

**RESOURCE ALLOCATION AND *HUKOU* STATUS CONVERSION:
INEQUALITY UNDER CHINA'S *HUKOU* SYSTEM**

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BY

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ABSTRACT

The *Hukou* system has been a basic institution in Chinese society for several decades. My thesis explores whether, after nearly 30 years of reform and opening up in China, this system still plays a role in individuals' lives and if so, what is this role? This study uses qualitative data from policy documents and quantitative data from the China General Social Survey 2003 to examine differences in income and access to welfare services among rural and urban *Hukou* holders and in *Hukou* status conversion both before and since the reform era and point out that the *Hukou* system contributes to inequality in individuals' life chances in two dimensions: resource allocation and *Hukou* status conversion. The findings show that urban residents are advantaged in resource allocation before and in the reform era; the control mechanism of "quota" and "policy" for *Hukou* status conversion from rural to urban in the pre-reform era was replaced by the locally defined but nationally enforced "entry conditions" or "requirements" in reform era. The talented people, the CCP members, the people who have permanent jobs in urban areas, and the people whose family members hold urban *Hukou* are more likely now to overcome the *Hukou*-based control. The *Hukou*-based migration control continues on a localized basis and excludes the majority of rural residents from access to the rights enjoyed by urban residents. The findings of this thesis indicate that the consequences of the *Hukou* system continue today and additional reform still needs to be introduced.

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DEDICATION

I would like to dedicate this thesis to my parents who are always there besides me and behind me, support me to move forward.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

One of the most glaring legacies of 20th-century Chinese socialism is a sharp and widened divide between China's urban and rural areas (Wang, 1999). China's widened urban-rural divide arose from a socialist industrialization process, which created a hastened heavy-industrial base at the expense of its rural population. (Whyte, 1996)

The old divisions that separated rural and urban Chinese geographically in the pre-reform era are now replaced by barriers that segregate rural populations economically and socially within cities (Wang, 1999). Such inequality has been institutionalized by the *Hukou* system (household registration system), which has been in place for more than 50 years and had a significant impact on many aspects of life for people living in the People's Republic.

After the founding of new China, the state claimed there was a "pressing need for a national *Hukou* management":

On the one hand, we need to find out enemies quickly, assist struggles against the enemy, and maintain the revolutionary order through the *Hukou* management that controls the information on the population. On the other hand, we can provide data to the agencies of the state for their making policies and plans through *Hukou* management that controls the population. ¹

Starting as a means of social control, the *Hukou* system administratively collected and managed the information of citizens' personal identification, kinship, and legal residence as a "necessary foundation of the overall population management and social administrations" (Jiang and Luo 1996, p. 218) After establishing the planned economy

¹ An instructional manual for PRC hukou official in 1994

and the development strategy of giving high priority to heavy industry, the PRC *Hukou* system initially played the role of an instrument of development policy and has evolved into socioeconomic exclusion. In order to finance the expansion of industry, the state induced an ‘unequal exchange’ between the agricultural and industrial sectors. To maintain such an artificial imbalance under the condition of a dual economy, the state had to find a mechanism to block free flow of resources (including labour) between industry and agriculture and between cities and the countryside. (Chan, 1999) The *Hukou* system was one of the important means to set up and maintain such a social and economic configuration and also closely linked with resource allocation and distribution in the pre-reform era. People’s basic necessities of life – food, clothing, housing and transportation; education and employment, welfare and social security – are all related to some extent to their *Hukou*. Under this system, some 800 million rural residents are treated as inferior or second-class citizens deprived of the right to settle in cities and to most of the basic welfare and government provided services enjoyed by urban residents, ranging from small benefits like being able to buy a city bus pass, to much more important matters such as enrolling their children in public schools in cities where their parents work. (Solinger, 1999) In the pre-reform era, the population mobility was strictly controlled by the *Hukou* system, while in the reform era, peasants could move to the city but are denied permanent residency rights and many of the associated social benefits. (Chan, 2008) Researchers are still baffled by many tales of peasant migrants’ plight, and their

unequal treatment² and no substantive change was found in peasant migrants' struggle for equality and the right to the city in 2005, 2006 and 2007. (Zhao and Guo, 2007)

As is well established, the *Hukou* system is a cornerstone of China's infamous rural–urban 'apartheid,' (Alexander and Chan, 2004) creating a system of 'cities with invisible walls.' (Chan, 1994) It is a major source of injustice and inequality. (Yu, 2002) At the core of the household registration system are two measures: dividing citizens into two categories – those with agricultural *Hukou* and those with non-agricultural *Hukou* – and putting them under local government administration with strict control over changes in *Hukou*. (Lu, 2008)

1.2 Research Question

The primary concern of this thesis is as follows: In what ways does the *Hukou* system create social inequality? After 20 years reform of *Hukou* system, does the inequality still exist?

So far as research on the *Hukou* system is concerned, previous studies by Chinese scholars have been limited to discussing the necessity and importance of establishing the *Hukou* system in the pre-reform era, reform of the system within the framework of a dual structure, or exploring technical matters related to the reform of the *Hukou* management system. All these studies are based mainly on common knowledge and general reasoning, and have had some positive results in analyzing the holistic social influence of the household registration system and appealing for reform. (Lu, 2008)

² A report of migrants' plight in Shenzhen is in Howard French, "Chinese success story chokes on its own growth," The New York Times, 19 December 2006

The discussion on the impact of *Hukou* system on social equality is heated.

