-intensive export-oriented growth strategy, emulating what successful Asian ‘tiger’ economies did in the 1960s and 1970s. As in South Korea and Taiwan, this strategy generated large numbers of jobs that helped to lift a large segment of low-skilled labour out of poverty. However, there were some fundamental differences. Most significantly, despite China’s leaders’ claims to have abandoned the command economy and embraced the market long ago, the *hukou* system, a major instrument of the socialist command apparatus, has remained alive and powerful today in many ways (Chan and Buckingham, 2008).7 It is precisely the existence of such a system of labour control in the country that sets it apart from the other newly industrializing East Asian economies. Quite contrary to the general portrayal of China’s similarity to other East Asian countries by the World Bank (2009), none of these countries has ever used such a mechanism to segregate their rural and urban populations and control domestic labour flows.

After nearly two decades during which rural dwellers were barred from urban areas, a very small number of peasant workers was brought into the cities under the name of ‘temporary contract workers’ as an interim *ad hoc* measure, to address urban labour needs from time to time in the 1970s. These temporary workers did not have an urban *hukou*; hence, they did not have access to urban social services. The practice of allowing peasant labourers (‘rural migrant labour’) to come into the cities to fill unwanted (almost exclusively manual-work) positions was gradually expanded in the early years of the reform after 1980. When China’s export-processing industry roared into high gear in the mid-1980s and the 1990s, the *en masse* deployment of rural labour in the cities for the export industry became a major strategy of post-Mao leadership. By the mid-1990s, workers with rural *hukou* had become the backbone of the export industry and, more

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6 See Alexander and Chan (2004). Chinese scholars also use the term *chengxiang geli* (Lu, 2004: 60), which can be translated as ‘urban–rural apartheid.’

7 In 1993, the Party proclaimed to build a ‘socialist market economy’.
generally, the manufacturing sector. Workers with rural hukou also staffed most of the low-end services in the country. In coastal export centres such as Shenzhen, where the first group of rural migrant workers in the nation was deployed and the term ‘rural migrant labour’ was coined (Lu, 2004: 321), and in Dongguan, another major neighbouring export centre, migrant labour accounts for the majority (70–80%) of the labour force today (Liang, 1999; Chan, 2009c). Even in a more typical urban site such as the inland city of Wuhan, workers without local (urban) hukou represented 43% of those employed in manufacturing in 2000 (Chan, 2009b). Rural migrant labour’s contribution to the GDP was estimated at about 30% and 31% of GDP of Beijing and Shanghai in 2007, respectively (Caijing, 2009a).

‘Rural migrant labour’ (nongmingong) has a specific meaning in China; it refers to a group of industrial and service workers with rural hukou. Although these labourers are working in urban jobs (and chiefly in towns and cities), legally they are not considered urban workers — therefore they are still called ‘rural’, not ‘urban’, migrant workers. Neither are they (nor will they one day be) treated as ‘locals’: the status of ‘rural migrant’ is not probational, but permanent. They are not eligible for regular urban welfare benefits (local education, urban pension plans, public housing, and so on) and rights that are available to other urban residents. Figure 1 is a schematic diagram of China’s socio-economic strata in urban and rural areas, respectively, pin-pointing the position of rural migrant labour with respect to location and hukou. In legal terms, rural migrant workers are treated as part (or as an extension) of the rural hukou population, even though they work and live in the urban areas for most of the year, often for many years. The size of the rural migrant-labour force is now enormous, having grown from about 20–30 million in the early 1980s to about 140 million by the end of 2008 and about 150 million around mid-2009 (Chan, 2009b; China Daily, 2009; NBS, 2009).8 While the rural–urban ‘dual

8 The term is used in the narrow sense and excludes those who are employed in nearby township and village enterprises. If this subgroup were included, ‘rural migrant labour’ would have totalled 220 million in 2008.

Note: Sizes of income strata are roughly proportional to population sizes around 2005

Figure 1 A schematic diagram of China’s urban and rural income strata, and rural migrant labour (source: adapted from Chan, 2009a)
structure’ is the fundamental base of China’s current social stratification, the movement of a large portion of the rural population to the cities has turned this broad division of society into a tripartite structure, with rural migrant labour as the new social group — the new and true urban poor, alongside farmers still living in the countryside and legal urbanites.

