Domestic Migrant Remittances in China: Distribution, Channels and Livelihoods

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INTRODUCTION

The term “remittances” refers to the money that migrant workers send back to their communities of origin. Remittances are an integral feature of the migration system in China. Remittances occur largely because migration forms part of a strategy for “rural livelihood diversification.” This means that rural households spread their earning activities over a range of on-farm and off-farm activities in order to minimize their risks and raise their returns to available labour. The world over, off-farm activities generate more income than agriculture and it is access to this cash rather than the size of land allocations that determines wealth inequalities within rural communities. In localities where the local economy is unable to provide off-farm employment, it becomes necessary for household members to find work in cities (Hare, 1999).

In urban labour markets, rural people are generally relegated to dirty, dangerous and poorly paid occupations that offer few prospects for advancement to more comfortable and stable working and living conditions. Owing to their precarious and poor living and working conditions, most migrants leave family members, especially their children, in the villages. Indeed in 2000 only 7 per cent of the rural-urban migration was family migration (Nation Bureau of Statistics, 2002 cited in Tao and Xu, forthcoming). In such circumstances the migrants commonly perceive that that their stay in the city is not permanent. Many migrants therefore remit money not only to care for their rural family members but also to maintain a stake in the rural community and its resources for when illness, the lack of an urban job, family circumstances or old age force them back to the village (Bai and He, 2002). Studies report average durations of absence ranging four to seven years, with some evidence that family obligations cause women to return sooner (Ma, 2001; Murphy, 2002; Ngai, 2005).

According to a report released by the Consultative Group to Assist the Poor,[1] China’s rural migrants sent home nearly US$30 billion in 2005 (Cheng and Zhong, 2005: 4). To provide context, this sum is more than the amount that China or any other country receives from international cross-border flows. For instance, India, the world’s largest recipient of money transfers from overseas migrant workers is estimated to have received US$22 billion in 2005, with China close behind (de la Torre, 2005). The significance of domestic remittances is also apparent when one considers the huge numbers of people that receive them. Owing to the shorter distances of travel, the cheaper costs of labour market entry and the larger volume of domestic migrants as compared with international migrants, domestic remittances are likely to give benefits to greater numbers of poor people than international money transfers. Clearly in the case of China, remittances have greatly improved the incomes of rural people. One 2004 source finds that remittances contributed 18 per cent of total rural income (cited in Huang and Zhan, 2005b). Meanwhile, a study conducted in 2005 found that domestic remittances contributed between 20 and 50 per cent of the total income of recipient rural households (Cheng and Zhong, 2005: 3).

In order to understand the contributions of remittances to development and the ways in which potential benefits may be enhanced there are several questions that need to be answered. These include: How is this money distributed across and within regions? What channels are used to send the money back to the rural areas? Who in the rural community gets the money? Why do some migrants fail to remit? How are remittances spent? And what are the policy implications of how the money is distributed, remitted and used? This paper draws on a rich body of English and Chinese literature to provide answers to these questions.

REGIONAL DISTRIBUTION OF REMITTANCES

Migrants in China move both within and across provincial boundaries. Intra-provincial migration accounts for 50 per cent of labour migration (*China Daily*, 15 May 2004). Most intra-provincial migrants move from the rural to urban areas in the eastern provinces, where they can earn sizeable amounts of money to send back to their hometowns. Farmers in poorer interior provinces also migrate to nearby cities. But these destinations offer fewer earning opportunities and lower incomes than coastal destinations, so attract less than 30 per cent of migrants from the interior provinces. The vast majority of farmers from the densely populated interior provinces prefer instead to migrate to the eastern provinces (Cai, 2005). Not surprisingly therefore, these interior provinces receive the greatest volume of remittances. In 2000, Sichuan province's remittances reached 202 billion *yuan*, equivalent to its total fiscal revenue. The same year, Anhui province's remittances reached 174.3 billion *yuan*, exceeding the total amount of its fiscal revenue by 43 billion *yuan* (Wang, 2003: 3).

Although migration has generated a substantial return flow of money to rural areas, these remittances have not been sufficient to counter China's rural-urban gap, which has been growing and is now one of the largest in the world. If subsidies are included, rural people earn one-third the incomes of urban residents in general, and one-fifth the income of urban residents on the east coast. It may be the case, though, that these gaps would have been even wider without remittances (Huang and Zhan, 2005b).

While remittances have not turned the tide of rural-urban inequality in China, there is nevertheless persuasive evidence to suggest that income from temporary migration has exerted an equalizing effect *within* rural areas. One study based on a panel survey of over 7,000 rural households conducted between 1987 and 1999 finds extensive and persistent inequality within the same rural regions, provinces and villages, and attributes this inequality to unequal access to a growing local off-farm sector. Meanwhile, over the same time period, the authors observe that the earnings generated through temporary labour migration to locations outside households' home counties have been relatively equalizing (Benjamin *et al*, 2005).

A study by Carl Riskin – also based on panel data – reports a significant reduction in income inequality within rural areas during the years 1995 to 2002 (Riskin, 2005). Riskin's findings are compatible with those of de Brauw *et al* (2002) and Rozelle *et al* (1999) in that he attributes this reduction to the rapid expansion in rural people's access to wage employment that has occurred because of the emergence of rural labour markets, the growth in the rural private sector and a substantial increase in labour migration. Riskin points out that rapidly increasing labour mobility is demonstrated by the fact that in 1995 only 3 per cent of rural wage earners worked outside their home province whereas by 2002 some 18 per cent did. Indeed, by 2002 as many as two-thirds of all rural wage earners were working outside their home villages and one-third of these were working outside their home counties (Riskin, 2005).

Even though the differing degrees of availability of local off-farm employment during the different periods considered in the above-mentioned studies have led to differing verdicts on whether local off-farm income has been a source inequality or equality, all these authors nevertheless concur that at least at an aggregate level remittances have exerted an equalizing influence *within* rural China. At the bare minimum there is a consensus among scholars that rural migration and remittances do “not cause a deterioration in income distribution and might improve it” (Li, 1999, 113). Moreover, within the poorest regions the impact of remittances on poverty alleviation is profound. This becomes evident when we consider that a migrant remits roughly 3,000 *yuan* a year, while in 2003 60 million households were under a poverty line of 825 *yuan* (Huang and Zhan, 2005b). The likely equalizing effect of migrant wages within rural China and their role in lifting households out of poverty supports the UNDP assertion that “in effectively assisting wealth distribution, remittances help in achieving MDGs” such as the creation and sustainability of livelihoods (UNDP, 2005).