Previous studies explore the problem from two perspectives: to examine the relation between *Hukou* system and the inequality under the dual structure and to examine the *Hukou* system and inequality in individual's lives. The theory of "Lewis model" was applied in many studies to explore the relationship between *Hukou* system and the inequality under dual economic structure. Kam Wing Chan put forward in 1999 that the *Hukou* system contributes to the formation of a dual society of rural and urban areas. In Feiling Wang's work, the *Hukou* system was regarded as stable and effective institutional exclusion which provide remedies to a dual economy to allow for an accelerated economic growth and technological development. (Wang 2005b, p. 19)

Hukou system significantly affects personal life in many respects. Within the labour market, Yang and Guo pointed out that the tasks in which the temporary workers are engaged are typically those which urban permanent residents are unwilling or unable to do. (Yang and Guo, 1996) Through empirical study, Guo and Iredale (2004) confirm that the *Hukou* system was based on 'ascribed' attributes that largely influence the occupational attainment and labor market returns. On the life chances, Xiaogang Wu and Zhiqiang Liu confirmed separately that people of rural and urban origins differ substantially in their access to educational and political opportunities that may help them move upward in the socialist hierarchy. In research on the impact of *Hukou* system on stratification and mobility, Xiaogang Wu made an extraordinary contribution. Using data from a 1996 national probability sample, Xiaogang Wu (2004) shows that education and membership in the Chinese

Communist Party are the main determinants of mobility across *Hukou* status. His further study in 2007 explained the usual “openness” in the intergenerational mobility in current urban population by China’s distinctive population registration system, which simultaneously fails to protect rural-origin men from downward mobility and permits only the best educated to attain urban registration status. (Wu, 2007)

According to the foregoing introduction of *Hukou* system, at the core of the household registration system are two measures: dividing citizens into two categories – those with agricultural *Hukou* and those with non- agricultural *Hukou* – and putting them under local government administration with strict control over changes in *Hukou*. (Lu, 2008) In this study, I separately elucidate the inequality under *Hukou* system before and in the reform era from two aspects, resource allocation and *Hukou* status conversion. Through contrasting the inequality in these two aspects before and in the reform era, I point out that these inequalities caused by the *Hukou* system before the reform era continue today.

This thesis is organized into six chapters. Chapter 2 reviews the literature on the residential registration, inequality and *Hukou* system. Based on the literature review, a theoretical framework, which focus on the resource allocation and opportunities of *Hukou* status conversion, is discussed.

Chapter 3 discusses the major methodological approaches to the study of inequality under *Hukou* system between two groups of people. A combined quantitative and qualitative methodology was used to conduct an empirical study.

Drawing on regulations and policy documents, Chapter 4 elaborates the inequality

under the *Hukou* system in pre-reform era from two aspects of differentiations of resources allocation and regulation and process of *Hukou* status conversion.

Chapter 5 examines the correlation of *Hukou* type and resource allocation and the determinants of *Hukou* status conversion by applying the statistics of China General Social Survey to indicate the inequality under *Hukou* system in reform era.

Chapter 6 concludes this thesis by summarizing the main results of this research and also touches on the possibility for future study.

1.3 Significance of Study

Applying data from recent years' social surveys, research on *Hukou* system and inequality in individual's lives only reflect conditions in the reform era with no reference to inequalities in individual's lives in the pre-reform era. This research aims to move beyond the current research limitations to explore the impact of *Hukou* system on the inequality in individual's lives both in the pre-reform and reform eras, and to point out some changes in the reform eras.

Since the mid-1990s, journalists have been interpreting official statements on 'reforms' of the *Hukou* system as presaging an end to the system. They claim that China is abolishing the *Hukou* system,³ and that the *Hukou* system is not functional. On the contrary, scholars believe 'the system is alive and well'. (Wang, 2004) We also read many stories about the migrants' plight and their struggle for equality and rights in city. Therefore, one aim of this study is to reveal and explore inequality

³ February 1994, Hong Kong's South China Morning Post published an article entitled "Registration system set to be abolished"

under the *Hukou* system in recent years and to generate some inspiration for *Hukou* reform.

CHAPTER 2

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

The purpose of this chapter is to synthesize existing theories, concepts and research on the *Hukou* system and inequality and to establish analytical guidelines for an exploration of the impact of *Hukou* system on inequalities in individual's life chances.

2.1 China's *Hukou* (Household registration) system

In this part I analyze China's *Hukou* (Household registration) system in a comparative perspective so as to see better the commonalities and peculiarities of this system and its role in managing population and social control.

2.1.1 Residential Registration in comparative perspective

Residential registration in the West

The use of state power to compel people's administrative registration to regulate and restrict internal migration, and hence to fix population geographically has a long history. It is not exclusively a Chinese or a communist phenomenon. (Wang, 2005b)

According to one nongovernmental international organization's study in 2001, at least thirty-three nations around the world used nationally uniform identification cards based on the bearer's location and residence in order to identify different racial, ethnic, and religious characteristics and maintain rural-urban divisions with clear characteristics of discrimination. (Fussell, 2001)

In the West, the Greeks and the Romans started to register and then identify citizens so as to clarify the rights and duties of every resident. The Romans developed

a national residential registration system, at first irregularly, during the republican era. (Crook, 1994) Toward the end of the Middle Ages, there were already laws restricting internal migration and punishing unauthorized migrants aimed at consolidating control of the peasantry by the monarchies and nobility of Western Europe. Such efforts subsided only in the nineteenth century, when massive overseas colonization and early social welfare systems based on new taxes from prosperous new industrial economies began to alleviate the pressure caused by the floating surplus labour.

In the late twentieth century, European nations once again began another round of passportization to allow easier internal migration and social control. By 1977, thirteen European Union (EU) nations mandated a national personal identification card, to be inspected by police at any time, and the European Council was making efforts to standardize such personal identification cards. By the 1990s, all EU nations except the United Kingdom, Ireland, and Luxembourg made registration of place of abode obligatory for all citizens and residents. (Matthews, 1993) Contemporary residential registration in Western Europe is not run by the police, and people can register automatically, albeit often as a mandatory duty, wherever they live without specific government approval. Such registration generally does not affect people's rights or freedom to move either internally or even beyond national borders but inside the EU.

There are perhaps only two major nations in the West, the United States and Australia, that have yet to require national registration and identification of their

citizens. But even there, the widespread use of driver's licenses and perhaps more important, Social Security Numbers, has served much the same purpose as identification based on location or residence. Until even as late as the 1970s, some jurisdictions in the United States actually required the bearer's race to be identified on driver's licenses as well. (Wang, 2005b)

Residential registration in Asia

Japan and Korea had their residential registration systems before modern times. Howland (2001) observes that Japanese residential registration rules, copied directly from China's Tang Dynasty, were quite strict in controlling internal migration and mobility among eight strictly divided social strata, also largely modeled after Chinese and Confucian ideals. After the Meiji Restoration in 1868, Japan's Law on Household Registration of 1871 instituted the practice of registering all Japanese citizens and residents, and commoners began for the first time to be recognized by family names. Garon (1997) has noted that the Japanese Household Registration system does not restrict internal migration, although it does appear to have affected Japan's urbanization. During World War II, tight, effective social control, helped by the Household Registration system, significantly assisted Japan's militarism and fascism. The modern Japanese household registration system is run by local governments with police assistance, and similar to the practices in the EU, although Japanese Household Registration law stipulates more restrictive registration requirements. In Korea, though an equivalent system exists, there isn't much restriction via residential registration.

