

**Institutional Reactions to the Impact of Global Crisis at
Source and Destination Cities of Migration in China**

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Abstract

This paper relates on the impact of global crisis on China from a systemic point of view. In what ways external and internal adaptation pressures influenced the transformation of the party-state system in China? Did reactions have an impact on the transformation of the political or economic system? The purpose of our small field research was to respond to this question by examining institutional reactions to crisis from late 2008 to late 2009. We have examined the common and disparate characteristics of institutional adaptation at prefecture level at sources and destination cities of migration. We have also tried to detect their common or different sensitivity to crisis analyzing the periods before, during and after the crisis. We shall reflect on the reasons of prevailing political stability despite sudden large unemployment, and substantial economic, social and political impact on the party-state system. The paper uses interviews in 13 prefectures and newspaper analysis of 16 prefectures from mid 2008 to the end of 2009 complemented by available relevant statistical data. •

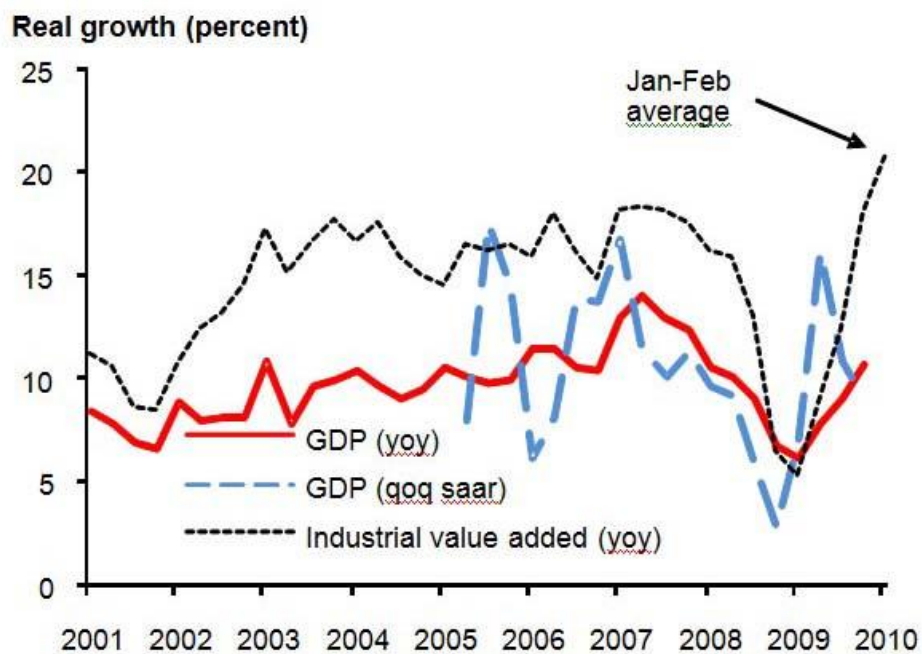
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Key words: system transformation, global crisis, migration, economic policy reactions, prefectures

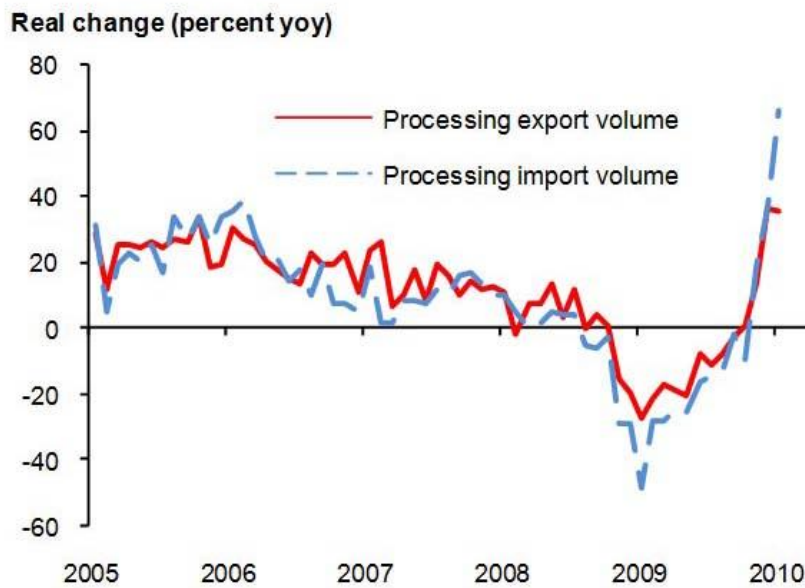
• **Acknowledgement:** Here I want to thank the contribution of the members of the Chinese side of the joint work with Chinese partners: first of all, to professor Li Shi, who provided me this rare opportunity to join his large collaborative survey with the Australian National Fund on migrant workers from my special system-oriented angle, organized interview opportunities, provided Chinese research assistant and allowed interested SEBA doctorate students to participate. I am very grateful to my Chinese research assistant Liu Jia, for organizing doctorate students, administering the tasks of the whole fieldwork, monitoring the process of the field work, handling the budget and providing required statistical tables from SEBA data-set. I am also indebted to the enthusiastic work of doctorate team members: Yang Xiuna, Dai Song, Shen Meng, Kuai Pengzhou and Wan Haiyuan and who after a short but intensive preparatory course ventured to do interviews with high-ranking government officials at prefecture, and collected and classified news from prefecture level news-papers from mid 2008 to the end of 2009, analyzed them according to given criteria and finally translated all these works for me into English. I am also deeply indebted to my Hungarian research assistant and co-worker Ferenc Gyuris, presently PhD student at Heidelberg University, Germany, who for several years ensured the consistency of my data-set, assembles maps and tables and constructively iterates results. I was completely relying on the work this small international team: without their substantial contribution neither this research nor this paper would have ever been born. I am indebted to the Hungarian National research Fund who financed this research in 2009-10.

Introduction

Financial and economic crisis that hit the whole world did not avoid China either. However, the drastic impact of crisis in China was apparently short-lived: in general it lasted from the fourth quarter of 2008 to the first quarter of 2009. Latest estimates of the World Bank (Figure 1/a, Figure 1/b) show how drastic but short was the period of the impact and how sharp the start of the recovery at different dimensions of the national economy.



Source: CEIC, World Bank staff estimates.



Source: CEIC, World Bank staff estimates.

Figure 1/a and Figure 1/b The depth and shortness of the impact of global crisis and initials of recovery

During the initials of the crisis in late 2008, 67,000 small and medium sized enterprises, crucial actors in China's economy¹ ceased production. By January 2009, already 100,000, 60% of those located at coastal provinces were shut down (Liu, 2009, p. 13). Orders on national level dropped about 20-30 percent but there were locations where drop was 50 or even 100 percent (Liu, 2009, p. 13, referring to Chen, 2009). The double digit growth of GDP in 2007 dropped to 6.8 percent by the last quarter of 2008, and 6.1 in the first quarter of 2009, the worst performance of the PRC since a decade (Liu, 2009, p. 2). The export growth rate which was 23.5 % in 2007 dropped to -2.8 percent in December 2008 (Liu, 2009, p. 11). Initial contemporary reports and later professional forecasts predicted a longer and deeper overall impact. Consequently, a substantially more dramatic picture was predicted regarding the chances of export and growth recovery, the absorption capacity of the labor market and the increase of social tensions and political instability (Demick, 2008, Martin, 2008, Chang, 2009, Walsh, 2009).² Based on my theoretical work on transformation of party-states, supported by the empirical experiences of East European system transformations (Csanadi, 2006), and initial reports on the social, economic and political developments due to the crisis in China, I have also raised a cautious question about the potential political consequences of parallel external and internal constraints on system transformation.

Theoretical background and empirical support

According to my systemic approach, adaptation pressures to external and internal constraints may catalyze the chances for accelerating system transformation (Csanadi et al, 2009).

Transformation in party-states was defined by the withdrawal of party-state network from different (economic, social, political) sub-fields of the system and the development of an alternative field (competitive or not) outside the party-state network. Transformation process involves the variation of the sequence of transformation of different subfields. Sequence is strongly related to the differences in the distribution of power network in party-states (Csanadi, 2006).

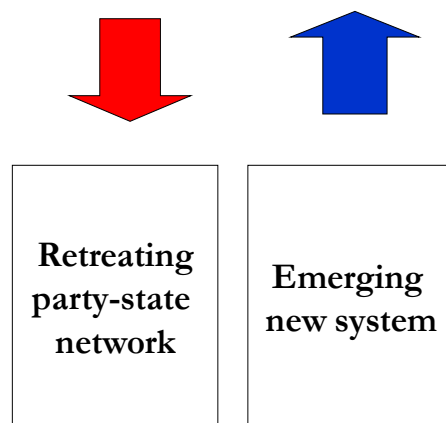


Figure 2. Transformation of party-state systems (Csanádi, 2009)

My concept was, that as the impact of global growth caused directly macroeconomic growth and indirectly accelerated the economic transformation in China, global downturn will directly cause economic decline and might bring about adaptation pressures that create the preconditions of political transformation. China fits this theoretical concept well, since it is a party-state system, and it is also in the process of system transformation that is occurring first its on economic subfield. External dynamics has a strong impact on China's economic dynamics and economic transformation due to China's deep integration into the global

economy, owing to the substantial role of foreign trade. In 2007, the share of foreign trade was 66.8, within that, export accounted for 37 percent of the GDP (Cai F. et al., 2010, p.36, 38). Thus, taking the above and also the export's multiplying effect on the GDP growth through consumption and investment channels, (Cai et al, 2010, p. 38) adaptation pressures to external constraints are evident.

