Household Registration, Social Exclusion, and Rural Migrants in Chinese Cities

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3 Household registration, social exclusion, and rural migrants in cities*

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The past quarter century has witnessed rapid economic growth and enormous social changes in the history of the People's Republic of China. China's total GDP has increased by 37 times, from 362.4 billion RMB yuan in 1978 to 13.7 trillion RMB yuan in 2004, and the GDP per capita has increased by 27 times, from 379 RMB yuan in 1978 to 10,561 RMB yuan in 2004 (NBS 2005). The economic reform has not only brought phenomenal growth in prosperity but also has unleashed dynamic forces that in many respects had been suppressed during the first three decades of communist rule. Government control on population migration has weakened and geographic mobility, particularly from rural to urban areas, has become much easier than before. The growing number of migrants without local household registration status (hukou) since the early 1980s reflects fundamental social and demographic changes in Chinese society. The 2000 population census data show that the number of inter-county migrants, predominantly rural farmers, has reached 79 million, a total greater than the population of either France or Britain (Liang and Ma 2004).1

Such a large fraction of the national population on the move has important implications for China's economic, social, and political, developments in the future (Murphy 2002). First, a sizable body of migrants continues to be denied the rights and benefits of citizenship on the basis of local household registration status. Although geographic mobility and employment change have become relatively easier, the social implications of hukou status remain largely intact. No matter how similar their jobs to those of urban workers, employees with rural hukou status are still classified as "peasant-workers" and are, thereby, not entitled to the many labour rights and benefits offered to employees with urban hukou (Solinger 1999). For example, certain occupations are reserved for local residents, pension and medical care are usually not available to migrants, and the children of such rural migrants are not allowed to enrol in local public schools (Liang and Chen 2005). Second, much of this migrating population results from a movement from rural to urban areas in response to the rising urban demand for cheap labour, particularly in the coastal regions where the export-oriented economy is to a large extent integrated into global capitalist productions (Pun 2005). The household registration system is employed as the means for social exclusion to maintain a large pool of cheap labour in the course of China's
economic development, leading to the creation of a truly disadvantaged group in contemporary Chinese society.

The plight of rural migrant workers (min-gong) in cities has attracted increasing attention in academic journals, newspapers, and magazines in recent years. Their suffering and experiences also have raised a variety of issues related to government administrative controls, migration and urban policy, citizenship and human rights, and socioeconomic inequalities and poverty, which resulted from the interplay between the market-oriented reform and the socialist institutional legacy (hukou system). This chapter examines the origin and evolution of the household registration system since the 1950s and its adjustment in the late 1990s. We highlight the hukou as a socialist redistributive institution and how it is combined with contradictory forces such as market reform and economic globalisation in shaping life chance and socioeconomic outcomes in China today. Our analysis is based mainly on the data from two national representative surveys conducted in 1996 and 2005.

Background: the hukou system as a socialist redistributive institution

In 1955, as one of its procedures for solidifying administrative control, the new Chinese communist government established the household registration (hukou) system, under which all households had to be registered in the locale where they resided and also were categorized as either "agricultural" or "non-agricultural" (synonymously, "rural" or "urban") households (Chan and Zhang 1999: 821–2). The majority of the population was bottled up in the countryside and entitled to few of the rights and benefits that the socialist state conferred on urban residents, such as permanent employment, medical insurance, housing, pensions, and educational opportunities for children (Wu and Treiman 2004). The household registration system serves as an important mechanism in distributing resources and determining life chances in state socialist China.

The installation and subsequent tightening of the hukou system reflected an effort on the part of the government to cope with demographic pressures created by its rapid socialist-style industrialization. After the civil war and two ensuing years of economic rehabilitation (1950–52) millions of peasants were recruited by burgeoning state industrial enterprises established in urban areas as part of the first Five-Year Plan (1953–57), and many more moved without restriction into cities to look for urban jobs (Meisner 1999). To check this rapid influx into cities, the registration system made a distinction between agricultural and non-agricultural hukou that was used both to restrict further rural-to-urban migration and to return rural migrants to the countryside.

The use of this administrative means was especially prevalent in the aftermath of the Great Leap Forward (1958–60), which threw the newly established system into chaos. A dramatic increase in (nominal) industrial growth and urban inflow pushed China's urban population from 16.2 per cent in 1958 to 19.7 per cent in 1960, the all-time high in the pre-reform era (NBS 1999). The government soon realized that China's grain-production capacity was unable to sustain such a huge urban population, especially given the decline in agricultural production during the Great Leap Forward. Hence, beginning in 1959, the government expanded and rigorously enforced its use of the hukou system as a tool to control migration. About 18 million urban workers were sent back to their home villages between 1961 and 1963 (Chan 1994b:39), and more than 20 million university and middle-school students from urban areas were sent down to rural and border regions during the Cultural Revolution (1966–1976), to help reduce both urban unemployment and school crowding (Bernstein 1977; Zhou and Hou 1999).