In short, rural migrant labourers are urban labourers carrying rural hukou but who are forced to subsist on wages that are barely enough for workers to make a very minimal living in an urban environment and that certainly fall far below the average urban industrial wage. Moreover, if they fall below the urban poverty line in terms of income, they are not eligible for ‘minimum protection’ (dibao) welfare, which is available to those with urban hukou. Nor can migrant workers access urban unemployment and welfare benefits. Rural migrant workers are the equivalent of cheap migrant labour in Lewis’s (1954) model of unlimited surplus labour supply. Their ‘temporary’ legal status and permanent ineligibility for local citizenship make members of this group forever vulnerable and easily expendable, and they therefore remain trapped in the servility of lowest-end factory and other jobs (although most find this preferable to being idle on the farms).9 In many cities and export zones, local decrees have forbidden migrants from taking up jobs other than those in the low-skilled 3-D category (‘dangerous, dirty and demeaning’, often physically demanding) (Solinger, 1999; Cai, 2007a; Fan, 2008). The denial of local hukou to migrant workers, combined with their sheer numbers and their lack of access to legal information and support, has created a huge, super-exploitable, yet highly mobile, flexible industrial workforce for China’s new economy, which is catering to global consumers (Lee, 1998; Alexander and Chan, 2004). Their wages are not only super low, but even the low wages promised are often not paid for months and sometimes years. Violations of other labour rights, as well as abuses and industrial injuries, are commonplace and well documented (Chan, 2001).10 China’s central government has initiated several measures in recent years to improve the situation of rural migrant labourers, but those measures remain very marginal in outcome or ineffective (Chan and Buckingham, 2008; Davies and Ramia, 2008). Jeremy Sargent, a partner of a law firm in Guangzhou, arguing for the need to give migrant labour local hukou rights, once commented, ‘Giving factory workers local hukou means you won’t have armies of migrants being treated like dirt. The workers will get a vested interest in the area and a degree of permanency. And employers would have a reason to nurture employees rather than treat them as cannon fodder’ (cited in Miller, 2009). His remarks vividly sum up the logics behind the plight of rural migrant labour.

The new approach of creating ‘free’ (meaning mobile) peasant labour but without urban rights has served China’s economic growth strategy of being the world’s ‘most efficient’ (lowest-cost) producer very well. Effectively, the approach has pushed back the arrival of the critical ‘Lewis turning point’, so that China can continue to draw labour from rural to urban areas and export-processing zones without having to raise wages much above the rural subsistence level.11 Du Runsheng, one of the most respected former central officials overseeing the rural economy, remarked in the early years of the twenty-first century that for two decades since 1980 there had hardly been any real increase in the wages of rural migrant workers in the coastal areas despite rapid economic growth (Guangzhou ribao, 2009). The ‘China price’ of goods, achieved mainly as a result of low labour costs, is the lowest among major developing countries and is China’s main

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9 A move to the city also allowed peasants to be exposed to and learn about the modern world and technology. This was especially beneficial to peasants who were confined to the land in Mao’s era (Chan, 2001).
10 One source cites that about 40,000 fingers are lost every year in factories in the Pearl River Delta (Zhu, 2006).
11 According to Lewis, industrial wages in developing countries begin to rise quickly at the point where supply of surplus labour from the rural areas tapers off. For an examination of this concept as applied to China, see Cai (2007b) and Chan (2009b).
strategic advantage (Chan and Ross, 2003). It is no coincidence that the Pearl River Delta, which epitomizes China’s economic reform and success, is also where the largest numbers of migrant workers congregate. For example, about 7 million of Shenzhen’s de facto population of about 8 million in 2005 did not have a Shenzhen hukou and were excluded from government-provided welfare and other benefits (Chan, 2009c). This exclusionary practice is the norm in the Delta — and, in fact, in many other places in the country too. In Dongguan, migrants accounted for more than three quarters of the total 6.5 million de facto residents, based on China’s 2000 census (see Chan, 2007: Table 4). The fact that the Delta is China’s model of reform, a place where some 20 million rural migrant workers live and work, and the core of the ‘world’s factory’, says a great deal about the direct and close relationship that exists between migrant workers, the hukou system and the ‘world’s factory’.

