

## The Household Registration System and Migrant Labor in China: Notes on a Debate

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FOR MORE THAN half a century, the *hukou* (household registration) system in China has segregated the rural and urban populations, initially in geographical terms, but more fundamentally in social, economic, and political terms. It is the foundation of China's divisive dualistic socioeconomic structure and the country's two classes of citizenship. Under this system, some 700–800 million people are in effect treated as second-class citizens, deprived of the opportunity to settle legally in cities and of access to most of the basic welfare and state-provided services enjoyed by regular urban residents. To an individual, *hukou* status is an important ascribed attribute in determining one's social and economic circumstances. The existence of such an overt discriminatory state institution is starkly incompatible with a rapidly modernizing China, aspiring to great power status.

Over the years, there have been hundreds of calls to change, if not abolish, the system. In China's current public discourse, "*hukou* reform" is again a prominent issue. This short commentary provides some background on the origin and functions of the *hukou* system and notes some recent developments that may signal coming changes.

### The *hukou* system

After the Communist Revolution in 1949, China opted for the traditional, Stalinist growth strategy of rapid industrialization centered on heavy industry in cities and extraction of agricultural surplus from the peasantry.<sup>1</sup> This strategy in turn required strong mechanisms to prevent a rural exodus. From the mid-1950s, the government repeatedly introduced measures to stem rural

outflows,<sup>2</sup> culminating, in 1958, in the formal codification of a comprehensive registration system to control population mobility. The regulation decreed that all internal migration be subject to approval by the relevant local government.<sup>3</sup> From that point, Chinese citizens lost the freedom of residence and migration within their own country. Each person has a *hukou* (registration status), classified as “rural” or “urban,” in a specific administrative unit.<sup>4</sup> The *hukou* mechanism, as a central instrument of the command system established for the big-push industrialization, was intended to prevent what were held to be “undesirable” rural-to-urban migratory flows.

The industrialization strategy thus led China to create, in effect, two very different societies: on the one hand the urban class, whose members worked in the priority and protected industrial sector and who had access to (at least basic) social welfare and full citizenship; and on the other hand the peasants, who were tied to the land to produce an agricultural surplus for industrialization and who had to fend for themselves. *Hukou* conversion, referring to change from the rural to the urban category, was tightly controlled and permitted only under very limited conditions, usually when needed for the state’s industrialization objectives.<sup>5</sup> In essence, the *hukou* system was not merely a means of limiting rural–urban population and labor mobility, as it is commonly depicted, but also a system of social control aimed at excluding the rural population from access to state-provided goods, welfare, and entitlements.<sup>6</sup> Indeed, in the Maoist era, the ban on rural outflow, along with an array of related measures, such as the collectivization of farmland and the restriction on its conversion to non-agricultural uses, ensured that rural populations remained bottled up in the countryside. These measures effectively circumscribed the peasantry’s economic, social, and political opportunities and rights, creating a massive pool of super-low-cost rural labor tied to land of very little market value—essentially a *de facto* underclass.<sup>7</sup>

It was on this macro socioeconomic foundation that China at the end of the 1970s launched the reforms that unleashed its economic dynamism. The reforms yielded dramatically higher rural productivity and in consequence a greatly enlarged labor surplus. In the mid-1980s, China latched onto a labor-intensive, export-oriented growth strategy, emulating what the successful Asian “tiger” economies had done in the 1960s and 1970s. As in South Korea and Taiwan, this strategy generated large numbers of jobs, helping to lift a substantial segment of low-skilled labor out of poverty. However, there were some fundamental differences. Most notably, in China the *hukou* system, a major instrument of the socialist command apparatus, remained alive and potent; the Asian tigers, in contrast, never sought to formally control internal migration.