Wang (2000) made an in-depth study on an equivalent system in Taiwan. During Japanese colonial rule (1895-1945), Taiwan was forced to alter traditional Chinese institutions and legal norms including the residential registration system. The Japanese enhanced the mutual responsibility system for their rule of the island. After World War II, the defeated Republic of China government found its new home on the island in 1949 and quickly improved an already tight residential registration system to ensure effective control of the population and resources; even so, Taiwan's residential registration system has had little impact on the internal migration on the island. The social control of Taiwan's residential registration, however, lasted well into the 1990s, when the rapidly developing young democracy effectively reduced the intrusiveness of personal identification cards the better to protect people's rights of privacy. (Chen, 1995) In the 2000s, Taiwan's Household registration system has largely evolved into one similar to Japan's, losing much of its traditional function.

In South Asia, residential registration exists in India and other nations, but it has not nearly the power of the PRC *Hukou* system. Much of the control of internal migration and geographically based exclusion and discrimination takes place at the hands of non-state actors. (Wang, 2005b)

The residential registration system implicates Foucault's notion of bio-power, which was "without question an indispensable element in the development of capitalism". (Foucault, 1976) According to Foucault, bio-power refers to "an explosion of numerous and diverse techniques for achieving the subjugations of bodies and the control of populations." (Foucault, 1976) Bio-power plays an

important role in economic development and social segregation.

They created in the eighteenth century as techniques of power present at every level of the social body and utilized by very diverse institutions, operated in the sphere of economic processes. They also acted as factors of segregation and social hierarchization, exerting their influence on the respective forces of both these movements, guaranteeing relation of domination and effects of hegemony. (Foucault, 1976)

Residential registration before founding of the People's Republic of China

The household registration system has a long history in China, with the primitive forms of the institutions of household registration devised in the Western Zhou Dynasty (11th-8th century B.C.) Cheng (1994) believes that the *Xiangsui* and *Baojia* systems are the origins of PRC's *Hukou* system. The rulers of Zhou Dynasty charged a ministry to manage the population based on the well-defined family or clan structure to record household registration annually and verify it triennially as the basis for taxation. A *Xiangsui* system organized families in the cities and the countryside into two hierarchically structured networks. (Liu, 1988) When Qin finally unified China in 221 B.C., the *Baojia* system was adopted nationally, and the taxation and conscription functions of household registration were enhanced and expanded. Future social control mechanisms were built into the revised system. Everyone was required to report residence, age, gender, and profession to the authorities. (Wang, 2005b) China's imperial household registration system inherited the characteristics of the *Xiangsui* and *Baojia* systems, and consistently functioned to allow for taxation and social control. It later acquired other important functions like land redistribution. For the purpose of taxation and enhancing imperial rule, China's household registration

system evolved to become a thoroughly institutionalized and deeply legitimized tradition of Chinese political history. (Wang, 2005b)

Under the decaying Manchu regime and the chaotic and divided ROC (Republic of China), the imperial household registration system lost much of its role in migration control and taxation. Internal migration and emigration were accelerated. In the late Qing Dynasty (the last imperial dynasty) and the ROC, there were sporadic efforts by various rulers and warlords to use the household registration system to increase tax revenues. (Wang, 2005b)

2.1.2 The *Hukou* system in People's Republic of China

The PRC's household registration system, the *Hukou* system, was restored in 1951 first to monitor movement and residence of urban populations, and further expanded to cover both the rural and urban populations in 1955. (Cheng and Selden, 1994) The Regulation on *Hukou* Registration of the People's Republic of China, and Regulation on Resident's Personal Identification Card in the People's Republic of China were promulgated separately on 9 January 1958 and 6 September 1985. These two regulation and their implementation procedures are the main legal basis for the PRC *Hukou* system. (Wang, 2005a)

Centering on population registration and management, requiring the registration of the place of residence with the public security agency, (Wu and Treiman, 2007) the *Hukou* system inherited many characteristics of the imperial household registration system. The peculiarities of the PRC's *Hukou* system is that it divided the population into "agricultural" and "nonagricultural" sectors (Wu and Treiman, 2007), and

effectively regulated population flows between urban and rural areas. It requires every Chinese citizen to be officially and constantly registered with the *Hukou* authority since birth, as the legal basis for personal identification. The categories of non-agricultural (urban) or agricultural (rural), the legal address and location, the unit affiliation (employment), and a host of other personal and family information, including religious belief and physical features, are documented and verified to become the person's permanent *Hukou* record. (Wang, 2005a) The *Hukou* system fundamentally touches and determines the life of every Chinese citizen, since it comprehensively collects data on everyone, identifies and stratifies people and regions, controls population movement, and allocates resources and opportunities. (Wang, 2005b)

The *Hukou* system came into existence alongside the creation of a planned economy. Such an economy required meticulous planning of all macro and micro facets of society. (Alexander and Chan, 2004) Through this system, two separate economic and social sub-systems and two populations were treated differently. The urban-industrial sub-system was given priority in access to resources while the rural/agricultural sub-system was to supply raw materials at low costs to the industrial sub-systems to maintain huge industrial profits. (Naughton, 1992) The *Hukou* system served as an administrative measure to contain the costs of urbanization in the process of rapid industrialization and maintain the imbalance of the two sub-systems, especially to prevent mobility from the countryside. (Chan, 1994) With food rations and the numerous subsidies added later governing urban residents, the PRC *Hukou*

system was related in crucial ways in resource allocation and the division of the urban from the rural. (Wang, 2005a) Under this system, the majority of the population was confined to the countryside and entitled to few of the rights and benefits that the socialist state conferred to urban residents, such as permanent employment, medical insurance, housing, pensions, and educational opportunities for children. (Wu and Treiman, 2004) Rural-to-urban status conversion has been very selective from the inception of the registration system. To control the growth of the urban population, the government imposed a strict quota on the conversion rate, between 1.5 and 2.0 per thousand persons each year, even in the reform era. (Lu 2003, pp. 144–46)

As with the history of the People’s Republic of China, which can be divided into two stages - the pre-reform period or the Maoist period, from 1949 to 1978, and the period associated with the economic reforms that began in 1979 under Deng Xiaoping and then continued to the present day - the Chinese *Hukou* system can also be divided into two stages: pre-reform period and reform period. The PRC’s *Hukou* system has been deeply affected by the economic reform, which has altered much of China’s institutional framework, but has so far largely survived the reform era. (Wang, 2005a) It still plays a significant role in China today.

