

# CHINA: URBANISATION

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## **Syllabus links Stage 5: Changing places**

Causes and consequences of urbanisation

Students investigate the causes and consequences of urbanisation with reference to ONE Asian country, for example:

- identification of spatial distribution patterns
- description of the causes of urbanisation
- examination of economic, social or environmental consequences of urbanisation

Students investigate reasons for and effects of internal migration in Australia and another country, for example:

- analysis of trends in temporary and permanent internal migration
- discussion of economic, social or environmental consequences of internal migration on places of origin and destination

*View over old low rise housing to high rise apartments relacing the old sections in Shanghai. Source: Steve Weingarth*

## **Government policy: A force in urbanisation and urban growth**

Unlike Beijing with its 3000 year history, Shenzhen owes its urbanisation to being designated the first Special Economic Zone in China in 1980. This once small fishing village was created as an experimental city for the Chinese version of capitalism called “socialism with Chinese characteristics” or “market socialism” which is basically the free enterprise or market economy with Communist Party approval and guidance. This is a major shift from 1949 when the Communists came to power to rid the country of the capitalists and establish a Communist planned economy.

Shenzhen's urbanisation was driven by businesses, particularly manufacturing, setting up because investors knew they could make profits. Workers were attracted by new jobs in manufacturing and services, illustrated by the fact that over seven million of China's 220 million migrants live in Shenzhen, Little more than a fishing village in 1979, by the 2010 census Shenzhen registered 10.4 million inhabitants. Source: [www.newgeography.com/content/002862-the-evolving-urban-form-shenzhen](http://www.newgeography.com/content/002862-the-evolving-urban-form-shenzhen)

Shenzhen is a powerhouse of China and part of the Pearl River Delta manufacturing base, a major contributor to manufacturing output for the World and a contributor to China's economic success.

Nearby Hong Kong grew as a global business, manufacturing and financial centre when it was a British colony until the handover to China in 1997. Hong Kong Island and Kowloon were to be under British rule forever but the New Territories part of Hong Kong was only on a 99 year lease. The UK government realised they couldn't split Hong Kong after 1997 when the lease expired so the People's Republic of China acquired the whole of Hong Kong as a booming market economy.

The Chinese government then decided to try the market economy system in Shenzhen just outside Hong Kong. They realised that the market system increased productivity and boosted the economy and urbanisation. The pragmatic Communist government realised that raising living standards and providing employment could be done in a number of ways, especially in cities, and whatever worked should be

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considered. This view is now driving urbanisation and urban growth in China.

The market system resulted in higher productivity in the cities and led to further urbanisation and urban growth. It also led to flows of internal migrants from rural areas into the cities and a range of social, economic and environmental issues related to urbanisation and urban growth.



*Beijing – Entrance to the Forbidden City (home of the Emperors) is below the image of Chairman Mao, where the People's Republic of China was founded in 1949. Source: Steve Weingarth*

## Background to changes in urbanisation and urban growth

China has the world's largest population of around 1.4 billion people (year), with about half being urbanised and the rest living in rural villages (use statistics and sources here). When the Communist Party of China (CPC) and leader Chairman Mao Zedong came to power in 1949 this was a land of peasants and rural villagers were not allowed to move to the cities seeking urban lifestyles and opportunities. The new People's Republic of China had a planned economy controlled by the CPC. This economic system lasted until around 1979 when it was considered inefficient and lacking in incentives for people to be more productive. Special Economic Zones of basically capitalist cities and hinterlands were allowed in certain areas after 1979. This encouraged investment, urbanisation and growth of cities.

The socialist planned system was replaced by what the CPC called the socialist market economy. This allowed market forces to decide resource allocation, prices and what was produced. There is not much difference between this and the capitalist market economy in Australia, the USA and other Western nations. China also has a State owned sector which provides essential services, banking and major infrastructure such as dams and railways.

These changes resulted in a boom in manufacturing and the growth of cities where ownership was in the hands of individuals and shareholders, replacing many State enterprises that were inefficient and making losses. About two thirds of China's GDP now comes from the private sector.

The opportunities for work in manufacturing, construction of housing, factories and infrastructure as well as the tertiary sector in cities has been a powerful attraction for many who have few work and lifestyle opportunities living in the countryside. This has created a floating population that moves to and from the established megacities and new smaller inland cities.

Urbanisation is the movement of people from rural areas and agricultural employment to urban areas and employment in manufacturing and services. Urban growth is the rate of population growth and expansion of urban areas. The more an urban area grows, the more employment opportunities are created. Urban growth results from both rural-urban migration and natural increase from births in the cities exceeding deaths.

Urbanisation is part of economic development which is rapidly increasing in China. This results in rising per capita incomes and demand for non-agricultural goods. These are cheaper to produce in urban settlements because the infrastructure for moving goods and people are there, supported by financial and legal services and a vast pool of workers with a variety of skills.

