

# Research on Incentive Mechanism of Returning Migrant Workers to Start Businesses Under the Background of Mass Entrepreneurship and Innovation

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## ABSTRACT

As a special group, migrant workers have made great contributions to the rapid economic development of China in the past 30 years. However, China is facing the economic new normal of transformation and upgrading of urban industries and the slowdown of economic development. The employment situation of migrant workers in cities and towns is further grim. Returning to employment or starting businesses has become inevitable. In the era of “mass entrepreneurship and innovation” and the active promotion of the rural revitalization strategy and the economy’s shift to high-quality development, the practical significance of how to encourage migrant workers to return to their hometowns for entrepreneurship is more prominent. Through the questionnaire survey, this paper takes the opportunities and challenges faced by migrant workers returning to their hometowns as an entry point, demonstrates the problems in the incentive mechanism for migrant workers’ entrepreneurship in the context of dual innovation, explores the reasons for the government, society and migrant workers themselves, so as to put forward the scientific and reasonable guide and encourage migrant entrepreneurship, not only to rely on the government to adopt a variety of incentives to build a good home business environment, should from the perspective of social organizations and workers themselves more to stimulate its endogenous power of entrepreneurship.

**Keywords:** *Incentive mechanism, migrant workers, returning home to star businesses, under the background of mass entrepreneurship and innovation*

## 1. INTRODUCTION

Since the reform and opening up, China’s farmers in poverty-stricken and backward areas are based on the idea of “adversity leads to prosperity”, with a passion for life and a yearning for a better life, from rural areas to cities, from inland to the coast, starting to work or do their own business has made a historic and significant contribution to changing the appearance of the countryside and accelerating China’s industrialization and urbanization. But it is this one-way labor export that has made the gap between urban and rural areas and regions of China widening, which has exacerbated the existing “three rural” issues, and it has also led to hollow villages, farmers supporting the elderly, left-behind children and left-behind Women and other social issues. Until the mid-to-late 1990s, there was a “back-flow” phenomenon of migrant workers entering the city to work, and migrant workers began to change from “workers” to “entrepreneurs”. In 2015, in order to adapt to the new normal of China’s economy, form a new upsurge of “mass entrepreneurship and innovation”, and establish a multilevel and diversified new entrepreneurial pattern for returning home, the General Office of the State Council specially issued The Opinions on returning home to star businesses have

promoted the new development of migrant workers returning home to start businesses. China’s rural areas are blessed with unique human resources, land and special resources. The migrant workers returning home who have entrepreneurial aspirations have accumulated some practical experience and entrepreneurial knowledge. Under the acceleration of new technologies, new industries and new formats, they develop green ecological products, develop rural ecotourism, create traditional industries, brand innovation, and form a new situation of “mass entrepreneurship and innovation”. In rural areas, so as to achieve flexible employment of local rural surplus labor, which is beneficial to rural Community pension, reduce the problem of staying behind in rural areas, and rapidly develop the rural economy.

## 2. RESEARCH DESIGN AND ANALYSIS OF INCENTIVE BEHAVIOR OF MIGRANT WORKERS RETURNING HOME TO START THEIR OWN BUSINESS

In order to clarify the willingness of migrant workers to return to their hometowns for entrepreneurship, the

research team conducted an in-depth questionnaire survey on migrant workers returning to their hometowns in Sichuan Province from October to December 2019. Sichuan is a province with a large population and a large output for migrant workers. It is representative and typical to do research locally. To further stimulate the endogenous dynamics of migrant workers entrepreneurship, optimizing the home business environment, and gradually improve the government's motivation, social motivation and self-motivated migrant workers linkage system, the research team for the current return of migrant workers and their willingness to entrepreneurship incentives, design questionnaires, and a combination of online and offline questionnaires were distributed in many towns and villages in Sichuan Province, a total of 358 questionnaire was distributed, 336 point was effectively recovered, and the effective recovery rate was 94%.

