WAS CHINA’S RATE OF POVERTY REDUCTION EVEN FASTER THAN ROUTINELY ASSUMED? ACCOUNTING FOR THE EFFECTS OF MIGRATION

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Introduction
With an estimated 261.4 million of migrants (NBSC 2012), internal migration in China affects more individuals than the estimated 218 million cross-border migrants in the rest of the world combined.

Migration made a major contribution to China’s rapid progress in poverty reduction. However, the estimated magnitude of associated effects will depend on how migrants are counted.

Past practice in China on this issue differs from that in other countries in that migrants are counted as part of the sending household even if they are absent for periods longer than 6 months.

We use micro-data at individual level from China’s Rural Household Survey (RHS) for about 2,000 households in 8 provinces over the 5-year period 2005-2009 to empirically assess the potential size of such bias.

Importance and impacts of migration
Comparing the income loss due to migration (i.e. what migrants would have earned) to the gains from remittances generally points towards an equalizing effect of remittances.

But points towards wide variation across countries in the elasticity of poverty reduction to migration income.

Migration is credited with having made a major contribution to China’s rapid progress in poverty reduction.

Measurement issues

Rural household survey (RHS) by China’s National Bureau of Statistics (NBSC) is commonly used to measure household welfare in rural China and is generally considered to be of high quality.

But there are two concerns:

1. whether or not migrants are considered household members;
2. the way in which their income/consumption is recorded.

The standard definition of a household is normally based on sharing of meals, which excludes migrant from sending households.

RHS considers migrant workers to be household members even if they have been away from the household for more than 6 months in any given year.

The unique feature of RHS may bring three possible bias in estimating household income/consumption:

1. Migrants are counted as part of the sending household even if they are absent from the household for more than 6 months, so household size will be overestimated.
2. Income received by migrants is often provided by members other than the migrant who may have incomplete information on the magnitudes involved, thus possibly resulting in downward bias of estimates.
3. Consumption data are based on a diary filled by resident household members that is likely to include migrants only when they actually reside in the sending household.

Evidence in other countries suggests that differences in estimated household welfare can indeed be linked to changes in household definition. Eg. Vietnam’s VLSS,1998 (de Brauw and Hargiaya, 2007 ) versus VHLSB, 2004 (Nguyen and Winters, 2011).

Data and analytical issues
Household- and migrant-level data for a subsample of 8 provinces (or 211 counties) from the RHS in the 2005 to 2009 period. (2,105 households in the initial year of 2005 and 1,089 households in 2009.)

To make data comparable, we express in 2005 prices using the provincial NBSC rural consumer price index as a deflator.

Also follow Brandt and Holz (2006), construct a cross-province consumer price index (CPI) deflator for spatial deflation.

Adjustments made
Adjusted net income per capita 1 =
net income – migration income + remittance from migrants × 6 mons + migration income from migrants × 6 mons

Adjusted net income per capita 2 =
net income – migration income + remittance from migrants

Adjusted total consumption per capita 1 =
hh cons + hh cons × [6 mons migrants × 6 mons / (hhsize × 12 – total migration mons)]

Adjusted total consumption per capita 2 =
household consumption

Results

Comparing income and consumption levels for households with and without migrants (different adjustments)

Poverty under different household definitions

Conclusions

With population under poverty line fell from 751.7 million to 156.78 million (accounting for 91.65% of the world poverty reduction), the poverty reduction in rural China contributes a lot to the reduction of poverty in worldwide.

Our results suggest that adjusting for migrants’ absence increases per capita income and expenditure for migrant households (then estimated to be better off than non-migrants) and a significant reduction in poverty level.

Also, with adjustments, overall poverty is estimated to have decreased even faster than suggested by unadjusted figures.

Adjustments are made, households with a migrant are estimated to be better off than those without a migrant rather than worse as would be suggested by unadjusted figures.

Although inequalities in rural areas increases slightly, rural-urban income gaps narrow significantly.