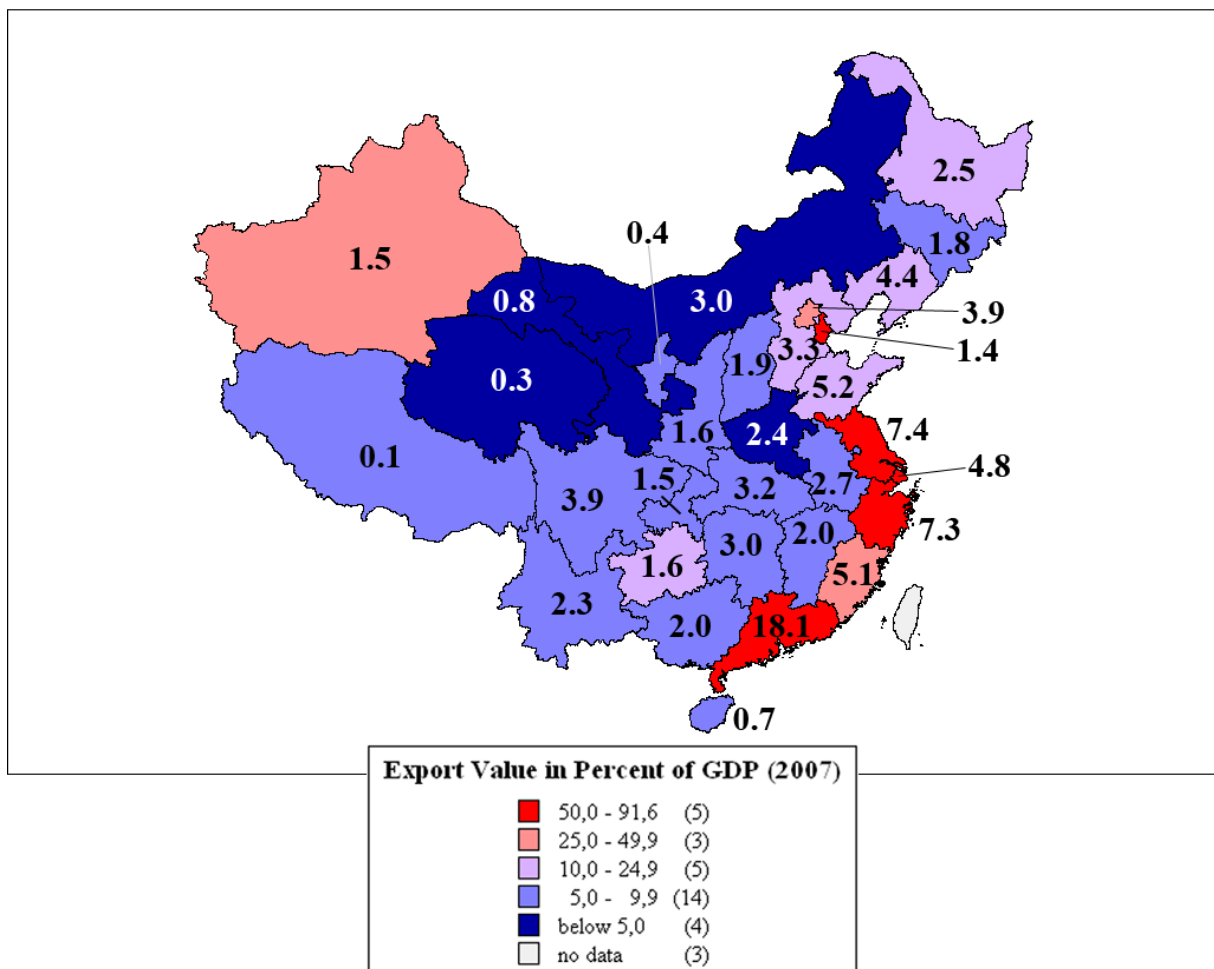
However, also uncertainties of these chances were enumerated. First of all, the differences in the sequence of transformation compared to other transformed party-states. Since system transformation in China is characterized by economic, rather than political transformation first, there is no historical experience of the economic conditions of political transformation second in party-states. What is also unknown is the degree of sensitivity of the power structure to economic downturn on the short run. Uncertainties also emerge concerning the length of the crisis and its connotations for the reversibility of evolving conditions for political transformation as adaptation pressures ease. As an alternative option to the effect of adaptation pressures I have forecasted the slow-down of economic transformation. Reasons enumerated were the increased state intervention and selective resource distribution to state owned enterprises that might accelerate the expansion of the party-state network, while the growth of the competitive field decelerates due to the crisis. On the long run, if this altered direction of transformation dynamics (Csanádi et. al. 2009) prevailed, resources extracted from the declining competitive field would gradually become insufficient for the reproduction of the network. This process would either gradually delegitimize the party, building the ground for political transformation. Another option would be that the relationship of the network and competitive field in the dynamics of transformation of the economic subfield has to be changed. Accelerated expansion of the competitive field would resurrect political legitimacy .

In practice, the deep crisis in China proved to be short-term, and even short-term varied for several factors. Consequently, perspectives for the development of preconditions for political transformation soon vanished. Instead, adaptation occurred on social and economic fields compensating the potential for short-term political instability, accompanied by the temporary slow-down of economic transformation.

The purpose of the present paper is to examine this short period of downturn³ based on the above systemic approach of transformation. The aim was to detect the tendencies of institutionalized measures of local governments reacting to the crisis and the differences of these tendencies before, during and after the major impact. Measures introduced were

examined at cities that were sources and destinations of migration in China. Migration as an influencing factor does fit well to the above systemic approach. The immense size of floating population, estimated to one third of the total labor force (Chan, 2010)⁴ is politically, socially and economically decisive. Moreover, migration is strongly sensitive to the dynamics of external impacts since it is estimated that in manufacturing, that absorbs about one third of migrant workers around 80 percent are in exporting industries.

Migration is also spatially sensitive, since coastal area that produces the overwhelming majority of exports and the highest is the ratio of export in the GDP is the recipient of about two thirds of all migrant workers (see Map 1 and Table 1.).



Map 1: differences in export/GDP (2007) and distribution of migrants (2005) according to provinces (all inter and intraprovincial migrant workers on national level =100)

Table 1. Composition of migrants according to provinces and their spatial distribution on national level among provinces in 2005

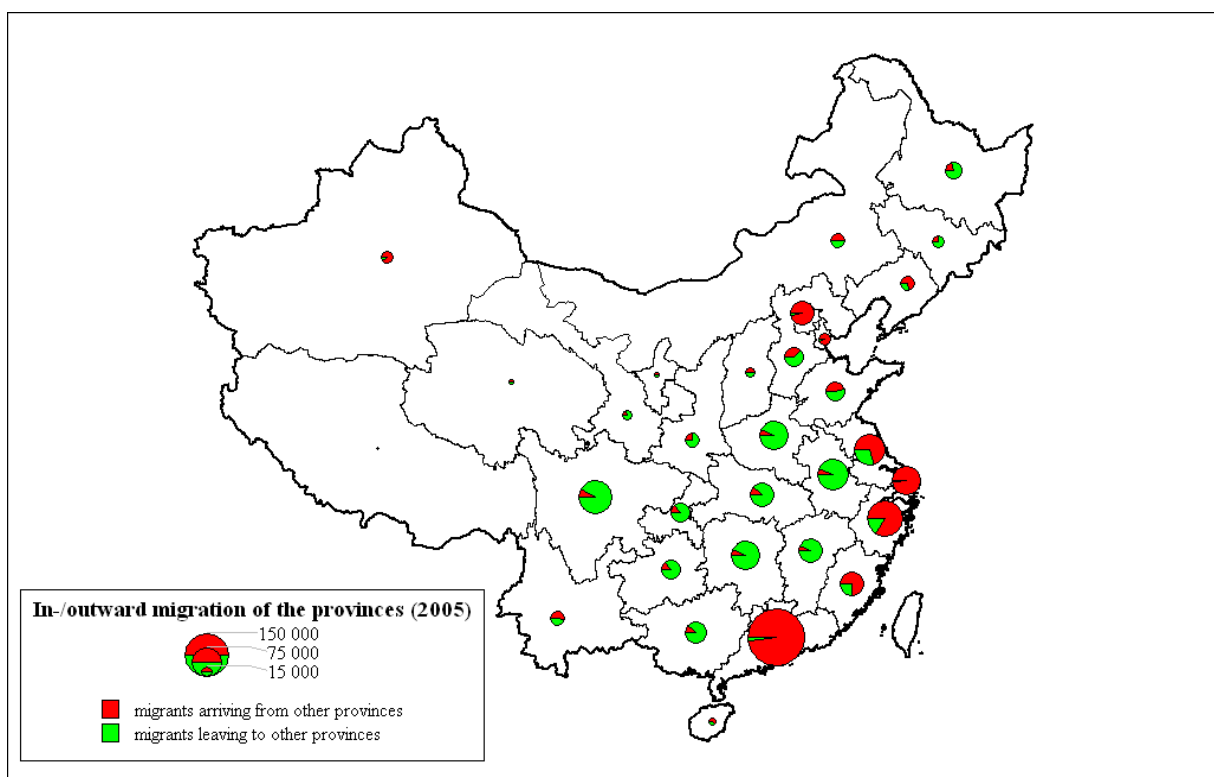
Province	Migrants in the province		Interprov. migrants		Outflow	Inflow	Intraprov migrants	All migrants
	interprov.	intraprov.	inflow	outflow				
	interprov+intraprov=100		inflow+outflow=100		total=100	total=100	total=100	total=100
CHINA	34.01	65.99	50.00	50.00	100.00	100.00	100.00	100.00
Beijing	59.64	40.36	95.80	4.20	0.30	6.78	2.37	3.87
Tianjin	55.58	44.42	91.84	8.16	0.21	2.36	0.97	1.44
Hebei	18.11	81.89	38.28	61.72	2.80	1.74	4.05	3.26
Shanxi	14.52	85.48	51.40	48.60	0.78	0.82	2.49	1.92
Neimenggu	16.03	83.97	51.31	48.69	1.33	1.40	3.79	2.98
Liaoning	17.15	82.85	69.37	30.63	0.98	2.21	5.51	4.39
Jilin	11.56	88.44	26.87	73.13	1.64	0.60	2.37	1.77
Heilongjiang	10.85	89.15	19.94	80.06	3.16	0.79	3.34	2.47
Shanghai	65.53	34.47	97.07	2.93	0.28	9.26	2.51	4.81
Jiangsu	38.80	61.20	70.34	29.66	3.57	8.46	6.87	7.41
Zhejiang	57.47	42.53	83.44	16.56	2.46	12.39	4.73	7.33
Anhui	8.55	91.45	5.65	94.35	11.49	0.69	3.79	2.74
Fujian	37.93	62.07	74.46	25.54	1.94	5.66	4.77	5.08
Jiangxi	8.47	91.53	6.31	93.69	7.41	0.50	2.78	2.01
Shandong	16.51	83.49	47.11	52.89	2.85	2.53	6.61	5.22
Henan	7.92	92.08	5.79	94.21	9.02	0.55	3.32	2.38
Hubei	9.80	90.20	11.33	88.67	7.10	0.91	4.31	3.15
Hunan	7.23	92.77	6.40	93.60	9.31	0.64	4.21	2.99
Guangdong	61.46	38.54	97.49	2.51	0.84	32.64	10.55	18.06
Guangxi	12.41	87.59	11.45	88.55	5.66	0.73	2.66	2.01
Hainan	29.85	70.15	63.54	36.46	0.33	0.58	0.71	0.67
Chongqing	15.74	84.26	13.08	86.92	4.65	0.70	1.93	1.51
Sichuan	8.74	91.26	7.87	92.13	11.69	1.00	5.37	3.88
Guizhou	15.79	84.21	14.13	85.87	4.62	0.76	2.09	1.64
Yunnan	23.72	76.28	55.36	44.64	1.30	1.61	2.67	2.31
Xizang (Tibet)	38.39	61.61	68.29	31.71	0.04	0.08	0.07	0.08
Shaanxi	15.94	84.06	25.90	74.10	2.15	0.75	2.04	1.60
Gansu	13.12	86.88	19.46	80.54	1.34	0.32	1.10	0.84
Qinghai	24.50	75.50	49.89	50.11	0.25	0.25	0.39	0.34
Ningxia	20.57	79.43	54.18	45.82	0.20	0.23	0.46	0.38