## Reasons for concentration of economic activities in large urban settlements

Economies of scale and transport costs leads to the concentration of production and people in certain locations in cities. People from rural areas and those with lower skills and education from within the city are better off being in a large city as there are more employers.

*Old men in Beijing. Many migrant workers compete to do the lowly paid street cleaning jobs and others find it hard to get a job. Source: Steve Weingarth*





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Beijing. KFC and Chinese advertising for insurance and products.  
Source: Steve Weingarth

Finding a new job after losing another is easier than it might be in a town or small city.

In large cities there is also an informal sector where people set up stalls in streets selling food or cheap goods for example. These people work in the cash economy and are often unemployed or underemployed. In the formal sector business people benefit from ready access to capital, business services and a large pool of labour with the skills and training needed. This attracts more business and in turn, more workers, adding to urban growth. This works better if governments provide infrastructure such as good roads and public transport, clean water supply, non-polluting power supply.

Workers who find the jobs and income and general city lifestyle attractive tell their family and friends in the villages, thereby attracting more migrants, increasing the supply of labour in cities and creating further growth. Government is now dealing with increasing congestion and rising housing costs in the popular destinations.

More government-built low rent housing is being provided, benefitting those with urban registration or Hukou, and inexpensive public transport helps lower paid workers get to and from work. Otherwise the benefits of moving to a city for higher wages would be eroded by higher costs of living.

Rents and purchase prices are expensive in many large cities. For example a one bedroom 72 square metre apartment near the CBD of Beijing would be rented for around the equivalent of \$2000 a month. This is similar to Australian capital city rents. In major cities such as Beijing and Shanghai rents and purchase prices are prohibitive unless you are earning a very high salary. Many lower income earners are forced to rent cheaper housing on the outskirts of cities and spend more time travelling to work. Often several people will share a small apartment. As most lower paid people have to rely on public transport and cannot afford a car, it is important to live near railway stations.

The variety of big city job opportunities and lifestyle attractions such as entertainment, shopping, restaurants as well as services, education and training attract migrants from non-urban areas and smaller urban centres. This in turn grows the city population which is added to by natural increase. The larger population then creates a growing market demand for goods and services which provides opportunities for businesses and government workers to supply these, helping new business to start. Employment and income levels rise and this cycle continues, at least until some cities get so large that congestion, pollution, real estate and living costs reduce the advantages of urban location.

## Rural – urban migration and issues facing people from the countryside

The government is encouraging the move from the countryside to the cities even though it is taking time for the migrants to get the same rights in access to social services in cities as city born people get. Everyone in China has household registration or Hukou and is classified as a rural or urban resident based on the area where they are born. A person born in a village 200 kilometres from Beijing or Shanghai has rural registration or Hukou and is not entitled to social benefits like health care and social security if unemployed. Only those with urban Hukou get these as well as access to schools for children and cheaper government built housing.

This results in an underclass of people from rural areas "living rough" in dormitories, converted shipping containers and poor quality housing in a city's outer suburbs. If they can't get work or are injured they are forced to return to their villages. Many of these people do the essential but not attractive jobs such as street cleaning, factory work, construction and deliveries. They don't have the levels of education of city born people who get the pick of better paid jobs. A majority of

Beijing railway station scene with young rural-urban migrant getting directions, other travellers and the author. Source: Steve Weingarth



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migrant workers are employed in manufacturing in the developed regions along the East coast. (Statistics)

About the same number of women as men migrate, leaving villages full of elderly people and children staying with grandparents because parents are working in cities. It is estimated that about 60 million children of migrant workers live with grandparents. This creates emotional issues for children left behind because parents believe the cities offer the only hope of making a decent income to support their families.

The government sets minimum wages but these are often ignored by employers who know that unskilled villagers are often desperate for work. They need to support themselves and families left behind in rural areas where earning a living from farming is difficult. The rural-urban workers support children and elderly parents back home by sending part of their pay. Visits home are usually a few times a year for festivals and holidays. Trains become overcrowded with millions returning to see their spouses and children.

## Benefits of urbanisation and related problems of rapid urbanisation

As rural migrants contribute to the workforce needed in cities, the government is reforming the Hukou system to give these people the same rights as urban residents after set periods of time working in cities.

Today there is not the need for half the population to be producing food for city dwellers. Mechanisation of farming and higher yielding crops means more city dwellers can be supported by a lower percentage of farmers. The contribution of agriculture to the economy is falling and in 2016 the services sector took over from manufacturing as the most important sector of the economy.

The government is keen to encourage urbanisation as it creates a larger market for consumer goods and services in the cities. This provides a massive stimulus to the economy and reduces the reliance on overseas consumer demand for Chinese made goods.

