INFLUENCE OF THE DEVELOPMENT OF HUMAN CAPITAL AND SOCIAL IDENTIFICATION OF THE RURAL LABORERS' MOBILITY ON RURAL STRATEGY REVITALIZATION IN CHINA

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ABSTRACT

This paper presents an empirical analysis of the relationship between human capital and rural laborers' willingness to return to their hometowns based on the moderating effect of identity in China. The results show that the level of human capital significantly affects the willingness of the mobile population to return to their hometowns, but this effect is reversed, i.e., the increase in the level of human capital reduces the willingness of rural laborers to return to their hometowns. The urban identity of rural laborers after flowing into cities has a significant positive moderating effect on their willingness to return to their hometowns. Improving the carrying capacity of economic development in rural areas, further strengthening infrastructure construction in rural areas to provide the material basis for rural revitalization and labor force return, and at the same time strengthening the education and training of farmers to enhance their main status is recommended.

Keywords: China, human capital, social identity, rural revitalization, rural labor, mobile population

INTRODUCTION

Since 1978, China's rapid economic development can be attributed to the increase in the ratio of labor to the total population, the increase in human capital, and the increase in labor productivity due to the optimal allocation of labor among industries (Cai, 2017), which has also had a profound impact on population flows and regional labor supply and demand (Wang et al., 2012; Zheng & Yang, 2013). With the advancement of urbanization in China (the urbanization rate rose from 26.41% in 1990 to 60.60% in 2019 (Jin, 2020)), the demand for labor has gradually increased with the rapid development of the urban economy, and urban areas have overtaken rural areas as the main battlefield for absorbing the labor force since 2014. While the scale of cities is expanding, the

number of landless farmers is rapidly increasing as well, and is expected to reach 110 million in 2030 (Chen & Chen, 2013). Farmers who have lost their land have lost their source of livelihood, and going out to employment has become the main way to earn a living. According to the China Population and Employment Statistical Yearbook (2019), the number of employed rural people was 341.67 million in 2018, a decrease of 28.74 million compared to 2015; the rural labor exodus is serious. The economic and intellectual elites in rural areas are constantly divided from ordinary farmers, and general agricultural production villages often show a declining and withering scene of "elites moving to the city, old people staying behind, and villages hollowing out" (Li, 2019). The continuous labor outflow leads to a continuous widening of the urban-rural gap, a labor shortage in rural development, as well as a bottleneck in rural development. To promote new rural development and revitalization of rural talents, human capital development should be given priority, and the talent support for rural revitalization should be strengthened (Cao, et al., 2020).

In recent years, the Chinese national government has introduced a series of rural development policies to promote the employment of migrant workers returning to their hometowns, and the number of migrant workers returning to their hometowns for employment was expected to exceed 10 million for the first time in 2020 (National Bureau of Statistics of China, 2022). In order to promote the employment and entrepreneurship of migrant workers returning to their hometowns, the State Council issued the "14th Five-Year Plan for Promoting Agricultural and Rural Modernization" in 2021, which accelerates the integrated development of rural industries, keeps the main body of the industrial chain in the county, leaves employment opportunities and value-added income of the industrial chain to farmers, and supports migrant workers returning to their hometowns to start their own businesses (Sternfeld, 2022). Although momentum for returning to the countryside for employment has been good, the backwardness of the rural entrepreneurial environment has, restricted, to a certain extent, the stability of the employment market and the development of the entrepreneurial market in rural areas, and the problem of rural labor force loss is still serious. In 2021, the number of rural laborers working

outside China reached 292.51 million, an increase of 2.4% compared to 2020 (National Bureau of Statistics of China, 2022). Studying the factors influencing the willingness of rural laborers to return to their hometowns has a positive effect on promoting the revitalization of China's countryside. The focus question of this paper is: does the level of human capital of rural laborers have an impact on returning to their hometown for employment? And also: Does the identity of being an outsider also play a role in returning to rural employment? In recent years, scholars have introduced the concept of "human capital" in the study of migrant workers' return to their hometowns, which provides an important reference for this study. To this end, this paper focuses on an empirical analysis of the effects of human capital and identity on the willingness of rural laborers to return to their hometowns.