For nearly two decades from the system’s inception, rural dwellers were barred from urban areas. In the 1970s from time to time, beginning as a temporary, ad hoc measure, small numbers of peasant workers were brought into the cities to satisfy labor needs. These “temporary contract workers” did not have an urban *hukou*, hence did not have access to urban social services. This

practice of allowing peasant laborers (“rural migrant labor”) to enter the cities to fill unwanted (almost totally manual-work) positions was gradually expanded in the early 1980s. When China’s export-processing industry moved into high gear in the mid-1980s and the 1990s, deployment of rural labor en masse to the cities to supply the industry’s demand became a major state strategy. By the mid-1990s, rural-*hukou* labor had become the backbone of the export industry and, more generally, of the manufacturing sector. Rural-*hukou* labor also came to staff most of the low-end services in urban areas. In coastal export centers such as Shenzhen and Dongguan, migrant labor now accounts for by far the greater part (70 to 80 percent) of the labor force.<sup>8</sup>

“Rural migrant labor” (*nongmingong*) has a specific meaning in China: it refers to industrial and service workers with rural *hukou*. These laborers, though working on urban jobs and residing for the most part in towns and cities, are not considered legally to be urban workers. Neither are they (nor, under the current system, will they one day be) treated as “locals”: *rural migrant* is not a probational status but permanent. They are not eligible for regular urban welfare benefits (access to local schools, urban pension plans, public housing, etc.) and other rights that are available to those with urban *hukou*. Rather, rural migrant workers are treated legally as part of the rural-*hukou* population, even though they may have worked and lived in an urban area for many years. Their numbers have grown rapidly: even excluding those employed in township or village enterprises close to their home villages, the rural migrant labor force has risen from about 20–30 million in the early 1980s to about 140 million by the end of 2008 and about 150 million in mid-2009.<sup>9</sup> The increase in the number of people without local *hukou* (also called “non-*hukou* migrants” or “floating population”) has become the hallmark of China in the last quarter century.

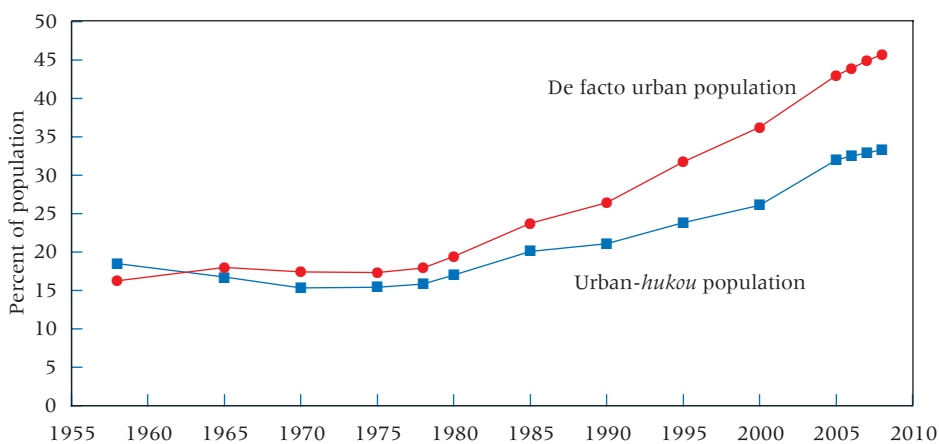
In short, rural migrant labor is urban labor carrying rural *hukou*, earning wages that allow a bare minimum standard of living. These workers have no entitlement to urban unemployment relief or to “minimum protection” benefits. They are equivalent to the cheap migrant labor in the classical Lewis model of the unlimited supply of labor. The legally “temporary” status of this group’s members and their permanent ineligibility for local “citizenship” in the form of urban *hukou* make them forever vulnerable and easily expendable. They are trapped in low-end factory and service jobs—albeit, for most of them, preferable to rural idleness or underemployment. Indeed, in many cities and export zones, local decrees have forbidden migrants from taking up jobs other than those in the low-skilled 3-D (“dangerous, dirty, and demeaning,” and often physically demanding) category.<sup>10</sup> The denial of local urban *hukou* to migrant workers, combined with their plentiful supply and lack of access to legal information and support, has created a large, easily exploitable, highly mobile, and flexible industrial workforce for China’s export economy.<sup>11</sup>

