

The Urban-Rural Divide: Determinants of Internal Migration in China

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Abstract

This paper examines the determinants of internal migration in China by highlighting invisible migration costs incurred by the household registration system (Hukou). A household migration utility model is constructed to account for factors behind the migration decision. We derive three propositions from the model: (i) Migration occurs when the expected wage gain is sufficiently high, (ii) Migration occurs when destination income variance is sufficiently higher than home income variance, and (iii) Migration occurs when the costs of migration, including those invisible costs associated with children's education, are sufficiently low. We then employ Fixed-Effects regression model with different stratifications, and find when expected income and its standard deviation increase by 100,000, chances of migration increase by 33.7 % and 18.5% respectively. We also find as the expected educational attainment of children increases by 1 stage (e.g. from primary to secondary school), the probability of inter-city migration decreases by 1.46%. The negative correlation arises because migration increases educational expenses and reduces the quality of education due to institutional barriers; whereas no correlation is observed among rural migrants. These empirical findings help confirm the propositions of our theoretical model. Examining the determinants of migration is important not only from an academic perspective but also in terms of policy implications. This paper concludes by suggesting reforms of the Hukou system. To encourage migration so that labour resources are more efficiently allocated, the government should consider reducing the tie between public services and Hukou, and provide a well-developed social safety net for temporary migrants.

Keywords: Internal Migration China Education