2.2 *Hukou* system and inequality

2.2.1 *Hukou* system and inequality under dual economic structure

Investigating the relation between *Hukou* system and inequality under dual economic structure, the theory of “Lewis model” was applied in many studies.

About half a century ago, Arthur Lewis published his article, 'Economic Development with unlimited supplies of labor,' which describes the modern or capitalist sectors as islands in a sea of low-skilled and unskilled labour in developing countries. (Wang, 2005) The paper together with his subsequent writings gave rise to the famous 'Lewis Growth Model,' the hallmark of which is the assumption of a dual structure of the economy. (Islam and Yokota, 2008) According to the dual economy tradition of economic development models, less developed economies at an early stage of development are marked by a dichotomy between a modern sector, in which workers are hired at an institutional wage in numbers that rise with the growth of the industrial capital stock, and a traditional sector, in which workers subsist at an income level that is somewhat below the industrial wage and is linked to their average rather than marginal productivity. (Putterman, 1992) The basic message of the above models was: invest in modern industry and let the traditional surplus labour, cheap food and forced saving (through terms of trade manipulation) allow an urban, modern economy to grow. With investment favouring the urban, modern industrial economy, eventually, the needed structural transformation will be realized. (Zhang, 2003 p12) Rostow defines this as a period of two or three decades during which the economy transforms itself in such a way that economic growth becomes, subsequently, more or less automatic; its characteristics are a reduction of the rural proportion of the population, a doubling of savings rates and the first marked and continuous flowering of industry stimulated by the availability of surplus labour. (Ranis and Fei, 1961)

Different terminologies have been used to express this dualism, such as

‘urban–rural,’ ‘capitalist–non capitalist,’ ‘modern–traditional,’
‘capitalist–subsistence,’ ‘industrial–agricultural’ and ‘commercial–non-commercial.’

Lewis himself started with the ‘capitalist–non-capitalist’ characterization of this duality, but later recognized the possibility of other characterizations. (Islam and Yokota, 2008) Two conditions need to be satisfied as preconditions for the emergence of differences between the two sectors. The first is ‘abundance’ of labour (relative to other inputs, mainly land) in the traditional sector. The second is some restrictions that prevent a free flow of labour from the traditional to the modern sector, at least until the Lewis growth process starts. (Islam and Yokota, 2008) Zhang (2003) pointed out that behind almost every aspect of China’s development lies the harsh reality of the ‘Lewis model’ of economic development with unlimited supplies of labour. China has a huge population, totaling almost 1.3 billion. The population growth rate is still quite fast, adding an extra 15-16 million people each year to the total. From 1990-1999, China’s working age population rose from 679 million to 829 million, an increase of no fewer than 150 million in less than a decade. Almost 70% of the Chinese population still lives in rural areas. Employment in the farm sector is stagnant, at around 330 million. It is estimated that there are around 150 million ‘surplus’ farm workers. This places a powerful constraint on the rate of growth of real incomes for low-skilled occupations in the non-farm sector. (Zhang, 2003)

The theory of dual structure of economy has been applied to investigate the relationship between the *Hukou* system and inequality. For example, Feiling Wang (2005b) applied this theory to investigate the role of *Hukou* system in China’s society.

He pointed out that there is a *Hukou* based institutional exclusion in China, which played significant role in a dual economy. Wang (2005 b, p19) observes that, “This effective institutional exclusion, with implied regulation of internal and cross-sector migration, that allows needed talent and labour to move but stabilizes the nonproductive labour for as long as possible also creates a stable sociopolitical order and a relatively orderly and desirable urban environment to attract foreign investors and merchants”. Wang (2005b, p19) notes, further, that, “This stable and effective institutional exclusion may provide remedies to a dual economy to allow for an accelerated economic growth and technological development”.

The relationship between the dual economy, dual social structure and *Hukou* system has been explored by many researchers. Cai Fang (2001) founded that the separate urban and rural labour markets in China took shape in close connection with the relevant systems; the *Hukou* system protected, to some extent, the employment of urban labour but excluded rural labour. Some empirical studies are further of the opinion that *Hukou*-based differences exist in the relations between labour and capital in the labour market; there are wide disparities between labourers who are urban residents and peasant labourers in wages, insurance and qualification for trade union membership, with *Hukou* being responsible for 30% of the disparities. (Lu, 2008)

Mallee pointed out in her paper in 1995 that the *Hukou* system is a social institution which rigidly divides Chinese society into a rural and an urban segment. Kam Wing Chan also put forward in 1999 that the *Hukou* system contributes to the formation of a dual society of rural and urban areas. In essence, the *Hukou* system acted very much

like a domestic passport system. On the one hand, it divided the population into two "castes," one (the non-agricultural population) economically and socially superior to the other (the agricultural population), with vastly different opportunities, obligations and socio-economic statuses. (Chan, 1996) On the other hand, while it could not totally control population movements, the system did create many obstacles to geographical - and social - mobility. It created a chasm in Chinese society and produced and reproduced social segregation and social disparity. In the pre-reform era, the *Hukou* system produced many dire consequences at both societal and personal levels, amply documented in Cheng's research. (Chan, 1999) While economic dualism (agriculture/industry) is characteristic of most developing countries, the Chinese state has also produced a tenacious social dualism, through both economic and, more importantly, institutional means (such as the *Hukou* system).