This workforce of peasant labor without urban rights has greatly contributed to China’s emergence as the world’s “most efficient” (i.e., lowest-cost)

producer. Effectively, the *hukou* system has delayed the time when the labor surplus is exhausted—the “turning point” identified in the Lewis model of development in a labor-surplus economy.<sup>12</sup> China could continue to draw labor from rural areas to urban industries and services and to the export-processing zones at wages not much above rural subsistence levels. Many observers have noted that in the two decades since the early 1980s, despite rapid economic growth, there was hardly any increase in the real wages of rural migrant workers in the coastal areas.<sup>13</sup> The result has been the “China price”—China’s ability to price its manufactured exports below those of its major developing-country competitors.<sup>14</sup> The direct and close relationship that exists between migrant labor, the *hukou* system, and the industrial economy is epitomized by the Pearl River Delta, the forerunner of China’s economic reforms and a region now often called the “world’s factory.”<sup>15</sup> Some 20–25 million rural migrants live and work in the Delta.

The *hukou* system allows China to separate almost totally the two aspects of internal migration: the actual movement and the granting of full community membership at the destination. The separation is analogous to what typically happens in the case of international migration, where immigrant workers do not automatically acquire the rights of citizenship. In China one is allowed to move to a city in order, say, to work in a factory, but may be permanently barred from access to services and welfare based on community membership. Since the early 1980s the gap between the proportion of China’s population that is de facto urban and the proportion with urban-*hukou* status has been steadily widening (see Figure 1)—demonstrating the increasing use of disenfranchised labor in cities and towns.<sup>16</sup>

**FIGURE 1 Percentages of “urban” populations in China, 1958–2008**



SOURCES: Compiled by the author from *Chinese Statistical Yearbook* and *China Population Statistical Yearbook*, various years.

### *Hukou* reform

Not surprisingly, the *hukou* system has elicited much criticism within and outside China over the past two decades. In that time there have been two kinds of attempts to “improve” the system.<sup>17</sup> The first kind has entailed the devolution of fiscal and administrative powers to lower levels of government. Management has been moved from central control to local governments. From the mid-1990s, local governments have largely gained the power to decide the numbers of additions to the urban-*hukou* population in their administrative jurisdictions. This change allows cities to offer local urban *hukou* to those who meet stipulated levels of wealth or education (usually the rich or the college-educated). Some neighboring rural-*hukou* populations are also given an urban *hukou*, with access to some welfare benefits, in exchange for giving up their rural land-use rights to allow for urban expansion. (This in effect adds a new local/non-local division to the pre-existing rural/urban division.)<sup>18</sup> Moreover, *hukou* conversions in small towns where state-provided welfare is minimal have been made easy since 1997—without much effect since small towns tend not to attract rural migrants. The second kind of reform measure has been concerned with making the *hukou* system more “humane”: for example, offering urban *hukou* to the children or elderly parents of migrants who have already gained that status. (Children of rural-*hukou* urban migrants, even if born in the city, are deemed rural.)

These adjustments, however, have done little to alter the core of the dualistic structure buttressed by the *hukou* system. The long-standing discrimination against the rural-*hukou* population, including the large segment of it comprising migrant workers in the cities, continues. The seriously disadvantaged condition of this latter group was intensified by the 2008–09 global financial crisis, in which some 23 million rural migrant workers lost their jobs as a result of the drop in demand for China’s exports.<sup>19</sup> In the early months of the crisis (late 2008), high levels of unemployment among migrant laborers in the Pearl River Delta combined with claims for wage arrears and severance pay triggered mass protests, and angry laid-off workers clashed with riot police. The increasing number of “second-generation” migrant workers, more educated and rights-conscious than their parents, may be less tolerant of abuses and injustice and readier to defend their interests when badly treated.<sup>20</sup>

The main economic argument for *hukou* reform is compelling. It is widely agreed by both academics and policymakers in China that the economy’s heavy dependence on exports over the last 20 years or so is a reflection of a major structural problem of insufficient domestic consumption demand. The root cause of this sluggish demand, clearly linked to the *hukou* system, is the meager income of the rural population and migrant workers—that is, of the rural-*hukou* population.<sup>21</sup>

A number of recent events suggest the importance attached to *hukou* reform by China’s top leadership. At the well-publicized “Central Economic

Work” meeting in December 2009, setting the economic agenda for the country in 2010, an initiative to institute reform in small and medium-sized cities (with population less than 500,000) was suggested as a means to boost domestic consumption.<sup>22</sup> The same initiative was proposed in the Communist Party’s Central Committee Document number 1, issued at the end of January 2010: rural migrant workers should be allowed to settle permanently in small and medium cities and enjoy the same public facilities and services as those with local urban *hukou*. Premier Wen Jiaobao discussed the proposal in some widely watched webcasts in February. The subject also attracted wide media interest, although the government did not respond favorably to a joint editorial urging reform published in a number of newspapers in March. (A translation appears in the Documents section of this issue.)

