

The Process and Status Quo of China's Urbanization: From the Perspective of the Five-Year Plans

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ABSTRACT

Urbanization is a process of population concentration. China's urbanization has gained astonishing achievements in the past decades and has accelerated since the reform and opening policies were introduced by Deng Xiaoping in 1978. It is indisputable that a few questions can be raised about such a marvelous process of urbanization. For example, what is the most significant driving force? What are the challenges for China's urbanization? To answer these questions, this study elaborates the objectives behind China's urbanization policy as well as the dynamics of it from the perspective of the Five-Year Plans. More importantly, the challenges for China's urbanization process were emphasized.

Keywords: Urbanization; China; Five-year plans; Policy analysis.

INTRODUCTION

Urbanization is a process of population concentration [1]. China's urbanization has gained astonishing achievements in the past decades and has accelerated since the reform and opening policies were introduced by Deng Xiaoping in 1978. In order to clearly present the tendency of the process, the urbanization rate (the ratio between urban population and total population) may partly reflect the Chinese population structure. The urbanization rate of China was merely 18% in 1978, then China witnessed a dramatic increase with the rate rising to 30% in 1995 and to nearly 40% in 2002; by 2011, around 50% Chinese people live in cities [2]. Note that the rapid process of urbanization is just one side of the picture: the urbanization rate is still far from that of Europe and North America, 75% and 80% respectively. In terms of the number of cities and towns, the number of cities and towns was 3,044 (193 cities and 2,851 towns) in 1978. By the year 2004, the number had almost sextupled that of 1978 and increased to 19,832 in total (661 cities and 19,832 towns) [3].

It is indisputable that a few questions can be raised about such a marvelous process of urbanization. The most widely argued issue can be a single, directly simple, question: why is China's urbanization process so rapid? If measuring the urbanization pace using the criterion of how many years a country takes to increase its urbanization rate from 20% to 40%, it is 22 years for China, 120 years for the UK, 100 years for France; and for Germany, the US and Japan, it is 80,40 and 30 years, respectively. Given that the process of urbanization is time-consuming, despite distinct features of the respective country, the dynamics of the rapid process of China's urbanization are worth concerning. Likewise, behind the surprising reality, what can we draw on by deeply observing China's development? By highlighting the urbanization in the context of China's political and economic reforms, what is the most significant driving force? In addition, what are the challenges for China's urbanization? With regard to a series of questions posed on China, this study will elaborate these issues within the framework of the Five-Year Plans.

THE OBJECTIVE BEHIND CHINA'S URBANIZATION POLICY

In the reform era, the objective behind China's developmental pattern lays the foundation of China's developmental trajectory. Among the large amount of public policies issued by the central government, the Five-Year Plan can be the most convincing one. The Five-Year Plan is a series of strategic initiatives which began in 1953. Every five years is a session, followed by numerous related targets and specific missions. The Five-Year Plans are mainly focusing on social and economic development. The latest one – 13th Five-Year Plan – was issued in March 2016 (2016-2020) [4]. Analyzing the status quo and process of urbanization in the light of the Five-Year Plans can supply a microscopical understanding about the political and economic reforms in contemporary China.

The command economy and politics might be the most distinguishing feature of China. Within the Five-Year Plan' framework, the central government maps the strategy for social development, sets targets and launches reforms while the local governments have to satisfy the requirements from the upper level. With the globalization tendency and China's high rate of GDP growth, the central government has accepted that the market economy is inevitable, that is, the Communist Party of China (CPC) wants to achieve a sustainable development by losing the constraints to the private sector and strengthening strategic support. Thus, based on the 13th Five-Year Plan, the government pays serious attention to improving all aspects of the society including energy, education and population instead of only focusing on faster GDP growth, which has been the first priority for Chinese government and its people for a very long time [5].

Given that the government has realized that it is time to cool the overheated development and guarantee social stability, the objectives of urbanization policy can be portrayed by several aspects: a) to improve the level of urbanization, but not to slow the speed of it; b) to strengthen the mutual incentives of urban and rural areas, particularly in the western regions; c) along with the construction of more cities, the mid-sized cities and prefecture-level cities should be in the focus of the plans; d) to emphasize the inland migration and the related problems when mutually promoting the industrialization and urbanization process, and enhance the level of migrant workers' well-being and social welfare.