The effectiveness of the hukou system in restricting internal migration relied on two other administrative systems, through which rationing was carried out. On the rural side, the commune system enabled local governments to bind peasants to the land. All adults had to participate in agricultural production to receive food rations for their households (Parish and Whyte 1978) and migration was generally prohibited except with the permission of the local government. On the urban side, the principal administrative unit for most urban residents was the workplace organization (danwei), which administered most social services for their employees (Bian 1994; Walder 1986, 1992; Naughton 1997). Without a work unit, it was very difficult to survive in a city because housing, food, and other social services were unavailable through the market. Moreover, because employment quotas in all urban work units were tightly controlled by the government labour administration (Li and Wang 1992; Walder 1986), even rural residents willing to risk losing food rations by leaving their home villages would have little chance of getting a job in a city.

Hence, the hukou system was built as a part of the socialist planned economy and intended to facilitate the redistributive process by tightly controlling labour force allocation. China's socialist industrialization programme was made possible by the hukou system and restricted migration, which allowed the government to exploit the agricultural sector and sacrifice the interests of rural residents to those of urban residents. For example, to ensure food grain needed for urban industrial growth, the government relied on a system of unified purchase (tonggou) to forcibly procure farm produce at low prices from the peasantry (Lin et al. 1994). At the same time, consumer products allocated free-of-charge or at low prices to urban residents as welfare benefits of their work units were sold at high prices in rural areas. The government's discriminatory policy resulted in a substantial gap in income and living standards between rural and urban residents. Permanent urban residents also enjoyed many other welfare benefits delivered by the state, such as free or subsidized food grain, free or low-rent apartments, and medical and insurance. The government also guaranteed every eligible urban resident a permanent job.

More crucially, children with urban hukou and rural hukou status did not enjoy equal opportunities to obtain education, especially higher education. Educational resources were unevenly distributed between rural and urban areas, with rural schools less widely available and generally of inferior quality. Further, local governments usually favoured students with urban hukou with
respect to admission to vocational/technical schools and community colleges, levels of education that served as thresholds for changing hukou status. By setting admission standards higher for rural students, they were able to limit the rate of hukou conversion. Living in a city with an urban hukou was enormously advantageous (Wu and Treiman 2004).

In sum, when the socialist regime was installed in China, the low level of economic development and the large population meant that the new government could not afford to make socialist entitlements and benefits available to all citizens. The solution was to create a very pronounced and well-institutionalized distinction and to exclude the majority of the rural population from the socialist welfare system in favour of the 20–30 per cent of urban population. Rural residents were segregated on farms in poor rural areas and deprived of socio-economic opportunities in Maoist China. They were the truly disadvantaged.

**Market reforms, economic globalization, and social exclusion of rural migrants**

**Economic reforms and labour migration**

China’s economic reform during the past two decades has substantially relaxed the administrative control of population migration and labour mobility via the hukou registration system (Cheng and Selden 1994; Chan and Zhang 1999). Starting from 1978, the household responsibility system has replaced the commune system as the major form of agricultural production. Peasants sign contracts with the local government to deliver a fixed quota of grain in exchange for farming on a household basis; as a result, they have gained freedom as to their labour and no longer need to report to the collective for daily work (Lin et al. 1994). The release of surplus labour tied to the land has helped create a rural labour market and drive the spectacular growth of rural non-agricultural sectors, largely constituted by local township and village-owned enterprises (TVEs) (Oi 1990), and later, by more private enterprises (Peng 2001). The employment size of rural industry reached 128,195,000 in 2000 (Cai 2002: 66). Most TVE employees were recruited from the local peasantry, who work as both part-time wage earners and part-time farmers (Parish et al. 1995; Yang 1997).

From its inception, the rural non-farm employment has been truly market-oriented. Wage determination in the rural public sector is found similar to that in the rural private sector, but quite different from that in the urban public sector (Peng 1992). Unlike urban workers, peasant-workers are not entitled to job security and welfare benefits such as housing, pension, and medicare plans, and thus provide sufficient cheaper labour to rural industrialization. During an economic recession, they can be easily let go to return to farming, regardless of whether they are employed in the public or the private sectors (de Brauw et al. 2002). Local governments have no responsibility to create jobs for them. They are not even counted in government unemployment statistics (Solinger 2001).