### ***2.1. Analysis of the Basic Situation of the Investigation***

According to the survey statistics (Table 1), migrant workers return to their hometowns for entrepreneurship to present the following characteristics: first, mainly men; second, the age is mainly distributed around 30 years old; third, human capital has a positive impact on entrepreneurial willingness, and most of them have high school education or above; fourth, working experience determines the direction of venture capital investment. Influenced by their career experience, migrant workers are more willing to avoid technical risks and industrial risks when they return to their hometowns to choose entrepreneurial projects, and choose the industry they are familiar with as their investment direction; Fifth, entrepreneurship is mainly concentrated in the primary and tertiary industries. This is mainly because migrant workers return to their hometowns to start their own businesses, which are highly resource-dependent in their region. They are willing to choose services or commerce, or industries such as aquaculture and plantation that are closely related to their life before going out to work.

### ***2.2. An Analysis of the Incentive Behavior of Migrant Workers Returning Home to Start Their Own Business***

Incentive behavior is a systemic activity in which an organization actively promotes its members to belong to the organization, through information communication, and

ultimately motivates and guides the organization members to complete organizational and personal goals. Psychology believes that people's various behaviors are derived from different needs, different needs generate different motivations, and motivations trigger various behaviors, and incentive is to strengthen the realization of the needs of motivation [1]. With the continuous improvement of the incentive theory system such as demand hierarchy theory, two-factor theory, fairness theory and reinforcement theory, it provides a solid theoretical foundation for the research on the incentive behavior and mechanism of migrant workers returning home.

#### ***2.2.1. Self-motivation Becomes Inevitable in The Process of Entrepreneurship Implementation***

Migrant workers return to their hometowns to start businesses in a certain entrepreneurial environment. The government, as a provider of public services, will support and guide them through corresponding policies to a certain extent. However, government incentives are external incentives, which are often transient and lagging. How to enhance the entrepreneurial confidence of migrant workers themselves? It is essential to upgrade their psychological capital and convert external incentives into internal incentives. According to the survey data, 98.2% of migrant workers' funds for returning home to start their own businesses are mainly from their own or from their relatives and friends or from bank loans. These funds are essential for a rural family. Objectively, they are not allowed to be a little bit of a flash. They need to be successful and profitable quickly. In order to achieve this entrepreneurial effect, it becomes inevitable to appropriately encourage their entrepreneurial behavior during the entrepreneurial process. Such incentives are often presented as psychological cues: 43.5% of the migrant workers' entrepreneurial motivation is to meet the needs of survival and development. After returning home, they can not only change the hard life of working, but also take care of their families. 68.32% of returnees believe that the biggest motivation for starting a business is to improve the lives of their families, 46% of returnees believe that their work can be guaranteed after starting a business, etc.; The questionnaire data shows that 69.49% of migrant workers returning home to start a business believe that when they encounter economic problems or other practical problems during the implementation of entrepreneurship, they provide various kinds of help and psychological comfort mainly from the family, so family incentives are successful supplementary protection.

**Table 1** Statistics on the basic situation of migrant workers returning home

| Survey question                                  | Options                              | proportion |
|--|--------------------------------------|------------|
| Gender   | Male                                 | 55.37%     |
|  | female                               | 44.63%     |
| Degree of education                              | Primary school                       | 7.91%      |
|  | Junior high school                   | 24.29%     |
|  | High school                          | 23.16%     |
|  | Colleges and Universities            | 18.64%     |
|  | Undergraduate                        | 23.73%     |
|  | Bachelor degree or above             | 2.26%      |
| The number of years<br>you have gone out to work | 1-2 years                            | 25.42%     |
|  | 3-5 years                            | 23.73%     |
|  | 6-10 years                           | 36.72%     |
|  | Others                               | 14.12%     |
| The industry you are working for                 | Processing industry                  | 11.30%     |
|  | Wholesale and retail, hotel catering | 21.47%     |
|  | Building materials industry          | 24.29%     |
|  | Transportation                       | 7.91%      |
|  | Housekeeping                         | 6.21%      |
|  | Other industry                       | 28.81%     |
|  | Tertiary Industry                    | 42.94%     |
| Entrepreneurship industry                        | Secondary industry                   | 15.25%     |
|  | primary industry                     | 41.80%     |
|  | Married with children                | 53.11%     |
| Personal family status                           | Married without children             | 3.95%      |
|  | Unmarried but in love                | 15.25%     |
|  | Single                               | 27.68%     |
|  | 1 person                             | 19.77%     |
| Family support parents                           | 2 person                             | 71.19%     |
|  | Others                               | 9.04%      |

