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From "Migrant Workers Boom" to "Migrant Workers Scarcity" — Analysis of Institutional Bottleneck of Rural Surplus Labors Transfer in China

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Abstract Through description of three-steps characteristic of dual economic theory and its practical significance to the process of industrialization and urbanization in China, and making comparative analysis between important criterion of "Lewis turning point" and current situation of rural surplus labors market in China, we can find that there exists a great deal of surplus labors in rural areas in our country, improvement of peasant income is the result of external interference of government, and demographic dividend in our country hasn't finished. These phenomena go against the theory of "Lewis turning point". So it can prove that "Lewis turning point" in China hasn't come yet. The paper points out the major factors of coexistence of "migrant workers scarcity" and labors redundancy in our country. The first one is structure contradiction of labors market; the second one is law of supply-demand of labors market; the third one is institutional barrier which hinders labors in free flow of census register and social guarantee. Therefore, if we want to realize successful transfer of rural surplus labors and the goal of industrialization and urbanization, we must promote upgrading of industrial structure, change the style of economic growth and realize harmonious development of regional economy in macrocosmic level; And in microcosmic level, we should eliminate institutional barrier which hinders transfer of rural surplus labors.

Key words Rural surplus labors transfer, "Migrant workers scarcity", Lewis turning point, Institutional reform, China

Since the middle of 1980s, a great number of Chinese farmers have started to look for a job in developed areas. It has become a large-scale labor force transfer cross provinces, called "migrant workers boom". Started from January 2004, in the developed areas such as Pearl River Delta, Yangtze River Delta, Southeast of Fujian Province and so on, enterprises have come out phenomenon of workers shortage, it called "migrant workers scarcity". The change of rural surplus-labor market in our country seems to predict that China has stepped from labor redundancy age into labor shortage age. Therefore, some domestic scholars and organizations judge that "Lewis turning point" of Chinese economy has arrived, Demographic Dividend has already over. From current situation and problem of rural surplus-labor market, the author tries to demonstrate that China hasn't come to "Lewis turning point" yet, and puts forward suggestions of realizing rural surplus-labor transfer from the point of institutional reform of dual structure.

1 Paradox between "Lewis turning point" and "migrant workers scarcity"

In 1954, W. A. Lewis, an American development economist, discussed transformation process from the point of duality of labor market in his paper *Economic Development under the Condition of Unlimited Supply of Labor*. And then, expanding by Ranis and Fei, it formed dual economic model containing transition zone. The assumed conditions of the model are unlimited supply of labor and two kinds of department existing in developing countries-traditional department and modern department. Dual economic theory divides economic development into

three stages. First, when marginal labor productivity of agricultural department (traditional department) is zero or very low, labor has elasticity in supplying to industrial department (modern department) unlimitedly. In this stage, wage level of labor is decided by the value of the lowest means of livelihood. Second, industrial department transform the profit into reinvestment and expand scale of production under the condition of changelessly real wages. In this stage, wage level of labor is decided by marginal productivity. Industrial department will improve wage level and continuously absorb rural labors. When the marginal productivity of agricultural department is the same as that of industrial department, rural surplus labors will be absorbed by industrial department completely. This period is called "Lewis turning point". After the "Lewis turning point", economic growth will come to the third stage-economic integration. That is, the economic structure of one country will transform from duality to unitary, and the country will complete its industrialization and urbanization^[1].

"Lewis turning point" is an important milestone in economic growth. It has strategic significance to structural adjustment of economic growth. So, dual economic model of development economics also has a certain practice significance to Chinese industrialization and urbanization. Firstly, transfer of rural surplus labor provides conditions for the improvement of agricultural productivity and the development of rural economy. Secondly, free flow of a great number of rural surplus labor provides conditions for agricultural department and industrial department to realize optimum location of the means of production. Thirdly, earnings from non-agriculture, to a large extent, improve peasants' income. It remits the tendency of pauperization in backward areas and provides capital guarantee for the modernization of technology in rural areas. Finally, whole transfer of

rural surplus labors is a great mark of industrialization and urbanization of one country and one of the indexes that measure our entrance to industrialized country.

