

SPARROW VILLAGE: HOW DOES RURAL HUMAN CAPITAL POSE A CHALLENGE TO THE FUTURE ECONOMIC GROWTH OF CHINA?

China has seemingly transformed itself from a poverty-stricken land to a global superpower with an unprecedented annual growth rate of almost 9% (Li et al., 2017). As output is the product of the labour force and its productivity (Fleisher et al, 2010) and China boasts roughly one-fifth of the world's population, the opportunity for growth is substantial. However, the environment that allowed China to flourish has changed. As the demand for high-skilled labour grows with the shift to a market economy, the uneducated and unskilled rural populations face rising wage rates and an inability to compete with cheap foreign labour. High structural unemployment seems a guarantee. Therefore, if China hopes to continue to grow at high rates, the challenge lies in raising the productivity of the workforce – in combatting lagging human capital.

Human capital is the knowledge, skills, and health accumulated that allows people to reach their full productive potential (World Bank, 2020) and is accepted as a key accelerator of economic growth. It is not a new idea, in fact China's previous success is often attributed to a shift from agriculture to more productive industry and services due to a rise in aggregate education and skill (Yang et al, 2014). And yet with all the investment in physical capital (machinery), it "failed to invest enough in its people" (Rozelle & Hell, 2022) and now faces a potential skill-shortage of up to 48% by 2025 (Boland et al, 2022) meaning it will struggle to remain competitive on the world stage.

In her documentary, 'Sparrow Village' Christine Choy provides a glimpse into the life of a group of young Miao girls in the mountainous Guizhou region of Western China who yearn for an education. It follows the children during their weekly three-hour trek to the nearest

school and explores the challenges faced by the uneducated and poor parents to meet the cost of tuition, books, and room and board. Overlapping the beautiful landscapes and traditional music is the story of a young girl whose family strives to meet the payments as her father's woven baskets struggle to compete with cheaper machine-made versions. We are introduced to her friend who was left behind by parents seeking work in the city and another forced to drop-out in favour of her less-academically gifted brother due to the unmeetable costs. The synopsis lists the key interest areas as women and gender, but the girls provide insights to themes of poverty, educational inequality, health, and domestic migration. It is their stories I wish to focus on to highlight the significance of the under cultivation of rural human capital.

The stunning scenery and touching singing could not mend the heartbreak I felt as a viewer hearing one girl's parents bawled, "This is going to ruin her future", clearly acknowledging the unfairness of her suffering in favour of her brother's education. "If we had the money, she would certainly go back", they said. This is just one example of a loss of future potential as the gifted girl is forced out. But what I did not expect was just how preventable it appears. Here, it is not embedded gender norms or societal ideals keeping her from school but a lack of cash. Despite remarkable increases in educational attainment since Reform and Opening in 1978, rural areas still trail their urban counterparts in average years of schooling by 3 years (NBSC, 2021) and numbers continue to diverge with higher levels of education. In fact, only 40% of rural children attended high school between 2007 and 2012 (Shi et al. 2017). This low rate is attributed to the high costs. China currently mandates 9 years of education but simultaneously possesses one of the highest tuition costs for high school, equalling 27% of the rural 2009 per capita income (Liu et al. 2009). As one young girl eloquently put it, "If I keep going to high school my parents will suffer a lot. But if I stop then what will my future be". For rural children who do graduate high school, college presents similar difficulties.

At least as important as the economic costs is the opportunity cost of attendance which is high for rural subsistent families who often need the extra hands at home or who drop out as a result of the national labour shortage increasing the unskilled wage rate (Li et al, 2017). However, the rural educational attainment aspect of human capital is somewhat easily solvable through an increase in education expenditure. Despite higher education expenditure almost doubling to \$47bn between 2012 and 2021 (Corrigan & Rodriguez, 2022), in 2020 China allocated just 3.57% of its GDP expenditure to education, far below any OECD country or other middle-income nation (The Global Economy, 2021) and as a result only 30% of the population had some high-school level education in 2020 (Bai et al, 2019). As low levels of education are a common characteristic of those stuck in the middle-income trap, it is puzzling that China are not pouring even more resources into the problem (Rozelle & Hell, 2022) despite two-thirds of children being rural (Boland et al, 2022).

