

**RURAL-URBAN LABOUR MIGRATION:
IMPLICATIONS FOR EMPLOYMENT AND SOCIAL INSURANCE POLICIES**

**Seminar organised jointly by the OECD
and
the Chinese Ministry of Labour and Social Security**

Beijing, 23-24 October 2006

CONCLUDING REMARKS

by

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The topic of this seminar “Rural-urban migration and its implications for labour and social policies” is obviously a key one for China:

- It is a key element in economic development in terms of closing the large rural-urban gap in living standards.
- Given the fact that the rural-urban gap is widening at present and is highly visible, it also raises serious challenges concerning social cohesion. Growing inequalities in income and wealth have created serious concerns about social harmony in China – and the Chinese authorities now attach a very high importance to this issue (as Vice-Minister Hu stressed yesterday in his opening remarks; and many of our Chinese colleagues mentioned over the past day and a half).
- For these reasons, Chinese policy makers now seek to promote rural economic development, while phasing out previous rural-urban migration controls that exacerbated labour market segmentation. Current policies seek to achieve a gradual integration of rural, urban and

migrant labour markets so that all job seekers and all employers can compete on more equal terms in the future.

In our discussions about rural-urban migration, several topics figured prominently:

1. the extension of a basic social safety net to rural migrants (and also to those who remain in the rural areas);
2. how to help rural migrants find employment in the urban areas; this involves the role of the public employment service and other agencies to provide information about jobs, working conditions, training, etc.
3. how to transform informal employment into formal employment paying taxes and social security contributions;
4. But employment/labour rights are one thing, set out in law/regulations, it is quite another to *enforce* them. We heard a lot about the ways in which enforcement is difficult in China, and noted how OECD countries tackle this issue via Labour Inspectorates, tax authorities etc.

Perhaps I should at this point express a note of regret about a major omission from our discussions: we have heard little about how Chinese employers and MNEs located in China regard these issues. If I could express a wish for future seminars in this series, it would be to hear the views of employers, Chinese and foreign, and the views of workers and their representatives on these topics.

The presence and active participation of several Employment, Labour and Social Affairs Committee (ELSAC) delegates at this seminar testifies to the strong interest of OECD countries in China and Chinese economic and social development. Given the large and growing gap in living standards between rural and urban areas, it is no surprise that rural-urban migration is an integral part of the Chinese success story. OECD countries have undergone in the past significant rural-urban migration as part of their economic development process; they also have had to deal with phenomenon of informal employment. There are obvious parallels between internal migration in China and international migration experiences in OECD countries. Their experiences can, we believe, provide some useful lessons for China.

I would like to highlight four lessons from the presentations of OECD experiences made at the seminar:

1. It takes *time*, often quite a long time, to build up a comprehensive social safety net covering all of the population, both workers and non-workers.
2. The strong role played by the NGOs, and the employers' and workers' representatives in facilitating the development and spread of a basic social safety net.
3. The imperative need to *coordinate* information/policies between tax authorities, social security agencies, and local authorities if one wants to formalize much of a large informal employment sector.
4. The need for a vigorous Labour Inspectorate with sufficient resources to carry out its role efficiently and with sufficient powers to sanction unacceptable behaviour by employers in a dissuasive fashion (this, as we heard from ELSAC delegates, can include large fines, prison sentences, etc.).

Another interesting point which came out of our discussions concerned skill shortages. We learned that even with large supplies of rural labour available and seeking work in urban areas, there are concerns about *skill shortages* in China. How to ensure that workers get sufficient training to upgrade their skills; how to improve the basic education system and raise its quality, especially in the rural areas?

There is an echo of these concerns in OECD countries faced with ageing populations. How to mobilize more people of working age into jobs? What role will international migration play in this process? To what extent will closing the rural-urban gap in China have a direct impact on international migration flows? To what extent will rising real wages for workers in China have an impact on world market prices and, through this channel, impact on real wages and employment in OECD countries?

A good start has been made with this seminar at breaking the ice, at getting to know one another, and exchanging views about issues, including those issues which divide us, as well as those which unite us.

The dialogue between China and the OECD on employment and social policy issues is in its infancy. But this seminar has revealed a real appetite on both sides to proceed further. The next step will be for us to discuss with our counterparts in the Ministry for Labour and Social Security a possible follow-up to this seminar over the next two years, which can then be put to ELSAC for approval.

In conclusion, I would like to express our thanks to our hosts for organising this seminar and their generous hospitality. In particular, I would like to single out Yutong Liu and my colleague, Anders Reutersward, for their sterling efforts to make the seminar a success. I would also, on behalf of the Secretariat, like to express our thanks to the ELSAC delegates who attended the seminar, as well as the representatives from TUAC (Trade Union Advisory Committee).