That said, the story becomes more complicated when we consider two large-scale studies which find that remittances exert a potentially disequalizing impact at regional and community levels. The first, based on a 1995 survey of rural household income suggests that although remittances are equalizing in richer provinces such as Guangdong where it is the poorest households that send migrants, they appear to be disequalizing in poorer provinces such as Sichuan where it is the middle income households that send migrants: the poorest do not have the income for the initial costs of migration while the richest can often earn more income at home (Li, 1999). The second study, based on a 1999 survey of 451 rural households with out-migrants in Sichuan, and a 2000 survey of 493 migrants in Beijing finds that even though the poorest migrants from the poorest regions and the poorest households remit a higher proportion of their incomes on a more regular basis than their more privileged counterparts, that income inequalities in the poorer rural areas are not reduced. This is because remittances increase the income gap between those rural households with migrants and those rural households without migrants (Li, 2001).

The exclusion of some poorer households from the benefits of remittances would suggest a need to ensure that migration or other income sources are an option for the poorest households in middling and poorer regions. Rozelle *et al* find that the information linkages of chain migration (thereby reducing initial job search costs) and village level access to credit are two important factors in facilitating out-migration (Rozelle *et al*, 1999: 389). There have indeed been several successful pilot projects, particularly in poor Western regions which have tried to overcome such obstacles to migration by providing a combination of job training, job introductions, financial literacy training and remittances services to intending migrants and their families (Zhan, 2004). Yet although these projects are laudable, they remain relatively isolated and lack the resources needed for scaling up. There is also the fact that financial institutions remain reluctant to give credit to rural people, precisely because they are seen as highly mobile and therefore unreliable (Fu, 2005). While credit and information provisioning are ways to make migration and therefore remittances available to more poor rural people, there are also some households, which owing to reasons of demographic cycle, health or other obstacles are nevertheless unable to send a migrant. For these households, ideally, some form of social security or income subsidy would be needed.

HOW IS THE MONEY REMITTED?

Given the importance of remittances to family maintenance it is important that these funds are sent safely and cheaply. Safe channels for remitting money are available in much of China and the high volume of money remitted through formal channels reflects this. Based on a survey of 400 migrant workers, a study by the Consultative Group to Assist the Poor finds that around three quarters of China's domestic remittances are sent through China Post, commercial banks and rural credit cooperatives (Cheng and Zhong, 2005: 5). The percentage breakdown of formal routes for sending remittances is as follows: the Post Office, 62 per cent; commercial banks, 32 per cent; and rural credit cooperatives, 5.5 per cent (Cheng and Zhong, 2005: 6). China Post is able to dominate the remittance services market because it has an expansive computerized network covering many rural communities.

Despite the wide availability of remittance service providers, however, people who live in poorer localities that are situated away from county seats, larger townships and roads have experienced increased difficulties in obtaining access to remittance service providers. In recent years, there has been a rapid decline in the number of branch offices and distribution points of commercial banks in rural areas (Cheng and Zhong, 2005: 6-7; Fu, 2005). And since 1999/2000, even the Post Office, which provides the widest coverage of remittance service outlets in poor regions, has been forced to close some branches. This is because the 1999 restructuring in the communications sector freed China Telecom from its longstanding obligations to cross-subsidize postal operations, and the compensation from government finance departments has not been enough to make up for the loss. The situation in Wanzai, a rural county located in the agricultural interior province of Jiangxi, is fairly typical. Since 2000, three out of a total of its 13 post office branches have been forced to close, and all of were located in remote townships (Interiew, China Post manager, Wanzai, 5 July 2006).

In the many places where remittance services are available, the price is not expensive. Even so, the costs tend to fall disproportionately on the shoulders of poorer people. There is usually a fee of 1 to 1.5 per cent of the total amount remitted. For workers from poor regions, this is around 30 to 50 *yuan*, equivalent to their monthly food allowance (Cheng and Zhong, 2005). Further costs may be incurred in cases where post office staff impose higher fees, levy money at both the sending and receiving end of the remittance process (Fu, 2005) or fail to disclose information about cheaper remittance options (Cheng and Zhong, 2005). Another disadvantage faced by certain rural customers is that some Post Office branches enforce a compulsory savings policy on them. The poor, old and less well educated may be more vulnerable to these infringements because they may not be aware of their rights and may feel intimidated by formal settings, forms and procedures. Sending money through the card-based systems (prepaid, debit, credit card) of the commercial banks such as the Agricultural Development Bank, the People's Construction Bank of China and the Industrial and Commercial Bank of China offers migrants the cheapest and fastest method of remitting. Again, however, the poor and less well educated people tend to be disadvantaged because they are less likely to know about or to use these services.

A paucity of financial services near to rural hometowns, a reluctance to pay remittance service fees, and a lack of familiarity with remittance services are all factors that inform some migrants' decision to remit their money through informal channels. In the case of China, informal remittance channels usually involve the migrants carrying the money themselves or else entrusting a friend or relative to carry the money on their return to the village. At this point it is worth noting that the GCAP survey's finding that only 25 per cent of money is remitted informally is lower than expected given that elsewhere in the world the amounts remitted through informal channels are at least as much as those sent through formal ones. Yet as is commonly noted in the migration studies literature, informal remittances are notoriously difficult to calculate. This has caused some migration experts to speculate that the total volume of domestic remittances in China may be much higher than the above-mentioned GCAP estimate of US$30 billion (Jennifer Isern of GCAP cited in de la Torre, 2005).

The drawback of informal methods of remitting is of course that people can be vulnerable to theft. In order to enhance the security of migrants' money it has been common for long distance bus companies in China to employ security guards, particularly at peak times such as Spring Festival. Even so, the migrants are still vulnerable when they wait at bus and train stations and when they travel from the stations to their places of residence. Rural people can also be vulnerable when they carry large sums of money over long distances between the branch of the nearest post office or credit co-operative and their home village. In noting the devastating effects of the theft of remittances on migrants and their families as well as the general absence of networked rural credit cooperatives in poorer regions, one Chinese commentator recommends that the Post Office should create a special safe and fast remittance channel for migrant workers for over the Spring Festival period (*Hainan Ribao*, 12 January 2006). The possibilities for such innovations are suggested by the concerted actions of many post office branches in co-ordinating mobile remitting services during the period of the 2003 SARS quarantine (Wang, 2003).

