Migration in China

Invisible and heavy shackles

Until China breaks down the barriers between town and countryside, it cannot unleash the buying power of its people—or keep its economy booming

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ON THE hilly streets of Chongqing, men with thick bamboo poles loiter for customers who will pay them to carry loads. The "stick men", as they are called, hang the items from either end of the poles and heave them up over their shoulders. In a city where the Communist Party chief, Bo Xilai, likes to sing old revolutionary songs, these workers should be hymned as heroes. Yet few of them are even classed as citizens of the city where they live.

Most of the stick men were born in the countryside around Chongqing. (The name covers both the urban centre that served as China's capital in the second world war, and a hinterland, the size of Scotland, which the city administers.) Since 1953, shortly after the Communists came to power, Chinese citizens have been divided into two strata, urban and rural, not according to where they live but on a hereditary basis. The stick men may have spent all their working lives on the streets of Chongqing, but their household registration papers call them "agricultural".

The registration system (*hukou*, in Chinese) was originally intended to stop rural migrants flowing into the cities. Stick men were among the targets. In the early days of Communist rule in Chongqing the authorities rounded up thousands of "vagrants" and sent them to camps (vagrants, said Mao Zedong, "lack constructive qualities"). There they endured forced labour before being packed back to their villages.

Rapid industrial growth over the past three decades has required tearing down migration barriers to exploit the countryside's huge labour surplus. *Hukou*, however, still counts for a lot, from access to education, health care and housing to compensation payouts. To be classified as a peasant often means being treated as a second-class citizen. Officials in recent years have frequently talked about "reforming" the system. They have made it easier to acquire urban citizenship, in smaller cities at least. But since late last year the official rhetoric has become more urgent. Policymakers have begun to worry that the country's massive stimulus spending in response to the global financial crisis could run out of steam. *Hukou* reform, they believe, could boost rural-urban migration and with it the consumer spending China needs.

In early March 11 Chinese newspapers (it would have been 13, had not two bottled out) defied party strictures and teamed together to publish an extraordinary joint editorial. It called on China's parliament, the National People's Congress (NPC),

which was then about to hold its annual meeting, to urge the government to scrap the *hukou* system as soon as possible. "We hope", it said, "that a bad policy we have suffered for decades will end with our generation, and allow the next generation to truly enjoy the sacred rights of freedom, democracy and equality bestowed by the constitution." Not since the Tiananmen uprising in 1989 had so many newspapers simultaneously cast aside the restraints imposed by the Communist Party's mighty Propaganda Department, which micromanages China's media output.

The editorial said that "gratifying" progress had already been made with reform, but the system's "invisible and heavy shackles" were still causing distress. Reform could inject "more dynamism" into the economy and help counter the effects of an ageing population.

Party leaders resented the newspapers' boldness. Zhang Hong, a deputy chief editor of the *Economic Observer*, a weekly newspaper, was stripped of his title (though allowed to keep working) for his role in organising the editorial. Within a couple of hours of its appearance on newspaper websites, the authorities ordered its removal. *Hukou* reform was fine, but the government did not want to be hassled.

Urban citizens benefit from the *hukou* system, but those who migrate between cities are also irked by it. In 2003 some Chinese newspapers, independently of one another, pressed for reform after a college-educated migrant was detained by police for failing to produce a required identity document, and was beaten to death. The outcry led to the scrapping of regulations that allowed the police to detain people and deport them to their home towns for similar misdemeanours.

This time, says an editor involved in the *hukou* editorial, the impact was the opposite. Among many of the party-picked delegates to the NPC, he says, *hukou* reform became "a taboo topic". The prime minister, Wen Jiabao, told the session in March that the government would carry out reforms and repeated that requirements would be relaxed in towns and smaller cities. But he offered few details.

The complexity of *hukou* reform daunts Chinese leaders. It would have a huge impact on crucial aspects of the economy, from the system of land ownership in the countryside to the financing of public services. But the downsides of an unreformed system are much more obvious. The influx of migrants has caught local governments badly unprepared. Budget pressures have made them highly reluctant to spend money on helping the incomers. Registered urban residents are

none too keen either. Few want their children sharing classes with kids they regard as country bumpkins.

