

The Hukou System

In China, the central government's household registration system, or Hukou, plays a significant role in determining the livelihood of people. This residence registration system broadly classifies citizens as urban dwellers or farmers and precludes people from access to basic welfare services outside their official residence area.



Many countries have a registration system which primarily serves to gather statistical data, however, the Chinese Hukou system serves to regulate and restrict population mobility. There are two components to the Hukou system. The first (Hukou Leibie) is socio-economic; where status is defined as either agricultural or non-agricultural. The second (Hukou Suozaidi) is one's permanent residence, which is determined based on the mother's place of residence for an individual, in a sense almost hereditary. This system bars rural migrant workers that relocate to urban areas from accessing social services such as health care and education from local governments and limits many employment and housing opportunities.

The Hukou system served to funnel a large, low-cost source of labor into urban areas allowing rapid industrialization for China's export-driven economic development. These rural migrant-workers are now estimated to number over 200 million. (OECD, 2010) In Beijing alone, there may be a floating population of 3.5 million. (Jiaojiao, 2007) The Hukou system has come to divide the Chinese population into haves (urban households) and have nots (rural households).

In 2011 for the first time in China more people lived in cities than the countryside. China's 690 million urban dwellers in 2011 accounted for 51.3 percent of the total population of 1.35 billion. (Chan, 2012) China's central government anticipates urbanization will reach 60 percent by 2020. (Rudolph, 2013) Hukou reform is needed to facilitate continued urbanization and promote the economic transition from export-oriented industries to consumption-driven domestic demand. Otherwise, instead of a growing middle-class, the likely result is a huge underclass which could threaten stability.

In 1958 the Chinese implemented the Hukou system to control population movement. This registration was modeled after the Soviet *Propiska* (internal passport) system developed under Stalin. (Chan and Buckingham, 2008) The success of the Hukou system initially was due to the strict rationing in effect at the time. Access to basic staples could only be attained where an individual was legally registered. Rural residents were formed into cooperatives and urban residents into *Danwei*, or work units. (Mackenzie, 2002)



Following the top-down planning and control under Chairman Mao Zedong, numerous economic reforms then took place under Deng Xiaoping which led to a more open market economy. (Mackenzie, 2002) Along with a stable food supply that eliminated the need for rationing, the growth in private enterprise and foreign investment provided a strong draw for many rural migrants. Even with low-paying jobs and limited social services, many with agricultural, non-local status determined they were still better off moving to urban areas rather than remaining in rural areas.

In the 1990's, Hukou management was decentralized with many local governments allowed to determine criteria for admitting outsiders to the local population. However, in many cases local officials use this authority to allow entry for only the best educated or most wealthy applicants. Inconsistent reform efforts by many cities include selling non-agricultural Hukou to raise government revenues. As an example, during the 1990's Shanghai offered a special "blue seal" Hukou to any migrant who invested over \$200,000 or bought more than 100 square meters of residential property (Mackenzie, 2002). Although many cities now allow migrant children to attend schools, often school fees are several times that charged of local residents (Chan and Buckingham, 2008). Although elimination of differences between agricultural and non-agricultural distinctions is taking place, implementation tends to occur only within localities and not nationally and is often for the benefit of local governments. These types of reforms don't serve to integrate rural migrant workers into urban society.



As a result of the government's relaxation of Hukou residence requirements, many migrants may now have the opportunity for mobility. However, if a migrant wishes to settle permanently in an urban area the access to formal educational opportunities or property ownership is still limited (Biao, 2005). Although such restrictions may have minimal impact on individual migrants, at the societal level the Hukou system serves to institutionalize the separation and segregation of groups within China. Examples of how this policy shapes urban development are migrant enclaves such as Zheijang village in Beijing. These communities receive minimal government support and in many ways are autonomous from government control. Going forward, integrating communities of rural migrants into the comprehensive planning efforts of large mega-cities such as Beijing represents a significant planning challenge.

Continued reform of the Hukou system is a necessary part of managing China's transition to an urbanized society with an economy driven by domestic demand. According to the Huang (2013), China's geographical inequality is extreme compared to many countries, with per capita urban incomes more than three times that of rural residents. Additionally, with an export-oriented economy coastal incomes are more than twice that of the interior. Living in the city, while at the same time not becoming a part of it, results in many rural migrants not fully participating in the economic or social life of a city. Without the security of social services, many are reticent to spend money or may remit savings back to families remaining in the rural areas.

Stakeholders resistant to change include local governments who would assume much of the financial responsibility for providing services, police and security forces that consider migrants a threat to public order, and businesses whose low-paying labor practices are facilitated by the Hukou system. Additionally, current urban residents fear current entitlements may be diluted. In recent years the urban rural divide created by the Hukou system has been diluted by a number of reforms, however large portions of the population still face restrictions.

Based on recent statements such as those by outgoing premier Wen Jiabao at the Nation People's Congress in March 2013, the central government recognizes an overhaul of Hukou providing full citizenship is a method to further economic development by spurring increased domestic demand (Rudolph, 2013). However, the cost of providing the equal benefits to all has slowed overhaul of the Hukou system, requiring agreement between the central government, local governments, and employers. Hukou reform by itself will not resolve issues facing China due to rapid urbanization; however, such reform represents a first step in resolving societal issues related to housing, education, and other social services (Grasnow, 2010). The government's ability to navigate Hukou reform will have a significant influence on the stability and sustainability of urban communities in China in the future.

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