Currently China has a massive debt which is equivalent to 250% of GDP. Too much has been spent stimulating the economy with dubious projects such as building cities that very few now want to live in, hoping that the millions of apartments and shopping malls will fill up with people from the countryside in the future. New cities are being built on land once occupied by farms and villages, forcing villagers to sell up and then watch apartment buildings and city buildings being

constructed. City jobs are coming to new smaller cities in rural areas, which should slow the rural – urban drift to the megacities.

Villagers own their houses but all land is owned by the State and leased for long term use then land can then be resumed for urban development. New cities provide work but also change village community life and traditional ways. Not everyone wants to trade their house for a small apartment in a high rise block on which the land has a 70 year lease.

Local governments lease former rural land to developers at higher prices than when used for farming and village use, generating large sources of revenue that is meant to be used for public infrastructure and amenities. The central government is now dealing with corruption related to some officials who divert funds to their own use. Farmers are protesting against unfair treatment and inadequate compensation for houses being demolished. The central government now has to look into these issues.

It is essential to make new inland cities attractive so the government moves public sector offices and universities to new cities, which then creates opportunities for other services to locate. There is a lot of speculative building of housing and infrastructure already and avoiding having near empty new cities means giving people reasons to move to these. There are so called “ghost cities” being built that are largely empty. There is an oversupply of housing (mainly apartments) and insufficient reasons to attract people to these cities that are full of mainly empty apartment buildings and shopping malls. There are GDP targets set by the central government and an easy way to achieve these is to keep building which also improves the employment figures.

*Empty apartment buildings in Ordos, one of the 'ghost cities' of China.  
Source: [www.businessinsider.com.au](http://www.businessinsider.com.au)*





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This investment in new cities will come unstuck if few people want to buy what is being built. People taking loans and banks doing the lending could be in trouble if there is oversupply and few buyers. Of those that do come, many soon leave the new cities and return home as there are few jobs and amenities. Apartments are often built at lower quality standards with prices that are not low enough to attract buyers. Real estate speculators are trying to resell these at higher prices than they paid for them for and find they are not able to do so.

Local governments have to give the central government much of their tax revenue derived from rural communities. To improve their revenue, land is often taken from villagers with small compensation and this is leased long term at higher prices to developers building new cities and ghost cities. So called "flipping real estate" like this may raise the GDP figures, which then look better, and gets promotion in the Communist Party for local officials but it causes discontent among those affected by these urbanisation strategies.

The government wants to move 250 million, or about 10 times Australia's population, from the countryside and have 70% living in cities by 2030. Eventually it is expected that half a billion farmers will become city dwellers and workers, helping lift productivity and improving the Chinese economy. This will reduce the impact of lower demand for Chinese made goods from European nations now facing economic problems including unemployment and falling spending power.

China is moving from a manufacturing based economy to a consumer driven one to satisfy the rising middle classes in the cities as much as help economic growth. This will impact on the migrants looking for low skilled city manufacturing jobs that they can do with lower levels of education and skills.

Another reason why the government encourages urbanisation is the tax revenue it raises. City people don't grow their own food and sell the surplus for cash, avoiding tax payments, or barter it with others as happens in villages. In cities food and other farm products are bought in shops and restaurants where tax is paid on purchases. City dwellers earn taxable salaries and wages in city jobs and buy consumer goods and use services that are also taxed. Moving say, 350 million people from villages to the cities is like creating a US size economy that is mainly tax payers. No wonder it is expected that China will become the World's largest economy ahead of the USA. Right now about 150 million people are rural-urban migrants.



*Man on bike collecting plastic bottles for recycling. Source: Steve Weingarth*

## Environmental issues

The government wants to have rising living standards and satisfaction among the people as this makes the Communist Party government more popular and reduces public protests. For example reducing pollution and the effects of toxic smog on health is a major issue for people in cities such as Beijing which at times has serious air pollution problems.

In 2013 and again in 2015 there was the worst air pollution in this capital city on record. For the first time in history schools were forced to close, businesses shut and 22 million residents were asked to do whatever they could to escape choking on the thick, polluted air. This meant tourists and locals avoided walking the streets and wore face masks. Greenpeace called the situation "Airpocalypse." Harmful microscopic particles known as PM2.5 reached 25 times the levels recommended by the World Health Organisation. The problem is found in other cities as well.

About 1.4 million people in China die each year from pollution. These victims are mainly city dwellers. In Beijing there is a 5 year plan from 2016-2020 to impose restrictions on the purchase and use of motor vehicles, to put congestion fees on cars in central areas and offering 30% discounts on train travel before 7am and get more people on public transport.

Currently about half the city population of around 22 million uses public transport, bicycles and walking to get around.

Government backed action to curb pollution shows the people that the government cares about their health and wellbeing. This includes reducing vehicle emissions and household burning, reducing factory emissions and relocating industry out of cities and replacing coal burning power stations. New eco-cities have been planned which eliminate these issues. All this helps reduce health issues such as lung disease related to pollution and raises city living standards.