THE DYNAMICS OF URBANIZATION

The rapid process of industrialization can be one of the most significant dynamics of urbanization. It was clearly concluded in the 11th and 12th Five-Year Plans that the central government was expecting a stable long-term economic growth and that all sectors should pay equal attention. It was also acknowledged that urbanization, industrialization as well as other profound social changes will shape China's future [6] [7]. According to the National Statistical Bureau, by the year of 2010, the secondary industry occupied 47.8% of the total GDP, followed by the primary industry (43.0%) and tertiary industry (10.2%). Likewise, during the 11th Five-Year Plan, the proportion of the tertiary industry, or the service industry, has maintained a stable increase: from 40.1% in 2005 to 43.0% in 2010 [8].

Note that in many countries, the processes of industrialization and urbanization could be at different levels, that is, the share of the secondary industry might exceed or fall behind the urbanization rate. In this sense, under certain circumstances, the industrialization and urbanization are mutually promoted. In the context of China, the speed of industrialization has fairly surpassed that of urbanization. Therefore, industrialization constitutes the major driving force for the urbanization process. Two ratios can support the argument – the industrialization rate (the proportion of the secondary industry of the total GDP) and urbanization rate (the ratio between urban population and total population). According to the World Bank, the

average urbanization rate is 50.9% worldwide whereas the average industrialization rate is merely 26.1%. However, China's urbanization rate had increased to around 50% and the industrialization rate had reached 47.8% by the end of the 11th Five-Year Plan (2010). It can be seen that the current industrialization rate is higher compared to the worldwide average figure. However, China is still far away from the completion of its urbanization process, even if about half of Chinese populations are urban residents. Thus, there is ample room for industrialization to drive urbanization. Additionally, the secondary industry makes up the largest amount of the total GDP and industrialization is implemented nationwide by the central government. The rapid industrialization is attracting numerous people to concentrate in cities, especially the eastern coastal cities (the eastern coastal cities are more developed regions). Thousands of job opportunities are created accompanied with newly built skyscrapers, highways as well as various kinds of enterprises. The industrialization forced people to leave their farmland and root in cities. Mainly due to the expansion of the secondary industry, China's average GDP growth rate has been about 10 percent. With the rapid growth of GDP, there is an increasing number of people gradually becoming urban citizens by adopting the urban lifestyle. The new clusters where people concentrate are gradually turning into new cities.

Next, the reform of the household registration (*hukou*, 戶口) system is another factor that drives the urbanization process. The *hukou* system was implemented in the 1950s. In its essence, the *hukou* system is a tool for the CPC to manage and regulate its citizens. Based on this registration system, the urban and rural regions are strictly divided and therefore the "dualistic structure", which is the basic social structure of China, has been formed. One of the most significant functions of the *hukou* system is that the authority controls the population mobility through this system, particularly the population from rural to urban areas. For a very long time (since the 1950s), the rural residents have been restricted to settle in cities or towns. The situation was changed in the 1980s. From then on, the *hukou* system was relaxed and the rural residents were permitted to work in cities [9]. Unfortunately, the majority of the migrants cannot have an official urban *hukou* even during the current registration system. Admittedly, without an official or a temporary *hukou*, working in cities will be illegal and the migrant workers will be sent back to their hometowns. But more job opportunities, higher wages and more vivid urban lifestyles are attracting thousands of people to migrate to cities. With an urban *hukou*, the citizens may have better social welfare, security as well as education, etc.

The 11th and 12th Five-Year Plan guided the direction of the relaxation of the household registration system, and therefore, urbanization could be driven. In the 11th Five-Year Plan, the government realized that a more relaxed *hukou* system would offer more labor forces for the large-scale construction nationwide. To better realize the objective of resolving the issues in the agriculture and countryside and of the farmers (*san nong wenti*, 三農問題), the government has emphasized on accelerating the reform of *hukou* system, aiming at improving the overall status quo of the policies concerning agriculture, countryside and farmers (*san nong*, 三農). Likewise, the 12th Five-Year Plan maintained the developmental strategy of the issues of agriculture, countryside and farmers that were implemented during the previous plans. In addition, two main ways to promote the reform of the *hukou* system and to accelerate the urbanization process were introduced by the 12th Five-Year Plan: a) the migrant workers can obtain an urban *hukou* on the basis of giving up their homestead and the contracted land. Then the migrant worker can gain the urban welfare and security. b) Weaken the close link between the *hukou* and social welfare. In this way, the population mobility will be more flexible, and the migration movement will have fewer obstacles. Meanwhile, sufficient workforce can fill the labor market and drive industrial growth.