It is unquestionable that increasing average rural education rates would reduce inequality and increase skilled labour, innovation, and ideas (Xie, 2013) leading to higher economic output, but for the biggest increase in human capital, education rates need to rise nationally. A great first step is to tackle the tuition, raising enrolment rates, and increasing the disposable income available to be spent on other goods as a by-product.

However, even if tuition was to be subsidised, the issue of lagging rural human capital extends beyond matriculation to health concerns and the potential for productivity. Poor rural children are more likely to suffer from learning difficulties which makes attending and excelling in school even more difficult (Li et al, 2017). Additionally, almost 60% of rural children suffer from at least one health problem and half from anaemia (Wu et al, 2019). This is reflected in the documentary when Choy exposes us to the common diet of rice and pickled

vegetables as meat is reserved for New Year's festivities and fresh vegetables are out of the question. This is an unimaginable reality for those of us tossing expired food every few days but is the life of millions. Development economists generally accept the strong causation between meeting basic needs and increasing labour force productivity and intuitively it makes sense - those stressed, malnourished, or ill, are unable to be as productive or innovative as possible which limits their future earnings potential (World Bank, n.d). Past alleviation attempts (such as providing medication, lunches, or glasses) have proven to make substantial differences from minor investments (Li et al, 2017) and yet the growth-orientated government has made little attempt to implement such measures.

So why don't they move? I pondered this question when watching a young girl write to her parents who had left two years previously to work in the city. However, even if financially possible for the whole family to move, the hukou, China's household registration system, prevents the children of migrants from attending high-quality urban schools and accessing the same social provisions as their peers from the city (Li et al, 2017). While the hukou system was relaxed in the 1990s to allow settlement in another area, provisions largely remain allocated on status (Fleisher et al, 2010). Rural schools undoubtedly suffer from resource quality issues, but urban migrant schools are no rosy alternative. With larger class sizes and inexperienced teachers, studies have shown that these children perform worse than those 'left-behind' (Wang et al. 2016). As few as 24% of rural migrants attend university, in contrast to 96% of the urban population (Qi, 2020). For as long as the hukou system restricts access to education and rural education remains poor, China's human capital will remain below capacity. Like all unequal and entrenched systems, it is perpetuated by those it advantages – the urban hukou. Given the larger and more needy rural population, meeting social provisions is a huge challenge in rural areas (Yang et al, 2014) but the denial of such help to rural migrants in cities seems little other than an excuse to uphold an intergenerational

rural-urban divide as children inherit the educational and income opportunities of their parents. Xi Jinping's 'New Development Concept' is supposedly an attempt to tackle economic inequality among the population with a push for 'common prosperity' but according to recent studies the Gini Coefficient has been increasing (NBS, 2021). Some scholars have argued it is the case that the new concept does not adequately address the right problems, but many remain sceptic for the moment, cautious to draw inferences from connections clouded by the Covid-19 pandemic. Only time will tell.

I have made the case that rural human capital is the protagonist of the future growth story of China, but it is necessary to highlight that my lack of analysis of other players does not mean I believe them to be unimportant. Rural human capital is a sector of human capital which is itself a single factor of productivity, and in turn of growth. It plays no small part but should not be overstated as physical capital, for one, also has a role. Furthermore, even rural human capital itself is a complex term affected by factors other than the mentioned educational attainment, development, and migration policies, as shown by the array of issues in the documentary. In using this source to support I have considered the issue of human capital largely through the lens of education, but this is not the only option. In conclusion, rural human capital poses a significant challenge (and opportunity) for economic growth and addressing such challenges will require huge investments in education and healthcare as well as a reform of current policies (Yang et al, 2014) to shrink the skills gap produce a more productive workforce to contribute to high rates of economic growth.

Words: 1649

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