LITERATURE REVIEW

Human capital is the essential productive capacity in the process of individual employment, and the accumulation of human capital in the process of rural laborers' migration to urban areas can help individuals seize opportunities and obtain more resources and play an important role in personal career acquisition and labor compensation enhancement. Since Schultz (1961) first proposed the human capital theory, the discussion of the relationship between human capital and employment income has become one of the key areas of academic interest. For example, Schultz (1961) and Barro and Miartin (1992) argued that laborers with higher levels of human capital tend to have better employment opportunities and higher earnings in the urban labor market. Chiswick's (1978) study of immigrants to the United States suggested that human capital such as education level, work experience, and other labor skills were critical to their economic success in the United States. The level of human capital accumulated by rural laborers during their urban employment, then, is an important influence on whether they return home.

Chinese scholars have studied the influence of human capital on rural laborers' willingness to return to their hometowns, divided into "active return" and "passive return":

i. The labor force's own human capital

accumulation and the higher human capital return rate in rural areas prompt rural laborers to actively return to their hometowns for employment (Sun, Bao & Yan, 2019).

ii.   Lacking the skills to establish themselves in cities, rural laborers are prone to encounter difficulties or suffer from unemployment in foreign employment, the increased cost of living in cities, low satisfaction with their living conditions, old age or infirmity, etc. Due to the lack of skills, rural migrant laborers are prone to difficulties in employment or unemployment, increased cost of living in cities, low satisfaction with living conditions, old age or illness, etc., prompting them to "passively return to their hometowns" (Wang, & Zhu, 2021).

Social identity theory emphasizes that the acquisition of identity arises from specific social roles in interpersonal interactions (Jan et al., 2000) Individuals' identity in a group and their sense of integration in society determine their ability to engage in productive activities (Basu, 2013). As an important part of the rural labor force group in the city, there exists a clear social classification system that has symbolic boundaries within it, which leads to an internalized and exclusive sense of identity attributes. The dualistic household registration system between urban and rural areas in China is the root cause of the identity problems of the migrant population (Pan & Lin, 2015). Rural migrant laborers are often treated unfairly in the community, and the new generation of rural migrant laborers are eager to integrate into the city, but lack channels to participate in urban public life, resulting in low identification of rural migrant laborers with their own citizenship (Xu & Shi, 2020). When the working hours of rural migrant laborers are too long, they do not have time to participate in social activities, which hinders the rural transfer labor force to accumulate social capital, which affects the integration of rural transfer labor into urban life and thus affects urban identity (Pan & Lin, 2015; Guliyeva et al., 2021).

Socio-economic development of a country requires the realization of equality between urban and rural areas, the equality of subject status, and the symbiosis of the two civilizations (Pan & Lin, 2015; Megits, et al., 2020; Vasiljeva et al., 2020). The Chinese national government promulgated the "Strategic Plan for Rural Revitalization (2018-2020)" in 2018, which

proposes to cultivate new types of professional farmers and encourage various talents to join rural construction (State Council, 2018). In March 2020, the "Opinions on Building a More Perfect Institutional Mechanism for Market-based Allocation of Factors" was promulgated, stating that the social mobility of labor and talents should be further opened up, the equal employment rights of urban and rural labor should be fully guaranteed, and the phenomenon of identity discrimination should be clearly corrected (State Council, 2020). Some national policies and regulations, while safeguarding the rights and interests of rural laborers, also improve their sense of urban identity.