### 2.2.2. Lack of Social Incentive Mechanism in The Process of Entrepreneurship Implementation

The survey data shows that 51% of migrant workers choose the “single fight” model, 29% use family relationship networks for partnership entrepreneurship, and only 20% adopt the social partnership entrepreneurship model. Due to the lack of communication platforms and organizations dedicated to the entrepreneurship of migrant workers, and the fact that 68% of the returnees do not know only 5 entrepreneurs, this informal social relationship network is limited to family and friends, which leads to the communication of entrepreneurial knowledge and skills blocked. Therefore, in the face of economic risks (market failures, market lags), natural risks and other entrepreneurial risks and

entrepreneurial crises, only 8% and 12% of returnees think they will get local enterprises and social assistance, even think they will get government and banks only 24% of the returnees assisted. The vast majority of entrepreneurs returning to their hometowns can only rely on their families, relatives and friends to overcome difficulties in the early stages of entrepreneurship and the setback period, leading to narrow financing channels for entrepreneurship, and hindering good entrepreneurial projects, entrepreneurial technology, market information and sales channels. The entrepreneurial industries of returnees are mostly concentrated in catering industry, agricultural and sideline product planting industry, breeding industry, retail industry and building materials industry, etc., which are low in technology content, high in labor intensity and low in profit. To a certain extent, it is difficult to meet the development needs of returning entrepreneurship. All these factors affect the confidence, enthusiasm and

initiative of migrant workers to return to their hometowns and start businesses.

### ***2.2.3. Government Incentive Mechanism Lags in The Process of Entrepreneurship Implementation***

Most of the migrant workers return to their hometown to start their business with small capital for profit, which has natural weakness and weak risk tolerance. Objectively, the government needs to use policy means and provide official services to encourage the entrepreneurial behavior of migrant workers returning to their hometown[2]. The government can establish a favorable information environment and business environment through perfect public infrastructure, formulate preferential tax policies, or indirectly provide financial support for migrant workers to return to their hometowns and entrepreneurs through financial subsidies or special entrepreneurial incentives, so as to reduce their venture costs and encourage their entrepreneurial behaviors. Survey data shows that about 40% of returnees hold a positive attitude towards entrepreneurship prospects, and 50% of returnees maintain a wait-and-see attitude as to whether they are willing to start a business. It is the key factor to promote the success of entrepreneurship, and more than 30% chose government support. However, the government's work on entrepreneurship publicity and skills training is not well implemented, and only 20% of the returnees know that the government is promoting the policies and services provided by the government. Up to 80% of the returnees have never participated in any government-sponsored entrepreneurial skills training, and 76% of the migrant workers who return to their hometowns do not understand the various entrepreneurial support policies provided by the government. These phenomena clearly show that the government's incentive mechanism is relatively lagging, which seriously affects the enthusiasm of migrant workers to return to their hometowns to start businesses.

## **3. IMPEDIMENTS TO THE INCENTIVE MECHANISM OF MIGRANT WORKERS RETURNING HOME**

### ***3.1. Migrant Workers' Low Entrepreneurial Quality Has Become the Main Obstacle to Self-motivation***

The First is that migrant workers go out to work in low-end industries with low technical content, and have no opportunity to participate in various entrepreneurial practice activities. They have inherent inadequate grasp of more advanced technologies and management experience, so it is very difficult to start in the initial process of entrepreneurship. They even blindly chose entrepreneurial

projects and failed in the wave of homecoming entrepreneurship without market competitiveness; the second is that migrant workers who return to their hometowns have low education qualifications, and the proportion of highly educated workers is low. They lack advanced management and operation experience. In addition, they do not receive professional skills training when they go out to work, and the skills training of local government is not implemented in place. Migrant workers themselves are unwilling to spend money on skills training, and do not have much interest in participating in skills training classes. Therefore, it is very difficult to start in the initial process of entrepreneurship. Even blindly choosing entrepreneurial projects and failing in the wave of returning to the hometown to start a business lacks market competitiveness. These are the problems of migrant workers themselves and are important factors affecting their entrepreneurial success.