In the last 30 years since the Reform and Opening-up, the flow of Chinese farmers has three waves. They are "migrant workers boom" in 1995 and "migrant workers scarcity" in Pearl River Delta and Yangtze River Delta in 2004 and 2010 after financial crisis. According to the survey of Pearl River Delta, Yangtze River delta, Northeast of Fujian and Northeast of Zhejiang by labor and social guarantee research group, shortage of migrant workers is objective reality in some areas. Shortage of migrant workers mainly focuses on developed areas and labor-intensive industry. According to related data, shortage of workers in Pearl River Delta reaches 200 million people in 2010, and the situation in Yangtze River delta is also severe. Only the shortage in Wenzhou area has come to 0.8 million. Enterprises in these areas all remit scarcity by improving wages and reducing education background and age limit. From "migrant workers boom" to "migrant workers scarcity", it reflects our specific phenomenon of migrant workers market. So, the economic theory circle of our country put forward a aggressive conclusion-Chinese economy has come into "Lewis turning point" and Demographic Dividend has already ended. Seen from the transformation of Chinese rural surplus-labor market, it can be judged that "Lewis turning point" of China has come out.

There are two important standard of "Lewis turning point". One is rural surplus labor descends by a large margin. The other is agricultural wage rate ascends by a large margin^[2]. First, currently, there are still a great number of surplus labors in rural areas. Due to different sources of statistics, quantities of rural surplus labors got by scholars are also different. Redundance or shortage of labors pointed in "Lewis turning point" means the people under 40 or 35 years old. However, there are 0.3 billion rural labors who are 40 to 64 years old in our country. Because of the age, they cannot be received by the secondary and tertiary industry and will remain in agricultural department in a long term. It is estimated that there are 0.74 billion labors in all in our country with 0.5 billion rural labors. The surplus labors are more than 0.1 billion. They consist of the main force of migrant workers. Thus it can be seen that the existence of a great number of rural surplus labors in our country is not corresponding with the prediction of appearance of "Lewis turning point". Second, the large rise of agricultural wages is not the result of market behavior. Chinese government has carried out a series of policies in order to solve the problems of countryside, agriculture and peasant and improve farmer's activity, such as tax reliefs, price improvement of agricultural products and so on. This makes the yield rate of agriculture rise. So the growth of farmer's income is not the result of competition between two departments, but of external intervention from government. This is inconsistent with the condition of income growth in appearance of "Lewis turning point". At last, when "Lewis turning point" appears in one country, economic growth emerges two fundamental changes. One is declining birth rate. The other is integration of labor market and

transformation from dual economic structure into unitary structure. And industrialization and urbanization reach a high level. Although natural population growth rate in our country declined from 1978 to 2008, our birth rate had been higher than 12.14% all the time. It is predicted that China will have small baby boom in the future^[3]. In addition, the dual economic structure in our country is still unchanged. The transfer of rural surplus labor faces with institutional barrier. The proportion of agricultural population is 60% to 70%. The urbanization rate of our country in 2008 is 46%, so it obviously falls behind developed countries. This reality explains that it is too early to judge the appearance of "Lewis turning point".

2 Analysis of contradiction between "migrant workers scarcity" and labor redundancy in China

Unlimited supply of labors is an undisputable fact in our country, and it will have no fundamental change in short term. However, it seems a paradox that "migrant workers scarcity" happens in China. There has a profound social and historical background behind the phenomenon of "migrant workers scarcity" and "difficult to be employed".

2.1 Result of structural contradiction of labor market It mainly shows in the following aspects.

2.1.1 Labor shortage in regions. Short supply of migrant workers and labor shortage concentrate on developed areas like Pearl River Delta, Yangtze River Delta and Northeast of Fujian. The shortage rate is more than 50%, however, the surplus rate of labors in backward areas is under 15%.

2.1.2 Labor shortage in departments Enterprises. In Pearl River Delta and Yangtze River Delta mainly are labor intensive. After the financial crisis in 2008, coastal enterprises had to make adjustment and upgrade of industrial structure. So, some technological enterprises had structural labor shortage-"technicians scarcity".