In recent years, the accelerated socio-economic development of many traditional population outflow areas in China has driven the increase in employment and entrepreneurial opportunities as well as the rise of human capital returns in those areas, objectively attracting some mobile people with higher human capital to return to their hometowns. With the deepening of the reform of the household registration system and the breaking of the urban-rural dual system, the identity of rural laborers has also increased to a considerable extent. Whether rural laborers are still willing to return to their hometowns to start their own businesses after gaining higher human capital and identity in the cities is the question that needs to be analyzed in this paper. This paper innovatively analyzes the influence of both human capital and identity on the willingness of rural laborers to return to their hometowns and also is devoted to proposing rationalized policy suggestions.

DATA AND EMPIRICAL STRATEGY

According to the needs of the study, in this paper, we first kept the data of rural household registration and limited the sample to those who completely filled in age, education level, ethnicity, political outlook, land income, and indicators related to identity. After the above processing, 37,370 samples from 31 provinces across the country were finally selected. The data in this paper came from the China Migrants Dynamic Survey (CMDS) conducted by the National Health and Wellness Commission in 2017, which covers 3l provinces (autonomous regions and municipalities) and the Xinjiang Production and Construction Corps in the inflow areas where the migrant population is

concentrated and covers basic information on the migrant population and household members. The data were selected from the inflow population aged 15 and above who had lived in the inflow area for one month or more and were sampled by the stratified, multi-stage, proportional to size PPS method.

The study aims to assess the impact of human capital on the willingness of rural laborers of the urban mobile population to return to their hometowns. Therefore, the dependent variable in this paper is the willingness of rural laborers to return to their hometowns. The value of the dependent variable was determined based on the

questions of the China Migrants Dynamic Survey: "Do you intend to stay in the local area in the future?" and "If you do not intend to stay in the local area, do you choose to return to your hometown or go to other places?" A value of 1 indicates that rural labor has the willingness to return to their home cities; 0 indicates that rural labor is willing to stay in the inflow city.

The list of independent variables was formed on the basis of the previous research of Wang & Zhu (2021); Basu (2013); and Wang & Li (2021) and is presented in Table 1.

Table 1: Variables affecting the willingness of rural laborers to return to their hometowns

Identifying code	Variable	Identifying code	Variable
Explanatory variable		Moderating variable	
HC	Human Capital	*Ident*	Identity index
Control variables. Individual characteristics variables		*Control variables. Urban characteristics variables*	
Age	age	*Log_pop*	log of urban resident population
Gen	gender	*Log_GDP*	log of urban GDP per capita
Nat	ethnicity	*Log_wag*	log of the average wage of employees
Pol	political appearance	*Rat_Fin*	the ratio of resident population to financial expenditure on education
Mar	marital status	*Rat_pop*	the ratio of resident population to health institutions in 2016
		Hosp	Number of hospitals and health centers per 10,000 people
Control variables. Household characteristics variables			
Pop_Hous	population living with the household	*Home*	whether there is a home base in the household registration
Land	whether there is contracted land in the household registration		

Source: author's work.

The core explanatory variable of this paper is the human capital level of the rural labor force. Based on the previous studies, this paper selects the education level as the proxy variable of human capital (Ismayilzade et al., 2021).

The control variables in this paper include three major categories. The first category is individual characteristics variables, the second

category is household characteristics variables, and the third category is the urban characteristics variables (Table 1).

In this paper, we refer to previous studies to select the relevant data in the questionnaire that can reflect the identity of rural laborers after they flow into cities (hereinafter - the identity index), and construct the identity index of rural laborers

after they flow into cities (Wang & Li, 2021). These are the data: temporary residence permit/residence permit processing, willingness to actively integrate, love of inflow place, customary dependence, and acceptance by locals. The values of these indicators are combined into principal components (F_i) using the Principal Component Analysis in STATISTICA 12.0. The identity index is calculated as the sum of the values of these components, weighted by the contribution of each principal component to the total variance of all significant principal components. According to the Kaiser criterion, principal components whose eigenvalues were not lower than 1.0 were used as significant ones (Menke, 2018).