Figure 2.1 - Dual Economy and Dual Society in the Pre-reform Era

Economy	
Industry	Agriculture
Priority Sector	Non-priority Sector
State Owned	Non-state Sector
State Support and Control	Self-reliance
Monopoly profits through unequal sector exchange	As provider of cheap resources for the state sector

Society	
(Based on <i>Hukou</i> classification)	
“Non-agriculture” household	“Agriculture” households
State protection; subject to political control	Self-reliance; Subject to less central control
State-provided employment and welfare	Employment and welfare based on local collectives
Restricted entry	Tied to land and agriculture

Source: Chan and Zhang (1999: P831)

From this perspective, scholars explain the inequality under *Hukou* system from the perspective of the gap between urban-rural areas and industrial-agricultural sectors, whereby the *Hukou* system, as an institutional means, reinforces a dual economy and

dual structure. *Hukou* system is regarded as a central institutional mechanism defining sectoral differentiation and restricting inter- and intra-sectoral obility. From this perspective, most studies are concerned with the impact of the institution on economic performance at the aggregate level, while the impact of *Hukou* system on individuals' lives was neglected in these studies.

2.2.2 *Hukou* system and inequality in individual's lif chances

Hukou system significantly affects personal life in many respects. A Chinese scholar, Yiyong Peng (1994) concluded that the *Hukou* system has been "affixing people's social career, role, personal identity, production training". Research has been conducted to investigate the effect of the *Hukou* system based on individuals having different *Hukou* status, focusing especially on the impact of *Hukou* system on labour market, life chances, and intergenerational occupational mobility. Most researchers conducted empirical research to measure the association between the *Hukou* system and life chances, occupational attainment, labour market returns, and intergenerational occupational mobility to claim that the *Hukou* system played an important part in fostering inequalities between rural and urban residents.

Among the research on the labour market in urban China, the discussion on the inequalities in occupational attainment and labour market returns are heated. These empirical studies have provided significant evidence of the existence of inequality in occupational attainment and labour market returns. In Western nations, in which 'ascribed' attributes such as sex and race have considerable effects on individual's

labour market position and returns independent of their achieved attributes, (Fan, 2001) while in China, the occupational attainment and labour-market returns are in addition heavily influenced by residence status or the *Hukou* status.

Yang and Guo (1996, p. 771), in their study of occupational attainment of rural to urban temporary economic migrants in China, 1985-1990, using multinomial logistic regression to analyze a one percent sample of the 1990 census data of China, found that,

Compared with urban residents, China is no exception to the occupational concentration of temporary migrants to cities found in other Asian countries. An overwhelming majority of the rural to urban temporary economic migrants entered cities to work in the industrial and tertiary sectors. In the industrial sector, they were more likely to work in those occupations which were physically demanding, required low skill, and were potentially hazardous. In the tertiary sector, over half were private retailers in sales business, and a large proportion of them served in restaurants or as housemaids in the service sector.

The tasks in which the temporary workers are engaged are typically those which urban permanent residents are unwilling or unable to do. (Yang and Guo, 1996) Guo and Iredale (2004) further studied this question by analyzing the impact of *Hukou* status on migrants' employment. Using data from 1997 Beijing Migrant Census, Fei Guo and Robyn Iredale made the comparison of occupational structures of Beijing local residents and migrants using a logistic regression analysis method to measure the determinants of migrants' access to jobs in the formal and informal sectors. The author concluded that although education, especially higher education, plays a very important role in the occupational attainment for migrants, migrants' access to jobs in the formal sector in Beijing is still determined by institutional factors, such as *Hukou*. (Guo and Iredale, 2004) Based on a one percent sample of China's 1990 Census,

Huanag (2001) presents an empirical study of occupational attainment of female migrants in China, which shows that female migrants are at a disadvantage in the labour market not only because of their gender but also because of their rural identities and outsider status, as defined by the *Hukou* system. They can only attain jobs with lower prestige than their male counterparts.

In the area of labour market returns, whereas recent studies have documented gender wage gaps and labour market segmentation by sex, (Maurer-Fazio et al, 1990; Yang and Guo, 1996) Fan's (2001) study focuses specifically on resident status. Based on a survey in Guangdong in 1998, through examining the variations in income and benefits returns among non-migrant urban residents, permanent migrants who possess urban residence, and temporary migrants who are denied permanent residence rights in cities, Fan (2001) points out that permanent migrants' income returns are especially high and that temporary migrants' benefits returns are especially inferior. By using multiple regression and logistic regression to measure the determinants of income and benefit returns, the results show that residence status is the most influential independent variable. These findings suggest that the urban labour market in China is segmented by resident status, and that this segmentation has brought about differential returns to urban non-migrants, permanent migrants, and temporary migrants in the labour force. (Fan, 2001) The findings also support the notion that in China resident status functions like ascribed attributes that have effects on labour-market returns independent of achieved attributes. (Fan, 2001)

Through examining the effects of *Hukou* origin on access to education and political

credentials, two significant facilitators of social mobility in state socialist China Xiaogang Wu and Donald Treiman (2004) claim that rural *Hukou* status imposed additional limitations on favorable life chances in China. People of rural and urban origins differ substantially in their access to educational and political opportunities that may help them move upward in the socialist hierarchy. (Wu and Treiman, 2004) Zhiqiang Liu observes a similar finding. Using data from Chinese Household Income Project 1995, Liu (2005) found that people who obtained urban *Hukou* late in their lives had fewer years of education and fared significantly less well than other urban residents.

In the article “Inequality and equality under Chinese socialism: the *Hukou* system and intergenerational occupational mobility”, Xiaogang Wu and Donald Treiman (2007) investigated the puzzling question concerning the apparent lack of intergenerational occupational reproduction. Some researchers (e.g., Parish, 1981; Blau and Ruan, 1990) claim that China, as a state socialist country, is usually open. The linkage between father’s and son’s occupational status was weakened, resulting in an unusually low level of social reproduction. Other scholars, by contrast, claim that intergenerational status transmission did exist under socialism. They pointed to the role of urban workplace in weakening occupational transmission. Lin and Bian (1991) argued that despite a weak and insignificant association between father’s and son’s occupational status, father’s work-unit status had a direct and significant effect on son’s work unit status. Xiaogang Wu (2007) pointed out that the usual “openness” in the current urban population can be explained by China’s distinctive population

registration system, which simultaneously fails to protect rural-origin men from downward mobility and permits only the best educated to attain urban registration status.