Finally, the tendency of globalization and foreign trade is the third dynamic of China's urbanization. It is globalization that makes cities become cells of the international financial network. Influenced by the globalization, the urban areas are opening their doors to the new technologies and information. Under this circumstance, cities all around the world have exhibited some distinct characteristics: first, the service industry has become the backbone of the urbanization process in a number of countries, and the total income of the service sector contributed the largest proportion of the total GDP growth. Second, transnational corporations have been expanding to more cities nowadays. They are promoting the development of new technology by competing with each other and controlling the production market. Third, banks, insurance companies and legal institutions constitute the financial system in some mega-cities and therefore spark rapid economic growth. Fourth, the exchange of information, resources, technology as well as capital is more frequent and regular. The Five-Year plans recognize that the globalization has been driving the rapid process of urbanization by enhancing the competitive power of China's cities. Enhancing the capability of innovation, readjusting industrial structure and transforming the economic growth mode were strengthened Five-Year Plans. In addition, the technical breakthroughs have made it possible for the industries, such as the new materials, clean energy, new information technology and biological equipment manufacturing to be equipped with high-tech. They will, therefore, gain more support from the government. With a better industry structure, the development of the service sector and the support of high-tech industries, cities in China will be more powerful. It can be predicted that with this trend, urban agglomeration will be formed gradually, and the urbanization level will be enhanced to a new stage. In particular, the foreign trade is highlighted as a driving force in the context of globalization. According to the statistical data, the total export-import volume occupied merely 6% of the GDP in 1980, while by the year 2008, the share increased to 33% [10]. From 1979 to 2008, China has accumulatively attracted 852.6 billion dollars of foreign investments, which illustrated that the relation between China and the global market has been becoming close [10]. Millions of foreign investments will be used in the construction of infrastructure and property, and it will inject new vitality to the development of urban regions. As such, cities (despite the size or the locality of the cities) in China will be forced to engage in global economic competition and the division of labor.

CHALLENGES FOR CHINA'S URBANIZATION

The specific challenges for China's urbanization vary under different circumstances, and any of those challenges are impossible to be resolved by one stroke. This part will elaborate on the contemporary challenges. Although touching upon all the challenges for China's urbanization is impossible because of the limitation of time and space, this study still tries to depict a relatively comprehensive picture of these challenges to guide the process of urbanization.

Rapid industrialization and economic reform pose a number of challenges on the Chinese government. To begin with, China is experiencing a serious property bubble. To be specific, according to the Electric Power Sector, there are 65.43 million unoccupied apartments. On one hand, thousands of people live in slums located in suburban areas; on the other hand, rich people bought apartments as an investment and have left them empty. The increased growth of housing price compels many families to use up their entire life savings to buy a house in a city. An extreme example of the property bubble is the "Ghost City" – Kangbashi, a newly constructed city district in Ordos, Inner Mongolia. It is located in the outskirts of Ordos and was initially designed to hold more than one million residents. However, currently, less than 30,000 residents live there. It is easy to find empty streets and squares, grand buildings with only a few people and unoccupied apartments. All of this implies that this city is getting deserted. Zhengzhou, the capital city of Henan Province is another example of a ghost city. The central business district (CBD) is empty and almost all the shops are closed, while around the

CBD, the construction is continuing. The rapid process of industrialization benefits the GDP growth, which has always been the core objective of the Chinese central government. Thus, the most important issue to discuss is that once the property bubble bursts, what will happen and how the Chinese government will deal with it. In recent years it has become increasingly clear for the central government that what really matters is the quality of urbanization. This awareness is presented in the 12th Five-Year Plan, which concentrates on the upgradeability of the industry and promotes domestic consumption.