2.1.3 Structural shortage of skills and educational background of labors. Generally speaking, skills and educational background of rural migrant workers in our country are at the lowest level. But some enterprises ask for higher skills than most of the rural migrant workers have.

2.1.4 Structural shortage of age^[4]. At present, these developed areas with labor shortage employ people among 16 to 45 years old. But the rural labors among 40 to 60 will remain in agricultural department in a long term because of their age. It is unable to put labor force transfer into practice.

2.2 Result of law of supply-demand in labor market

2.2.1 Supply side.

2.2.1.1 As migrant workers in supply side in labor market, they "vote with their feet" for their income. The reason is, at the beginning of reform and opening up, coastal areas always attract foreign investment by abundant and cheap labors. So, their income maintain at a low level all the time. And the wage growth rate is lower than the local economic growth. Along with regional economic growth in China, wage growth rate of coastal areas even lower than that of other provinces. In addition, due

to the rising prices in 30 years, their income can't make migrant workers maintain original living standard. So they have to "vote with their feet".

2.2.1.2 Migrant workers in new generation have impulse to choose an occupation and higher liquidity. Though new generation of migrant workers have a higher education than their parents, their experience, life-style and awareness make them have a high expectation of their jobs in the future, and they are more critical in nature, welfare and treatment of jobs. So they have impulse to choose an occupation and higher liquidity. This is also one of the reasons of difficult recruitment.

2.2.2 Demand side. Enterprises are the demand party in the labor market. Because many of the enterprises in the coastal areas are labor intensive, and labor cost has a large proportion in total cost, enterprises control the production cost by cutting down the rising space of labor's income chronically. And there exists a certain time lag in adjustment and upgrade of enterprises production structure putting forward by our government. It is difficult to replace "capital flow" by "labor flow" in a short term. So, the supply and demand contradiction of migrant workers will show up. In a word, seen from both sides of migrant workers market, the labor and the capitalist play a game in balanced wages. Obviously, labors have a higher pricing of existing wage level and higher demand of work environment. The capital tries to maintain the price of labor in the original level, both sides cannot form a balanced price point. And "migrant workers scarcity" is the result of failing in low-level supply and demand game.

2.3 Result of institutional barrier of free flow of labors Although migrant worker flow is free, they cannot integrate in city life really and realize transition of identity because of the institutional barrier.

2.3.1 Dual structural household registration system. Dual structural household registration system is the important barrier to hinder urbanization and rural surplus labor transfer. Although household register of small town in our country basically open up nowadays, household registration system of big and medium cities still haven't open up to migrant workers due to institutional inertia and departmental benefits. And the household registration has closely connections with public welfare. Therefore, existing household register barrier makes migrant workers cannot enjoy public welfare the same as city dwellers.

2.3.2 Dual structural employment system^[5]. In many of the big cities in our country, there is a series of discriminatory policies to restrict migrant workers to go into cities called "emptying the cage and changing the bird". Migrant workers mostly go into so-called "3D" jobs (dirty, dangerous and demanding). There isn't any government department working for migrant workers when they get accidental injury and interest damage in their jobs.

2.3.3 Dual structural social security system. At present, social security system in our country is divided into social security system in city and rural areas. Due to historical reason, social security only covers residents in towns and cities. And rural social security give priority to family and collectivity security. The

social security of migrant workers with dual identity are not brought into the range of social security in city. "Migrant workers scarcity" reflects the awaken awareness of protecting rights in another side.

3 Countermeasures of realizing rural surplus labor transfer

From the above analysis, there exist various of institutional barriers in rural surplus labor transfer. So, it is necessary to carry out reform of rural surplus labor transfer from macroscopic and microscopic level, and then makes China really enter into "Lewis turning point" and realizes Chinese industrialization.

3.1 From the macroscopic level, we should promote upgrading of industrial structure and transformation of economic growth pattern and realize coordinated growth of regional economy

3.1.1 Transforming from extensive economy into intensive economy. In the past 30 years, extensive economy with labor and resource input as the main part is the main economic growth pattern. This development pattern has already caused severe wasting of natural resources and pollution problems and formed a development pattern of low wage, low technology and low-level labors in coastal areas in our country. The international experience indicates that over-dependence and extortion of cheap labors will lead to short-sight and inferior of capital, and will cause contraction in social needs, unsustainable momentum and strain capacity of economy.