### ***3.2. The Lack of Social Network Resources Has Become the Main Incentive for Social Incentive Obstacles***

Returning farmers often adopt the mode of partnership between individuals and couples in the process of entrepreneurship. This kind of social relationship network formed by blood and hometown as a connection is an important resource for entrepreneurship and can effectively help migrant workers to successfully start a business. However, the social capital network generated under a certain production environment can provide human capital for migrant workers' entrepreneurship, share market information that is not available from formal channels, and use other people's technology to improve their comprehensive capabilities. In addition, they can reduce entrepreneurial costs and transaction costs. However, it was found from the survey that most migrant workers have not participated in any organization except rural cooperatives. The migrant workers who have returned to their hometowns have lived and started businesses in a certain environment for a long time. The people they contacted are all at the same level as theirs, and their educational level is equivalent. This group of people is very homogeneous. Although they have certain stability, they often lack the corresponding knowledge and skills to deal with the changeable and complex entrepreneurial environment. There is the problem of information asymmetry of entrepreneurial groups, which can be obtained through private communication a lot of non-public information, such as the needs of products in a certain industry, new technologies that have not been disclosed, etc. First, the rural and urban areas still have industrialization and economic backwardness, and the logistics and network construction are slow. The development of non-agricultural industries in rural areas is very lagging behind. The migrant workers who return to their hometowns have limited accumulation of funds to work outside. After returning home, they can neither

choose appropriate investment projects, nor choose their own entrepreneurial projects. Migrant workers who are willing to start their own businesses dare not venture to start their own businesses. They often choose to work in industries related to their hometown resources, or planting industry, retail industry and other low profit projects with single products, small scale, simple operation mode and low technical level. Moreover, most of the enterprises created by migrant workers are small and micro enterprises, mainly in the form of workshops. They lack efficient and scientific operating systems in the construction of enterprise systems, technology research and development, product development and market expansion, there are serious deficiencies in the insight and control of entrepreneurial business opportunities. There are serious deficiencies in control and control. At present, migrant workers returning to their hometowns are affected by various constraints and policy environments. The lack of funds they face is a specific manifestation of the lack of social capital. Most of the migrant workers who return to their hometowns and start business have short operating time, no excellent results or conditions that can attract social investors, and it is difficult to obtain the trust and support of social investors. This has hindered the success of migrant workers returning home to start businesses.

### ***3.3. The Imbalance of Government Policies and Service Information Has Become the Main Obstacle to Government Incentives for Returning Migrant Workers***

According to the survey, it is found that there are very few migrant workers willing to return to their hometowns for entrepreneurship. This has a lot to do with the government's service thinking. First, the government departments have not established a special department to form a complete service system. As a result, migrant workers are unable to carry out effective technical training in the process of entrepreneurship, and the low efficiency of government departments leads to long time to obtain certification materials and entrepreneurial resources, and subsequent follow-up services are not in place. The second is that they do not understand the real needs of migrant workers who are willing to start their own businesses after returning to their hometowns. This is manifested in the simplification of entrepreneurial projects, simply shifting the surplus rural labor from agricultural to non-agricultural work, mainly concentrated in construction, retail, catering and other industries. Third, the government's insufficient propaganda on returning home to start businesses has led farmers to not understand the preferential policies and new mechanisms for entrepreneurship such as tax reductions and free entrepreneurship training. And in some rural areas, the various preferential policies and services provided have not really been put into practice. In terms of administrative services, various procedures for obtaining certificates and examining and approving are still time-consuming and complicated. If the government fails to

recognize these substantive issues and adopt effective incentives to guide farmers to return to their hometowns to start businesses, then the enthusiasm of migrant workers to return to their hometowns and businesses will be greatly reduced, or even give up the idea of returning home to start businesses.