The global financial crisis and migrant-labour unemployment

To gauge the impact of the global slump on migrant labour, this section presents an analysis based on multiple sources, including reports prepared by Chinese scholars, press information and commentaries. In terms of press information and commentaries, I have sifted through some 400 Chinese-language news clippings collected over a year from October 2008. The information in this essay therefore comes from officially sanctioned sources in mainland China, as well as from Hong Kong sources, which are more open and carry reports on more sensitive and critical social and economic issues.

The slowdown in China’s export sector began before the global financial crisis started, and was associated with a host of factors. In 2008, Guangdong, which was China’s first province to implement open policy and the one most heavily export-dependent, was most acutely affected by the global crisis. By the end of the third quarter 2008, 7,148 companies had been shut down or had moved elsewhere (Singtao Daily, 28 December 2008: A10) — a record number of closures for the province over such a short time. The worst came as the global downturn unfolded in the final quarter of 2008: more than 50,000 factories were shut down, bringing the total number of closures to 62,000 in 2008. Since almost all the factory-floor workers there were migrant workers, they were hard hit by the resulting lay-offs. Many factories were closed without any warning and without paying workers in full. In Dongguan, which was devastated by the slump, angry workers staged numerous mass protests demanding full payment of wages and lay-off compensation. The international media succeeded in filming and reporting rather unusual scenes of tense confrontations and scuffles with police (Foreman, 2008). In nearby Shenzhen, for which information is also available, the number of labour disputes involving arbitration surged precipitously to record levels in 2008 (Qiao, 2009).

12 One estimate puts the costs of rural migrant labour at only about 44% of regular urban labour costs in 1995 (Lu et al., 2009). Such accounting still excludes many subsidies that urban residents receive. Statistical analyses by many scholars have clearly demonstrated that, if other variables are kept constant, a lack of local hukou status results in migrant workers being paid significantly less than those with local hukou status (see Chan, 2009a: footnote 24).

13 The economy was already slowing down in 2007 (Wang, 2009; see also Wang and Jiang, 2000). Rising costs of labour, fuel and materials, and the appreciation of the RMB were major factors. The implementation of the new labour law in 2008 and the Chinese-products quality scandals (especially concerning toys) in 2007 and 2008 also aggravated the situation (see Qiao, 2009).

14 See Eng (1997). The annual GDP growth rate of the province had usually ranked among the highest in the country since the early 1980s, with the exception of 2008. In the first quarter of 2009, Guangdong ranked, instead, at the bottom of the 17 provincial-level units whose GDP growth rate information was available (Singtao Daily, 24 April 2009, A9).

15 This estimate was made by the Guangdong government (Miller, 2009). Of course, there is always a high turnover of firms in this region and some of the closures are simply ‘phantom closures’ to evade the payment of workers’ employment and other benefits.
By mid-December, the media reported an unusually high level of migrants heading home (Singtao Daily, 30 December 2008: A12). During other years, around this date on the calendar, workers would still be toiling at the assembly line, looking forward to earning another month or so of pay before heading home for the Spring Festival. According to one account, covering eight major migrant-exporting provinces, close to six million migrant labourers had already left for home by late November/mid-December (ibid.). Many migrants took home their appliances (such as TV sets), believing that they would not have the opportunity to come back to find a new job after the Spring Festival. What is even more indicative of the severity of the situation — and also ironic — is that in Dongguan, for instance, hundreds of workers lined up for hours to close their social security insurance accounts (mainly for pensions), their supposed bulwark against poverty and destitution. Migrants chose to cancel their accounts to cash in every last bit of money, as they had very little hope of coming back to the town.16

Unlike many other countries, where official unemployment figures usually cover all workers, or at least those engaged in non-farming sectors, China’s official unemployment rate, the ‘registered urban unemployment rate’, covers only the working population in formal employment who hold urban hukou.17 This rate hovered around 4.2–4.3% in the first few months of 2009 (Caijing, 2009b). It is a very restrictive urban employment rate because it does not cover rural migrant labour. As a result of the severity of unemployment in this group, the most serious affected of all social groups, this issue has received a great deal of attention. Several reports released by different government agencies based on surveys and estimates do contain some information, but deciphering it correctly requires an understanding of various statistical complexities.18 The most useful (and authoritative) data came from China’s National Bureau of Statistics (NBS) in late March 2009, based on information from a large national sample survey (covering 7,100 villages spread across all 31 provincial-level units of the country) at the end of 2008.