Note: Numbers in bold and red imply migrant data of those provinces where destination, while in bold and green source prefectures are located that were included in the present research based on RUMiCI project choice.

Meaning of colors: green: provinces where sources of migration, red, where destinations of migration of RUMiCI project are located

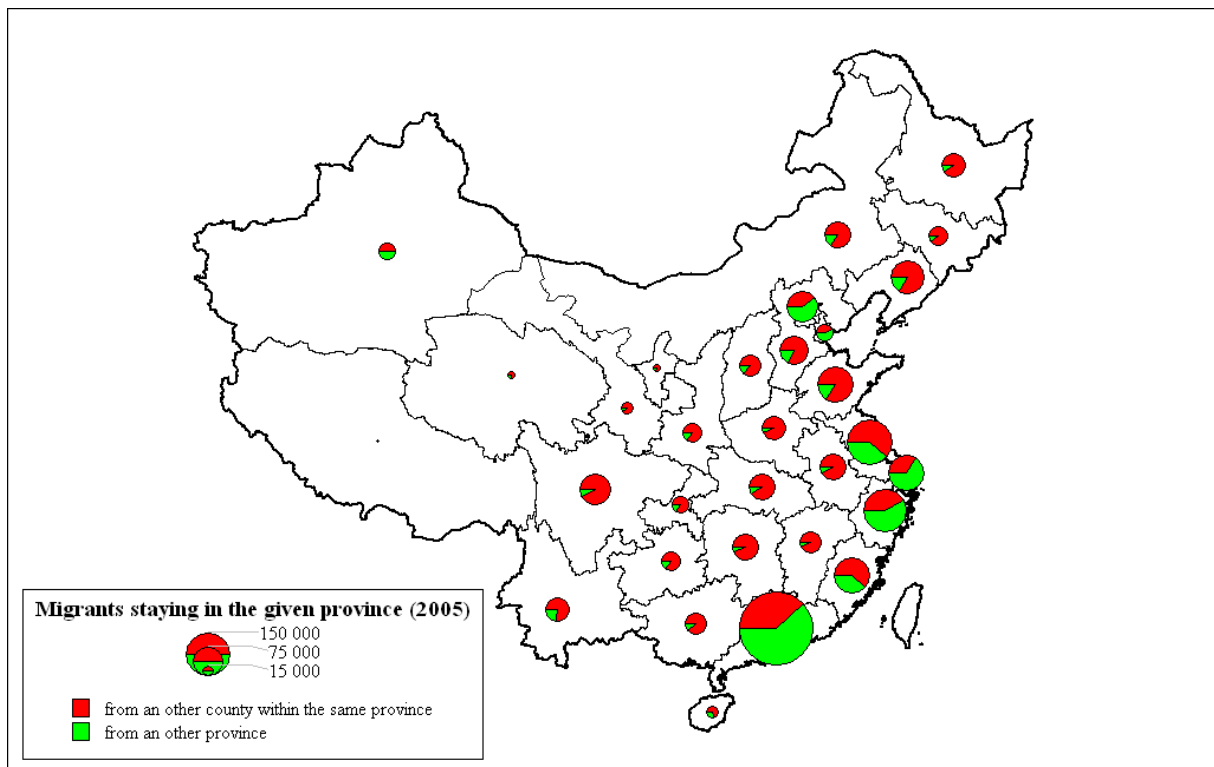
Source: Compiled from data in Labor Statistics, National Bureau of Statistics 2005

Map 2. shows the exceptional role that coastal area plays as destination for this huge floating labor force: the ratio of migrants that entered these provinces is dominantly higher than that of those who leave to other places from coastal provinces. Migrants entering these provinces are over 80 percent of all migrants moving across provinces. From the opposite point of view, Map 2 reflects the fact that regional sensitivity does not emerge only at destinations of migration but also at sources of outward migration. Central and western regions are sources of over 80 percent of all outward migration (See Table1.).



Map 2. Distribution of migrant workers by provinces according to the ratio of those leaving the province for other provinces and those coming to the province from other provinces (outward+inward migrants = 100)

Map 3. demonstrates that coastal provinces are in special position as the share of migrants that move across provinces is larger within the coastal provinces than that of those who move within the given provinces. Except for Ningxia, at all other places local migrants moving within their own province are in majority.



Map 3. Distribution of migrant workers by provinces according to the ratio of those coming from other provinces and those moving within the province (inter + intraprovincial migrants = 100)

Thus, institutional reactions to crisis and their differences are important both at destinations of migration due to their adaptation efforts to external pressure, and at sources of migration due to their adaptation constraints to internal consequences of external pressure. It would be ideal to have similar provincial level up-to-date data to examine the dynamics of migrant flow during and after the crisis period. Still, we are fortunate to have a national level estimation from Chan about the impact of the crisis on migration. According to his explanative table (Table 2, Chan, 2010, p. 15) there were 140 million migrants in late 2008. On January 2009, half of the migrants (70 million) returned home, the other half remained at the destination locations (supposed having kept their jobs). From those 70 million who returned home in January, 56 million went back to the cities in February and March 2009, but 11 million of those did not find jobs. From the 14 million who remain and seeked job at home only 2 million could re-enter work and 12 millions remained jobless. All together 23 million workers were jobless between 2009 February and March, estimated to 16 percent of unemployment among migrants compared to around 4 % of urban unemployment.

Indirectly, all these numbers suggest a very high possible external and internal adaptation pressure on the power structure on national level, even if tilted down to local governments. However, high migrant unemployment ratio prevailed only during January and March, and according to further estimations it has dropped to 3 percent after the peak of the crisis. Moreover, also GDP, internal demand and exports and imports started a recovery after the first quarter of 2009 according to the above World Bank data.

Our research covers that short period from the last quarter of 2008 to March 2009 and adds some month before and after it based on interviews and newspaper excerpts. This way we hope to shed some light on the fields, means and periods of sensitivity to adaptation pressures through differences in reactions before, during and after the critical period. Thus the paper deals with three phases: (a) the period before the crisis from July to September 2008, (b) than the deep crisis period from October 2008 to March 2009, and (c) the first part of the recovery period from April 2009 to the end of the year.

The structure of the paper is the following: first we give a general picture of the methodology, than detail the economic context of the chosen prefectures in which the impact and actions took place. In the next chapter we analyze the characteristics of actions and common traits and their differences between source and destination cities of migration. Next we analyze the sensitivity to the crisis before, during and after the critical period and differences of this sensitivity between source and destination cities. In the following section we shall reflect on the behavior of migrants in the context of adaptation pressure and economic and social policy actions. Finally, all this will be evaluated from the point of view of transformation of the economic, social and political sub-fields.