These studies provide remarkable evidence of the influence of *Hukou* system on the existing inequalities in individuals' life chances and experiences. However, the data adopted by these researchers is drawn from surveys conducted in recent years, so that the results only reflect conditions in the reform era with no reference to inequalities in individuals' lives in the pre-reform era.

2.3 Theoretical Framework

This thesis studies the inequality under China's *Hukou* system from the perspective of its impact on individual lives among two groups of people—agricultural (rural) and non-agricultural (urban). The resource allocation based on different *Hukou* statuses and the process and determinants of *Hukou* status conversion are examined to indicate the inequality between rural and urban residents. As reviewed earlier, the *Hukou* system produced many dire consequences at both societal and personal levels (Chan, 1999). In studying the relation between the *Hukou* system and inequality under dual structure, past research interest lies primarily with understanding how the *Hukou* system creates, reinforces, and solidifies the inequality between industrial and agricultural sectors and urban and rural areas. Within this perspective, these studies largely ignore individuals' lives. In studying the *Hukou* system and individual inequality, empirical research is conducted by many scholars to explain these

inequalities with respect to factors such as employment, income, education, life chances, and intergenerational mobility. This perspective provides remarkable evidence of the influence of the *Hukou* system on the existing inequalities in an individual's life chances and experiences. However, the data adopted by previous research are drawn from surveys conducted in recent years, so the results only reflect conditions in the reform era with no reference to inequalities that may be based on different *Hukou* statuses at the individual level in the pre-reform era.

In studying the impact of the *Hukou* system on inequalities in individual lives, my research develops an analytic framework containing two major dimensions: resource allocation and *Hukou* status conversion. I argue that with the state's ability to allocate resources inequitably and strictly control opportunities for mobility, the *Hukou* system created and solidified inequalities among an individual's life chances and experiences.

In the pre-reform era, resources were allocated unevenly between the two categories of agricultural and non-agricultural populations, as will be detailed in Chapter 4. The urban residents' needs of daily life were guaranteed by national law. As early as 1951, the state council issued its directive to establish the regulation of labour insurance for the purpose of "protecting workers' health and lessening their living difficulties" (Bureau of Policies and Regulations, 1990). This regulation covered on-the-job injuries, sick leave, retirement funds, and maternity leave, among other items. It applied to all firms with more than one hundred employees, including state firms, collective firms, hybrid firms, and private firms in major industries (Zhou, 2004). The distribution of benefits and resources in reality is confined to urban

residents, while rural China has been largely excluded from the central planning and redistribution. Rural residents were supposed to be self-sufficient. An enormous gap between rural residents and urban residents remains in the reform era.

The uneven distribution of resources was not the only way by which inequalities in individual lives were produced through the *Hukou* system. The state, by creating many obstacles to geographical and social mobility, strictly controlled access to opportunities for rural residents to migrate to the city and enjoy the subsidies supplied by the state to urban residents. The *Hukou* system thereby created a chasm in Chinese society and produced and reproduced social segregation and social inequality.

CHAPTER 3

METHODOLOGY

This chapter is concerned mainly with methodological approaches to the study of inequality between rural and urban residents' lives under *Hukou* system. I will answer the research questions by using two types of data: qualitative data based on government documents, and quantitative data based on the China General Social Survey. That is to say, a combined quantitative and qualitative methodology will be used to conduct an empirical study.

As designed in the theoretical framework, this study is intended to interpret the inequality under *Hukou* system from the two aspects of resource allocation and opportunity for *Hukou* status conversion in both the pre-reform and reform eras. Qualitative data from government documents is adopted to explore inequalities in resource allocation and *Hukou* status conversion in pre-reform era, and quantitative data from the China General Survey 2003 is employed to explore the correlation between *Hukou* type and resource allocation and the determinants of the *Hukou* status conversion from rural to urban in the reform era.

3.1 Documentary Data

The documentary data about *Hukou* system are from the government regulation which can be found in *Compilations of PRC Public Security Regulations (1957-1993)*

and *Reference Materials on the Civil Law of the People's Republic of China*. These two sources usually contain the regulations and policy on the resource allocation and *Hukou* status conversion.

The regulations on the resource allocation include: State Council, Guanyu shizhen liangshi dingliang gongying zanxing banfa (*Interim Measures for Rationed Supply of Grain in Cities and Towns*), issued on 25 August 1955; State Council, Guanyu jiuye wenti de jue ding (*Decision on the problem of employment*), issued in 1952; Administration Council, Zhonghua renmin gongheguo laodong baoxian tiaoli, (*Provisional regulation of the People's Republic of China on Labour Insurance*) issued in February 1951. The regulations on the allocation of grain, food, employment, housing, social security between rural and urban residents were examined to indicate the inequality in resource allocation under *hukou* system.

The regulations on the *Hukou* status conversion include: *Chengshi Hukou guanli zanxing tiaoli* (*Interim Regulations on Urban Household Administration*) issued on 16 July 1951 by the Ministry of Public Security; the *Hukou dengji zanxing banfa (canan)* (*Provisional measures for Hukou registration (draft)*) issued in 1955 by Ministry of Internal Affairs; Ministry of Public Security, Guanyu chuli Hukou qianyi wenti de tongzhi (*Circular Concerning the Regulations of Transfer of Hukou Registration*), issued on 17 April 1962; Ministry of Public Security, Guanyu jiaqiang Hukou dengji gongzuo de yijian (*Suggestions Concerning the Reinforcement of Hukou administration*), issued on 8 December 1962; Ministry of Public Security, Guanyu chuli hukou qianyi de guiding (*The Regulations of Transfer of Hukou registration*),

issued on 8 November 1977; Decree of the Present of the People's Republic of China, the *Zhonghua renmin gongheguo hukou dengji tiaoli (Regulations on Household Registration in the People's Republic of China)* issued on 9 January 1958. From these regulations, the factors of the control mechanism, channels, the qualification and the document needed for *Hukou* status conversion were examined to indicate how the majority of rural residents was excluded from the city.

However, one problem arises when using the document to examine the inequality in resource allocation between rural and urban residents. Through the regulation, we can only get the information about how the resources are allocated between the rural and urban residents in pre-reform era, but we can't get the exact extent of the differentiations in the resource between these two groups of people.