Over the past decade, financial institutions have responded to the remittance difficulties faced by some rural people by initiating projects designed to improve services. As early as 1997, in some interior provinces, branches of the Agricultural Bank located in particular townships made arrangements with selected branches of banks in districts of the destination cities in which migrants from the respective townships were concentrated. These arrangements enabled the 24-hour electronic transfer of cash. At the time, having a shiny new bank card was a point of pride for spouses and elderly people remaining in the rural areas (He, 1997). Since then ever more banks including the Bank of China, the Industrial and Commercial, and the Construction Bank have undertaken and diversified remittance-related services, often tailoring the content and marketing of existing bankcard products to appeal more directly to migrant workers and their families. Some of these products have been launched with great fanfare and media publicity, with relevant institutions claiming that they are finding new ways to support the new leadership's emphasis on the "three rurals" (*sannong*) policy of improving rural livelihoods. For instance in 2005 the Bank of China launched and heavily promoted a new bank card for migrant workers with hometowns in Guizhou, one of China's poorest provinces (Chen, 2006; Gu, 2006). There has also been a drive championed by the Bank of China to enhance the capacity of rural credit cooperatives to handle cross-regional financial transactions of small and medium amounts by incorporating eligible rural credit cooperatives into the national system for dealing with large transfers (Chen, 2006).

While the representatives of financial institutions use the language of the "three rurals" to explain their new remittance services, a less explicitly acknowledged motivation for their innovations is undoubtedly profit. China Post certainly sees the banks' initiatives as a source of competition and has responded by devising ways to improve its own remittance services (Wang, 2006), a development that could benefit the poor and elderly who may need more information, help and patience than other customers. Post Offices have also responded by increasing efforts to promote other goods, including offering current savings accounts and selling insurance (Interview, Wanzai Post Office Manager, 5 July 2005). Although the banks and credit cooperatives will undoubtedly be able to increase their share of the remittance services market through their new card, a competitive advantage that China Post may nevertheless retain is the relative safety of its service; this is because in China all loss arising from the theft of a bank card is borne by the customer.

Efforts by different institutions in China to promote remittance-based development present opportunities for NGOs and international organizations to forge partnerships with government bodies and financial institutions in China. The possibilities for interventions are suggested by the kinds of initiatives that international organizations have already pioneered in other countries. One example is a project in Tajikistan coordinated by the IOM and UNDP to support micro-credit services and community development financed partly from migrants' remittances; the project is expected to enable migrants' families to have better access to micro-loans and business advice and training (UNDP, 2005). In the case of China the IOM/UNDP example could be instructive in the search for ways to implement the suggestion of some Chinese scholars and policymakers (e.g. Research Group of the Yichun Prefecture Agricultural Bank, 1996) – direct the immense increase in rural remittance deposits towards the expansion of rural micro-credit facilities and diversify financial products and services for rural customers. Another possible example for emulation in the field of remittance services in China is the schemes underway in other developing countries that involve establishing linkages between telecommunications companies and financial institutions. These linkages enable migrants to use mobile phones to remit their money rapidly and safely (USAID/DFID, 2005) – a prospect that is now feasible in China on account of the recent rapid expansion in mobile phone use, particularly in rural areas.

WHO GETS THE MONEY?

Rural to urban labour migration is often described in the migration studies literature and in policy documents as a strategy for household livelihood diversification and the result of "family strategies" decision-making. In the migration studies literature, the household and family-based approaches are informed by neoclassical economic models of altruistic household heads and household members' co-operation to ensure that everyone benefits from shared resources (Chant and Radcliffe, 1992; Kabeer, 1994). Among Chinese policymakers and officials, the notion of the household/family as an altruistic unit that works for its members' collective welfare is largely assumed. This is because, as is reflected in terms such as the "household registration system", the "household responsibility farming system" and "household evaluation campaigns", the household is assumed to be the foundational cell of the economy and society.

China's central planners have encouraged local leaders in poor regions to facilitate out-migration with the slogan, "the migration of one person frees the entire household from poverty". And a principle feature of the Chinese government's platform for eradicating rural poverty by 2000 was that each household should have at least one member working in a local off-farm undertaking, a specialized agricultural sideline or as a migrant in a developed region.

Implicit in references to "household" migration strategies and community poverty alleviation is the notion that everyone gets a share of the rewards. Yet, as this section shows, the assumption that collective welfare is achieved through migration is problematic because (1) it overlooks the sacrifices made by the migrants and (2) it overlooks inequalities in resource allocation within households and families.

To take up the first point, in focusing on remittances as an instrument that lifts the entire household out of poverty, the tremendous sacrifices that the migrants incur to their well-being are overlooked. Many migrants send home money as soon as they receive their wages so that they will not be tempted to spend more than a stringent allowance on themselves (Yang, 2005). The imperative to remit is such that they send home much of their income: for instance, Li Qiang's survey of 493 migrants in Beijing found that half remitted at least 40 per cent of their wages and 29 per cent remitted at least 60 per cent of their wages (Li, 2001).

In remitting such a large portion of their earnings, migrants commonly deny themselves money for warm bedding and clothing and decent food. This unwillingness of migrants to invest in their own well-being combines with grueling working hours and poor conditions to inflict a toll on their health. To make matters worse, in the event of sickness the migrants generally feel unable to spend money on prohibitive doctors' fees and medicine. Indeed, a recent survey by the Chinese Ministry of Labour finds that owing to the need to remit money, the vast majority of migrant workers are reluctant to contribute to enterprise-based social or health insurance schemes in the few places where these are available (Guo, 2005). Some reports in the urban media actually go so far as to criticize rural migrants for placing all their attention on remitting their money instead of helping to stimulate the urban market economy through city based expenditures (Guang, 2003: 629)!

A further problem with viewing remittances as a tool that lifts all the members of the household out of poverty is that intra-household and intra-familial inequalities are overlooked. Even though surveys show that the vast majority of migrants remit, this fact tells us relatively little about how the money is distributed. With regard to the distribution of remittances, there are at least three overlapping dimensions of inequality: the inequality between the migrant and the "left behinds", intergenerational inequalities, particularly discrimination against the aged, and inequalities along gender lines. Each is considered in turn.

Inequality between the migrant and left behinds has been usefully examined by the geographer Jørgen Carling through the lens of "information asymmetry" (Carling, 2005). "Information asymmetry" refers to a situation in which one party to a transaction has more or better information than the other party. The metaphor of a transaction is pertinent to rural-urban labour migration. This is because there is an exchange between, on the one hand, the rural family's provision of livelihood security and help with the initial costs of migration (especially job search costs), and on the other hand, the migrant's provision of remittances. Indeed one survey of remittance behaviour and family ties in China found that the migrants who remitted the most reliably were those who received money from their families to fund their initial migration and whose footing in the city was the most tenuous (Cai, 2003). Information asymmetry plays a role in the security/support-remittances transaction between the migrant and the left behinds because the migrant has more information than the left behinds about the amount of money that has been earned.