The initial development of labour markets in urban China was driven by labourers outside the urban formal employment system (Wu and Xie 2003). To enhance the development of the urban service sector, since 1983 the government had allowed peasants to enter cities and establish small urban businesses such as shoe-repair shops, barbershops, and restaurants (Li 1993). Furthermore, millions of young peasants from rural areas were hired in the growing urban private sector. Even the state-owned enterprises preferred to hire rural workers, either because there was no legal commitment to housing and other social benefits for these peasant-workers, or because the jobs were unattractive to urban workers (Cai 2002).

As a result, the release of surplus rural labourers from the land in rural reform and the emergence of a free social space in urban reform have triggered a massive labour migration in China. Geographic mobility is much easier than before. Since the late 1990s, out-migration to cities has prevailed over local employment in TVEs (Cai 2002; Rawski 2002). The government’s bureaucratic control over population migration and labour mobility is waning rapidly (Liang 2001; Liang and Ma 2004; Zhao 2000).

Nevertheless, the household registration system still persists, though losing its effectiveness to some extent. This has led to a disparity between people’s residence and registration place in the reform era. An estimate in the 2000 census put the figure of migration population at 144 million, more than 10 per cent of China’s national population (Liang and Ma 2004: 475). The figure is even higher in the coastal cities. Inter-provincial migrants account for one-fifth to one-quarter of the total population in Beijing and Shanghai (NBS 2001).

The hukou continues to be used as the main criterion to allocate government subsidies, welfare, and employment opportunities to local urban permanent residents. Only temporary, undesirable, and menial jobs are open to migrants (Wang et al. 2001; Yang and Guo 1996). Most government services are not available to them: they need to pay extra fees to go to hospital, to rent an apartment, to have their children attend local schools (Cai 2002: 215). Moreover, many city governments have instituted a set of local regulations requiring migrants to have several documents (three certificates and one card) for their stay to be considered legal. For those documents, on average, a migrant worker was charged about 223 yuan in 1995 (Zhao 1999: 777).

Since the hukou is employed as the main basis for social exclusion, employees with rural hukou status, regardless of their occupations, are classified as “peasant-workers” (ming gong), a synonym for underclass, who are not entitled to labour rights and benefits and are subject to severe discrimination (Solinger 1999). The large-scale migration from rural to urban areas in the reform-era has not dismantled the socialist segregation policy set by the household registration system. Instead, it has made the long-existing inequality and social injustice more visible.

As Chan (1994: 135) put it,

Chinese reform socialism has created, structurally, a sizable ‘second class’ of urban citizens without permanent urban household registration status.
This informal segment of urban labour and population is an extension of the rural segment, which was largely bottled up in the countryside under Mao.

Economic globalization and the labour migrants in the “world factory”

China’s decision to open its economy by promoting international trade and foreign direct investment (FDI) seems to have given it an edge and helped it integrate more thoroughly into the global economy. By 2003, FDI in China accounted for over 40 per cent of the GDP. China has become one of the largest destinations for international capital. Foreign companies now hold large shares in many sectors of China’s economy, including its markets for automobiles and cellular telephones. They also account for half of China’s exports – compared with 45 per cent for Malaysia, 38 per cent for Singapore, 31 per cent for Mexico, and 15 per cent for South Korea (Hale and Hale 2003).

China’s rapid rise as an international production force, to a large extent, can be attributed to its low labour costs. In labour-intensive manufacturing companies, typically in the Pearl River Delta of Guangdong province, the majority of workers are rural migrants from inland provinces such as Sichuan, Hunan, and Jiangxi. China’s 2000 census data show that there are over 11 million migrants in Guangdong province, nearly 70 per cent residing in cities and towns. Migrant workers account for one-third of all urban labour forces in the province. In Shenzhen, the pioneer city of Chinese capitalist experiment, there are 5.7 millions migrants which account for 82.1 per cent of the city’s total residing population, and over 50 per cent work in the manufacturing sector. In the nearby Dongguan city, migrants are 5.8 million in contrast to 1.7 million local residents. Figures 3.1a and 3.1b show the scatterplots between FDI per capita and the ratio of migrants in the population, export per capita and the ratio of migrants in the population among the 31 provincial jurisdictions in China. Migration is clearly positively associated with China’s economic globalization, measured by the FDI and export values.

In the capitalist global production chains, hukou, the institutional legacy from the state socialist redistributive economy, ironically has been used as the main means to maintain a large pool of low-wage labour. Most migrant workers work for long hours without adequate compensation and protection. Many injured workers are simply dismissed and sent back to their home villages. These peasant-workers are not entitled to medical insurance and pension plan, despite the fact that these are stipulated by the labour laws. They can be laid off easily without many dispute rights (Chan 2001; Pun 2005). The official trade unions do not treat them as eligible members. In the past 12 years, while the economy in the Pearl River Delta has grown exponentially, the monthly wages of migrant workers have increased by only 68 RMB yuan. (http://society.people.com.cn/ BIGS/1063/4114454.html). The well-being of migrant workers has lagged far behind that of urban dwellers in China’s economic prosperity.