As Wang (2005) pointed out, the PRC *Hukou* system was a semi-secret institution and data needed for ascertaining causal relations are often incomplete, hidden, or simply nonexistent. In the absence of systematic and complete data, for the studies of the pre-reform era, qualitative data from original policy documents serve as the only means to identify the differences in resource allocation and channels and qualification for *Hukou* conversion. At the same time, under the planned economy in the pre-reform era, the running of economy and society was strictly controlled and regulated by the Chinese state's policies and regulations. Resource allocation and *Hukou* status conversion can be studied systematically by analyzing qualitative data from government documents.

The initial analysis of qualitative data shows a variety of factors that are crucial for *Hukou* status conversion; based on that, the hypotheses that guide quantitative study can be designed to interpret whether the factors which influenced the *Hukou* status conversion in the pre-reform era still play important roles at present. Qualitative data can also provide further demonstration and explanation of the results of qualitative analysis.

3.2 Quantitative Data

In the reform era, data from China General Social Survey 2003 will be employed to examine the differentiation between urban *Hukou* status and rural *Hukou* status in resource allocation and the factors that influence the *Hukou* status conversion.

The China General Social Survey 2003 was conducted by the Department of Sociology in Renmin University of China and Center of Social Research in The Hong Kong University of Science and Technology with financial support from “211 Project” and the RGC (the Research Grants Council) in Hong Kong. The CGSS program gathers data on series of subjects in social changes in order to form a continuing and open platform for social research. The CGSS2003 is available at the Department of Sociology in Renmin University of China for any teachers or students who contact with them. The topic of CGSS2003 is social stratification, social mobility and social network.

The size of the sample for CGSS2003 was 5,894. The sample was selected from Fifth National Census in 2000: first, residents’ committees were randomly selected in

cities and towns throughout the country (except Xinjiang, Tibet and Qinghai), then investigators used the equidistant sampling method to select household samples from the household registers of the committees. On arriving at the households, the investigators used the random sampling form to determine interviewees and conduct questionnaire interviews. 5900 respondents were selected from 28 cities, 92 districts and counties, and 590 residents committees. The survey ultimately got 5,894 effective questionnaire forms.

The questionnaire of CGSS 2003 has the following sections: A. Household members, B. Personal information, C. Changes in *hukou* registration, D. Family information, E. Social communication, F. Education background, G. Professional experiences, H. Condition of obtaining current job, I. Evaluation, J. Behavior and attitude.

One of the characteristics of this survey is that it not only contains information on *Hukou* status of respondents' and their family members but also has a section (section C) on the changes in *Hukou* registration, which make the data from this survey well-suited for this study. The distribution of the interviewees' *Hukou* was as follows (see Table 3.1):

Table 3.1 - The distribution of interviewees' *Hukou*

Hukou hierarchy	No. of people	Percentage	Effective Percentage%	Cumulative percentage %
Municipality	950	16.1	16.1	16.1
Provincial	1450	24.6	24.6	40.7
Capital city				
Prefecture-level city	1328	22.5	22.5	63.3
County-level city	1130	19.2	19.2	82.4
Town	602	10.2	10.2	92.7
Village	433	7.3	7.3	100.0
Missing	1			
Total	5894	100.0	100.0	

Source: Lu (2008)

The main limitation of employing the data from CGSS 2003 in this study is that the survey was conducted in urban areas. The comparison between rural *Hukou* holders and urban *Hukou* holders was limited to comparison between urban residents and floating population, the majority rural *Hukou* holders in rural area are not included in the study.

Using the Statistical Package for the Social Sciences (SPSS) software, crosstab analysis and logistic regression were used for the various scales analysis. In order to

indicate the existing inequality in resource allocation between different *Hukou* holders, crosstab analysis were applied to measure the correlation between *Hukou* type and monthly income, provision of basic medical care, basic old-age insurance, housing or housing benefit and management level. Logistic regression was applied to measure the factors influence the odds of *Hukou* status conversion.

CHAPTER 4

THE *HUKOU* SYSTEM AND INEQUALITY IN THE PRE-REFORM ERA

Based on a comprehensive review of regulations and policy documents, this chapter first examines the *Hukou* system in the context of a planned economy and then elaborates on the inequality under the *Hukou* system in the pre-reform era from two aspects: resource allocation and *Hukou* status conversion.

4.1 *Hukou* system in the pre-reform era

The process of state control over rural-to-urban migration operated within a multi-layer structure. While the *Hukou* system was the primary administrative means, multiple institutions were integrated into the process.

4.1.1 The *Hukou* system in the context of a planned economy

To be able to understand this system, we must first take a glance at its history and the era in which the system was born.

Faced with an agrarian economy with insufficient capital in its early days, the Chinese government adopted the Soviet model to put a high priority on heavy industry to speed up its industrialization (Chan, 1999) and to introduce the planned economy. The planned economy required meticulous planning of all macro and micro facets of society, from industrial policies specifying where to allocate the country's resources, down to what we would consider as the most personal of everyday affairs, such as the daily amount of foods consumed (Alexander & Chan, 2004). Under the "forging

ahead" or heavy-industry oriented development strategy, government acquired funds needed in developing the heavy industry via the scissors gap between the prices of industrial and agricultural products. In the 1950s and 1960s, under the international situation of the Cold War, access to loans from other nations was limited, if not nonexistent. Thus, another means had to be found to solve the problem of insufficiency of funds in industrialization; the solution depended on accumulation from agricultural surplus. To be more specific, the government bought low-price agricultural products monopolistically, which it later sold to the workers at a low price so that labour costs could be cut. Meanwhile, the government acquired extra profits by raising the prices of industrial products, thus ensuring the demand for funds needed to develop heavy industry as a top priority.

