

# Poverty and Inequality: Experience of Migrant Workers in Shenzhen China

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**Abstract:** Since 1978, the economic reforms have began in China. The economy and urbanization has experienced remarkable growth, especially in some coastal cities. Millions of people, who are called migrant workers, moved out to search for better jobs and higher salaries. However, due to the policy Hukou system, most of them do not have urban identities and therefore suffer from poverty and inequality. This essay will use Shenzhen as an example to analyze the poverty and inequality that migrant workers experience, and how Hukou system influence their life. In the end, some recommendations will be presented to address this issue.

**Keywords:** Per capita income; Poverty and inequality; Migrant workers

## 1. Introduction

Urban growth is closely linked to the development of one state and the increase of per capita income, so urban growth has been an important part in the developing plan of the state. Over the past half century, urbanization was developed rapidly, and the scale of urban area expanded quickly in developing countries. Large population moved to the city resulting in the high degree of concentration. However, the urban growth did not always lead to positive outcomes, and a lot of problems were presented, such urban poverty, inequality, and social stability. After the establishment of the People's Republic in 1949, the developing plan was introduced. In 1978, the economic reforms began, and China experienced remarkable growth of economy and urbanization. The expansion of cities increased fivefold between 1949 and 2011, from 10.6 percent to 51.3 percent of the whole country. When developing plans were central in cities, regional development was ignored. The higher income and larger number of job opportunities attracted people living in rural areas moving to cities. In 1980s, large population immigrated from rural to urban areas and from less developed to developed regions to search for job opportunities. Western and central inlands, like cities in Sichuan, Henan, Anhui, Hunan and Jiangxi provinces, have largest number of population to move out, and cities, like Beijing, Shanghai, Guangzhou, Shenzhen, and Dongguan, are regions that people are more likely to move in. About 70 million people immigrated to cities in 1993, and the number rose to 211 million in 2009. In China, these people are called migrant workers or peasant worker who have left their original places of household and moved to urban cities to work and live. Although many migrant workers have moved to cities and contributed to the urban growth, they do not have urban identities because of the special policy Hukou system. Because of this policy,

migrant workers frequently experience poverty and inequality in cities. For example, migrant workers are more likely to enter physically demanded industries and have lower wage compared with urban citizens. They are excluded from social security and medical benefits because they do not have urban identities. Moreover, they live in overcrowded housing because of low income. Therefore, the poverty and inequality of migrant workers, happened in process of urban growth, has become a large challenge for China. In this essay, firstly, I will use Shenzhen, one of the major city with numerous migrant workers in China, as the case to introduce the poverty and inequality that they experience. After that, I will explain how the policy, Hukou system, influences migrant workers. Finally, I will draw a conclusion and present some recommendations to address this challenge.

## 2. Low Income and Inequality in Shenzhen

Shenzhen, located in Guangdong province close to Hong Kong, is one of the fastest growing city in China. In 1970s, Shenzhen was a small fishing village with about 20,000 residents. In August 1980, an area of 327.5 square kilometres of land was concentrated by the central government to create Special Economic Zone (SEZ), and Shenzhen was included in this area. As a result, Shenzhen became the first Chinese city benefiting from the new urban development plan. Due to the SEZ policy, Shenzhen was supported by the central government and to reform the economy, including increasing openness to trade, and develop the city. Also, since Shenzhen is coastal city near Hong Kong, its development was partly influenced by western countries. A lot of companies from western countries chose to invest and establish their brand offices and factories in Shenzhen. For instance, currently, large part of the Apple product manufactured by the factory of foxconn in Shenzhen. Industries, includ-

ing software, IT, microelectronics and components, video and audio products, light industry and energy, can be found in the city. This makes Shenzhen become the “centre of the Chinese factory” and the second largest export port in China. As a result, the economic growth was dramatic in this city, the average GDP of which increased 27 percent between 1980 and 2006. In 2006, the nominal GDP was close to US\$75 billion, and GDP per capita reached about US\$8800. The huge development of Shenzhen attracted a large number of migrant workers from other parts of the country to work and reside in this city. According to the Shenzhen Statistical Yearbook, the number of population increased from 314,100 in 1979 to 11,908,400 in 2016. More than 6 million migrants lived in Shenzhen in 2016, accounting for 66 percent of the whole population. At present, migrant workers have become an important part in Shenzhen city. They satisfy the demand of the labour market and contribute to the economic growth for Shenzhen.

