The impedance of the Hukou system to China’s socio-economic development: A study of internal labour migration, socio-economic inequality and the effectiveness of reforms

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The impedance of the Hukou system to China's socio-economic development: A study of internal labour migration, socio-economic inequality and the effectiveness of reforms

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Introduction

China’s unique hukou system of classifying and differentiating its huge population between the rural and urban localities has been around for nearly sixty years, and has been the subject of much debate and scorn at home and abroad. Implemented during the 1950s, it was used by the Chinese Communist Party (CCP) to “control population movement and mobility and to shape state developmental priorities.” (Cheng and Selden, 1994) Hukou registration provided the “basis for establishing (one’s) identity, citizenship and proof of official status, it was essential for every aspect of daily life”. (Cheng and Selden, 1994)

Each Chinese citizen is assigned a household registration record indicating his/her residential area and contains his/her biographical and family network information. It was utilized in China’s “social development period… that it avoided uncontrolled urbanization and its attended problems.” (Roberts, 1997) Then, China had a rural majority heavily involved in a flourishing agriculture industry and was to begin the urbanization process of industrialization in cities. The CCP promised to fund and provide welfare for the urban cities and made the rural areas contribute their agricultural surplus to feed the urban project, in which it then assumed no responsibility to “provide rural people with any…vital services and welfare entitlements that are routinely provided to urban residents… (such as) free or subsidized health care, retirement benefits, and subsidized food and housing”. (Cheng and Selden, 1994) An estimated “800 million rural residents are… deprived of the right to settle in cities and to most of the basic welfare and government-provided services enjoyed by urban residents” (Wing Chan and Buckingham, 2008), and at the most have to rely on “self-reliant rural communities…or their collective sub-units”. (Cheng and Selden, 1994) Under the hukou system, people who are classified as “rural” or “urban” workers in a locale cannot simply move to another area as they
wish- they have to apply for migration, a permanent household relocation which was extremely
difficult to obtain (mostly for skilled labour or marriage) or a temporary migration pass whose
“participants are called the “floating population”. (Roberts, 1997) The CCP’s strategy arguably
worked in the initial years and the rural agricultural industry was able to play a part in supporting
rapid urbanization and an economic boom without causing a huge and messy migration of labour
from the rural to the urban areas.

Nonetheless, the *hukou* system has been widely criticized over the years as part of an
argument that China’s economic growth was achieved “at the expenses of the environment and
the working people.” (Loong-Yu and Shan, 2007) Cheng and Selden (1994) theorized about how
the *hukou* system created a “spatial hierarchy of urban places and (prioritized) the city over the
countryside” where the rural residents were treated like “treated as inferior second-class citizens”
(Wing Chan and Buckingham, 2008), denied the equal benefits that the urban population were
given according to their *danwei*. Since the 1990s however, the increases in the urban demand for
cheap and unskilled labour, and in rural agricultural labour surplus, have increased the rate of
temporary internal labour migration both legitimately and illegitimately, being the subject of
much academic scrutiny. (Cheng and Selden, 1994; Roberts, 1997; Loong-Yu and Shan, 2007;
Meng and Zhang 2010) Not surprisingly, the temporal rural migrants are treated discriminately
and still not accorded the same social protection as the urban residents as their presence in urban
areas are simply to satisfy the need for cheap unskilled labour.

Studies observing upwards trends in internal labour migration question the relevancy of
the *hukou* system in China today and some discuss the possibilities of the abolishment of the
system. This essay reviews the studies on the problem of socio-economic inequality, labour
migration, and explores the failures in attempts to reform the *hukou* system. The analysis will
also be extended to raise the issue of whether important structural shifts or abolishments of the 
*hukou* system have to take place for the continued prosperity of China.

**Socio-economic inequality**

Under the *hukou* system, there has been rampant socio-economic inequality between the 
rural and urban areas. On one hand the rural areas stopped receiving government investments 
and premium prices for their surplus when agriculture boomed in the 1980s to the point where 
the government felt that it could feed the urban population without more incentives, and they 
could reduce the “price paid farmers without deleterious effects on production.” (Roberts, 1997) 
As a result, the government lowered the price paid for grain, increased the prices of fertilizer, 
and cut the investments on agricultural infrastructure from “8.7 billion yuan in 1979 to 2.0 
billion yuan in 1986” (Roberts, 1997). Farmers were also taxed more to make up for the lowered 
state investment and by 1990 were contributing 70 percent more than it had been in 1985 
(Odgaard, 1992). On the other hand the government kept the benefits and subsidies for food and 
in the urban areas as “urban biased policies are the insurance of the regime to ensure that those in 
the urban area, most importantly the workers, will refrain from political activity that will 
endanger the stability of the regime.” (Oi, 1993) Hence, the *hukou* system perpetuated a rural-
urban divide in China by making the rural farming areas contribute cheap produce for the urban 
dwellers and having to contribute more with less support compared to the urban dwellers. As a 
result, the rural areas became increasingly impoverished and with inferior infrastructure 
compared to the urban areas.