It is in the interest of local government authorities to implement social exclusions and maintain a pool of flexible labour. Chinese rural migrants in the urban
of the selected 23 cities in China (http://society.people.com.cn/nRGS/1063/4114454.html). Some commentators have cautioned that, to solve the problems of peasant workers shortages, the government and employers should face up and address the problem of peasant workers’ lack of rights.

Social-political conflicts and the adjustments of the hukou system in the late 1990s

Social and political conflicts

In the pre-reform era, rural and urban residents were spatially segregated by the hukou system under which the majority of rural peasants lived in the countryside and urban residents lived in cities. Social and spatial boundaries are largely consistent with each other. The surging migration in the reform era has brought a visible social boundary into the cities. Migrants are socially and spatially segregated in urban China. They typically hold the menial jobs that local urbanites do not want to do, live in factory dorms, on construction sites, rent cheap rooms in remote suburban areas, and interact only with their fellow workmates from the same county.

The surging wave of migrants, despite the fact they offer cheap labour for the hosting cities, are often blamed for the untidiness, the crowdedness, for traffic congestion, and rising crime. Indeed, when the government decides to clean up the cities, these migrants are always affected. In particular, as the market reform proceeds further in urban China, many local workers have lost their jobs and privileges and become off-duty workers (xiagang), for whom the city government has the responsibility to provide employment opportunities. Local city governments have issued laws and regulations stipulating that certain jobs have to go to those with local hukou, openly discriminating against migrants. Migrants remain “strangers” in cities (Zhang 2001).

Such a discrimination policy against migrants has created special hurdles in socioeconomic integration not only for the adult migrants themselves, but also for their offspring, particularly in regard to their access to educational opportunities. First, in the 1990s, more city-born children of early migrants reached school age. Second, the new wave of migration has been bringing to the cities more children of school age, who migrate with their parents. In a survey conducted in 1997, school-age children constituted 12 per cent of the total migration population in Shanghai (op. cit. Liang and Chen 2005). Without local permanent registration status, migrant parents need to pay additional fees and surcharges to get their children access to local schools, a cost hardly affordable to many migrant families. A survey conducted in Beijing in 1995 reported that only 40 per cent of school-age children were actually enrolled in schools (op. cit Liang and Chen 2005). The provision of educational opportunities for migrants’ children has been an increasingly important issue that concerns both the public and education policy-makers.

The institutional barriers and social exclusions associated with the hukou system create extra costs to some migrants who wish to bring their families with them. Many children are left by their migrant parents with their grandparents at
home. Indeed, rural education finance reform in the 1990s has imposed extra economic burdens for families and have driven some parents to migrate for a cash income in order to support their children's education (Chao 2007).

Moreover, despite the fact that the benefits associated with urban hukou have faded away in the further market reform, the authoritarian government still has to rely on the hukou distinction for administrative control and police monitors (Wang 2004). Those migrants without stable jobs and residences are often arrested as "vagrants", and sent to labour camps for several months to earn the fare the government would spend to send them home. This practice has been condemned not only by the migrant workers themselves but also by educated urbanites. Public outrage culminated in an episode in 2003, when Sun Zhigang, a college-educated migrant in Guangdong province (who supposedly held non-local urban registration status) was beaten to death in police custody after being detained on suspicion of vagrancy (he indeed held a white-collar job). Sun’s death gave impetus to the abolition of the Custody and Repatriation system (New York Times 2005).

The state policies in the 1990s neglecting rural areas and agriculture, coupled with the rejection of citizenship to migrants, have created a huge gap in income, wealth, and life chances between rural and urban China, which may jeopardize the social stability and the country's long-term development. In this context, the hukou regulations, after 20 years of reforms, began to adjust to accommodate the changes in labour markets.

Recent reforms on hukou regulations
Reforms of the hukou system in China seem to have intensified in the past few years. The elimination of the Custody and Repatriation system in 2003 had a significant impact on the hukou system, although it did not constitute a reform of the latter. For example, many provincial and municipal governments throughout China speed up their hukou reforms. The State Council’s regulation ordered that migrant workers no longer be arrested for not possessing the right papers, and ordered police to provide urban residency documents to any migrant who can find a job.