In a cold classroom

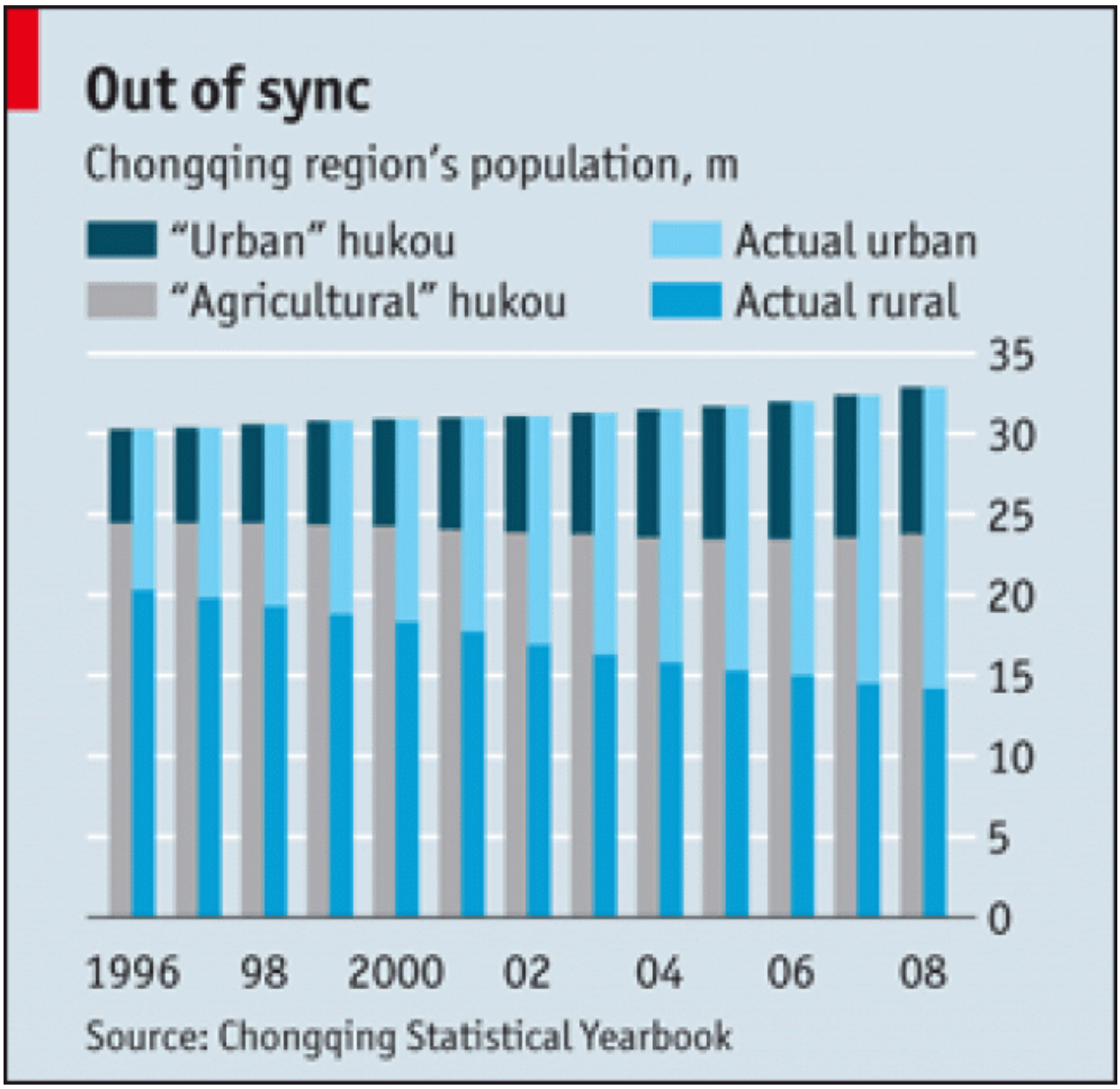
In urban and rural China alike, the first nine years of schooling are supposed to be free. But not for rural migrants. In Beijing, as in other big cities, hundreds of privately run schools have sprung up in recent years to cater for them. At the Xiangyang Hope School in Huangcun township on the southern edge of the capital, the basic fee is 1,100 yuan ($165) a year: a snip for many urban residents, but the equivalent of several weeks' wages for many migrants. There is an extra charge for heating; children complain that they are cold in the bitter winters. One parent says she is preparing to take her child back to her village, because conditions are better there.