During the last decade, investments have kept a stable and rapid development, effectively driving the "China" economic train to move forward. From 2003 to 2011, the accumulative achievement of Social Fixed Asset Investment was 144.87 trillion RMB, with an average annual increase of 25.6%. Under the help of investment, the industrial production ability was further developed. The weak link between infrastructure construction and social undertakings constructions was strengthened. The urban and rural areas appeared as brand new. Currently, China is under the key period of the development of urbanization and industrialization. To upgrade the construction of infrastructure, improve the livelihood of the people, and protect the environment, a large amount of investments is needed. It is necessary and reasonable to maintain the proper investment growth speed. The investment is used to promote the livelihood of citizens. The enhancement of the quality and profits of investment is attaching more importance to the investment growth based on the positive interaction between the investment, consumption as well as the folk capital vitality. More importantly, the impact of the guidance of state investment on the investment quality cannot be ignored. The state investment could make the investment further inclined to safeguard and promote the livelihood of the people, the self-dependent innovation and environmental protection.

Apart from the challenges of rapid industrialization and economic reform, the issues of migrant workers are another challenge that we cannot ignore. First, migrant workers have made a remarkable contribution to the economic development of China. Until 2006, there were 200 million migrant workers, constituting 60% of the country's total workforce. On one hand, the rapid process of urbanization needs the efforts of these migrant workers; on the other hand, the demands of the migrant workers for better living standards are growing because the quality of their life has not improved much. In the labor market, although looking for the economic benefits is the basic impetus for the migrant workers to go out of their home villages for work, the work motivation is diversified. The occupation choice for migrant workers has been transformed from the early survival purpose that solved the subsistence problem to the current desire of choosing high salary and relatively good welfare. Seeking for a job primarily relies on the individual social network of a migrant worker. Although the migrants often change their workplace, their choices are limited to the jobs in the lower level and secondary labor markets. Migrant workers are still in the stage of fighting for and safeguarding the labor rights. The social insurance of migrant workers has been developed from nothing, with a constant increase in the level. However, the rate of participating insurance is quite low, and the level of contribution is not high. More importantly, migrant workers suffer secondary deprivation in the field of social insurance. There is a widespread phenomenon of migrant workers protesting after their rights have been damaged but the success rate of these protests is very low. To accept the migrant workers as urban residents is a key to accelerate China's urbanization process. It is necessary to protect their labor rights and treat them equally. The stability of the migrant worker group is closely associated with social stability, as well as the urbanization process.

Second, it is true that China's public policies have already changed significantly to address the problems in the rural areas and of the rural population. Meanwhile, the Chinese leadership has

made serious efforts to extend more benefits to the countryside, including experiments to raise minimum living support and attempts to create a rural medical insurance scheme and pension system. However, for the migrant workers who left their farmland but have not been able to gain an urban *hukou* the developments in the rural polices have not been beneficial. This migrant worker group is regarded as the floating population. If these people cannot be well arranged, there might be some unsatisfactory outcomes for the stability of society.

Third, it is difficult to transform a migrant worker to a real urban resident. Millions of migrant workers, particularly the second generation, are caught in a dilemma: they feel that they are excluded from many of the resources of the urban environment where they live, but at the same time, they do not fit any more into the life of their home villages. The education of the children of migrant workers becomes an urgent problem to be solved. Creating fairer education opportunities requires strengthening China's welfare system. This is to ensure no child will drop out of school because of financial difficulties. The migrant workers have left agricultural activities and most of them work and live in the towns and suburban areas. The local governments can only rely on the alliance of towns, villages and enterprises to execute governance and it is thus difficult to effectively penetrate the existing structure of the local governance and ensure that the fairness and justice principle of the national policy will be maintained. In order this to happen, many policy goals need to be changed or even replaced. The change of the relationship between towns, villages and enterprises will have effects on the validity of policy implementation of migrant workers. Migrant workers have changed the country's cityscape, but when working away from their hometowns, they have lost many rights and the welfare that they should have.

CONCLUSION

To summarize, this study elaborated the objectives behind China's urbanization policy as well as the dynamics of it from the perspective of the Five-Year Plans. More importantly, the challenges for China's urbanization process were emphasized. It is estimated that based on current trends, China will have over 220 cities with more than 1 million people by the year 2025 [11]. Urbanization is not merely driven by the development of industrialization and infrastructure, but it is also promoted by the growth of the economy. It is impossible to touch upon every issue related to urbanization, such as environmental issues, education, etc. The basis of this study is to justify the objectives behind China's urbanization policy, the dynamics of the development of urbanization and the challenges it faces. As mentioned above, China's urbanization rate is still much lower than that of North America and Europe. In the light of the Five-Year plans, it can be expected that China's urbanization process will have a promising future, while the final outcomes are remained to be seen.

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