Methodology: advantages and handicaps

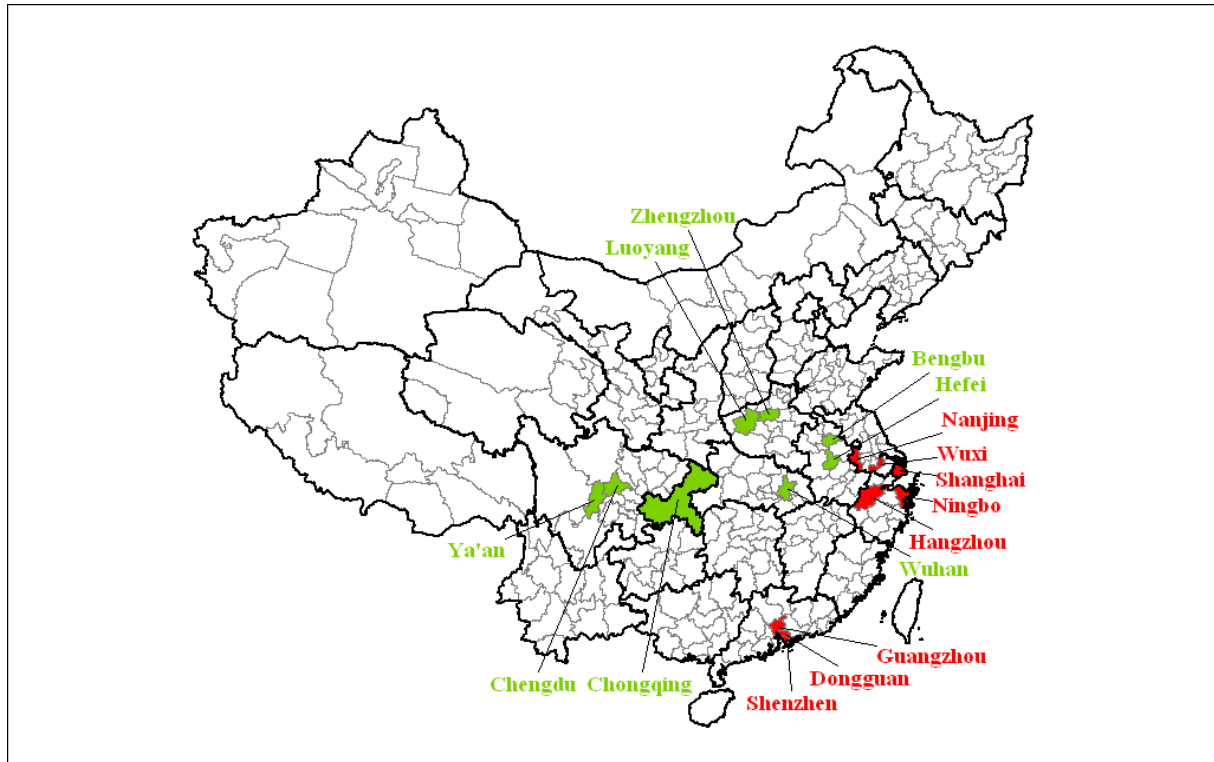
This paper contains partial results of a research that was complementary to the survey of Rural-Urban Migration in China and Indonesia (RUMiCI). It was jointly carried out by the Institute of Economics of the Hungarian Academy of Sciences and Department of Economics of the School of Economics and Business Administration (SEBA) at Beijing Normal University. It is based on statistical datasets of RUMiCI and NBS, scholarly papers, newspaper content analysis on 16 surveyed prefectures⁵ and 15 interviews with several officials of the Ministry of Labor⁶ at prefectures that are sources and destinations of migration subjects of the RUMiCI longitudinal survey.

Advantages of the used methods raised a unique chance to highlight the concrete economic policy background of migrant move during the crisis, the locally emerging tensions, the local motivations and local adaptation efforts to emerging tensions. It gave the chance to point to the fields of sensitivity in adaptation, the concrete measures, differences in strategies of decision-makers before, during and after the crisis, the differences in behavior at source and destination cities, the motivations for collaboration and thereby the propagation of information and behavior.

However, data-set, newspapers and interviews carried substantial handicaps as research materials. Statistical data are partially outdated, since last migration census is of 2005. Moreover, at the time of writing the paper only results of the 2007 RUMiCI data were available, so the analysis of migrant flow as a reaction to crisis was as to the present impossible. Concerning newspaper analysis we had to cope with the fact that we are transmitting hard data of coding results based on soft material, depending on individual selection of news and their judgement. We also had to acknowledge that published news are not necessarily overlapping real activities in any form. Moreover, since the number of interviews was few, the number and position of respondents varied, thus, comparativity was low. Advantages and handicaps however, both served as experiences for putting new research questions and helped the formulation methods of a more complex project on this field.

Overall context of considered prefectures

Map 4 contains the source and destination cities of migration that RUMiCI project has taken into consideration for the 5,007 households and 8,403 migrant workers in those households.⁷



Map 4: Spatial location of chosen source and destination prefectures of migration by the survey based on the RUMiCI project

The next three diagrams show an overall picture about the RUMiCI sample⁸ of the 16 cities together, considering the 8403 migrants. Diagram 1 demonstrates that migrants were working overwhelmingly at manufacturing, whole-sale and food processing sectors in 2007, and only 9 percent at construction industry. This draws a somewhat different picture compared to the generally accepted one where manufacturing and construction industries are said to be the most frequented sectors by migrants. The difference among the general view and the survey results might emerge from the differing sampling methods or the bias caused by the inclusion of source cities. Diagram 2 reflects the distribution of company size the migrants work at. The picture overlaps other surveys and our interview results. Migrants were overwhelmingly working at medium and small enterprises: 55 percent in ventures below 100 persons and 70 percent of them at enterprises below 1000 employees. This already has a consequence how the next diagram would look like, striking the share of migrants according to ownership of

enterprises they work at. 75 percent of migrants worked at private enterprises in 2007, of which the sample contains only 4 percent of foreign enterprises (foreign owned or controlled), 35 percent of domestic private ventures (privately owned or controlled) and 36 percent individual business. Ratios would be certainly different if distribution would have been calculated based on a different sampling method, or according destination and source cities, but due to the small basic numbers of the sample, separate percentages would be statistically irrelevant.

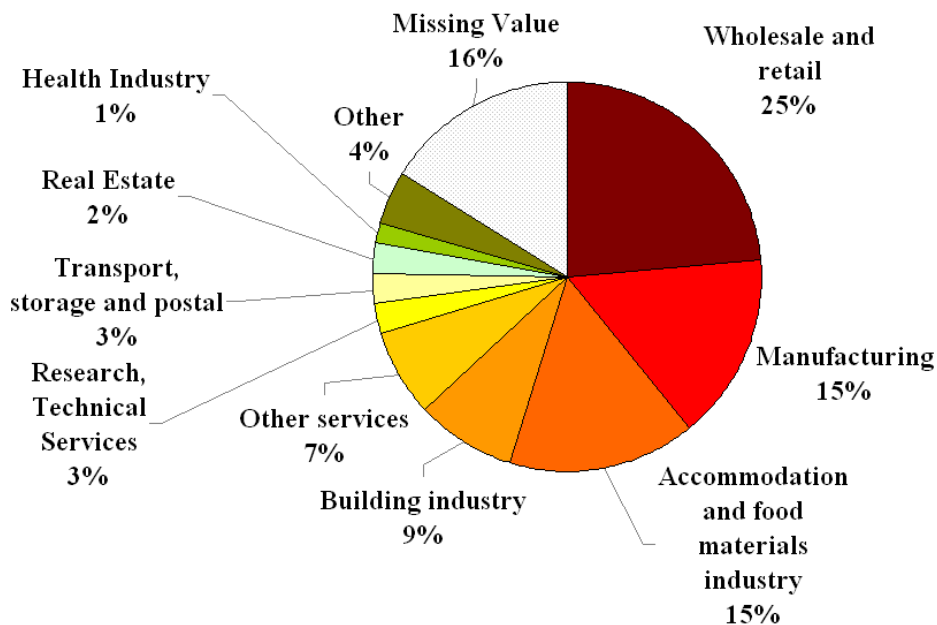


Diagram 1. Sectoral distribution of migrant workers in DUMiCI dataset (2007)

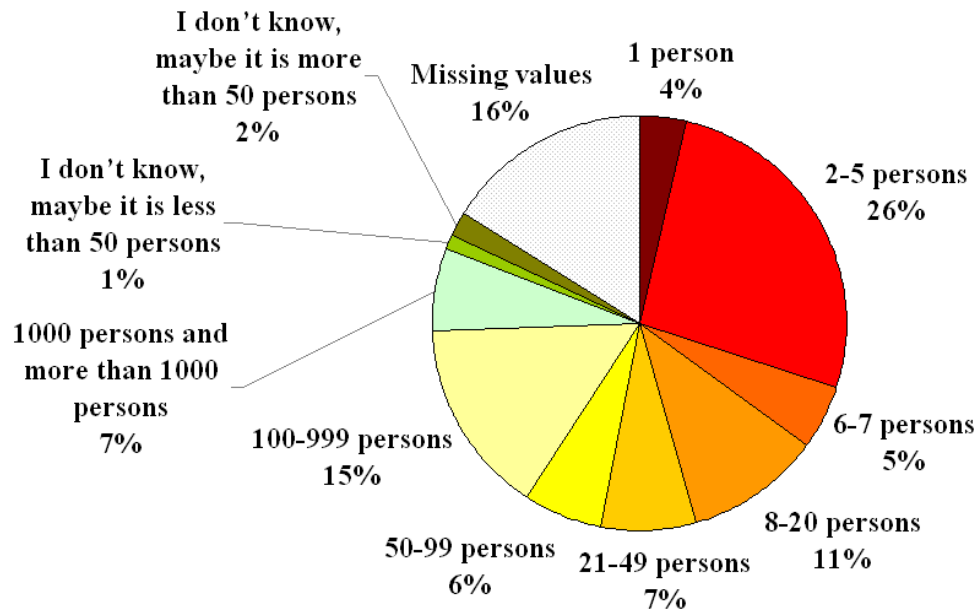


Diagram 2. Distribution of migrants according to the size of economic units based on RUMiCI dataset (2007)