The authorities have tried to muzzle the principal, Luo Chao (a migrant himself). Mr Luo was until recently the headmaster of another school to the north-east of Beijing. He says local officials told him just before the lunar new year holiday in February that the school would be demolished to make way for a private development project, and could not reopen after the break. Officials briefly detained Mr Luo and the head teacher of another condemned migrants' school to prevent them petitioning higher authorities. Officials promised that the children would be found new places, but Mr Luo says there is no way that the local government-run school would have enough room for them.

In education, the *hukou* system's absurdity is particularly glaring. Migrant children, though classified as “agricultural”, usually have no more than one brief exposure to rural life every year when they are taken to their parents' home towns for the lunar new year festivities. School places in urban areas are so scarce that some pupils will drop out and others, though old enough for secondary school, will have to stay in primary classes. Tens of millions of children of migrant workers are, in effect, forced to stay in the countryside for schooling, looked after by other relatives. If they do move to urban areas with their parents, they may not sit exams for senior high school in the city where they live. They must return to their place of registration.

Until the late 1990s, a child's *hukou* could only follow its mother's. This meant that even a child who grew up in Beijing with a father registered as a Beijing citizen might have to travel hundreds of miles to sit the exam in his mother's registered

home town. *Hukou* can still affect a student's chances of getting into top universities, for which each province has a quota of places. The quotas for provincial-level cities like Beijing and Shanghai are disproportionately large. Such privileges fuel a lively black market in highly priced *hukous* of favoured cities.



The relaxation of *hukou* rules in recent years has been half-hearted. Chongqing last year offered urban *hukou* to any rural resident who had graduated from senior high school and who was prepared to give up his entitlement to farm a plot of land and own a village homestead. Those are big provisos. Shanghai announced with fanfare last year that seven years' work in the city—along with the required tax and social-security payments—would entitle a resident to *hukou*. But rural migrants often work without contracts and do not pay tax or contribute to welfare funds; only 3,000 of Shanghai's millions of migrant workers would qualify, said Chinese press reports. On May 1st Guangzhou, the capital of Guangdong Province and a magnet for migrants, began phasing out the "agricultural" distinction in its *hukou*

documents, but the effect of this is mostly cosmetic. Beijing has been among the slowest to change. One Shanghai urban *hukou*-holder who has lived in Beijing for well over a decade says he still cannot get registered there.

Moving with the moon

The stick men of Chongqing are certainly not impressed. Several, when asked, said they had no desire to acquire urban *hukou*, even if it were offered. Their indifference poses a problem. In 2007 Chongqing municipality (the city plus its vast hinterland) and the city of Chengdu, 340km (210 miles) to the north-west in Sichuan Province, were chosen by the central government to pioneer reforms aimed at rebalancing urban and rural development. This would involve turning migrants into genuine urban citizens and exploiting the untapped value of the land left behind.

This was long overdue. For all the hoopla created by the massive city-bound migration of rural residents in the past two decades (the biggest such shift in human history, with 150m moving so far and another 300m predicted to do so in the next 20-30 years), China has failed to reap the full benefits of this rapid urbanisation. Anyone who tries to travel in China around the lunar new year holiday will have an inkling of the problem.

Because they still have rights to a rural homestead and to farm a plot of land, many rural *hukou*-holders maintain a vital link with the countryside even after they move. Come the new year, millions rush back to their villages to celebrate with elderly relatives and children left behind on the farm. A recent survey by Renmin University in Beijing found that about a third of migrants in their 20s aspired to build a house in their home village rather than buy one in a city. Only 7% of them identified themselves as city people. Another survey recently quoted in a party journal said that nearly 30% of migrants planned eventually to return to their villages.

Chongqing's stick men say there are other good reasons for preserving the status quo. China's one-child policy is more relaxed in the countryside, where two-child families are common. Rural health care is rudimentary, but a scheme introduced in recent years provides subsidised treatment for rural *hukou*-holders who make a small annual contribution (cheaper than urban insurance). The stick men have to return to their villages for it, but, in common with around half of China's migrants, they work in the province of their *hukou*, and the journey is feasible.

The poor integration of China's rural migrants into city life has big implications for the economy. In the largest cities, where property prices are soaring, few could even dream of getting on to the housing ladder. In smaller urban areas they would stand a better chance, but since they cannot sell the land they farm or even their own houses, many cannot afford it. In effect, their rural land entitlements lock up what could be a huge new source of spending power. They also prevent the consolidation of tiny plots into more efficient farms.