Despite the regional variations, the qualifications required to obtain urban registration tend to be similar and often consist of having fixed residence and stable employment (usually one year on the job) in an urban area. State regulations introduced in 2001 made the hukou reform more of a local government responsibility than a national government-based one. By the beginning of the twenty-first century, local governments had almost complete control over population administration within their jurisdictions. Municipal governments in several large cities did not immediately implement the reform policies introduced by the national government in 1998, and their refusal to do so was tolerated by the national authorities. The high fees associated with obtaining an urban hukou in large cities, such as Beijing, Shanghai, Guangzhou, and Shenzhen, which are the most attractive to migrants, made access to these cities out of reach for most peasants.

Nevertheless, several provinces and major cities began to speed up local hukou reforms in 2003 (South China Morning Post, 8 July 2003). Beijing, for example, introduced further reforms in the summer of 2003, by issuing a new type of hukou registration called the Beijing Employment and Residence Permit, which would give its holders “rights to housing, education, investment, social and medical insurance, and a driver’s licence” (South China Morning Post, 8 July 2003). In order to be issued such a permit, however, a person must be residing in Beijing, be employed, have a bachelor’s degree, and two years of employment experience. This, according to the South China Morning Post, means that only “a select few will qualify”. In March 2004, it was reported that the province of Guangdong was taking measures to protect the legal rights of its 23 million migrant workers and their families, including the rights to education and medical insurance. These measures included setting up offices across the province, at the provincial and local levels, to offer better services to migrants. An article in the Shenzhen Daily on 22 September 2004 also discussed the reforms taking place in the city of Guangzhou, where rural hukou holders with regular jobs and fixed residences would become eligible for Guangzhou hukou. Another article in the China Daily, 28 December 2004, discussed additional reforms planned by Guangdong province, which, according to an official at the Public Security Bureau, would lead to the total elimination of the agricultural hukou in the province in the years ahead.

Given these changes, has the effect of hukou on the drawing of social boundary in China’s urban labour market been waning? In the rest of the chapter I analyse socioeconomic attainment in China, based on the data from the two national representative surveys, with particular attention paid to the role played by the household registration status.

Empirical analyses from two national representative surveys

Data and variable measurements
I analyse the data from two national representative surveys in 1996 and 2005 in China. The first data set is from the survey of Life Histories and Social Change in Contemporary China (1996), a multi-stage stratified national probability sample of 6,090 adults (including 3,003 rural cases and 3,087 urban cases) aged 20–69 from all regions of China (except Tibet). Rural and urban samples are drawn separately, and, with appropriate weight, form a national sample (see Treiman 1998: Appendix D) for details. The data were collected by UCLA in collaboration with Renmin University of China. The second data set is from the Chinese General Social Survey (CGSS), 2005, a collaborative project between the Hong Kong University of Science and Technology and Renmin University of China since 2003. The China GSS is an annual questionnaire survey of China’s urban and rural households aiming to monitor systematically the changing relationship between social structure and quality of life in urban and rural China. About 5,900 urban samples and 4,100 rural samples are selected to form.
a national representative sample with weights. Because of funding limitations, the 2003 survey only covered the urban areas. The 2005 data contain both urban and rural components (N = 6,098 and 4,274, respectively), with age ranging from 18 to 94.

Whereas both surveys were designed not specifically for hukou and migration studies, they contained relevant information on respondents’ residence, registration status, and occupation and earnings. As far as we know, even to date, the data are unique in two respects. First, compared with China’s population census data, the information on hukou status, occupation, work units, and earnings would allow us to conduct an in-depth analysis of the roles of spatial migration and hukou status in socioeconomic attainment. Second, compared with most survey data specifically targeting migrants on either rural or urban sides in limited areas, the national probability sample of the Chinese population could essentially overcome several weaknesses in previous migration studies in the sense that the whole process of rural-urban labour mobility, both spatially and socially, can be examined, and migrant workers can be compared to different groups in both rural and urban labour markets.

One main concern about the general population survey data is that migrants may be undercounted. Although the survey analysed here took special pains to try to identify migrants by sampling from the register of temporary residents as well as from the register of permanent residents, many migrants fail to register as temporary residents. However, the problem seems not to be so serious. The 1996 survey data indicate that about 12.3 per cent of the urban populations are informal migrants without permanent urban hukou (see Table 3.1, column 1). Computations from the 2000 census yield a comparable estimate—12 per cent of the urban population lacks a local hukou. In the 2005 survey, the non-permanent urban residents account for about 14 per cent of the population currently residing in Chinese cities, including 4.8 per cent who have already gained blue-stamp hukou or “self-supplied food grain” hukou in small towns, as a result of the hukou reform in the 1990s (see explanations in Chan and Zhang 1999).