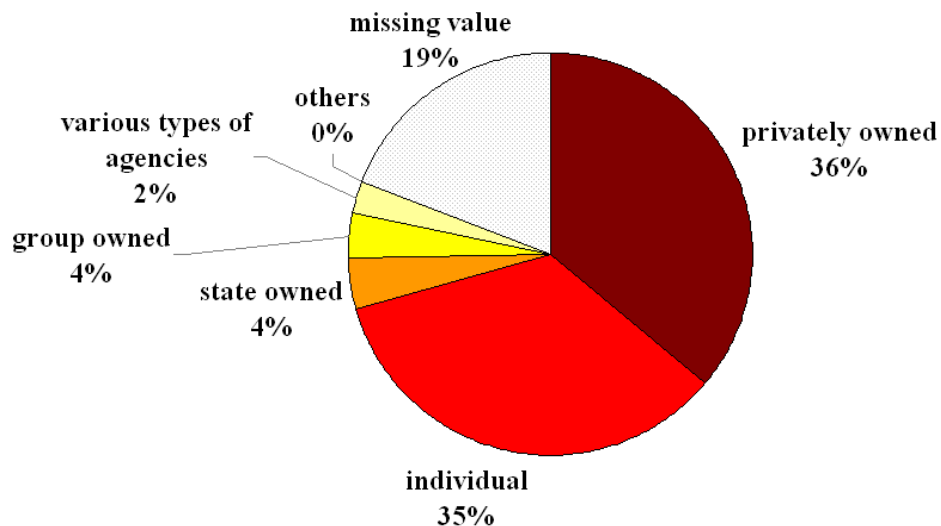


Diagram 3. Distribution of migrants according to ownership based on the RUMiCI dataset (2007)

Economic context and reactions at sources and destinations of migration

Disassembling overall picture according to recipient and source prefectures, we meet the well known large differences between coastal and inland regions. We can experience this in the level of economic development regarding GDP/capita (Figure 3.), in the importance of foreign trade activities in Export/GDP and Import/GDP (Figure 4.).⁹ Economic development and foreign trade is reflected also in the differences of migrant employment in 2007 and the number of laid-off of migrants in 2009 (estimated by Kong et al, 2009, tables 12.1 and 12.3) (Figure 5).¹⁰ The higher number of layoffs occurred at provinces where the share of interprovincial migrants is dominant (See Table 1).¹¹

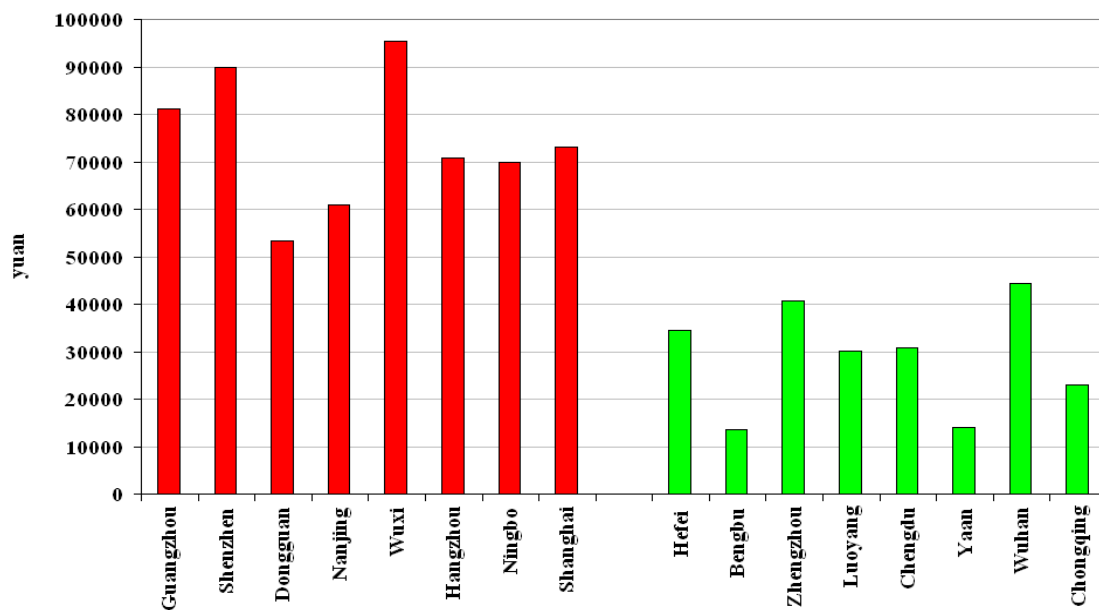


Figure 3. Per capita GDP of cities of destination and sources of migration (2008)
Source: Michingan University China Data Center database

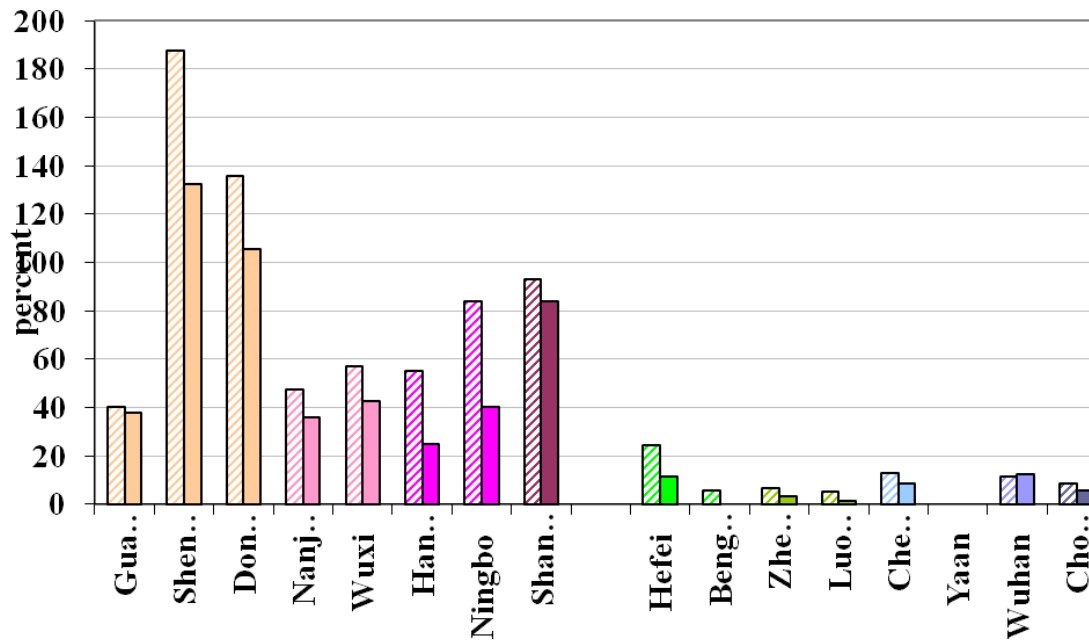


Figure 4. export (left) and import (right) compared to GDP at destination and source cities of migration in 2007 Source: Michigan University China Data Center database

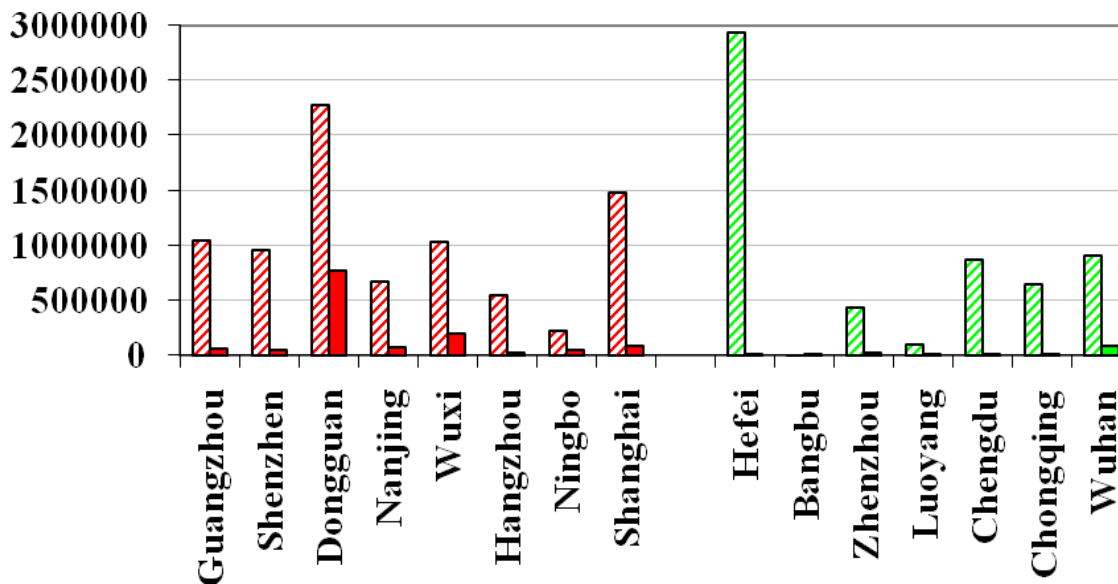


Figure 5. Number of migrant employment (2007 census data, left) and migrants laid off (2009, right) in destination and source cities of migration Source: Meng et al, 2009, transformed into diagrams from tables 12.1 and 12.3 p. 240-4)¹²

The most sensitive economic units to the crisis were located at coastal destination cities: export oriented, foreign and private SMEs (Liu, 2009, p. 2). Unfortunately there is no reliable statistical data on the bankruptcies and close-downs versus the creation of new enterprises. Data is also missing on the number, profile, in the structure of worker absorption, domestic or export orientation, ownership, size, profit and taxation of shut down and newly funded enterprises. Interviews with local labor ministry officials do not provide enough information. They also undervalue the importance of bankruptcies. Officials stress that bankruptcies and shut downs did not exceed the normal magnitude of a competitive process. Interviews however have revealed several methods of enterprise survival, overarching the critical period: temporary shut-downs, wage decrease, partial cut off of working time (in both sending and recipient prefecture), lay-offs, fewer new employments, delayed payment, dismissing workers earlier to national holidays, decrease of overtime work etc.