Migrants may wish to use this information asymetry to keep a larger share of the remittance money for their own use or for use by themselves and a spouse rather than giving a larger share of the money to elderly parents or other family members. Migrants may therefore arrange for money to be sent back to a separate bank account for their own future use, often for building or renovating a house for the new conjugal unit, rather than remitting all the money into the care of rural family members. In rural Jiangxi I encountered several instances in which married male migrants had remitted money to their parents-in-law for safe-keeping because entrusting the money to their own parents could have potentially caused awkward misunderstandings about who was entitled to borrow or use the money. Their concerns were not entirely unjustified: I also encountered instances in which parents who had been entrusted with buying building materials or co-ordinating the hiring of builders on behalf of their absent adult children had borrowed some of the money for their own purposes (Murphy, 2002). The point here is that remitting money is not solely an act to promote collective family welfare; it is often a means by which migrants save money for their own purposes, and sometimes migrants maintain the information asymetry when they feel that other family members might wish to make unwelcome claims on these savings. This is not to deny that most migrants want to help their families or at least to be seen as people of conscience who fulfill their obligations. The information asymetry is used by some migrants to help them to be seen as a worthy spouse, child or sibling whilst also enabling them to keep a larger share of their earnings free from wider familial claims.

Many of the tensions over the allocation of remittances and other resources occur inter-generationally, and there is an emerging body of literature which suggests that old people, particularly those in poorer households and communities, may be the net losers from migration (Ding, 2005; Du *et al*, 2000; Hong, 2004; Murphy, 2002; Murphy, 2004; Pang *et al*, 2004). In a growing number of situations it is the labour of elderly people in looking after the migrant's land and caring for grandchildren that makes the migration of adult children socially and economically possible. The extent to which remittances compensate for the increased work burden of the elderly varies across communities, households and individuals. At the community level, there are obviously less options in poorer areas for people to use remittances to hire labour because much of the money goes towards meeting basic needs. Another community level factor pertains to the extent of out-migration: the extent of out-migration can greatly affect the number of relatives and neighbours that remain in the village who are available to provide care and company, human needs that remittances cannot buy.

At the household level, on the negative side, some studies find that migration is associated with the earlier division of sons from their parents to form their own nuclear households. Once households have divided they keep separate economic accounts. The earlier division combines with migration to mean that an ever increasing number of elderly parents live alone. The consequences of living alone vary depending on the wealth and health of the elderly couple. Some couples have their own savings and so they can continue to maintain a decent standard of living. Some couples are poor. Oftentimes, the only support they receive is an entitlement to retain the grain produced on the adult migrants land. A study of 151 elderly people with migrant children in rural Zhejiang found that 49 (32.45%) of them rated a lack of money as their second greatest difficulty in life, the first being a lack of care and help. According to the study, this percentage of elderly facing economic hardship was 26 per cent higher than for those elderly people with an adult child by their side (Ding, 2004). As Pang *et al* (2004) show, even when cash from children is available, many elderly parents are reluctant to make a claim on these earnings: unless they are totally incapacitated, they elect to "work till they drop". They use their labour to ensure that their sons can build a nice house, marry and establish themselves economically, thereby being in a better position to provide support when absolute need hits. Indeed many of the elderly with whom I spoke said that migration was good because it relieved them of the burden of having to accumulate the funds for a son's new house and bride price – a traditional duty of parents being to ensure the continuation of the family line.

At the individual level, many elderly people have lower levels of education than the general rural population and their labour in domestic work and farming tends not to generate immediate cash income. They tend to overlook the value of their own labour contributions to their families, and to see themselves as burdens and of little value. They therefore feel reluctant to demand a greater allocation of resources in compensation for their increased workloads. Elderly people who have lost a spouse, especially elderly women without sons, are often the most likely to face destitution on account of migration. I encountered several such widowed women who felt desperate at being forced to go to the hills to collect fern for fuel and to plow the land, especially in localities where the latter is customarily a male task.

There are at least two explanations why the hardship that elderly people experience on account of migration is overlooked. One is that, in the case China, people have a deep impression of their own commitment to the virtues of family values and filial piety, and so there is the widespread assumption that all elderly receive money and care from their children. Another reason is that, as is the situation the world over, the elderly tend to be "invisible" or else visible only as "burdens".

In recent years in China there have been some television commercials that urge adult children to remember their parents. Policymakers and NGOs need however to also look to interventions that go beyond invoking notions of family responsibility. Pang *et al*'s (1999) suggestions that China's policymakers need to recognize the heavy work loads and economic self-reliance of the rural elderly by providing practical support for them in the form of credit, education and information are both timely and urgent. The experience of rural South Africa is also instructive: studies have found that when income support or subsidies are given directly to the elderly that their status and receipt of care within their families increase and the "burden" stigma is lifted both in their own minds and in the minds of their family members. Indeed Amartya Sen (1991) showed long ago that visible income contributions and leverage within the household go hand in hand, an insight which could inform interventions to provide support for the elderly who are unable to generate income.

Gender is a final dimension that contributes to intra-familial inequality in the distribution of remittances. Gender inequalities are complex to delineate because gender interacts with a range of other factors such as class, age, marital status, reproductive status, working status, personal attributes and community factors to shape who wins and loses in the distribution of resources. For purposes of simplicity, here I consider access to the resources generated by migration in relation to the migrants, and then in relation to left behind children and spouses.

Unlike in other countries where women remit more (Chant and Radcliffe, 1992: 17), in seems that China men probably do (Murphy, 2002: 107). Migrant men and women have different opportunities for earning money, with women commonly earning less than men (Fan, 2004). Men and women also face different pressures that shape their remitting behaviour. Unmarried men in rural China experience immense pressure to remit as a way of saving for repairing or building a house and accumulating a bride-price – only in this way can they prove themselves as eligible candidates in the marriage market. With distortions in sex ratios and the increasing outmigration of young women, the amount of money that men in poor regions need to accumulate for a bride price has been increasing. Married men are also impelled to remit because in the patrilocal and patrilineal system of rural China the duty of providing care for elderly parents falls mainly to the sons.