Figure 2 is based on this source and presents the sequence of flows in relation to employment and location in late 2008 and early 2009. The total size of the rural migrant population was estimated at 140.41 million at the end of 2008. About 50% of these workers (70 million) returned to their home villages before the Spring Festival. This was part of an annual routine for some of the migrants, but the 50% return rate was higher than the average of 40% in previous years (Yin, 2009) because many had lost their jobs in the city. Of the returnees, 36% and 28% were from the manufacturing and construction sectors, respectively. These figures reflect the concentration of migrant labour in these two sectors, as well as the impact of the crisis on these sectors (NBS, 2009).19

16 These voluntary pension plans for migrants were not portable and migrants had to have been enrolled in the plan in a particular city for at least 15 years to be eligible for collection when they reached retirement age. Very few migrants stayed in one place for 15 years, so migrants chose to close the accounts when they left the cities and when they saw no hope of coming back. When they closed the accounts, migrants got back their contribution (about 8% of their wages) while the larger contribution by employers (20% of the wages) was kept by local government (Tian and Ma, 2008). In many cities, for example, Shanghai, the state-run retirement programmes for workers with urban hukou are running huge deficits because of ageing urban workers, and new revenues collected from young migrants are used to plug the holes (Caijing, 2009c). Shanghai has recently made subscriptions to its state-run pension plan compulsory for all migrants. Critics have pointed out that such plans serve to help local governments pocket premiums from employers (who hire migrants) rather than assist migrants in times of distress or after retirement.

17 Measuring migration and the size of migration and employment in China is a complicated subject — see Chan (2009b) and Cai and Chan (2009), respectively.

18 For details and more information on the complexity of Chinese unemployment statistics, see Cai (2004), Solinger (2001) and Cai and Chan (2009).

19 Another study, based on a national sample of 2,700 returned migrant workers in their home villages in January and February 2009, shows that there were only very small differences in age, gender, educational level, marital status and ethnicity between those who were laid off and those who remained employed (Wang, 2010).
In early February 2009, after the Spring Festival, 56 million (about 80%) of the returnees went back to the cities. Only 2 million of the 14 million who remained in the villages were reabsorbed into the rural areas; 12 million did not have work. Among those who made it back to the cities, the majority found jobs, but 11 million were still not working as of early March 2009. Total unemployment for rural migrant labourers in early 2009 is estimated to have been 23 million, about 16.4% (assuming that the other 70 million migrants who stayed behind in cities were all employed) (see Figure 2). This rate of unemployment was disastrously high compared to previous years, as, quite contrary to common belief, rural migrant labour had had a very low unemployment rate (1–2%) (see, e.g., Guo, 2007). The exceedingly high 16% job loss is in stark contrast to the low 4.3% unemployment for the urban hukou workers in the formal employment sector in March 2009 (Caijing, 2009b). The unemployment rate for the latter group inched up only slightly from 4% from September 2008 (Qiao, 2009: 313). This means that only about 0.6 million additional formally employed workers with urban hukou were laid off between September 2008 and March 2009, compared to 23 million rural migrant labourers!

Information about unemployment of rural migrant workers since March is sketchy, as no similar systematic statistics are available. According to the Ministry of Human Resources and Social Security (MHRSS), more rural migrant workers returned to the cities in March 2009, presumably as more jobs had become available. It is also reported that premier Wen Jiabao said at a major State Council meeting in late May that the

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**Figure 2** Employment status of rural migrant labour before and after Spring Festival 2009 (26 January 2009) (sources: Cai and Chan, 2009; Fix et al., 2009; NBS, 2009; Singtao Daily, 26 March 2009: A10)

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20 These numbers are very close to the round figure of 20 million (unemployed rural migrant workers) and the 15.3% unemployment rate quoted by Chen Xiwen, China’s main official in charge of agricultural work, at a press conference on 2 February 2009 (see China.com, 2009a). He also indicated that the figure of 20 million might rise to 25 million if new entries into the rural migrant-labour force are included.