Interviews also reveal that some exporting branches accommodated flexibly by shifting easily to domestic market. Flexible shift however also needs time.¹³ Accommodation by large enterprises is said to have been smoother than that of SMEs. According to interviews, overwhelmingly no brand, raw material processing and assembling enterprises, employing migrants of low level education were more sensitive to declined orders, even if temporary. They also had less room for maneuver in profit margins and less chance for overarching the time with several tactics until orders reemerge. In some places privately owned domestic enterprises were more sensitive, in other places foreign owned ones. In Nanjing the state owned enterprises that were more export-oriented were more sensitive, but less flexible to reorient production. Newly funded enterprises were said to be created in equipment manufacturing industry, and service industries. According to interviewees, they do not resemble prior ones in labor intensity, in technological level, suggesting different requirements of education, skill and age structure in migrant workers demand, supported by local government tax and other incentives. On the other hand, low-end SME-s are transferring production to central and western provinces attracted by local source prefectures' varied incentives.¹⁴

Economic policy reactions to crisis at source and destination cities

Behind these competitive phenomena were the intensive backstage activities of central, provincial and prefecture level governments on social, economic and political fields.¹⁵ Actions varied in kind: introducing the large-scale stimulus package with focus on the development of central and western regions and absorbing labor-force, freezing wage levels at central government's permit, compensating enterprises loss in several ways, enhancing bank loans, re-introducing tax-rebates, increasing actions of free training to workers, enhancing individual businesses for migrants, forming government funds to compensate wage arrears, easing burdens for survival of SMEs by exempting from, or postponing the requirements of social security taxes, collaborate with sending prefectures to regulate migrant flow,¹⁶ constraining mass layoffs through defining the ceiling layoffs at one time, and ordering compulsory report to authorities if the number of layoffs was higher than predetermined and so on.

The spectrum of different measures taken during the researched period according to interviews and newspaper analysis was wide: we could find altogether 47 kind of published measures taken on social and economic fields and migration. However, the frequency of these measures was concentrated towards relatively few types.¹⁷

The question is whether authorities reacted routinely or some new characteristics emerged as a reaction to the impact of crisis? Did these characteristics differ according to origin and destination cities?

Common traits and differences between origin and destination cities groups¹⁸

In fact, interviewees stressed that crisis came all of a sudden so they did not have time to prepare to the impact. The spectrum of different measures taken during the researched period according to interviews and newspaper analysis was still wide: we could find altogether 47 kind of published measures taken on social and economic fields and migration. However, the frequency of these measures was concentrated towards relatively few types¹⁹ and also the nature of these actions was quite characteristic.

According to the available news excerpts, both source and destination cities groups reacted overwhelmingly on social rather than economic purposes²⁰. They were concentrating to compensate direct social impacts of the crisis rather than economic, strengthening former

functions and occasionally creating new measures within the state apparatus rather than new organizations. They were oriented in helping to create individual businesses, that is also more socially than economically motivated action, and rather towards SME developments than towards strategic economic state owned units. Concerning the impact of the measures, it also appears that published state interventions pointed more frequently toward enhancing market environment rather than increasing power network on social fields of economic transformation.

Interviews reveal that practically none of the respondents confirmed that solutions were monitored among neighboring destination or source cities or provinces, fitting to the lack of horizontal relations in general. However, several interviewees reported on regular cross relations between source and destination cities over the regulation of migrant flow. This general picture, however, becomes more subtle if we take destination and source cities of migration apart.

Despite the above common traits the perceived ratio of the above characteristics based on the frequency of occurrence is different between source and destination cities' groups. Though calculations are done for individual comparison of each group, for reasons of extension we shall only draw conclusions only on their mutual comparison. Comparing the two groups, differences between cities of source and destination of migration emerge in the higher frequency of source cities activating central and provincial authorities, directly involving the local financial sphere, by using prefecture level banks for resource distribution to enterprises. We can also conclude on their higher frequency in using central and provincial entities for resource distribution than at destination cities, and lower frequency in distributing resources from administrative budget compared to destination cities. At sources of migration, new measures for new purposes are more frequently used overwhelmingly for short-term impact, while at destination cities overwhelmingly old measures for new purposes were used for dominantly long-term impact. Though overall both groups contributed to the transformation by increasing the competitive field rather than the network, measures at sources of migration, at least in published actions, contributed to the expansion of the network twice as frequently than that of those of destination cities. All in all, source cities, based on the published news seem to work as a more „traditional” power structure nested in the complexity of the economic and political and social context, contributing more weakly to the competitive field during the examined period.

Two further questions emerge: can we find changes in the importance of implemented measures before, during and after the crisis? If yes, do these changes differ according to source and destination cities?

Sensitivity to the crisis in the dynamics of actions comparing sources and destinations of migration

In order to find answers to the above questions, we have reordered the news of the two groups according to publication date, and separated them into three periods:

- (1) 2008.07 to 2008.09 when global crisis was developing,
- (2) 2008.10-2009.03 when global crisis hit and started vanishing and
- (3) 2009.04 to 2009.12 the period after the crisis until the end of the year.

The total number of the kind of measures publicized in the period before crisis, during and after it at source cities was 30, 335 and 153, while at destination cities were 58, 253 and 81 respectively. These numbers show the much higher absolute amount of propagated measures during the short crisis period that even if divided by the respective months shows the same accumulation characteristics. This naturally could be as much a publication strategy as the reflection of real actions. This is the handicap of such analysis.²¹ Let us take 100 percent the frequency of mentioning all measures in each period. Measures are ranked according to the share of the frequency of the given measure in each three period in decreasing order of the frequency of shares. We shall get three columns, representing each period's share rank of measures. Then we have compared data in each rows classifying their dynamics into five groups,²² from which we are putting stress on the changes in the crisis period: the sensitivity of authorities to crisis period through the higher share of some measures during the crisis period, or declining importance (share) of some measures during those six critical months. Going through the five different classifications, we practically did not find common type of dynamics among the three periods in individual measures. Taking the size of the share as importance in one period, results at source cities of migration show the following:²³

Common dynamics pointing to common sensitivity in both groups occurred only in two cases: in the case of job security measures by constraining enterprises, that have increased share during the critical period and then dropped again. The other was job security measures by subsidizing enterprises not to lay off workers. Their share has increased consecutively in

all the three periods. Differences thus are manifold in the dynamics of measures in the two groups.

Sensitivity at source cities grew somewhat towards state programs potentially meaning sources distributed from above, such as key projects, economic infrastructure, real estate development, central stimulus packages. Meanwhile, sensitivity temporarily dropped towards local economic solutions with social connotations, such as the most important measures directly reflecting on economic conditions, for example, dealing with SMEs, individual business, microcredit and export incentives. We did not get answers to the background of these phenomena in the interviews, most importantly, because unfortunately, results of the newspaper analysis did not pre-empt interviews.

Sensitivity at destination cities in the critical period is very different: sensitivity increased during the crisis to social issues related to employment, such as subsidizing directly workers for job security, constraining economic units in uncontrolled lay offs with administrative measures, and locally financed economic projects, such as improving economic infrastructure, dealing with SME development and dealing with key enterprises. Meanwhile, we suppose that sensitivity became lower towards laid off migrants, since sudden economic and production decline does not require those measures. Our supposition is based on the dropped share of such issues as retraining, social security, social infrastructure, tax reductions and outsourcing. To verify the reliability of these conclusions and understand their reasons we would need further interviews based on this newly acquired knowledge.

Based on the above characteristics, two further questions arise: in what way did these measures contribute to the process of system transformation? Are there any differences among them during the three periods and between source and destination group?

Common and different traits in the sensitivity to crisis in the dynamics of the nature of measures

Interesting common features arise in several respects pointing towards a number of similarities in the nature of reactions to crisis²⁴. We did not find any measure that would have had continuously growing share in both groups, and we have found continuously smaller shares only in the activity of lower than prefecture level administrations. However, during the short critical period both temporary higher sensitivity and lower sensitivity to crisis show several common traits. At both groups the higher is temporary frequency in the critical period

of those news that mention initiatives of higher level authorities both central and provincial, with political sphere of activity of those institutions involved, the implementation of using old measures with old purposes and the also the frequency of measures increasing the network's activity and expansion. Adversely to the previous measures, the transitory frequency of publication drops in both groups in cases when the initiator is the prefecture level, when new measures with new new purposes are used, of measures that slow down the expansion of the competitive field, or slow down the expansion of both competitive and network.

Differences emerge in the nature of all other measures. We shall pay special attention to those measures that show the differences during the critical period: first of all, it appears that at source cities more administrative activity occurred from all administrative levels jointly and individually as initiators, also occasionally involving other institutions from political, financial and administrative fields with heightened frequency in joint actions. Meanwhile, the frequency of administrative organizations as resource distributors dropped, as did that of the impact of measures on the expansion of the competitive field. The frequency of new functions increased with temporary larger share of both short and long-term impacts. The heightened frequency temporary slowed down the retreat of the network, at source cities of migration, also meanwhile slowing down the expansion of the competitive field, and with those, the speed of transformation.

At the same time, at destination group, news about the resource distribution of local administration increased in frequency, so did measures involving lower than prefecture level government activity, and the frequency of measures with short term impact grew. Measures that slow down the transformation or enhance both fields temporary increased in frequency. On the other hand, administrative activity of prefectures dropped

Comparing the two groups we can conclude that according to available news both groups reacted sensitively and adapted conservatively to the crisis but the nature of these reactions had higher frequency at source cities of migration. At source cities, the nature of measures was more frequently administrative, different administrative and financial levels were more involved in resource distribution. In both groups, the changing nature of reactions have probably contributed to slowing down transformation, but both changing nature and alteration proved to be short and transitory and therefore reversible with the waning of the impact of the crisis.