This has brought about large scale social inequality between the rural and urban areas 
with the former having comparatively little or no avenues for social mobility. The main source of 
hope for those in the rural areas is education. “Whereas access to urban primary and regular
middle schools is essentially restricted to local… residents, specialized secondary and tertiary
schools (thereafter, higher education) are… open to all citizens on the basis of merit.” (Wu and
Treiman, 2004) Junior high graduates with a rural *hukou* can try to change their *hukou* status by
applying for specialized secondary or tertiary schools which would then not only entail a change
in *hukou* status but also nonmanual labour. (Wu and Treiman, 2004) However, where the rural
schools already provide lower quality education compared to the urban schools and rural females
are generally disadvantaged from studying due to patrilocal marriages making them liabilities for
their family, it is already an uphill battle for rural students to compete with urban students for
admission to schools; “the risk is that students from rural origins, after finishing three years of
academic high school, may fail in the National College Entrance Examination and hence have to
return to their home villages and work as peasants.” (Wu and Treiman 2004) Other ways to an
urban *hukou* are for rural citizens to join the CCP or the People’s Liberation Army (PLA) and
apply to become a rural cadre. However, the CCP does not usually recruit from the rural areas
and not every will necessarily want to join the army.

The inequalities took on a new form when the rural citizenry tried to enter the urban areas
through temporary work passes or illegal means:

“since the mid 1990s, the rapid urban economic growth, along with a significant increase in foreign direct
investments, generated a huge demand for unskilled labour. As a result, more and more rural migrants moved to the
cities… It was during this period that Hukou system gradually lost its effectiveness in restricting rural workers from
moving to cities to work… Overtime, hundreds of millions of migrants have moved and become one of the most
important driving forces of the Chinese economic growth.” (Meng and Zhang 2010)

The urban jobs for these migrant workers though, are typically unskilled and they end up simply
providing cheap labour for the benefit of the urban population while living and working under
harsh conditions. They participate mainly in “construction, services and manufacturing” where
the males typically earn only “8 yuan for their twelve hour day” and stay in “cardboard shacks” or shanties without proper access to amenities like clean water and sanitation. (Roberts, 1997)

This is a similar situation in the Economic Processing Zones primarily occupied by women who work “12 to 14h per day” and can hardly afford to get married, get pregnant and have a healthy sex life. (Loong-Yu and Shan, 2007) The income gap in China is also widening- in 2010 the rural-urban income gap was 3.3, the highest in its history (NBSC, 2010) although “due to the existing urban residents survey not covering the migrants, the gap also could be overestimated by 13.65%”. (Xue and Gao, 2012) These migrants live in the shadows in China’s urban cities and are hard to account for.

In sum, these migrant workers who only come illegally or on temporary passes are unable to gain social mobility and end up serving the urban population in markets with cheap produce, cheap street food and cheap repair services or as nannies. Without the migrants, “life in Beijing becomes “very difficult”, according to one resident, for all these essential services remain undone.” (Roberts, 1997). Where the structures in place stack the odds against these rural hukou holders, they face the same hardship and inequalities living in their rural areas or as temporary migrants in urban cities. This has created a deep divide between the rural and urban sectors in China. For the sake of overall economic growth, the CCP had sacrificed the well being of their fellow rural countrymen and confined them to a cyclical poverty structure by sheer virtue of their rural residency. Furthermore, the hukou system is hereditary and their children begin life on already unequal ground with the struggle to prove themselves with lesser opportunities and avenues, without any reasonable explanation or personal fault for their disadvantage.
Reforms to the system and their failures