While the 1996 data include relatively detailed historical information (hukou origins), the 2005 data include more information about the type of current hukou status, and working hours and fringe benefits provisions by the employers, as well as questions on the daily interaction with rural migrants (only urban residents answered the questions). Moreover, as significant reforms on the hukou system took place mainly in the later 1990s, the comparative analysis between 1996 and 2005 will enable us to conduct a basic evaluation of the consequences of hukou reforms. I restrict our analysis to the sample aged 20–60 years old in both surveys and focus on the effect of earnings determination and occupational attainment in urban labour markets and the role of hukou status in drawing the boundaries in urban labour markets.

I employ the same coding to the variables available in both surveys. Income refers to monthly earnings, which is taken logarithm. Education is measured years of schooling completed, which is a continuous variable. Age is the difference between the survey year and the reported birth year of the respondent. Party mem-
### Table 3.2 Characteristics for wage workers in their labor markets

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<tr>
<th>Year</th>
<th>Labor sample</th>
<th>Non-farm Labor sample</th>
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*Note: Figures in parentheses are standard errors for continuous variables. Data are un-weighted.*

*Table 3.1: Un-weighted descriptive statistics for variables included in analysis: urban and rural samples, 1996 and 2005*
Earnings determination in the segmented labour markets

The persisting role of the hukou in labour market attainment is treated as a hypothetical question. To verify it, I examine earnings determinations within three different types of labour market. If rural non-farm workers and migrant workers share a similar pattern in contrast to the urban workers, and, the most prominent difference exists between those who have urban hukou and those who do not, rather than between those who work in cities and those who work in the countryside, then the evidence supports the claims that the hukou system plays an important role in drawing the boundary in China's labour markets.

Table 3.3 presents estimates for earnings equations. Model 1 and Model 3 are additive models for 1996 and 2005, respectively. I include years of schooling, age, squared age, Party membership, gender, work unit, occupation, and workers in three labour markets. Education is a significant predictor of logged income. In 1996, the rate of return to an extra year of schooling is about 2 per cent, whereas it increased to 7.8 per cent in 2005. Age denotes experience, which affects income in 1996 but not in 2005. Communist Party membership had no effect in 1996 but brought about 7.6 per cent of income returns in 2005. The gender gap in income remains largely the same from 1996 to 2005.

The occupational and organizational hierarchies in income determination are not surprising, either. Professionals and cadres at middle rank or above earn significantly more than ordinary professional/staff, who earn significantly more than workers (peasants are excluded). Workers in collective work units earn less than their counterparts in the state sector, but workers in the private sector earn more than those in the state sector.

After controlling other factors, migrant workers still earn most among the three types of workers. Compared with rural non-agricultural workers, their earnings are 51 per cent higher ($e^{0.415}$) and those of urban workers are 29 per cent higher ($e^{0.256}$) in 1996, net of other factors. In 2006, the advantages of workers in urban labour markets over rural workers persisted. Migrant workers earn 26.2 per cent more and urban workers 25.9 per cent higher. The difference between migrant workers and urban workers becomes almost negligible.

To test returns as to education and Party membership in the three labour markets, I include interaction terms between worker type and the two variables of our key interests in Model 2 for 1996 and Model 4 for 2005. The results show that urban workers seem to differ from rural workers in returns, as to education, but migrant workers do not. In 1996, an extra year of schooling brought about little income returns for rural workers, 1.6 per cent for migrant workers, but 2.4 per cent for urban workers. Only the urban workers' advantage is statistically significant ($p < 0.05$). In 2005, returns to education increased. For rural workers, the rate of return is about 4.7 per cent ($e^{0.046}$), for migrant workers, it is 6.9 per cent ($e^{0.021}$), which is not significantly different. For urban workers, the rate is 8.4 per cent ($e^{0.035}$), significantly higher than that for rural workers.
(p<0.005). Similarly, with respect to returns to Party membership, only urban workers had significant advantages in 1996 (p<0.001) but in 2005 no difference is found among the three types of workers, though the additive model shows a positive and significant effect on income in general.

Overall, comparisons of earnings determinations among rural non-farm workers, migrant workers, and urban workers show that non-farm workers and migrant workers share more similarities, especially in terms of returns to education and Party membership. Despite the fact that both are in the "urban" labour market, the experience of migrant workers differs from that of urban workers. To a large extent, a boundary in the labour market can be drawn between those with urban hukou status and those without, rather than between those working in rural areas and those working in urban areas.