Migrant's reactions to the crisis

How did migrant workers react to the impact and the measures? Frijters, Liu, and Meng argued in 2008 based on the first results of the RUMiCI survey in 2007 that the low level of unrest stems from the high level of realistically optimistic expectations fed by the high level of actual growth. They had a very important remark, stressing that this will last as long as growth persists. (Frijters et al. 2009, p. 27). But this survey was carried out before the crisis and among migrants who had a job, even with drastically lower wages, longer working hours, minimal social security coverage, facing difficulties in accessing public services, allowed in lower level works, outrageous living and working conditions (Li Shi, 2008).²⁵

Still, what happens if economic growth suddenly declines? In the second half of 2008 dramatic external shock hit, protests were on the order of the day in large numbers in those cities, but organized mass grievances did not accumulate and did not propagate throughout China.²⁶ Scholarly papers, contemporary articles and official reports reflect on increased mass grievances at destination cities due to massive factory closures without paying the workers in full or at all.²⁷ Interviews relate on increased tensions and grievances at destination cities due to dramatically soaring numbers of wage arrears of suddenly folding enterprises. On the other hand, at sources of migration returned migrants frequently found themselves dispossessed of their lands due to corruption, urbanization and infrastructure campaigns connected to the stimulus package (Chan, 2010, p. 20).

Frustration in both destination and source cities of migration ended up in mass protests and grievances increase in criminality. There are references of dramatically increased number of officially reported mass incidents over 2008 and its massive increase in the first quarter of 2009. In 2008, officials counted 127,000 mass incidents - compared to 87,000 incidents in 2005. Of these cases, 467 involved storming local government departments, 615 attacks on police and judiciary authorities and 110 attacks on government buildings and vehicles. The first quarter results of 2009 reveals a near redoubling of that figure, as officials recorded 58,000 mass incidents - which would amount to a yearly rate of 232,000 (Walsh, 2009).

Interviewees, deny the increase of mass incidents due to crisis which was an expected answer to a politically sensitive question. What could be the supposed reasons why dramatically increased mass incidents did not destabilize the system politically? In his recent book Cai Yongshun defines several trade-off criteria for mass protests to unfold. He also describes the conditions of success or failure of protest in achieving goals using either third

parties for support or pressure local government and trade-off responses of tolerance, concession or repression from the side of different level governments and party authorities (Cai Y., 2010, pp. 3-20). It would be an irresponsible venture to intrude in his deeply and extensively researched field. But let me add some remarks from systemic approach and also try to nest his thoughts to the actual crisis and potential adaptation pressures on the power structure.

First of all, since critical disruptive period was short, long-term institutional adaptation did not evolve as a pressuring factor in general. By April 2009, unemployment among migrant workers dropped from 16 to 3 percent (Chan, 2010, p. 2) that radically decreased potential pressure on authorities. Even if migrants would have had time to organize, it would have been structurally hard since 78 percent of migrants worked segregated, at small and medium private enterprises (Liu, 2009, p. 2, and RUMiCI 2007). Bankruptcies attained overwhelmingly small and medium sized workplaces, thus there were no sudden mass layoffs owing to the closure of large enterprises. Sudden mass lay-off was inhibited also by the strict and punitive regulation of authorities to anticipated compulsory report in case of more than ten workers to be fired simultaneously. Workplace turnover of migrants is high (changing job places frequently). Overwhelming majority of migrants work without labor contract (Li S., 2008), that could have provided ground for legal procedure.

Migrants are weakly unionized and thus organized, their knowledge about trade union is low, nor they see themselves as part of the Chinese working class but as peasants (Howell, 2008 851, 853) few institutional network support their settling down or sense of belonging there even if stayed for years in one province. They are also weakly represented institutionally in the trade-union (Khoo, 2009). Instead, networks of migrants are overwhelmingly based on kinship.²⁸ Potential legal representation and government aid by source city authorities suffers the handicaps of distance to initiate a legal procedure between source and destination cities, the phase delay of acknowledgement of the problem, lack of documents and supportive facts from the defendant side and frequently vanished offender.

Mass organization is also structurally hindered at the source cities, since returning migrants are scattered in numbers in different widespread small villages (at the RUMiCI project, without having response from all 8403 migrants, those who responded lived in 920 towns and 3200 villages in 2007). Moreover, complaints, even if mass demonstrations have a political connotation, are directed against local authorities' behavior and are not in general addressed to the party legitimacy itself (Cai Y., 2008; 2010). During the crisis period in

sample cities, most problems arose due to wage arrears, pay delays and enterprise sudden close-down.

The prompt implementation of conscious central political decisions with strong economic and labor force connotations played crucial role in easing potential tensions: after Spring Festival returning migrants soon found jobs, frequently at closer provinces that became new, alternative destinations to coastal cities owing to the prompt implementation 4 trillion Yuan stimulus package in November 2008 focusing on social and economic infrastructure projects at central and western regions by central and local authorities, attracting and absorbing millions of migrant workers²⁹. We suppose that besides development goals of central and western regions the package also has a result of diverting workers from so-far migration routes, also decreasing potential tensions at former destinations. This is because interestingly enough, spatial, ownership, size and sectoral focus and orientation of the Stimulus Package looks to work opposite to the spatial focus, ownership, size sectoral focus and orientation of the impact of the global crisis. It lays priority on the central and western provinces rather than coastal, large state owned enterprises rather than SMEs, on infrastructure rather than manufacturing, on domestic consumption rather than export. According to interviews, tensions could be eased; accumulation of unemployed masses could be avoided by institutionalized or informal, but regular collaboration between source and destination cities in enhancing or containing migration accommodating to actual needs of destination cities.

Also accidental factors contributed to ease tensions during the critical period at destination cities, notably the partial overlap of the national holiday in January-February 2009. Spring Festival allowed employers to send workers home either month earlier than the event begun while suspending operation. Other accidental event was the devastating earthquake on May 12, 2008 in Sichuan, homeland for millions of migrants that was followed by a massive rebuilding campaign. Labor force demand for rebuilding the area absorbed large quantity of returning migrants, „compensating” potential grievances. Consciously increased central political strictness might have had demonstration effects through the deployment of military in severe minority actions, as it had also through the increased physical, information and communication constrains of dissidents, decreasing chances for political disequilibrium. In April export orders began to pure in resurrecting labor demand though still at worse conditions than before the crisis (Chan, 2010). Job market is in demand, meanwhile inflow to original destinations is slowing down due to the source cities agricultural policy, incentives for production transfer, incentives for individual business, chain of small

loan institutions, infrastructure building drives, lower living expenses that increases trade-offs for migrants to remain closer to home-towns. The later the start of the recovery time, the larger might have been the loss of chances to re-employ migrants who have found alternative workplaces at earlier recovering sites and industries or coped with the trade-off of local incentives.

Conclusion

The impact of the global crisis in China presented itself in the decline of export demand, and its multiplying effects were very quickly sensed in the decline of the GDP, of domestic demand, import demand, labor demand, internal consumption, real-estate market, stock market, total investments, FDI inflow, all those events inciting adaptation pressures. We have approached the impact of global crisis on China from a systemic point of view. Our question was: in what ways external and internal adaptation pressures influenced the transformation of the party-state system in China? Did reactions have an impact on the transformation of political or economic system? The purpose of our small field research in 16 prefectures was to respond to this question by examining institutional reactions to crisis from late 2008 to late 2009. We have examined the common and disparate characteristics of institutional adaptation at prefecture level at sources and destination cities of migration. We have also tried to detect their common or different sensitivity to crisis analyzing the periods before, during and after the crisis.

Statistical data, scholarly papers, interview and newspaper analysis suggests that critical period forcing adaptation was deep but very short: it has affected prefectures from the last quarter of 2008 to the end of the first quarter of 2009. Economic crisis, though deep, did not last long to challenge the stability of the Chinese power structure, and enforce longer term institutional adaptation on the political subfield. Initial shocks to political, social and economic sub-fields vanished within half a year. During this period overwhelmingly temporary overarching actions occurred both among economic, political, state and social fields rather than long-term institutional, while also external pressure also decreased. By April, 2009, though still far from total recovery and full with uncertainties concerning future developments, World Bank data reports on the improvement of all economic indicators: the growth of GDP, export demand, internal demand, and labor demand (WB, QR, p.2 and 4). Short-term stability of the power structure was due to several structural factors in the

economic and social subfield, to radical austerity measures in political sub-field, and to the increased activity of central and local party and government organizations in directly and indirectly solving social problems rather than directly economic issues during the critical period. The interplay of the dynamics of the different subfields ensured the overarching of the crisis and the stability of the power structure on the short-term.

Coastal provinces and within those main exporting prefectures and main destinations of the floating population were strongly attained by the impact of the crisis, and so were central and inland provinces and prefectures which were major sources of migrant outflow. According to available news and interviews both groups reacted sensitively to the crisis. Overall, actions reflected higher sensitivity in social rather than economic issues, more new functions than new organizations, more short than long-term and in general, more oriented towards enhancing competitiveness than the party-state field. Common characteristics and also differences however may be perceived in the type and nature of more frequent actions according to cities being sources and destinations of migration and also their behavior before, after and during the critical period. In both groups, the changing nature of reactions during the critical period has apparently contributed to slowing down economic transformation. But both changing nature and alteration of measures proved to be transitory, that is reversible with the waning of the impact of the crisis. During the critical period, changes were more radical, instruments were more conservative, impact of measures was more long-term at source cities of migration than those at destinations of migration. Had the crisis and internal and external adaptation pressures lasted longer, overarching social measures probably would have needed more substantial institutional changes. It is another question whether these substantial changes would enhance or delay system transformation.