Proceeding from the fact that the dependent variable is binary, the *Probit* regression was used to investigate the impact of human capital development on the willingness of rural laborers to return to their hometowns (Chesneau et al., 2020):

$$Return_{ij} = \alpha_0 + \alpha_1 \times HC_j + \alpha_2 \times Ident_j \times HC_j + \alpha_3 \times Ident_j + \alpha_4 \times X_{ij} + \alpha_5 \times Z_j$$
(1)

where *Return$_{ij}$* is the willingness of rural laborers of urban mobile population *i* in city *j* to return to their hometowns;

HC - Human Capital;

Ident - identity index;

X_{ij} – Individual and Household characteristics variables;

Z_j – Urban characteristics variables;

α_1-α_5 – coefficients at independent variables;

α_0 – constant

STATISTICA 12.0 software package was applied for modeling.

RESULTS

Assessing the impact of human capital on the willingness of rural laborers of the urban mobile population to return to their hometowns

Table 2 below shows the results of testing the models for *assessing the impact of human capital on* the willingness of rural laborers of the urban mobile population to return to their hometowns.

They reflect the influence of statistically significant variables for at least one region.

The results of model 1 (Table 2) indicate that the higher rural laborers' level of human capital, the lower their willingness to return home. This conclusion is statistically significant at a significance level of 5%.

To a certain extent, the income level of the rural labor force after flowing into the city also has an impact on their human capital. Based on this, this paper adds a control variable, the logarithm of the average wage of employees, in the regression. This variable basically objectively reflects the income level of the rural labor force in the city. In addition, the education and medical resources in the city also affect the willingness of rural laborers to return to their hometowns. Therefore, in the regression, we add two variables on education and medical resources: the ratio of resident population to financial expenditure on education and the ratio of resident population to health institutions.

This paper divides the inflow cities into four regions, namely, eastern, central, western and northeastern, according to the definition of the National Bureau of Statistics of China (2022). The impact of human capital on the willingness of rural laborers to return to their hometowns is significantly different depending on the region in which the inflow cities are located. Specifically, the mobile population in the western region has a greater willingness to choose to return to their hometown under the same level of human capital compared to other regions. The elasticity coefficients calculated using models 2-5 (Table 2) show that with an increase in the human capital indicator by 1%, the willingness to return from the western region to the hometown decreases by 0.04%, while the desire to stay in the eastern region increases by 0.07%, with 0.06% in the central region and 0.1% in the northeastern region.

Table 2: The results of the models for assessing the impact of human capital on the willingness of rural laborers of the urban mobile population to return to their hometowns

Independent variables	Full Sample	Eastern	Central	West	Northeast
	Models				
	（1）	（2）	（3）	（4）	（5）
HC	-0.226**	-0.223**	-0.250**	-0.211**	-0.414**
	（0.023）	（0.033）	（0.044）	（0.042）	（0.029）
Log_GDP	-0.163*	0.058	0.298	-0.422*	0.536
	（0.063）	（0.125）	（0.180）	（0.097）	（0.727）
Log_wag	-0.134*	0.171*	-0.343*	-0.981*	-2.634*
	（0.052）	（0.053）	（0.092）	（0.053）	（0.075）
Rat_pop	-0.020*	0.198*	0.395	-0.335	-1.314
	（0.059）	（0.089）	（0.342）	（0.135）	（0.985）
Hosp	0.177**	0.236	0.107	0.169**	-1.957
	（0.036）	（0.254）	（0.176）	（0.039）	（0.586）
Rat_Fin	0.056**	-0.194*	-0.449	0.385	1.317*
	(0.026)	(0.094)	(0.317)	(0.154)	(0.055)
Age	0.015***	0.023***	0.011**	0.009***	0.013**
	（0.002）	(0.006)	(0.036)	(0.005)	(0.028)
Gen	-0.140**	-0.146**	-0.120**	-0.156***	-0.105**
	(0.040)	(0.033)	(0.029)	(0.002)	(0.019)
Nat	0.260*	0.208*	0.137*	0.268*	0.273**
	(0.076)	(0.082)	(0.073)	(0.055)	(0.015)
Pol	0.145*	0.144*	0.205**	0.147*	0.166*
	(0.078)	(0.090)	(0.034)	(0.074)	(0.080)
Constant	0.839	-2.630	3.027	10.295*	13.121
	(0.240)	(0.878)	(0.551)	(0.084)	(0.879)
N	14435	7656	2059	3743	977
p-value	0.026	0.013	0.016	0.048	0.028

*, **, *** - Significant at 10%, 5% and 1% confidence levels, respectively, with standard errors in parentheses. *N* – number of observations.