21 This low rate was partly the result of migrant workers without jobs generally going back home because they did not have any unemployment coverage in the cities (and supposedly returning to farming). This eliminated them from the ‘unemployed migrant’ count.

22 For further comparison, the unemployment rates in two closely integrated economies are given here: Hong Kong, 5.2% in March 2009 and Taiwan, 5.8% in May 2009 (China.com, 2009d; Singtao Daily, 21 April 2009, A7). Japan’s unemployment rate was 5.2% in May 2009 (Seattle Chinese Post, 2009).

23 NBS indicated that by the end of March, 7 million rural migrant workers (instead of the 14 million in early March) remained in the villages (see Caijing, 2009b).
employment situation for fresh college graduates and rural migrant workers remained ‘relatively difficult’, although employment of rural migrant labour had risen since the spring (Singtao Daily, 4 June 2009: A13). A joint press statement issued in June 2009 by the Ministries of Commerce and Finance and the All-China Federation of Trade Unions described the unemployment situation in China as ‘dire’ and forecast that total unemployment (of both urban and migrant workers) would hit 40 million in 2009 (China.com, 2009b). A more positive statement released at a press conference by the MHRSS in early August 2009 states the number of unemployed rural migrant workers at 4.5 million in July (China Daily, 2009), although there is the unanswered question of how this number was derived (Batson, 2009a). This rise in the number of employed migrants appears to be plausible, as the Chinese economy did recover modestly in the second quarter of 2009 as a result of the government’s gigantic stimulus package (see below), and because the third quarter is traditionally the peak labour-demand season in the export sector (to fill orders for Christmas in the Western market) (Singtao Daily, 17 August 2009: A8). But even though employment numbers were up, those who were hired were not working as many days as they were in 2008; a national survey by the Ministry of Agriculture indicates that for those migrants who were hired in the first five months of 2009, the total number of work days had dropped by 5%, compared to the same period in 2008 (Wang et al., 2009).

Problems and policies

As indicated earlier, rural migrant workers in the Chinese system are treated much like the Marxian ‘industrial reserve army’: they are flexible, temporary, low-paid and can be laid off easily at any time they are not needed (Harvey, 2005). Unlike urban workers, migrant workers do not have a claim to the country’s social-security net. Despite the industrialization of the country and the social progress of the past few decades, China’s population with rural hukou status still depend on the thousand-year-old tradition of relying on the land back home (and on sons) as security. To deal with the massive lay-offs, the government first encouraged jobless migrants to go back home to farm or start new businesses (that is, to become self-employed). A campaign called ‘back to the village to construct the new countryside’ was launched in the wake of the huge lay-offs as early as August 2008 (China.com, 2008).

As some critics have pointed out, this proposed solution was unrealistic, if not irresponsible (Han, 2009; He, 2009). Several major obstacles prevented most of the laid-off migrants from being reabsorbed in the already heavily populated rural areas.24 First, the majority of migrant workers did not have much experience or skills in farming (especially ‘second-generation’ migrants, most of whom left the countryside right after finishing middle or elementary school). Secondly, many returnees did not have access to the farmland to which they were entitled (partly because they had left their farms for many years and had never worked ‘their’ land).25 More fundamentally, there was not enough arable land for most farmers to make a basic living, which was the reason why they had left the countryside in the first place. Thirdly, neither were there many opportunities for other productive activities in the countryside (again, had the opportunities existed, people would have capitalized on them a long time ago) (Qin and

24 There is currently a population of about 870 million people in China with rural hukou and a de facto rural population of about 725 million. The rural population is meant to subsist on a total of about 120 million hectares of arable land, which is less than that of the USA, where the total number of farm workers, including undocumented labourers from Mexico, is believed to not exceed 10 million (see DeSilver, 2006).

25 See Cho (2009) for a discussion of this problem and the issue of land disputes as a result of returnees.
Yu, 2009). Thus it was difficult, if not impossible, for the majority of jobless rural migrants to start up non-farming self-employment or businesses; doing so would require not only capital but also entrepreneurial knowledge and skills, which the laid-off workers generally did not have (the laid-off tended to be the less educated cohort). According to some local county-level surveys reported in May 2008 by the statistical bureau of Hunan, a major migrant-labour exporting province, only 2–5% of returnees were able to generate some income from non-farming self-employment (HBS, 2009).