## **4. CONSTRUCTION OF INCENTIVE MECHANISM FOR MIGRANT WORKERS TO RETURN TO HOMETOWN TO START A BUSINESS**

### ***4.1. Improve the Entrepreneurship Training System and Enhance the Human Capital of Returning Migrant Entrepreneurs***

From the perspective of human capital, the cultural quality of migrant workers is not high, and the lack of experience and skills is the main factor that leads to the weaker willingness of migrant workers to return to their hometowns for entrepreneurship[3]. Through entrepreneurship education and entrepreneurship training, to make up for its own shortage of human capital and improve self-motivation ability are the key measures to cultivate migrant workers for successful entrepreneurship and effective decision-making. The government should strengthen the construction of training bases, respect the individual complexity of the migrant workers who return to their hometowns, and based on data such as family status and type of entrepreneurship, adapt to diversified entrepreneurial needs. With the support of entrepreneurial service platform, entrepreneurial project and model selection, risk sharing mechanism, entrepreneurial opportunity identification ability, management ability and innovation ability, etc., a complete entrepreneurial support and training system is formed. This will enhance the entrepreneurial willingness of returning migrant workers and stabilize their entrepreneurial policy expectations. The local township government or village committee should regularly hire experts or successful entrepreneurs to give lectures, or go deep into the enterprises for practical guidance, so that they can understand the industry dynamics and exchange learning, timely solve various practical difficulties encountered by migrant workers returning home in the process of entrepreneurship, enhance their confidence in entrepreneurship, and improve the success rate of entrepreneurship of migrant workers returning home.

### ***4.2. Create a Positive Entrepreneurial Environment and Increase Their Entrepreneurial Willingness***

First of all, we should comprehensively promote the process of rural modernization, industrialization, and

urbanization in rural areas, and implement the concept of "public entrepreneurship and innovation" to provide fair and reasonable policy support to returning entrepreneurs, and stimulate the hope of migrant workers to change their destiny through entrepreneurship. It also allows migrant workers to see the dawn that they turned gorgeously from the bottom-level workers and middle-level managers to the top-level boss, in order to stimulate the entrepreneurial initiative. Secondly, to provide economic support for rural migrant workers to lower their entry barriers, investment promotion and industrial development preferences, tax reductions, small secured loans, and social financing to provide entrepreneurial environment and economic motivation. Finally, the most critical link for migrant workers to return home and start their own businesses is the experience of going out to work, and the experience, technology and capital gained during going out to work are the key to inspire migrant workers to return home and start their own businesses. Therefore, entrepreneurs returning to rural areas should be guided to actively use the industrialization and modernization baptism they received when they went out to work, and encourage them to learn to open their ideas and skills, and obtain personal remuneration and human resources such as labor remuneration and human capital. The natural environment resources are effectively integrated to enhance the entrepreneurial self-efficacy and the possibility of success.

#### ***4.3. Build a "Trinity" Entrepreneurial Communication Platform to Realize the Sharing of Entrepreneurial Information Resources***

Establish a "Trinity" entrepreneurial exchange platform of culture, technology and system to create a good social atmosphere for migrant workers to return to their hometowns to start businesses. First of all, in terms of system, government departments should integrate with social departments to make overall arrangements and strengthen guidance in economic construction, cultural construction, and comprehensive social governance[4]. In order to form an organization and training activities that are both government-regulated, socially creative and active. Master the entrepreneurial dynamics of migrant workers from multiple angles and stimulate initiative. Secondly, in culture, implement the cultural concept of "public entrepreneurship and innovation", and form a positive incentive in cultural public opinion, so that the entire people form a potential motivation for entrepreneurship. Finally, in terms of technology, the country's patent technology authority is reasonably opened, and a trend of downward flow of advanced production and labor technology is formed, so that the bottom entrepreneurs can also master a strong professional technical level. As a result, an entrepreneurial communication platform under the institutional, cultural, and technical layers is formed, which breaks down the barriers of entrepreneurial class and forms a fusion and open entrepreneurial environment.