The reliability of the results is confirmed by the model adequacy indicators: the level of significance of the constructed models (1)-(5) (Table 2) does not exceed 5%; the residuals are distributed normally (Chesneau et al., 2020).

Assessing the impact of human capital on the willingness of rural laborers of urban mobile population to return to their hometowns

considering the identity index

Whether the identity of rural laborers can be identified after flowing into the city also affects the decision of the mobile population to return to their hometown to a certain extent. Therefore, this paper performs group regression by introducing the interaction term of the identity index and human capital level of rural laborers.

The following components of the rural

laborers' identity were identified using the PCA method, and the identity index for respondents was calculated on their basis:

1) The integration factor was formed from indicators of temporary residence permit/residence permit processing, love of inflow place, and acceptance by locals, willingness to actively integrate, which have factor loadings with the corresponding factor of more than 0.75. The contribution of the factor to the total variance of the selected factors was 0.78.

2) The conservatism factor was formed from

the customary dependence index. The contribution of the factor to the total variance was 0.22.

Altogether, the selected factors describe the rural laborers' identity by 86.2%, which indicates the statistical significance of the Principal Component Analysis.

As shown in Table 3, the regression is a full-sample regression controlling for urban characteristics variables and individual urban variables, and the human capital coefficient is significantly negative, which is consistent with all the results above.

Table 3: The results of the models for assessing the impact of human capital on the willingness of rural laborers of the urban mobile population to return to their hometowns considering the identity index

Dependent variable: the willingness of rural laborers of the urban mobile population to return to their hometowns					
Independent variables			Model adequacy indicators		
HC	Ident × HC	Ident	Constant	N	p-value
-0.422[***]	0.981[**]	-1.003[**]	4.230[*]	14435	0.036
HC	Ident × HC	Ident	Constant	N	p-value

N – number of observations

The residuals of the constructed model are distributed according to the normal law; the significance level of the model was 3.6%, which indicates its adequacy (Chesneau et al., 2020).

The estimated coefficient of the interaction term between human capital and rural laborers' identity is positive and significant.

DISCUSSION

This paper has empirically analyzed the relationship between the human capital level of rural laborers and their willingness to return to their hometowns based on the dynamic monitoring survey data of the China Health and Wellness Commission on the mobile population. The above analysis shows that the higher the level of human capital, the lower the willingness of rural laborers to choose to return to their hometowns. Although the production pressure of large cities will correspondingly increase the willingness of rural laborers to return to their hometowns, after integrating factors such as income, education and medical care, the rich

urban resource endowment makes rural laborers more willing to stay in cities when their human capital matches the urban demand. The analysis conducted shows that the economic status of the regions where rural laborers flow into cities affects their willingness to return home.

This paper has found that the willingness of rural laborers in economically developed regions to choose to stay instead of returning to their hometowns after flowing into cities is higher than that in economically less developed regions. This result is logical because economically developed regions are relatively rich in infrastructure and various resources, and the employment opportunities and labor compensation are higher than those in less economically developed regions, so rural laborers have human capital that can match the urban demand, and their willingness to choose to return to their hometowns is much lower. It is noteworthy that the willingness of rural laborers in Northeast China to choose to return to their hometowns with the same level of human capital is significantly lower than that of other regions.