Because it is so difficult for migrant labourers to transfer to other jobs, their job losses represent a real drop in the income of migrants’ families. Since incomes generated by rural migrant labour contributed about 40% of the total net income of rural families (via remittances), unemployment represented a significant loss of income for rural households (Caijing, 2009a). Generally, this loss would have to be absorbed by the extended family system in the rural areas through sharing of jobs and wages, as Chinese farm families had done for centuries (see Chao, 1986). Reports have indicated that low-income families, whose members were less educated, bore the brunt of these job losses (NBS, 2009). A study of migrants who were able to find work in the first five months of 2009 has also shown that those from poverty-stricken counties tended to suffer greater cuts in the number of days worked (Wang et al., 2009). This implies that the global slump has increased pauperization of the ranks of the working poor and intensified socio-economic polarization, a trend similar to that in the USA (Pugh, 2010).

Another measure that the government was actively promoting to help rural migrant labourers was to expand vocational training (and retraining). Most employers rely on a ‘low-cost’ approach, providing hardly any vocational training to rural migrant labourers, who are employed mainly to perform simple repetitive and fast-paced tasks requiring minimal training.26 As they had few other skills, migrant workers could not be transferred to other jobs. Various government programmes were initiated in the wake of the massive lay-offs, for example the central government provided fiscal transfers to entice local governments to train returning jobless migrants, presumably at no cost to them. As reported in the Chinese press, local governments received a subsidy of between RMB 500 yuan and RMB 800 yuan (between US $74 and US $117) for each migrant worker enrolled in job training (Nandu Daily, 2009). We do not have information indicating whether this programme was effective. However, we do know that there were cases of serious misappropriation of training funds by local officials in Guizhou, as reported by the People’s Daily (cited in Nandu Daily, 2009). Sadly, this supposed ‘livelihood project’ (minsheng gongcheng) for desperate jobless migrants was quickly turned into yet another ‘embezzlement project’ (liancai gongcheng) for local governments and officials in some locales.

At the aggregate level, the direct economic impact an unemployment rate of 16% has on this group represents a loss of about 6% in average annual income for the entire rural population if unemployment lasts for a year, or 3% if it lasts for six months (which appears to be the case, see below).27 However, what is equally important is that rural migrant workers who have kept their jobs are also suffering from wage cuts, which, scattered evidence suggests, range from 10–20% in the Pearl River Delta up to 30% for Shanxi rural migrant workers (Shanxi Survey Team, 2009; Singtao Daily, 17 February 2009: A9). If we assume that the average wage cut is about 10% for rural migrant workers, this translates to a further 3% loss in total income for the rural population.28 If we add the probable 3% reduction in annual income owing to unemployment, it is likely

26 To lower costs, employers typically prefer hiring only young and unmarried, perhaps also more obedient, rural labourers for factory-floor work. It is not uncommon to find ‘older’ migrants (this often means age 30 and over) dismissed because of age (see Chan, 2009b).
27 This is because incomes that are generated by rural migrant labour account for about 40% of total rural incomes (Caijing, 2009a).
28 Roughly $0.84 \times 0.4 \times 0.1 = 3.4\%$

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that the average annual income for the entire rural population is likely to drop by a substantive 6% in 2009 owing to the impact of the recession on migrant workers’ jobs.29 Although much less quantifiable, adverse effects on work conditions of migrant labour can also be expected. Arguably, many hard-fought labour rights and work conditions since 2003 and 2004 (when ‘migrant-labour shortages’ were experienced, following China’s super-high export growth after the accession to the WTO in 2001) may have been wiped out overnight by this economic crisis. Moreover, in addition to the fact that many migrant children were enrolled in substandard makeshift schools in destination cities and towns or that some had not gone to school at all, children of laid-off migrant labourers also found their education seriously disrupted by the move back home with their parents; they had to start classes in a different school and face yet another set of challenges, such as different curricula and a new, and often less friendly, social environment.30