That said, Chinese women also remit and want to contribute to the care of their natal families. Many young women contribute their earnings to the building of a new family house, yet they do not receive a share of the family property when it is divided because in rural China only the male siblings receive an allocation – so a daughter's prospects depend on marrying into a good family. Young women also contribute to their parents daily maintenance. I encountered many parents who would say: "My daughter is very understanding and knows the hardship of home and always sends us money". Indeed it has become increasingly common for young women to continue to contribute remittances to their parents' livelihoods even after they have married into their husband's family. These contributions of daughters have in some parts of China led to a new appreciation of their value by parents and have raised the status of daughters more generally (Yan, 2003; Gates, 1996). Several parents I met expressed the view that while sons can be unreliable, daughers are close to their parents' hearts.

Regarding the distribution of remittances to the left behinds, surveys show that migrants' whose wives remain in the countryside remit a higher portion of their wages and on a more regular basis (Li, 2001). In some instances remittances increase the resources and autonomy of women, and also their responsibilities. This is because women remaining in the countryside may be allocated the money to spend as they see fit. In other instances, women experience little increase in financial autonomy, though also little increase in responsibility. In such cases, they may be sent the money only at specified periods for specified purposes with clear instructions, for instance, for buying fertilizer or bricks or paying school fees. As yet little research has been conducted on the household allocation of resources and power in circumstances where the wife remits and the husband is "left behind". Evidence from the Philippines suggests that gendered divisions and valuations of roles and contribution remain in place and remittances become the way that absent wives and mothers perform their feminine caring roles. Meanwhile some men may turn to drinking and gambling to escape loneliness and assert their masculinity (Parreñas, 2005). This is an important topic that requires future research.

As for the distribution of remittances to children, wider factors pertaining to the allocation of resources to sons and daughters are also relevant to the distribution of remittances. On the whole daughter discrimination is deeply embedded within rural Chinese society (Croll, 2000), which means that, especially in circumstances of poverty, a greater share of scarce resources go towards the education and health of sons. In very poor households, migration may also result in the withdrawal of girls from school to help with domestic and farm work. More positively, however, in generating more cash income, remittances may mean that both girls and boys benefit from the increased household wealth, even if in general the latter benefits more.

In sum, opening up the household and family to scrutiny rather than regarding it as an altruistic and collective entity with a single set of interests reveals that remittances are not a cost-free resource that lifts up everyone equally. By paying attention to these inequalities, policymakers can address the deprivation and human costs that may be hidden by prevailing concepts such as household strategies, family decision-making, household livelihoods, family values and filial piety.

INSTANCES OF NON-REMITTANCE

While the vast majority of migrants do remit, a small proportion of migrants are either unwilling or unable to remit. Referring again to Li Qiang's research, his survey of 451 migrant households in rural Sichuan finds that nearly one quarter (29.7%) did not receive any remittances and his survey of 493 migrants in Beijing similarly finds that around one quarter (24.7%) did not remit. Clearly, a significant number of rural households lose labour but do not receive remittances. Three main reasons that migrants send only few or no remittances include ill fortune in the cities, the costs of adapting to an urban lifestyle and the wealthy background of some migrants.

To begin with ill fortune in the cities, a common problem faced by millions of Chinese migrants is that of unpaid wage arrears. Bosses have habitually withheld wages as a strategy for retaining labourers and earning interest on the money. The situation became so bad in Spring Festival 2002 and 2003 that large numbers of migrants protested. In response, the State Council issued its No. 2 Document (2002) and No. 1 Document (2003) demanding fair treatment for migrants and the prompt payment of wages (Huang and Zhan, 2005a; Huang and Zhan, 2005b). While such government intervention has yielded significant improvements, the problem of withheld and even unpaid wages nevertheless continues to plague the lives of many migrants and their families.

In other circumstances of non-remitting, it is because the migrants have stepped up their efforts to integrate into urban society and acquire urban citizenship. Becoming urban involves buying clothes and make-up to enable the migrant to shed visible evidence of their rural origins. Becoming urban may also involve paying for city night school classes. A final set of expenses are incurred as the migrant tries to accumulate funds to buy a house in the city, to resettle other family members and to enroll children in a local urban school. Scholars working in different countries commonly find that long-term settlement in the destination area corresponds with a sharp decline in remittances (Ahlburg and Brown, 1998). In the case of China, a survey which compares the remitting behavior of migrants with temporary urban residence permits and those with permanent urban residence permits similarly finds that the former remits more frequently and in larger amounts than the latter (Cai, 2003). It is likely that as China's urbanization proceeds and more people take up urban citizenship, remittances will decline.

A final set of circumstances that are associated with few or no remittances is the influence of the wealth of the migrant's family and home village. When the migrants come from richer families and richer regions that have many local off-farm activities, they tend to remit less money and less frequently because the family at home does not have such a strong need (Li, 2001). By contrast, migrants remitting to poor families gain a sense of achievement and improved status in their communities because their remittances have such a dramatic and visible impact on the material lives of their family members. Even in instances of non-remittance in poorer localities however, provided that the remaining labourers are healthy, migration may still help the family's economic circumstances because the number of people eating from the common rice pot is reduced.

HOW ARE REMITTANCE USED?

Without detailed records of household budgets it is difficult to gauge exactly how remittances are allocated or the role of remittances in freeing up alternative sources of household income for different kinds of usage. Even so, a wealth of data based on interviews with rural people about remittance use, field observation and other records have enabled scholars to determine that both in China and in other developing countries that only a small portion of money is allocated to productive investment while the vast majority is used for consumptive investment (de Braw *et al*, 2003; Huang and Pieke, 2004; Huang and Zhan, 2005b; Murphy, 2002). Here productive investment refers to investment in activities that increase the household's capacity to earn money. Consumptive investment refers to goods and services that more immediately improve the well-being of the household members. In using the term productive and consumptive *investment* I follow Rozelle *et al* (1999) to indicate that, unlike some policymakers and migration scholars (e.g. Lipton, 1980), I do not see the money used for consumption as having been wasted.

This section considers the investment of remittances in the productive areas of agricultural production, land purchase and the establishment of small businesses and in the consumptive areas of house-building, the purchase of consumer goods, and the payment of health and education expenses.