3.1.2 Enterprises should transform from cheap-labor-cost development pattern into modern enterprises. Financial crisis in 2008 and "migrant worker scarcity" both confirm the urgency of upgrading of industrial structure in our country. Transforming traditional manufacturing industry into advanced manufacturing industry, improving added value of industry and increasing resource utilization rate are the foundation for enterprises to improve core competitiveness. And it is the only way for Chinese enterprises to participate in international market competition.

3.1.3 Developing regional economy rapidly and reducing regional income gap. Free flow of labors is the inevitable outcome of market economy. Large-scale migration of labors causes crowding of communal facilities and unstable security of society in the cities. In addition, dual institutional structure has improved migration cost of migrant workers and hindered rural surplus labors to become real supply. Therefore, we should accelerate economic development in central and western regions, lessen the gap with eastern coastal areas and provide opportunities for upgrading and updating industrial structure in coastal areas, transferring behindhand industries and developing high-tech industries at the same time.

3.2 From the microscopic level, we should give priority to eliminate the institutional barrier that hinders rural surplus labor transfer

3.2.1 Deeper reform of household registration system. Carry forward reform of household registration system in cities, establish a fair household registration system principle, gradually cancel discriminatory household registration system to migrant

workers^[6] and realize disconnection between registered permanent residence and social welfare. Explore a registration system for migrant workers to freely live and migrate in practice step by step.

3.2.2 Deepen the reform of labor employment system in cities. First, form an unified labor market in the whole country, realize fair, open and just employment system of urban and rural labors and eliminate discriminatory urban employment policy. Second, express service function of public employment institutions, accurately and timely provide employment information in regions and clear the employment channel. Third, accelerate construction of labor marketing information system and provide overall and correct information for migrant workers all over the country. Fourth, strengthen free education and training of professionalism for rural migrant workers.

3.2.3 Establish social security system covering cities and villages. Establish social security system for migrant workers according to grading and gradual principle. It includes universal security system for injury suffered on the job, medical security system according to contribution, social relief system mainly for migrant workers and urban housing system with the principle of guaranteeing vulnerable groups.

3.2.4 Formulate laws and regulations guaranteeing related rights and interests of migrant workers. Because migrant workers belong to marginal groups and vulnerable groups in cities, government departments should confirm a minimum standard

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green organic vegetables, fruits and flowers are cultivated in glass greenhouse after the introduction of agricultural technological park into the eco-city. Environmental protection and resources and energy-conservation are emphasized to achieve sustainable consumption while pursuing a comfortable life. All in all, ecological construction of the service industry should strengthen cooperation among industries and build an economic chain of substance cycling, wastes utilization and gradient utilization of energy among industry, agriculture and other service departments, which will gradually form a recycling ring of three major industries. Thus, circular economy is to be achieved on microscopic level with the ecological construction of the industry being promoted at the same time^[11].

3 Conclusion

The advantage of the mode of Sino-Singapore Tianjin Eco-City lies in its duplicability. Its success provides a new thought for the development of urban agriculture in large and medium sized coastal cities in China. Under the guidance of the theory of circular economy, strengthening the economizing utilization of agricultural resources and the resource utilization of agricultural wastes has positive effect on the improvement of city environment. Organic solid wastes are to be dispersed from the sewage recycling system, the physiological and biochemical mechanism of increasing output and income of ecological agriculture is to be further studied and urban agriculture is to be integrated into the planning of city land utilization as well as urban development.

for migrant workers on the aspects of wage level, worker's compensation, public welfare and so on to make their rights guarantee has a certain legal basis.

In a word, government should gradually eliminate dual institutional barrier in cities and countryside and dredge the institutional bottleneck of rural surplus labors transfer to achieve real transfer of rural surplus labors and clear up institutional barriers of Chinese urbanization and industrialization.

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