Although migrant workers play a significant role in Shenzhen, they are not treated equally, especially comparing with local urban residents. In Shenzhen, the average monthly income of migrant workers was 1,149 RMB in 2004. Although this was higher than the level in other cities, it was much lower than the income of local residents who earned 2,194 RMB per month. Migrant workers experience serious inequality in the workplace. Local residents are more likely employed in foreign companies, state-owned enterprises, government, and other sectors in which they can receive high wage. In China, working in stated-owned enterprises and government represents that the job security is higher, and more social benefits, like social insurance, and higher wage are included. Since most migrant workers have poorer education and lower skills, they are concentrated in service and construction industries which are physically demanding. These industries normally offer low wage. As a result, the income gap between local residents and migrant workers becomes wider and wider. Besides, they suffer from overdue payment problem. In some industries, employers only pay 1/5 to 1/3 of the wage to migrant workers, and pay the rest of the wage until the end of the year. Overdue payment happens frequently even in the whole country, and this problem is found more often in the construction industry. Compared with local residents, migrant workers work longer hours. It can be recognized that migrant workers are more likely to occupy jobs with low wage while local residents can earn much higher salary. This leads to the income inequality between migrant workers and local residents. The low income and overdue payment also cause the poverty problem among migrant workers. Since Shenzhen is not their hometown, they need to spend much money on renting and other daily necessities. After spending for daily life, little money can

be left to improve their living standard and invest in personal improvement which can increase their income.

Except income inequality, migrant workers also experience inequality in housing. In Shenzhen, migrant workers have no right to rent public housing because of the lack of local identity. Even though some migrant workers want to buy a house or apartment, the extreme high housing price prevents them from settling down in the city because Shenzhen has the third highest housing price in China. Tao, Wong & Hui conducted a survey to analyse the residential satisfaction of migrant workers in Shenzhen, and they found that migrant workers are more likely to live in dormitories or rent housing. About 45 percent of respondents live in free dormitories, when approximately 25 percent of them rent housing in urban villages, and 16.4 percent rent commodity housing. Those who are able to buy commodity housing only account for 3.8 percent. They need to spend about 15 percent of their income on housing. The average housing occupation is 15.4  $m^2$  for migrant workers, comparing to the average housing area of 27  $m^2$  in Shenzhen. Most of them are not satisfied with their current residence. As discussed above, migrant workers also experience inequality in housing. Because of poverty, they cannot have their own houses and live in overcrowded housing. Even though they want to improve their living condition, the high housing price prevents them from buying commodity houses which are mainly bought by local residents.

### 3. A Special Policy Hukou

In China, there is a special policy called Hukou. Hukou means, based on the law, individual must register in the national system and form his personal identity. The Hukou system requires that each Chinese citizen need to registered either rural or urban Hukou based on a given location. The Hukou status is normally decided when he is born, and this status comes from their parents. In other word, if one person's parents own rural Hukou, he will be assigned the same Hukou status. After registration, the Hukou status rarely can be changed even though he moves from one place to another. Citizens can only change Hukou status through the official procedure of Hukou conversion. The Hukou policy influences migrant workers in many aspects, and it is one of sources of poverty and inequality among these people.