Productive Investment

Agriculture

Findings from different studies on the impact of remittances on agricultural production are contradictory, though all tend to suggest that remittances do not adequately compensate for the labour lost from farming. In one study based on a sample of 585 rural households, the authors found no evidence of a link between migration and productive investment, where productive investment is defined as "investments in agricultural or non-agricultural activities that enhance the income-earning potential of the household". They did however find evidence of a 27 per cent increase in consumptive investments (de Brauw and Rozelle, 2003). In another study, based on a 1995 survey of 787 rural households (Taylor, Rozelle and de Brauw, 2003), the authors found that most remittances used for agricultural purposes were directed towards purchasing additional inputs to substitute for the labour lost through the migration of a household member. On account of this usage of remittances, migrant households were able to achieve the *same yields* as non-migrant households. Yet owing to the fact that migrant households needed to spend more money to produce farm yields equivalent to those of their non-migrant counterparts, their *net incomes* from agriculture were *less* than those of non-migrant households. In a different paper based on the same survey, the authors found (1) that maize yields *fell* for each family member that left the farm and (2) that remittances only partially offset this migration effect (Rozelle, Taylor and de Brauw, 1999). Finally, a study based in poorer regions of Sichuan found that remittances did not counteract the effects of labour lost from agriculture, with migrant households commonly producing lower yields than non-migrant households (Li, 2001).

Direct investment of remittances in agriculture is only one potential way that these funds may support production. Another way is that remittances may help to alleviate capital constraints and provide security in risky agricultural sectors where credit and insurance markets are not developed (Stark and Lucas, 1988). Case study evidence supports this contention. A study in rural Jiangxi found that on account of remittances, the poorest households with migrant members no longer needed to rely on borrowing seed and fertilizer from neighbors before the harvest and on making their repayments in grain after the harvest (Murphy, 2002). And a study in rural Chifang prefecture, Inner Mongolia Province, found that remittances provided an insurance buffer and saved many households from destitution during periods of ecological disaster (Huang and Zhan, 2005a).

In noting the role of remittances in providing money for financing on-farm activities and insuring against on-farm income shocks, Rozelle *et al* (1999) suggest that improved rural credit systems would remove the need for households to send out migrants. While it is certainly the case that an expansion of micro-credit in rural areas would be desirable, the expansion of micro-credit could also be viewed as a pro-poor and pro-development undertaking that is a complement to remittances rather than as a mechanism desirable for its potential to limit "migration-induced reductions to household labour". Indeed, as already mentioned, there is scope for mobilizing the immense domestic rural savings accrued through remittance deposits towards an expansion in micro-credit. Achieving this would require substantial reform to rural financial institutions, though increases in rural credit availability that have occurred since 2001 suggest that serious thought is now being given to rural micro-credit schemes (Qu, 2005: 25).[2]

Scholars have proposed several reasons to explain why rural people invest only a small proportion of their remittances in agriculture or other forms of economic production. One factor already alluded to is that the low rate of return to productive capital in poorer areas discourages investment in such activities (de Brauw *et al*, 2003). Another reason is that insecure land rights discourage investment. Rozelle *et* *al* (1999) report that the degree of land adjustments within a village – to take into account changing household demographics – negatively affects migrants' inclination to remit. My fieldwork observations lend some weight to the finding that insecure land tenure makes people unwilling to invest in farming, though precisely because most money is used for consumption purposes, it is doubtful that insecure land affects a willingness to remit *per se*. Several farmers told me that on account of insecure land tenure they would not consider using remittances for fixed infrastructure such as tube-wells. I also met people who were leery of contracting additional land, for instance hill land for specialist orchard cultivation, for fear that once the soil was prepared, use rights could be revoked. A final reason that rural people invest only a small portion of remittances in production is that small-scale labour intensive family farming does not generate a need for the purchase of sophisticated machinery (Qu, 2005: 10). For machinery investments to be viable it would be necessary for farmers to consolidate their plots into larger scale entities.

There are however some localities in China where extensive investment in farm machinery has been reported. In some localities with flat terrain, fertile land and a high proportion of outmigration has enabled some local township governments to co-ordinate the provisioning of mechanized plowing and harvesting services. Migrants are willing to pay because such services enable them to either direct the additional income and grain towards the upkeep of their relatives left behind or else to gain extra income for themselves (Murphy, 2002). Moreover some rural households have used remittances as well as other sources of money to invest in modest labour saving equipment suitable for small-scale family farming: for example, a purchase popular during the late 1990s was a machine that could both pump water and thresh grain at harvest time (*choushuiji*). There is also a six-province survey of 824 households which finds that returned migrants invested around 100 per cent more in items of agricultural machinery than migrants and non-migrants. Unlike migrants the attention of returnees has turned to farming and unlike non-migrants they have urban savings. Items of investment included threshers, water pumps, plowing machines, seeders, grain processors, and feed processors (Zhao, 2001).

Land

Most rural migrants in China have access to the use rights of a plot of land for the purposes of agricultural production. This land provides at least a subsistence safety net from which households can pursue livelihood diversification strategies that often include migration. Owing to the fact that under the present contract system, land rights cannot be bought or sold and land leases are not always completely secure, households in rural China do not generally use remittances to buy land. This differs from the situation in the rural-sending areas of some other developing countries. For instance, in rural Cambodia, following the 1995 land reform movement to distribute land equally, remittances have enabled some debt-ridden households to hold on to their land or to buy back lost land (Maltoni, 2005). As another example, in parts of rural Mexico, property acquisition by migrants has been found to exacerbate inflationary trends in local land markets, adversely affecting the well-being of poorer non-migrants and even forcing some tenant farmers to migrate (Massey *et al*, 1987: 236-41).

While on the whole rural households in China have not used remittances to buy farmland, there are nevertheless some instances of returned migrants using the emergence of an invisible land market in the areas surrounding towns and transport routes to gain collateral for their business activities. A house situated along a transport route in a township or the outskirts of a county seat or small city can be used as security for obtaining loans from rural credit cooperatives. A prerequisite for applying for a loan is obtaining a "house property certificate" which is issued after an official from the Township Land Bureau has inspected the property. In practice, the geographical location of the land is incorporated into the value of the building so that the building is assessed at a value much higher than bricks and mortar. Remittances are used to pay for the land administration fees and per *mu* land use fees needed to obtain such prime building sites. Remittances therefore provide a way for rural people to obtain a desirable property location and by extension, to gain access to local credit. Hence, even though farmland is not really an outlet for remittances in China, a small number of rural people do use their urban savings for strategic land investment (Murphy, 2002).