Conclusion

We have all learnt that worldwide, the economic slump has hit immigrant labour (especially illegal immigrant labour) hardest everywhere (see, e.g., Fix et al., 2009; Preston, 2009). This also holds true for Chinese rural migrants, who are often treated like foreign guests or illegal labourers within their own country. The global recession has certainly affected rural migrant labourers’ lives far more seriously than any other major social group in China, and probably in the world, because of the devastatingly high levels of unemployment in this group (16% in early 2009) and a lack of meaningful social-security coverage. As critics have long presaged, the marginalized position of rural migrant workers before the crisis would place this group in a highly vulnerable position during a global economic slowdown. To rural migrant labour the economic crisis means high levels of unemployment, further marginalization and impoverishment, and pauperization of the poorest, especially those who are laid off.

In order to maintain GDP growth, boost the export economy and partly alleviate the difficulties associated with mass unemployment, the government has vastly expanded various programmes to assist exporters, for example, by giving them larger tax rebates, facilitating more generous loans from state-owned banks to finance trade and providing more government-paid travel opportunities to promote themselves at trade shows around the world (Bradsher, 2009). There are signs that this strategy has worked to some degree, as the GDP and exports had inched up in the second quarter of 2009 and had created some jobs for migrants by July 2009.31 However, most of the direct benefits of export subsidies have accrued to foreign merchandisers and not to local employers or workers (Singtao Daily, 10 June 2009: A15). Moreover, such export-promotion measures offer no long-term solutions, as these effectively ‘protectionist’ measures have set off retaliatory responses by other countries, notably the USA, and an escalated trade war between China and the USA will spell disaster for the entire global economy. More fundamentally, the Chinese economy’s heavy dependency on exports is a reflection of a

29 Note that a recent Chinese government source states that per-capita net income of rural residents increased by 8.5% in 2009 (China.com, 2010). The exact definition and coverage of rural residents in this instance is unclear. If this official figure is correct, this may suggest that the farm sector did manage to compensate for the loss in rural migrant-labour income as posited, or the jobs created by the fiscal stimulus had helped counter some of the migrant income losses.

30 Children of returnees to Sichuan, which is the largest migrant-export province, found it difficult to adjust to the different curricula that were used in the province and to be accepted by local school children who spoke a local dialect that most migrant children would not have mastered (Chengdu shangbao, 2009).

31 China’s GDP in the second quarter of 2009 grew by 7.9%, compared to only 6% in the first quarter (Powell, 2009). The annual growth rate was 8.7% in 2009 (Xin and Zhang, 2010).
major structural problem of insufficient domestic household consumption demand over the past 20 years. The root cause of sluggish domestic demand is the meagre level of consumption of the majority — the rural population and migrant labour — as they are marginalized economically and socially.32

China’s massive and very costly US $586 billion fiscal stimulus package (equivalent to an eighth of the Chinese economy) to cushion the recession and maintain GDP growth (the target was set at 8% for 2009) has poured tens of billions of dollars into public works in road and rail transportation in the inland region. The programme has succeeded in pushing up the GDP since the second quarter of 2009 and in creating millions of jobs for unemployed, unskilled rural migrants. By the end of the year 2009, this programme, combined with a partial revival of exports, helped China recover from the serious crisis of mass unemployment of rural migrant workers.33 While the immediate concern for employing rural migrant labour may have receded, fundamental unease regarding the vulnerability of this group has not: world demand for Chinese exports, at least in the near future, has dropped by about 20%, and jobs created in public works are only temporary. A critical test of job sustainability will come later, in 2011, once stimulus money has been phased out.

Despite the drastic increase in the number of labour disputes34 and mass protests in late 2008 in some coastal regions, no larger-scale migrant-labour unrests have occurred, as some observers and the government predicted.35 However, migrant workers figured prominently in the July 2009 ethnic riots in Urumqi in Xinjiang, which led to nearly 200 deaths. While the riot was primarily triggered by a brawl between Han and Uygur migrant workers in Guangdong, it has been argued that the root causes of this ethnic unrest are economic, relating to the lack of job opportunities for the two different groups — rural Han migrant labourers and the Uygers (both in Xinjiang and Guangdong) — and tensions caused by this (Bequelin, 2009; Singtao Daily, 10 June 2009: A15).