Due to Hukou policy, children of migrant workers face difficult to get education. It was reported that about 10 percent of children from migrant households drop out of school or never go to school. One factor that stops them from education is the high educational expenses. As mentioned above, most of migrant workers get low income, and poverty is common among them. After spending on housing renting and daily life, little money is left. Therefore, they cannot afford the tuition fee, and their children have no chance to go to school. In addition, the

opportunity for education is closely linked with the Hukou system. Although China has promoted the policy of nine-year compulsory education, children can only go to public school near their registered location in the Hukou system. The opportunity for education is often denied by the Hukou system. Fleisher and Yang (2003) pointed out that migrant parents need to pay 3000-30,000 yuan per year on one children to gain permission to the public school or establish their own school and hire teachers with the cooperation with other migrant households. Although the Chinese government has carried out other policy, such as promoting education among migrant children and forbidding the extra charge in public school, it is lack of specific regulation, and thus local governments improperly implement this policy. Income is tied with education. Secondary and higher education can increase the income, when low education has little influence on the rise of income. Because of Hukou system, children from migrant households face difficulties when they are at the age of going to school. Many children do not have opportunity to get access to education when urban children can get regular education. This results in the gap of knowledge and skills between migrant workers and local residents. Low level of education restricts migrant workers from job opportunities which require abundant knowledge or high level of skills. They can only seek for jobs with low requirements and low wage. In a word, the Hukou system leads to unfair education opportunities, and thus common poverty of migrant workers.

Hukou system can also directly lead to the income inequality. In some cases, the valuation of personal performance in the workplace cannot be completely explained by worker's productivity. Lee (2012) analysed data from the 2005 China Urban Labour Survey and found that the average wages of migrant workers were 4.12 yuan while the average wages of urban workers were 6.03 yuan. Significantly, 10 percent of this difference cannot be explained by personal characteristics. Gravemeyer, Gries and Xue (2011) also stated that 52.9 percent of income inequality was related to the urban registration when they compared the income difference between urban- and rural-hukou workers.

#### **4. Conclusion and Recommendation**

Shenzhen has experienced rapid urban growth because of the urban developing plan and economic reform. The high demand of the labour market and the prosperity of the city attracted a large number of people to move from rural area. The increase of labour has contributed to the economic growth and further urban growth, making Shenzhen become an important manufacturing city and export port in China. However, the rapid urban growth has posed the challenge for Shenzhen. Urban poverty, especially in migrant household, is severe. Since most

migrant workers have low level of education and skills, they are only employed in industries without requirement of acquiring much knowledge or skills. Some of them even experience overdue payments which makes the poverty problem become more serious. Poverty is not the only problem that exists in Shenzhen. Inequality is another large challenge. Hukou system is main source of inequality. Because of Hukou system, migrant children have few opportunities to get regular education which is closely related with income. Since local residents have urban Hukou, they can benefit from the nine-year compulsory education for free. Hukou results in the unequal access of education, and thus causes poverty among migrant workers. Also, Hukou system restricts migrant workers to rent public housing which cost less money. Migrant workers have no choice but to live in dormitories or overcrowded commodity housing. It is less likely for them to buy the house because the housing price is too high for them, and they need to satisfy many conditions. On the contrary, urban residents can rent public housing or buy the house without any condition only because they have urban Hukou. The inequality between urban residents and migrant workers is apparent. In conclusion, developing plan in Shenzhen does not only lead to the urban growth, but also generate challenge because of the improper policy – Hukou system.

In order to resolve poverty and inequality, the government should take action to abolish the Hukou system. Obviously, the Hukou system has posed negative effect on the promotion of social equality. It divides all citizens to two group. As it is directly related to different aspects of people's life, including housing, education, employment, and social benefits, the division of urban and rural hukou results in different treatment, and in practice, this is a kind of inequality. Therefore, the government should put an end to the Hukou system and try to reduce its influence. Furthermore, the government should pay more attention to severe situation of migrant workers and make some policies and regulations to address poverty and inequality. For example, overdue payment may cause conflicts between employers and migrant workers and poverty problem. Some policies preventing the happening of this situation can help migrant workers to gain their income in time. Also, the government are supposed to rise financial support for migrant children's education. Policies about increasing access to education has been announced, but its effect are hard to recognize. Migrant workers still need to pay much money for their children's education. Therefore, increasing financial support may be a good method. No matter what policies and regulations will be implemented, they should be specifically explained by the government to avoid ineffective outcomes.

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