Business Creation

According to a 1996 survey by the China Rural Development Research Centre around one-third of migrants from China's interior provinces had returned home (cited in Murphy, 2002: 125). Meanwhile, the age structure of migrant labourers in large cities has remained stable since the early 1990s, indicating that many migrants have returned to sending areas (Huang and Zhan, 2005a). While the vast majority of returned migrants in China go back to farming, there are nevertheless a portion of migrants who use their urban savings as well as their urban contacts, skills and information to set up businesses. Even though returned migrants who create businesses may not be large in number (Bai *et al*, 2002; Murphy, 2002),[3] the fact that a portion of them are entrepreneurial and have urban connections mean that their impact on the local economy may be greater than their numbers alone suggest (Ma, 2001; Murphy, 2002).

Instances of significant business creation by returned migrants have been reported in counties in a range of interior provinces including Sichuan, Anhui, Shandong and Jiangxi provinces (Ma, 2001; Mobility and Rural Development Research Group, 1999; Murphy, 2002; Zheng, 2000). It is worth noting however that most of the counties and prefectures in which returned migrants create businesses are at least of an average economic standing in their provinces and are relatively close to main roads or railways. It is also worth noting that for the most part, entrepreneurial returnees resettle not in the home village but in nearby townships or county seats (Murphy, 2002).

Case studies find that in creating businesses, the vast majority of returnees replicate the economic activities of their former urban employers. Sometimes this is a recipe for success. For instance, some returnees make shoes and handbags in a quality and style suitable to the consumer level of the rural market or else they carry out part-processing for urban firms. Sometimes imitating urban ventures is a recipe for failure. In such instances the returnees invest in undertakings entirely unsuited to the economic and consumer environment of the rural townships and county seats.

Research suggests that compared with men, it is harder for returned women to use their urban savings in entrepreneurial ways (Jacka, 2006: 153). One reason is that on account of patrilocal residence patterns, women identify less strongly than men with their hometowns. Relatedly, women have less access to official and commercial contracts needed for obtaining access to resources such as credit, land and permits. A final restriction occurs because in rural areas women tend to be seen as less able than men. Even so, a portion of returnees who set up businesses are female, though their businesses tend to be small-scale and domestically oriented, for example, hairdressing or sewing.

While it would be an exaggeration to view returnee business creation as an elixir for rural development, it is nevertheless the case that some returned migrants have made contributions to some townships and county seats by setting up businesses. Moreover, in many of these localities, local officials have played an important role in helping the entrepreneurs by creating a positive business environment and by extending practical assistance.

Consumptive Investment

House-building

In common with the families of migrants the world over (Fadayomi *et al*, 1992; Lipton, 1980; Mills, 1997; Oberai and Singh, 1980; Rempell and Lobdell, 1978), the lion's share of remittances and urban savings are used for house repairs and house construction (e.g. Hunan Labour Transfer and Population Mobility Research Group, 1995). Research in Yudu county in Jiangxi province finds that rural households allocate roughly 60 per cent of their remittances to house construction (reported in *Renmin ribao,* 6 February 2006). Such expenditure enables the family members remaining behind to enjoy the benefits of walls that do not let in the wind and ceilings that do not leak. Such improvements in accommodation are valuable in enhancing family well-being.

In rural China preparations to build a house have customarily involved mobilizing money to buy materials and mobilizing social contacts to help with dredging sand and laying bricks. With migration however, the members of many households have become short of time and have been unable to participate in reciprocal donations of labour for house-building. They have instead started to replace labour donations with cash ones. Alongside the inflow of cash into the rural economy and the boom in house construction, in many rural areas local construction teams have emerged. The members of these construction teams, some of them skilled returnees, offer not only their labour but also the ability to provide new styles and standards of decoration. In demonstrating the family's control over social and economic resources, the front of the house and its decoration increasingly correspond with the face of the family.

In a society with virilocal marriage patterns, it is nearly impossible for a man to find a bride if he does not have a respectable house to offer her. In predominantly agricultural localities, using urban earnings to build a house is therefore essential for rural people to feel that they are respectable in their communities. The ultimate expression of respectability for a man in rural China is taking a bride and continuing the family line. Building a large house is therefore not simply an ostentatious display on the part of migrant households. It is also a prerequisite for meeting the basic human needs of self-respect and full social participation.

A smaller portion of rural people use their urban savings to buy a house in the county seat. This is a way for them to establish an urban lifestyle closer to home. It is also a way for them to ensure that their children are able to attend better quality primary, middle and high schools (*Renmin ribao,* 6 February 2006).

Consumer Goods

In the poorest regions remittances help to pay for everyday items such as soap, matches, batteries and clothes. In middling and richer regions remittances have sustained rural consumption of manufactured durables. Demand for goods such as television sets, air conditioning units, washing machines and motorcycles have been particularly strong, and the rural demand for these items increased by 17 per cent in 2003 (Kynge, 2003). Partly owing to poorer infrastructure, the penetration of white goods into the countryside is only 25 per cent that of the cities (Qu, 2005: 30), suggesting considerable scope for continued growth. Remittances help to stimulate the consumption of such durables by generating higher incomes. Moreover, unlike payment for work in farming which comes only after the harvest, cash from urban wages is more immediate and regular.

Remittances are commonly used by rural people to buy the consumer goods as part of the gifts exchanged at lifecycle celebrations, in particular marriages. One aspect of the gift exchange in marriage is the money and goods that the groom's family gives to the bride's family. Another aspect of the gift exchange is the dowry. The dowry refers to the goods that the bride's side contributes. There is the indirect dowry which is usually a portion or all of the value of the bride price that the bride's parents in effect return to the new conjugal unit. There is also the direct dowry which refers to the money and goods that the bride herself brings to her husband's home.

Migration interacts with existing gift-giving practices to inform rural people's ideas about what consumer goods are desirable. For many young men, migration is a way to accumulate the funds to buy a respectable range of bride price goods. For many young women, migration is a way to buy some dowry items. On the positive side young migrants are able to rely solely on themselves to obtain consumer goods for their future lives together. Moreover, in the case of a new bride, a larger dowry enhances her equality in her interdependence with her husband. The downside of using urban earnings to buy consumer goods is that (as is the case with house-building), by lifting the standards of what counts as "respectable", remittances may increase the total amount of resources necessary for producing a respectable bride-price or dowry. In turn, the pressure to keep-up can force some people into debt (Murphy, 2002).