Endnotes

¹ In 2008, SMEs accounted for 58.5% of the PRC's gross domestic product (GDP), 74.7% of industrial new value added, 58.9% of sales, 46.2% of tax revenue, and 62.3% of the total export values. In addition, 65% of patent technologies, 75% of technological innovation, and 82% of new products were developed by SMEs. Meanwhile, in 2008 the number of SMEs in the PRC reached over 42 million (around 38 million were macro-small private enterprises). SMEs accounted for 99% of all business enterprises in the PRC, employing 75% of urban dwellers and over 75% of the laborers transferred from rural areas. In 2007, there were 27.59 million micro-small private enterprises, 5.51 million small and medium private enterprises, and only 2,950 large private enterprises (Liu, 2009, pp. 1-2).

² Nonetheless, a press release issued jointly by the Ministries of Commerce and Finance and the All-China Federation of Trade Unions in June 2009 described the unemployment situation in China as “dire” and forecast that total unemployment (of urban and migrant workers) would reach 40 million in 2009 (Jinnian quanguo, 2009).(Chan, 2010, p. 15).

³ This time we shall not deal with the reasons of prior FDI flee causing many thousands of factory closures and relocation in 2007 and early 2008 connected to the introduction of Labor Law and central and local measures to compensate overheated economic growth (Wong, 2008, pp. 2-3; Chan, 2010, p. 12; Meng et al. 2009, p 215; Meng at al. 2010, p. 2).

⁴ About the large deviations behind this average number at coastal cities climbing to 70-80 percent of local employment see Chan, 2010, p. 8.

⁵ All together eight cities as sources of migration: Luoyang and Zhengzhou (Henan province); Chengdu, Ya’an (Sichuan), Chongqin; Hefei, Bengbu (Anhui); Wuhan; another eight cities as destinations of migration. Wuxi, Nanjing (Jiangsu), Shanghai; Guangzhou, Shenzhen, Dongguan (Guangdong); Hangzhou, Ningbo (Zhejiang).

⁶ Questions focused on the impact of the crisis, the possible preparation to it, the main sectors the impact emerged and the differences in sensitivity and behavior according to sector, size, and ownership of enterprises during the critical period. The sensitivity, fate, and behavior of locally employed migrants and non-migrants towards the crisis. The potential for mass grievances related to the level of concentration, level of organization of migrants, the extent of mass lay-offs and the sudden and mass disappearance of foreign or domestic private ventures employing migrants without their compensation. To shed light on the chances for legal forms of collective interest representation, or for individual legal procedures with administrative assistance. On the other hand, questions were formulated on the tensions emerging at source cities as a result of the impact on destination cities with the return of migrants en masse. The kind of actions taken as a reaction and the difference of these actions compared to pre-crisis period and if was there any interest to know about neighboring impacts and iterate about their actions. I also tried to reveal the collaborating partners in these actions within and outside the prefecture, the role of different level party apparatus during the critical period, the collaboration with neighboring provinces and with origin and destination cities with each other in controlling migration and emerging tensions.

⁷ The scope of the RUMiCI survey was much larger. In sum, 18 thousands individual questionnaires were pursued, at migrant, urban and peasant households, planned as a longitudinal project for five years since 2007 (see sampling methodology in Kong et al., 2009, pp. 240-41).

⁸ RUMiCI project has two basic data-sets concerning migrant workers. One is the 5007 household, and household heads, and the other is the 8403 migrant workers in those households, including the head. ANU statistics is based on the former, statistics at SEBA counts with the latter. In each case I will note which one I have used.

⁹ Both size differences among the indicators of destination or source cities, as size similarities between individual source and destination cities would require more in-depth analysis of the

background of all cities, but limited economic up-to date data and lack of individual case-studies does not allow this chance.

¹⁰ The calculation of laid off migrants in the RUMiCI sample see more precisely in (Kong et al, 2009, 240-241).

¹¹ The ratio of laid off workers was exceptionally high at Dongguan that has the highest number of migrants among destination cities, while it is striking that Hefei, that is a source city has the largest amount of migrants within RUMiCI sample. Using the provincial level data of Table 1, we know that Guangdong province (that includes Guangzhou, Shenzhen and Dongguan) contains the highest ratio among the provinces (61.5%) of migrants coming from outside the province compared to those moving within the Guangdong. Inter-provincial migrants working in Guangdong province are 32.64 of all inter-provincial migrant workers. Meanwhile Anhui province – where Hefei is located is having the highest number of migrant workers despite being source city, contains only 8.6 % of workers coming from other provinces compared to those moving within the province, that sums up all together to the 0.55% of all inter-provincial migrant workers in China (see Table 1.). If we take the sizes of laid off migrants compared to migrant employment, the former two data will suggest, that overwhelmingly migrants coming from outside Dongguan that had left first.

¹² We took as laidoffs those migrants who were not found in the second round of the survey in 2009, due to the close-down of the economic units they were working at in 2007. This is only a fough approach since they could also have gone to other enterprises after their former one had been closed down

¹³ Some export-oriented SMEs are ready to divert themselves to domestic sales. However, it is rather difficult for enterprises to engage in domestic sales. For instance, most large government procurement orders are given to internationally renowned brands, and it is impossible for SMEs with independent property rights and similar product quality to garner such orders.(Liu, 2009, p.18)

¹⁴ Whether interviewees only wanted to repeat central policy or this tendency is really developing is statistically not yet controllable, since enterprise census by the statistical Bureau is carried out only each four year.

¹⁵ Major classification criteria to analyze economic policy news were the following: the administrative level of the organization in action; the activity sphere of the organization; if they acted alone or jointly with other organization; the level and activity sphere of this organization; if the result of the action was a new institution or new instrument; was it acting on economic, social or political field; the focus of the action; the instrument to realize the intention was old or new, its impact of the implemented measure is sought to be short-or long-term, what is its influence on the transformation concerning market system or party-state network.

¹⁶ The outcome of regulation was not always optimal. For example, Dongguang regularly received migrants from Hunan, Henan, Sichuan, Guangxi, Jiangxi and Guizhou and collaborated with those cities in order to prevent the influx of further migrants during the crisis. Prevention worked so well enhanced by local incentives at source cities and search for

alternative workplaces by migrants that by the time orders begun to pure in again labor shortage forced further visits to source prefectures in the company of 100 enterprises to search for new migrants, but achievements were faint.

¹⁷ Owing to extension constraints in publication, only final conclusions of the detailed news analysis can be included in this paper. Tables in detail will be available at a forthcoming issue of my Institute of Economics' Working Paper series by July 2010 in Attachments No. 2-5.

¹⁸ Owing to extension constraints, only final conclusions of the detailed news analysis can be included in this paper.

¹⁹ For extension constraints tables demonstrating the results cannot be included in this paper, but a longer version with all tables in the attachment may be downloaded in the forthcoming working paper by the end of July 2010 of the Institute of Economics, Hungarian Academy of Sciences. In this chapter Attachments 2 and 3 are referred.

²⁰ Among the most frequent published measures in both source and destination cities of migration were assistance to workers and unemployed, retraining, job security subsidies for workers and enterprises, employment, unemployment issues, migrant workers issues, and solving problems of SMEs.

²¹ Here again we have to stress that we cannot confirm that this is only the number of news concerned or the real activities of the local government.

²² The five groups were: 1) when the size of shares did not change during the three periods; 2) shares increased continuously; 3) shares decreased continuously; 4) decreased only during crisis period; 5) increased only during crisis period.

²³ See Attachment 4 in forthcoming working paper of the Institute of Economics by the end of July 2010.

²⁴ See Attachment 5 in forthcoming working paper of the Institute of Economics by the end of July 2010.

²⁵ Li Shi described migrant workers' living and working conditions based on Chinese Household Income Project Survey (CHIPS) of 2002 and the Rural Migration Survey of the National Bureau of Statistics (RMS-NBS) of 2004. the following way: Li Shi (2008) description on the social conditions of the 90 million rural migrants in 2002: 5 percent of rural migrant workers were registered in the pension scheme, around 2 percent had unemployment insurance, 3 percent medical insurance, more than 10 percent were sharing public housing. About 80 percent worked 7 days a week, 70 percent worked between 9-13 hours a day, meanwhile, their average wage was 58 percent of urban workers, 79 percent had no signed labor contract with employers (2004), about 50 percent lived in a space 8-5 square meters and below 5 that, 45 percent with no bathroom and toilet. 87% of migrants' children aged under 7 were not in kindergarten, about 16% of the 7-8 million migrant children at school age (7-14 years old) were not in school, migrant parents were paying higher school fees for 67% of the migrant children (extracted from Li Shi's ppt based on the referred study).

²⁶ Among the surveyed 15 cities by RUMiCI project on average, about 13 per cent (or 1.4 million) of the migrants employed were affected by the post-economic downturn shutdowns.

Among the 15 cities, Dongguan has been hit the worst, with about 34 per cent of its migrant employment was affected. The other cities badly affected are Wuxi and Ningbo, which has about 20 per cent of the migrant employment affected by shutdowns. (Kong et al., 2009).

²⁷ In Dongguan, which was devastated by the slump, angry workers staged numerous mass protests demanding full payment of wages and layoff compensation. The international media succeeded in filming and reporting rather unusual scenes of tense confrontations and scuffles with police (Foreman, 2008). In nearby Shenzhen, for which information is also available, the number of labor disputes involving arbitration also surged precipitously to record levels in 2008. (Chan, 2010, p. 12, referring to Qiao, 2009).

²⁸ This is indirectly suggested by Li Shi's data that show that 57% of migrant workers left their villages to find job having been encouraged by personal migrant connections: relatives, friends, village neighbors (Li Shi, 2008, p. 11)

²⁸ On the options regarding the optimal use of labor intensive investments in the framework of the Stimulus Package for enhancing labor intensive works to absorb rural-to urban migrants see (Cai et al, 2010)

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