Obviously, it is impossible to dismantle the *hukou* system completely in the near future, as the authors of the joint editorial and some other observers may wish.<sup>23</sup> As this short commentary has made clear, the *hukou* system is integral to China’s socioeconomic structure and development strategy. Any thorough reform or abolition is much more than a straightforward policy issue. It entails breaking down China’s current dualistic structure, universalizing state-provided social security and some other social services, such as affordable health care, that are currently enjoyed by only about one third of the population. But China cannot further delay making substantive reforms. The search for workable reform measures is an urgent task.<sup>24</sup>

## Notes

The figure in this article is available in color in the electronic edition of the journal.

1 See Chan (1994); Lin, Cai, and Li (1996); Naughton (2007).

2 Tien (1973); Cheng and Selden (1994).

3 Details are in Cheng and Selden (1994); Wang (2005); Chan (1994, 2009a).

4 For the newborn, the *hukou* classification followed that of the mother until 1998 (Chan and Buckingham 2008).

5 Details are in Chan (2009a).

6 Beginning with the most basic, food grain, in the early 1960s (Wang 1997; Chan 2009a).

7 See Qin (2005); Kelly (2008).

8 See Liang (1999); Chan (2009c). Even for a more typical urban location, like the inland city of Wuhan, workers without local (urban) *hukou* accounted for 43 percent of employment in manufacturing in 2000 (Chan 2009c). Rural migrant labor’s contribution to

the GDP was estimated at about 30 and 31 percent of the GDP of Beijing and Shanghai in 2007 (Caijing 2009).

9 Chan (2010b); National Bureau of Statistics (2009). Including persons working in nearby enterprises, “rural migrant labor” totaled 225 million in 2008.

10 See Solinger (1999); Cai (2007); Fan (2008). In addition to low wages, violations of labor rights, abuses, and industrial injuries are commonplace (Chan 2001).

11 Lee (1998); Alexander and Chan (2004).

12 In the Lewis model, industrial wages in a developing country begin to rise quickly after the turning point is reached. For an examination of this concept as applied to China, see Cai (2007) and Chan (2009b).

13 *Guangzhou ribao* (2009).

14 Chan and Ross (2003). One estimate puts the costs of rural migrant labor at only



about 44 percent of regular urban labor costs in 1995 (Lu, Zhao, and Bai 2009). Such accounting still excludes many subsidies urban residents receive. Statistical analyses by many scholars have clearly demonstrated that, keeping other variables constant, the lack of local *hukou* status results in migrant workers being paid significantly less than those with local *hukou* status (see Knight and Song 1999; Yang and Chan 2000).

15 In Shenzhen, for example, of its de facto population of some 8 million in 2005, about 7 million did not have Shenzhen's *hukou* and were excluded from government-provided welfare and other benefits (Chan 2009c).

16 Multiple "urban population" definitions used in China, including the two indicated here, have contributed greatly to confusion about the level of China's urbanization and its city sizes. See Chan (2007).

17 This section draws on Chan and Buckingham (2008).

18 As a result, some college graduates with *hukou* registered in other locales are also excluded from access to the local urban welfare system.

19 Data are from National Bureau of Statistics (2009); see also details in Chan (2010b).

20 See Harney (2009).

21 The director of China's National Bureau of Statistics has pointed out that to increase the proportion of household consumption in the economy, China needs to focus on raising the income of the poor. See *Singtao Daily* (2009).

22 See Tao (2010).

23 At the most obvious level, a complete abolition is fiscally not feasible in the short run. See Kong (2010).

24 I have proposed that, as a first step, China extend local urban *hukou* to all college-educated workers and skilled migrant laborers. See Chan (2010a).

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