Health and Education

Expenditure on health and education are common uses of remittances in rural areas. This is because in most of rural China medical care is largely privatized and involves the payment of user fees. With regard to education, even though the government has repeatedly stipulated that all children are to receive nine years compulsory education, many poor rural areas lack the money to pay teachers' wages and to run schools so must charge fees. In addition, parents need to pay for text books, uniforms and stationary. Health and education expenses place a strain on household budgets and cannot be covered with income obtained through agriculture alone. This is clear if we consider that in 2003 a rural household's annual per capita income from agriculture was just under 300 *yuan* while its annual per capita expenditure on health and education was 1200 *yuan* (Huang and Zhan, 2005b). In cases of poor households, the need to earn money to buy medicine and to pay for siblings' or children's education may be a primary motive for migration (*Renmin ribao,* 6 February 2006). Indeed in his survey of 62 rural migrant women, one fifth of them explicitly told the scholar Zhan Shaohua that they remitted money to pay for their younger siblings' education (Huang and Zhan, 2005b).

Chinese scholars have expressed the hope that with the 11th Five Year Plan's commitment to reduce rural taxes, raise rural income and improve rural public goods and services, that rural health and education will become more affordable. This in turn, they suggest, will free rural people to use their remittances for purposes other than meeting basic health and education costs (Huang and Zhan, 2005b). Given that health and education costs and rural tax burdens are heaviest in the poorest agricultural regions where local governments lack an industrial or commercial tax base for funding public goods, if the new policies are genuinely implemented, then the poverty alleviation impacts of remittances will truly be the most enhanced in the poorest regions.

CONCLUSION

In the case of China, for the most part, rural people enjoy access to reliable and affordable services for sending and receiving remittances. The money that migrants send to their families is a way of maintaining strong bonds of care, affection and belonging in an environment whereby both urban employment and agriculture are precarious. The remitted money is of huge importance to the welfare of the members of the recipient households. This is especially the case in poorer areas where remittances can play a crucial role in poverty alleviation and can make up around half the total income of a household.

Even so, the focus of policymakers and scholars on the developmental role of remittances elides three key points. First it overlooks the immense human costs endured by migrants and their families to produce this resource. It would therefore be desirable to encourage greater attention in policy debates about migration and development to considering measures which would remove the need for families to endure protracted separation in order to sustain a decent livelihood. Second, the focus of policymakers and scholars on the role of remittances in rural livelihoods overlooks intergenerational and gender inequalities within families. There is therefore scope for policymakers and NGOs to pay more attention to the needs of those people whose work burdens increase on account of migration but whose claim on a share of the urban earnings is limited, in particular the elderly. Third, scholars' and policymakers' attention to remittances as a tool for lifting households out of poverty overlooks the fact that up to a quarter of migrants do not remit. Sometimes the migrants do not remit because of ill fortune in the cities. For instance their wages may have been withheld by employers or their money may have been stolen. Other migrants do not remit because they begin to perceive increasing opportunities for integrating into urban life, and this requires money. Yet other migrants do not remit because their rural homes are relatively prosperous and so do not need remittance contributions. More evidence is needed to assess the linkages, if any, between migration, non-remittance and rural poverty.

In China as elsewhere in the world, when money is received from migrant workers, it is used mostly for consumptive investment in house-building, the purchase of consumer goods and health and education expenditure. Such consumptive investment is important because it improves the material livelihoods of rural people, and also enhances their feelings of self-respect as well as their capacity to participate in the social life of their communities, including marrying.

While productive investment is not a major area of remittance usage, in some circumstances migrant earnings nevertheless play a role in partially off-setting the effects of labour lost from agriculture and in providing an insurance buffer in the risky agricultural sector, particularly in regions prone to ecological disaster. A further productive use of urban earnings in some county seats and townships in middling regions is their use by returnees to create businesses. While the numbers of returnees who create successful businesses are few, the entrepreneurial qualities and urban resources of these people nevertheless means that their economic and social impact may be greater than their numbers alone would suggest.

In the past five years the Chinese government and official institutions have initiated a range of policies and measures, many under the banner of the "three rurals", which have the potential not only to enhance the developmental potential of remittances but also to provide relief or alternatives for those households that do not have access to remittances. The No 2 (2002) and No 1 (2003) state council documents promise fairer treatment for migrants. If implemented, these policy decrees would ensure that migrants receive their wages in a timely fashion, receive fair pay and experience freedom from oppressive and dangerous working conditions – all factors that would enhance their capacity to remit. Experiments by financial institutions to improve the remittances services, and the resulting competition in the remittances services market has the potential to benefit poorer, less educated people who are shy in formal settings. Experiments in poorer Western provinces that provide a package of job introductions, training in vocational skills and financial literacy are enabling more poor people to participate in urban labour markets and to derive greater benefits for this migration. Recent expansions in micro-credit programs have increased the availability of micro-credit in rural areas, though as yet the very poor have not been included and much more could be done. In particular, if remittance deposits were harnessed for the purpose of expanding the availability of micro-credit in rural areas, then an opportunity for enabling a wider range of rural people to benefit from remittances could be realized. Finally, the government's commitment to reducing rural taxes and improving its funding for the provisioning of rural health and education has the potential to free up remittances for making an even greater contribution to rural livelihoods, most particularly in the poorest regions.

NOTES

1. A consortium of 31 public and private agencies housed within the World Bank.
2. See Qu, 2005 China has the highest national savings rate in the world but its financial system is incapable of channelling these precious resources to domestic private entrepreneurs. At a macro-level, inefficiencies in turning domestic savings into credit have led to China's heavy reliance on FDI to fund industrialisation and urbanisation, even though there are sufficient domestic reserves for this purpose.
3. An article in a 2000 issue of China Daily cites Chinese social scientists to say that 4 per cent of some 10 million surplus rural labourers have used their earnings to establish businesses in their home towns (Zheng, 2000).

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Remittances are an integral feature of the internal migration process in China. According to a report released by the Consultative Group to Assist the Poor, in 2005 China's rural migrants sent nearly US$ 30 billion back home to their families. The significance of domestic remittances becomes even more evident when the large numbers of people receiving remittances are taken into account. Owing to the shorter travel distances, the lower cost of labour market entry and the larger volume of domestic migrants relative to international migrants, domestic remittances are likely to benefit more poor people than international money transfers. Clearly, in the case of China, remittances have greatly improved the incomes of rural populations.

In order to understand the contributions remittances can make to development and the ways in which potential benefits may be enhanced, there are several questions that need to be answered. For instance, how are such funds distributed within and across regions? What channels are used to send money to the rural areas? Who are the people in the rural community receiving the money? Why do some migrants fail to remit? How are remittances spent? And, what are the policy implications of how the money is distributed, remitted and used? This report draws on a rich body of English and Chinese literature to find answers to these questions.

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