Temporary migration permits and compulsory registration

There have been some changes over the years to the hukou system. Since the 1990s, the central government has increasingly allowed the local state governments more autonomy with regard to granting local urban hukou status. In the mid 1990s, laws were more relaxed to permit “rural residents… to buy a temporary (usually one year) urban residential card, which allowed them to work legally. The fees for such permits gradually decreased to a fairly affordable level.” (Loong-Yu and Shan, 2007) While this seemed to show that more rural residents could find legitimate and affordable ways to work in the city, contrasting literature has shown otherwise. Meng and Zhang (2001) found that:

“Not only are rural migrants restricted in obtaining good” jobs in cities, but also they have no access to social benefits including unemployment, health, and pension insurance/benefits, all of which are available to their urban counterparts… between 1995 and 2000, when the reform of the state-owned enterprises generated serious urban unemployment problems, governments in many major cities tightened controls on the rural-urban migration, and various policies were implemented to restrict rural migrants' employment in urban areas.”

Furthermore, the amount of permits available was remarkably lower than the number of applicants. Wang and Zuo (1996) found that “A total of only 580,000 work permits were issued in Shanghai in 1995 for an estimated working population of 2.8 million”. As a result, there were still many illegal migrants and “a survey by the State council found that only 16 percent of rural labour migrants held a permit by their local government to work outside, and 25% had a work permit at their destination”. (Zhao, 1996) The doors are more open to migrants but the opportunities and means for them to thrive are still closed. Most state governments require “(1) a fixed place of residence or (2) a stable source of income” (CECC, 2001) which is more or less out of the reach for the typical uneducated rural labourer. As the studies have shown, the well
being of the urban residents ultimately came first, and the migrants were like second-class citizens.

Education reforms

In the area of education, Wing Chan and Buckingham (2008) noted that “In some cities or city districts, migrant children can go to urban public schools, but most of them have to pay school fees several times higher than local residents and a significant proportion of them are in sub-standard schools or not in school at all.” Although some local states have structurally opened up possibilities for children of migrant parents to study in urban schools which would increase their chances of qualifying into higher education institutions, the structural inequalities most of their parents face- the low wage jobs in harsh conditions, make it nearly impossible for any of the children to afford the available urban education.

Widening of inherited *hukou* to include both father and mother

Loong-Yu and Shan (2007) noted that “Beginning from 1998, parents have been able to pass down their hukou either through the father’s or the mother’s line, hence the triple discrimination against rural women has been alleviated.” However, they also noted that sexual freedom in China is still far from realistic for these workers. While they may be better able to obtain access to urban jobs, they are usually displaced if they got pregnant and cannot commit to work. “It follows that these women must see their residence in the cities as something temporary, even more temporary than what male migrant workers conceive” (Loong-Yu and Shan, 2007)

Conclusion

It is hardly disputable that while being responsible for a rather organized economic boom in the past five decades, the *hukou* system and the rationale behind its implementation has become a huge reason for rampant socio-economic inequality in contemporary China. Although it has been
at the centre of much debate and reforms since the 1990s, the fundamental divisive and inherently bias dualistic system is still very much in place. Over time it has also been much harder for change to be implemented as any reforms aimed at helping the rural citizenry would result in the increase in migrant labour service costs in the cities, also then translating to increased food costs which will not sit well with the traditionally favoured and protected urban citizenry. A deep-seated cultural disdain for the rural class results in “local governments believe that migrants are competitors of their local constituents in the urban labour market, and hence, reluctant to treat them as locals and to enforce the new laws” (Meng and Zhang, 2010) A cultural disdain for each other or not, the CCP has to realize that its rural and migrant population is still very much their own, and in the long run, such an exploitative structure will be an impedance to China’s full economic potential where they could offshore menial and cheap tasks to foreign labour and further develop its human population holistically. China’s current situation is vastly different from when the hukou system was first implemented where a majority rural agricultural practicing population had to be managed carefully. Today educational levels have increased and China’s internal migrants are “like immigrant labor in other settings…eager to earn money at any price, grateful for the chance to live in the city, vulnerable to threats of deportation, subject to enormous competition, and powerless because of the state’s unwillingness to offer them rights, welfare or security.” (Solinger, 1993) Where China’s economy is becoming increasingly like a “capitalist construction” (Loong-Yu and Shan, 2007), perhaps meritocratic principles could be implemented to provide everyone a fair shot based on attained and not simply ascribed dispositions. If the CCP can find a way to perhaps implement new systems and find a way to get past this divisive culture, China could perhaps become a dominant world force at an even quicker pace.
References