Identity has a positive moderating effect on human capital and rural laborers' willingness to return to their hometowns, and the higher the urban identity of rural laborers, the stronger its moderating effect. This is because, as a group with higher identity consistency, rural laborers are prone to form a strong identity, and when rural laborers have gained an urban identity after flowing into cities, they will be more inclined to return to their hometowns in their decision to return. In terms of traditional Chinese culture, this is in line with the mentality of returning to one's hometown.

Using the empirical result, we have drawn the following two conclusions.

First, the level of human capital significantly affects the willingness of the mobile population to return to their hometowns, but this effect is reversed in that the increase in the level of human capital reduces the willingness of rural laborers to return to their hometowns. This result seems to deviate from the concept of China's rural revitalization strategy, but in fact the two are inherently unified and not contradictory. High identity means that rural laborers have obtained the expected remuneration, employment opportunities, quality medical and educational resources, and even the same rights and obligations as citizens in the cities, and rural laborers are no longer different from urban citizens. In this process, the motivation for the identity change of rural laborers is to obtain better opportunities, and the so-called opportunities are the high-quality resource endowments in cities. In pursuing such opportunities, rural laborers must have higher levels of human capital to match the needs of the city. This phenomenon coincides with the current situation that there is still a large-scale outward migration of rural labor as mentioned in the introduction of this paper. This phenomenon can be understood as the rural carrying capacity is not enough to support the rural labor force to become rich, which means that the important reason for the rural labor force to shift from agriculture to non-agricultural industries is that the existing agricultural resources cannot support the farmers to increase their income. The results obtained in the empirical process of this paper by sequentially adding the urban characteristics variables representing regional resource endowment also confirm the correctness of this explanation.

Second, the urban identity of rural laborers after flowing into cities has a significant positive moderating effect on their willingness to return to their hometowns. With the continuous optimization of regional resource endowments in rural areas and the support of various policies, the gap between rural and urban areas has become smaller and smaller, and the further integration of urban and rural areas has broken the social identity boundary between farmers and citizens. Even some rural areas have more development opportunities. Therefore, when the identity is comparable, highly skilled talents can better grasp the opportunities brought by urban-rural integration and respond to the policy to return to their hometowns to start their own businesses, thus enjoying the dividends brought by the strategy of precise poverty alleviation and rural revitalization.

CONCLUSION AND RECOMMENDATION

Rural areas have made many sacrifices for the rapid development of China's economy, resulting in the weak economic foundation and unbalanced development of rural areas. Therefore, the rural revitalization strategy was born. Undoubtedly, the revitalization of the countryside is the revitalization of "people", and only by making talents stay and return to the countryside can the countryside be truly revitalized. Therefore, it is urgent to improve the status of farmers, break down the barriers between farmers and citizens, and change the status of rural laborers from in-migration to local citizenship. Due to the weakness of the rural economy, the endogenous power can only grow with the help of an external force, so the government, as the implementer and participant of the rural revitalization strategy, is especially important. Based on the research results, this paper proposes the following recommendations.

First, to improve the carrying capacity of economic development in rural areas, further strengthen the infrastructure construction in rural areas, and make long-term development plans according to local conditions so as to provide the material foundation for rural revitalization and labor force return. At present, the living environment in rural areas has been greatly improved, but compared with the more economically developed big cities, medical care and education have become short board of their development. The government should make

more efforts to enrich the resource endowment in rural areas, especially medical and educational resources.

Second, ensure the main status of farmers and promote the reconstruction of farmers' identity by constructing a grassroots democratic governance model, promoting the implementation of social rights, the establishment and transfer of land rights, the establishment of new cooperatives, and the improvement of villagers' deliberation system.

Third, strengthening vocational skills training for rural laborers so that they meet the higher requirements for jobs provided by a continuous supply of quality labor for rural revitalization. In recent years, especially since the implementation of the precise poverty eradication policy, many enterprises have implemented assistance to rural areas, and a large gap of relevant skilled labor has formed in rural areas. Many farmers do not enjoy the dividends brought by the policy due to their low skills, so training skilled farmers has also become an urgent problem for the government to solve.

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