**Hukou status and non-monetary benefits in urban labour markets**

In descriptive statistics, we found that migrants tend to earn even more than urban workers. The gap should not be considered absolute since, first, migrant workers usually do not have benefits, which account for a significant portion of rewards urban workers receive; and second, migrants usually work longer hours than local urban workers. There is no relevant information in the 1996 survey data, but in the 2005 survey, such information is collected. Given adjustment of hukou policy in the late 1990s, the survey has also made a distinction between permanent urban hukou, and blue-stamped urban hukou. Hence, in urban China's labour markets in 2005, there were three types of workers, of different hukou status. Table 3.4 summarizes the monthly income, work hours, and a variety of benefits received by different types of workers.

As Table 3.4 shows, the average monthly income of rural migrants without urban hukou is the highest among the three groups, which can be explained by their long working hours. While urban employees with permanent hukou status work for 48.5 hours per week on average, employees with blue-stamped hukou work for 51.7 hours and rural migrants work for 55.8 hours per week. Note, the legal number of working hours per week in China is 40.

In regard to other benefits, while some urban workers no longer enjoy the full benefits they are entitled to, the percentages of those having the benefits are still highest among urban workers with permanent hukou, with a slightly lower percentage among those with blue-stamped urban hukou. However, few migrants receive such kinds of benefits, which include medical insurance, pension plans, unemployment insurance, and housing benefits.

Table 3.5 presents the results from logistic models of the likelihood of receiving various benefits on selected variables. Examining the coefficients across columns, we can see that work units and the respondents' schooling are consistently strong predictors of the likelihood of receiving all kinds of benefits mentioned: collective and private enterprises are much less likely to provide the benefits than state-owned, and people with more education are more likely to receive non-monetary benefits in addition to cash income. However, even net of all the individual characteristics, occupation, and work unit affiliations, migrant workers (with rural hukou status) are still significantly disadvantaged from access to the benefits (despite the difference between permanent and blue-stamped urban hukou access to certain benefits). Thus, the boundary largely exists between those who have urban hukou and those who do not.

**Social segregation and social inclusion of rural migrants**

The above analyses have demonstrated that rural migrants are mainly excluded from the urban formal labour markets and largely resemble their counterparts who stay in rural areas and work in non-farm jobs. Moreover, because of the stigma of their status, rural migrants are socially segregated from the urban world. In the survey, items are constructed to measure the interaction between urban permanent residents and migrants.

The left column of Table 3.6 presents the percentage of respondents who answer "Yes" to the five questions. As the results show, 61.7 per cent of urban permanent residents had experience of working with migrants, and 70.9 per cent of them had migrants living in their communities. The evidence suggests the presence of rural migrants in most urban working and daily life. However, only 36.6 per cent live closely with migrants, who are spatially segregated in the suburban villages, construction sites, and factory dorms; only 33.4 per cent had ever invited migrants to a home visit and 15 per cent had relatives/children dating with migrants.

To measure the attitude, the survey also asked a set of progressive questions whether the respondent is willing to accept rural migrants. The percentages of those who answered "yes" are presented in the right column of the table. Compared with the left column, except for the second question, all other percentages are clearly higher. For example, 57 per cent of urban residents are willing to have migrants living next door and 51.8 per cent are willing to invite migrants to
### Table 3.6 Urban permanent residents’ interaction with and attitude to migrants, 2005

<table>
<thead>
<tr>
<th>Have you ever had experience? (yes = 1) %</th>
<th>Are you willing? (yes = 1) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working with migrants</td>
<td>61.7</td>
</tr>
<tr>
<td>Migrants living in the community</td>
<td>70.9</td>
</tr>
<tr>
<td>Migrants living next door</td>
<td>36.6</td>
</tr>
<tr>
<td>Inviting migrants home</td>
<td>33.4</td>
</tr>
<tr>
<td>Relative/children dating with migrants</td>
<td>14.9</td>
</tr>
</tbody>
</table>

\[N = 4,083\]

their homes. Over 40 per cent are willing to accept the fact that their relatives or children date with a migrant.

This discrepancy suggests there is considerable room for social inclusion of rural migrants in cities. The exclusion faced by migrants is mainly from government-endorsed institutional restrictions, rather than discrimination against peasant migrants by ordinary urban residents.

### Summary and conclusions

To sum up, this chapter has described the origin of the Chinese household registration (hukou) and its evolution in the economic reform era, particularly since the 1990s. I argue that the hukou system is a part of a socialist redistributive institution, which was employed as a means of social exclusion of the rural majority people from access to the socialist benefits that the state conferred on its citizens. In the process of market reforms and economic globalization, the hukou system continues to be used to maintain a pool of cheap labour for capitalist exploitation. Despite the increasing wave of migration from rural areas into cities, the boundary in Chinese labour markets is drawn between those with urban hukou status and those without, even within the urban labour markets.