On the surface, the Chinese economy has weathered the crisis quite well in 2009, especially in terms of GDP growth. However, many critics have pointed out that the state’s huge investment and aggressive credit policy have aggravated many structural problems in the Chinese economy in the long term (see, e.g., European Chamber, 2009; Barboza, 2010a). As far as migrant labour is concerned, the economic crisis has sparked a ‘race to the bottom’ in rights protection and work conditions, as employers exploit migrants who are desperate to work, which has erased many gains in labour rights and wages that migrant workers had achieved in the last few years. The decline of rural migrant labour’s economic conditions is testament to a fundamental weakness of the China model and particularly its dualistic socio-political structure that allows the rural population and migrant workers to be treated like inferior, second-class citizens. As one of China’s eminent sociologists, Lu (2006), has put it: the system allows the city to...
pluck the young and the able from the countryside and dump the old and the sick back. Rural migrant workers, especially the young, have faced a huge and chronic predicament, which is well summed up in the popular saying, ‘dagong wu qiantu, huixiang wu yisi’ — there is no the future as a labourer [in the city]; returning to the village has no meaning (He, 2009)⁶⁶. Even while they are young and healthy and have urban jobs, migrants toil in jobs that allow them merely to survive but not to thrive; nor can migrants become part of the urban citizenry one day as the country moves forward and becomes more urbanized. In present-day China, the status of ‘rural migrant’ is not probational — it is permanent.

Harvey (2008) has remarked that China’s urbanization is an issue of global importance. Indeed, according to him, China’s recent urbanization is the primary stabilizer of present global capitalism (ibid.: 30). The question of China’s internal migrant-labour system is very much a product of the China model’s urbanization and development strategy and its concomitant institutional design.³⁷ In terms of such a design, rural labour is circumscribed to being the ‘industrial reserve army’ and is made to shoulder the cost in times of crisis to a disproportionate extent. However, in the long term such an approach will not lead China truly into the twenty-first century. While China’s economic reform has deservedly won praise for significantly raising the living standards of the peasantry by allowing them to find work in the city, if China wants to move forward, it cannot do so while the majority of its populace is lagging so far behind financially — in addition to being excluded and disenfranchised in various major ways. Put simply, such a model of development is not sustainable economically, socially, politically or morally in the new century.

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References


36 Sadly, this seems to have ominously presaged the spate of suicides committed by young migrant workers at Foxconn, a giant global manufacturer of electronic products in Shenzhen, in the first half of 2010 (Barboza, 2010b).
37 As has been studied elsewhere (see, e.g., Chan, 1994), the particular way in which China ‘conducts’ its urbanization is closely related to the plight of the rural population and its migrants.


Nandu Daily (2009) Yi peixunjuan fangshi butie nongmingong gengwei kequ [It is


Wang, M. (2010) Impact of the global economic crisis on China’s migrant...


Résumé

Ce texte examine l’impact de la crise financière mondiale sur la main-d’œuvre migrante rurale chinoise en s’intéressant notamment au chômage. Il illustre l’interaction des processus planétaires et nationaux dans le cadre de la récession mondiale. Une synthèse présente d’abord le régime socio-économique unique du pays, ainsi que les mécanismes qui ont créé un système de ‘main-d’œuvre migrante rurale’ tout en ‘hyper-dépréciant’ ces travailleurs afin de faire de la Chine ‘l’usine du monde’. L’étude centrale porte sur le chômage des migrants entre la fin 2008 et le premier semestre 2009, ainsi que sur les bouleversements et problèmes que rencontrent les ouvriers migrants. L’histoire chinoise est complexe mais intéressante, non seulement à cause d’un vocabulaire et de statistiques compliqués qui déroutent souvent les observateurs extérieurs, mais aussi par son système spécifique d’exploitation de la population rurale et de la main-d’œuvre migrante. Ce système renforce d’autant plus l’impact de la crise mondiale sur les ouvriers migrants, lesquels se trouvent tout en bas de la chaîne d’approvisionnement mondial. En revenant sur les récentes politiques et mesures d’incitation fiscale du gouvernement et sur leurs conséquences pour la main-d’œuvre migrante rurale, la dernière partie élargit le champ des observations et relie la crise au modèle de développement chinois.