Chongqing, whose leader, Mr Bo, is widely expected to be a star of the new generation of leaders due to take over in 2012, has gone for easy solutions first. In

late 2008 it set up a "country land exchange institute" on the fourth floor of a new office building in the city centre. Dong Jianguo, its president (and a senior Chongqing land official), describes this as something like a market for trading carbon emissions. By cutting the amount of land used for building homes or factories and converting it into new farmland, villages can gain credits known as *dipiao*, or land tickets. These can then be sold to urban developers who want to build on other patches of farmland, usually far away on the city periphery. The aim is to ensure no net loss of tillable fields.

Chongqing is not the only place trying this out, but it is doing so on a provincial scale. Eleven auctions held so far at the exchange have raised nearly 1.9 billion yuan for *dipiao* equivalent to 1,200 hectares (2,970 acres) of farmland. The money has been spent on repaying villages for the cost of creating new farmland, compensating those who do not want to stay and building new, more condensed housing for those who do. Stephen Green of Standard Chartered Bank said in a recent report that the scheme, while falling well short of fundamental reform, had enabled some of the wealth created by the urban land market to trickle down to the countryside.

Two huge constraints impede the government's efforts to liberate the countryside's economic potential. The first is confusion over land-ownership. Unlike urban land, which is state-owned but freely traded, rural land is defined as "collectively" owned. It has never been made entirely clear whether officials, or peasants, control collective rights. Officials fear that giving peasants a right to trade their homes and farmland would cut the ties that bind rural *hukou*-holders to the countryside and lead to the creation of Mumbai-like slums. They sneer at India for its urban squalor.

Chinese scholars are bitterly divided over how to proceed. Opponents of rural land reform say the global financial crisis has proved their point: millions of migrant workers in the cities lost their jobs as export industries slumped, but because they had land to go back to there was no major unrest. In Chongqing, officials at the *dipiao* trading centre are nervous that any adverse publicity even about their cautious experiment might fuel a backlash. This would complicate their tentative plans for something more adventurous: trial runs of mortgaging rural homesteads. The possible impact of foreclosures on rural stability is the conservatives' worst nightmare.

Mouths to feed

The other constraint is the Chinese government's deep-rooted fear that domestically produced grain may be insufficient to feed the country. It has decreed that a minimum of 120m hectares of arable land be preserved for this, a "red line" that officials say is already close to being crossed. Some Chinese experts argue that the line is arbitrary, that efficiencies of scale could considerably boost output and that China could rely more on the global grain market to supplement its needs. But memories of a famine from 1959 to 1961 that killed millions of people, and a fear that relying on imports could threaten China's security, make officials adamant that the line must not be breached. This means that even if land trading were to be liberalised, many peasants (or migrants with rural *hukou*) still could not cash in fully.

Wouldn't the city be a better idea?

Pu Yongjian of Chongqing University laments that the central government has failed to give the municipality enough leeway to experiment. He says that in 2007, when Chongqing was instructed to carry out trial reforms, it expected to enjoy freedoms similar to those bestowed on the city of Shenzhen, next to Hong Kong, in the 1980s and 90s. Shenzhen was even able to set up a stockmarket, though party conservatives scorned it. "We haven't got that kind of power, so what's the point of calling it an experimental zone?" asks Mr Pu.

The groundwork, at least, for more radical change is at last being laid. A nationwide push has begun to issue rural households with certificates stating what land they farm and what residential property they occupy. These, potentially, could be used

as proof of ownership should the government eventually decide to encourage a rural property market. The government said in December that it wanted the task to be completed within three years. It will be tough work, hampered by decades of haziness over where boundaries lie.

Chongqing municipality, having got an early start, hopes to finish handing out its certificates next year. But in rural Chongqing, change still seems slow. The village of Shuangxi in the hills north-east of Chongqing city has been designated by local officials as a reform trailblazer. Its peasants were encouraged to give up their land-use rights to a dairy company, which used the fields to produce fodder. All but a dozen households agreed, in return for a share of the rent paid by the company.

Li Longhui, Shuangxi's party chief, wants to go further. By persuading the farmers to move from their freestanding homes into new three-storey apartment blocks, the village has recovered 33 hectares of land (10% of its total area). Ms Li would like to trade this on the *dipiao* market, but complains that the price is still too low. So far the local government has borne the cost of Shuangxi's housing upgrade, its new school and the recreation area where elderly villagers dance to revolutionary songs. Recouping the money, says Ms Li, would mean selling village land for industrial use. That is still heretical.

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