Analyses of the two national representative surveys in China reveal that the patterns of earnings determination among local non-farm workers, migrant workers, and urban workers offer strong support to the segmented labour market based on their hukou status. In the urban sector, earnings determination is quite similar between migration workers and rural non-farm workers, in sharp contrast to urban workers. Migrant workers earn more than urban workers, mainly because they are segregated in the private sector, work for long hours and receive few fringe benefits. China’s transitional labour markets are clearly separated by labourers’ hukou status.

Despite the widely occurring presence of migrants in cities, they are socially segregated. However, it seems that there is room for social integration of this disadvantaged group. Their marginal position in the urban sector is to a larger extent due to the institutional barriers set by government policies, rather than due to urban residents’ reluctance to accept rural migrants.
A quarter of a century of Chinese reform ironically was able to take advantage of various institutions as socialist legacies. In China’s economic miracle, rural peasants have lagged far behind and migrants tend to fill the bottom of the urban social stratification system. This has led to the increasing inequality and to potential sources of conflict and social instability.

On 19 September 2004, the Chinese Communist Party officially put forward a historical goal to “build a harmonious society” at the Fourth Plenary Session of the 16th Central Committee. It was stated that such a society would be one in which “all the people can work to their fullest abilities, be paid according to their hard work, and get on well with each other”. Speaking to a gathering of provincial leaders in February, the CCP General Secretary Hu Jintao urged the building of a social justice guarantee system based on “equal rights, equal opportunities, fair rules, and fair distribution”. The social inclusion programmes of migrants in cities should be an important part of the government policy agenda.

Notes

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1 The 2000 census defines the floating population as individuals who have resided at the place of destination for at least six months without local household registration status. We now use a broader definition of the floating population. Under this definition, which includes inter-provincial, intra-provincial (cross-county/city), and intra-county migrants, the floating population in 2000 totalled about 144 million. Among intra-county/city floating migrants, by far the largest group is intra-city migrants, who account for 21 per cent of the total floating population. They include all residential moves within a city, which is less relevant to the issue of rural migrants studied here (Liang and Ma 2004).

2 Residential (hukou) status need not be identical to residential location. People with agricultural status could and do live in cities, as have increasingly large numbers of migrant workers, beginning in the early 1980s. Similarly, people with non-agricultural status could live in rural areas, as do agricultural technicians, civil engineers, and school teachers.

3 By selling over-priced industrial products and buying under-priced agricultural produce, the Chinese government was able to reap a huge profit of about 20 to 30 billions RMB yuan in 1978 (Chen 1994:69), or 714 billion RMB yuan from 1952 to 1989 totally (Zhou and Yang 1999:107).

4 They include an identification certificate (shenfen zheng) and a temporary resident certificate (zazhuzhi zheng) issued by local police departments in originating counties and destination cities, an employment certificate (jiuye zheng) and an employment card (jiu ye ka) issued by labour bureaus of originating counties and destination cities, respectively.

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4 Training the unemployed to become active job-seekers in post-Mao China

Feng Xu

Introduction

It is almost a truism to say that China’s economic reform has led to spectacular economic growth, but also has created serious social and political problems. Unemployment (shiyefu) is one such social problem that demands immediate government attention. In various government announcements, employment is taken to be about “people’s livelihood” (minsheng) and, consequently, the “nation’s stability” (guo’ an). Thus, unemployment is now deemed one of the most politically explosive issues to challenge the Chinese government’s overriding priority of social stability. Despite only being officially acknowledged since 1994, unemployment, in the sense of a serious imbalance between the number of job-seekers and the number of jobs, is not an unprecedented policy problem. According to recent government announcements, China has in fact entered the third of three employment peaks (jiuye gaoxing) since the death of Mao: the first peak hit China when sent-down youth of the Cultural Revolution returned to urban areas; the second peak was caused by xiagang gongren (off-post workers, or the so-called “40/50” – male workers over 50 and female workers over 40) who were hardest hit by state-owned enterprise (SOE) restructuring in the 1990s. That said, the current economic, social, and policy context means that the social, economic, and political implications of unemployment are unique.

How to solve unemployment in a country whose economy is increasingly dominated by market logic, but whose political system continues to be one-Party rule? As editors of this book point out, the Chinese regime exploits both the capitalist economy and the communist ideology to support its legitimacy, while leaving the benefits of socialism nowhere to be seen. A conceptual framework that dichotomizes China either as capitalist or communist/socialist no longer captures the complexities of Chinese political, economic, and social landscape. In this chapter, I argue that unemployment is a policy area where the Chinese government mixes governance techniques of both neo-liberal and Chinese communist orientation. Specifically, I argue that although China is not a liberal democracy, it increasingly uses neo-liberal ways to govern, and that this has been true in the way China has addressed the unemployment issue. “Liberalism"