#### ***4.4. Broaden Social Network Resource Channels and Establish and Improve Social Assistance Mechanisms***

According to the survey, migrant workers most want the support provided by the government to provide financial support to help finance, organize technical training, and simplify the handling of entrepreneurial documents. For migrant workers' entrepreneurship, the shortage of funds is still an important obstacle. Because it is very difficult to raise funds through formal channels, the use of social networks has become an important entrepreneurial financing channel for achieving low restrictions and high efficiency in obtaining a piece of capital. To build channels conducive to migrant workers' participation in social network financing, the government and social organizations should organize assistance activities, promote financing channels and preferential policies, and increase the enthusiasm of migrant workers to return to their hometowns and start businesses. Secondly, accelerate the improvement of the credit information system for rural entrepreneurs' online financing, and manage the personal credit system of returning entrepreneurs as the primary basis for applying for online financing, and actively provide online financial support for them. Thirdly, the government should simplify the certificate-issuing process and entrepreneurial administrative procedures, reduce the institutional obstacles to farmers returning to their hometowns and start businesses, cut down on complexities, and give preferential and exemption policies to migrant workers' entrepreneurial procedures. At the same time, social organizations, especially community organizations and trade union organizations, should organize entrepreneurial exchange activities to promote the close contact between entrepreneurs of migrant workers and enterprises, and obtain technical guidance, management knowledge and market information sharing from enterprises. Expand the social network for migrant workers to return to their hometowns and start businesses, and establish and improve social assistance mechanisms.

#### ***4.5. Optimize the External Environment for Entrepreneurship and Provide Green Channels***

Local governments should increase the construction of entrepreneurship bases and entrepreneurial parks, establish and improve training systems, and strengthen the government's propaganda to encourage innovation and entrepreneurship development, and create a positive entrepreneurial atmosphere and good psychological incentives for migrant workers returning to their hometowns. . It also gives reasonable government active publicity reports to returnees who have achieved good results in order to improve their neighborhood's reputation and their sense of accomplishment, while exerting their abilities, gaining good social relations and inspiring more complete entrepreneurial motivation. Secondly, the government should give full play to the two-way function

of guidance and service and improve administrative efficiency. It should actively inquire about the needs of entrepreneurs and provide necessary information and technical services. As far as possible, lower the threshold for migrant workers to return to their hometowns for entrepreneurship, simplify the procedures in the process of entrepreneurship, improve the government's service level, and solve the problems of multiple checkpoints, low work efficiency, and difficult work. Society and various organizations should also actively cooperate with the government to provide entrepreneurs with an excellent social incentive environment.

#### **4.6. Clarify Government Support Policies and Increase Financial Support**

Reducing the level of taxation and strengthening financing are beneficial guarantees for solving the problem of 93% of migrant workers returning to their hometowns for entrepreneurial funds and high tax burdens. First, the government's economic assistance policy must be based on the situation. According to local conditions, different tax cuts and credit support will be given to entrepreneurs in different industries of agriculture, industry and commerce and industries at different development levels. Secondly, the established taxation system should be scientific and reasonable. First, migrant workers should be given regular tax exemptions for returning to their hometowns to provide entrepreneurs with a relaxed entrepreneurial environment. When the entrepreneurship reaches a stable and mature level, they will be taxed according to normal taxation standards. Finally, the government and financial institutions work together to set up a professional and efficient investment and financing service platform to encourage and support the flow of upper-level funds from private investment financing institutions to the bottom of rural areas, reduce farmers' financial barriers, and allow farmers to use existing capital such as mortgaged land, houses, and shops. To achieve financing, properly solve the financing difficulties that arise in the process of entrepreneurship, actively provide financial service support for them, and provide more complete tax cut financing services for returning home business.

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