As a capital-intensive industry, heavy industry has a fairly limited capacity for labour. Consequently, surplus labourers in rural areas could not be transferred during the process of industrialization. The government was prompted to adopt administrative approaches to confine these surplus labourers in agricultural production. Moreover, the price gap in the exchange of industrial and agricultural products ensured that merely a fraction of people, the urban residents with their salaries as the main source of income, could enjoy the benefit of low-price agricultural products. The state also assumed the responsibility of providing jobs (Chan, 1999) and offered various subsidies in housing, medical care, grain, and education for all urban residents in the priority urban-industrial sector. However, due to limited financial resources, only a meager number of people enjoyed such subsidies. To maintain such an artificial

imbalance under the condition of a dual economy, the state had to find a mechanism to block the free flow of resources (including labour) between industry and agriculture, and between city and country (Chan, 1999). The implementation of the *Hukou* system reduced the number of people enjoying the advantage of low-priced agricultural products (i.e., urban residents) to a minimum. Thereafter, industrial costs were reduced and the pressure on the employment, supply of life necessities, housing, transportation and public facilities, urban grain and oil supply could all be relieved. The *Hukou* system was one of the important means for setting up and maintaining such a social and economic configuration in the pre-reform era (Chan, 1999). As Mallee (1995) pointed out, the *Hukou* system played the role of an instrument of development policy, aimed at keeping urban populations small while fostering industrial development.

The *Hukou* system's effectiveness in regulating migration did not come from just the system itself but from its integration with other social and economic control mechanisms (Chan, 1999). Particularly in the pre-reform period, formal migration operated within a political and economic environment in which economic activities were strictly controlled by the bureaucratic system (Chan, 1999). The first of these mechanisms was central control over employment. On the rural side, the commune system enabled local governments to bind peasants to the land. All adults in communes had to participate in agricultural production (Parish & Whyte 1978), and migration was generally prohibited except with the permission of local government. On the urban side, the principal administrative units for most urban residents were the

workplace organizations (*danwei*) (Bian, 1994; Walder, 1986; Wu, 2002). And because employment quotas in all urban work units were tightly controlled by the government's labour administration (Walder, 1986), even rural migrants who left their home villages would have little chance of getting jobs in cities (Wu, 2004).

The second mechanism related to the enforcement of the registration rules was the ration system and coupon system that supplied daily commodities, especially staple foods (Mallee, 1995). Under the ration system, basic staples such as grain, meat, cooking oil, sugar, and cotton could be bought only in state-run stores using ration certificates or coupons that were distributed in cities to local residents with an urban *Hukou*. Rural residents were excluded from the ration system and were expected to be self-sufficient in food (Liu, 2005). Over the course of the 1950s, the state monopolized the distribution of virtually all goods, and most free markets disappeared. The peasants grew their own food, of course, but state procurement left them with little more than a bare minimum, and that again was allocated on the basis of team membership (Chan, 1999). On the rural side, all adults received food rations from their commune, while on the urban side, the work unit administered most social services for their employees. Without a work unit, it was difficult to survive in a city because housing, food, and other social services were hardly available through the market (Wu, 2004). These goods, or coupons with which to buy them, could be obtained only on the basis of legal residence (registration) in an area. Thus, both in the countryside and in the cities, the ability to obtain most essential goods depended on residence in a certain place where there was access to the rationing system, and with it,

the possibility of staying somewhere during periods of relative scarcity; however, it was very hard to survive outside one's home area (Mallee, 1995). Overall, the *Hukou* system worked with other mechanisms to form a multi-layered web of control. Each institution administered one or more aspects of rural-urban migration, but they were all interrelated and complementary to each other (Chan, 1999).

Figure 4.1 illustrates the relationship between the institutions in pre-reform era.

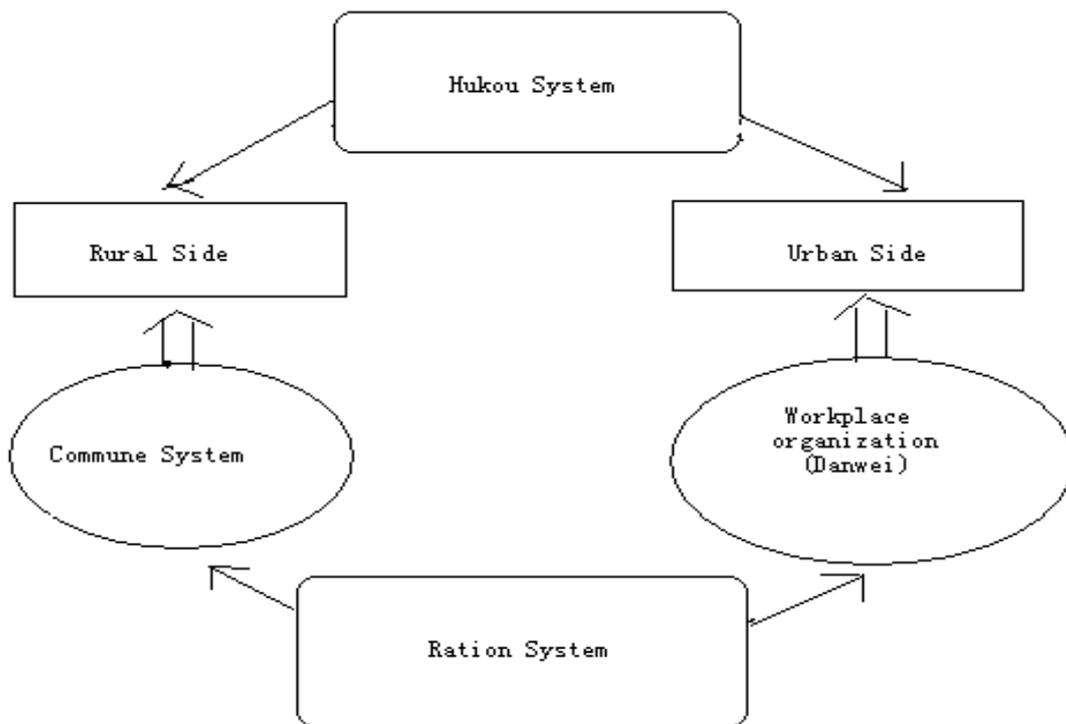


Figure 4.1 Institutions in the Pre-Reform Era

4.1.2 Establishment of the *Hukou* system

Using 1995 as the cut-off point of the pre-reform era (the year that the “Directive Concerning Establishment of a Permanent System of Household Registration” was promulgated), the Chinese *Hukou* system can be divided into two stages.

The first stage, from 1949-1955, is the free domiciliary transfer stage and also the

preparatory period for the *Hukou* system. Although laws guaranteed the right of free migration, several policies were enacted to monitor population movement. A plethora of freedoms and rights were guaranteed in the Common Programme, issued at the Chinese People's Political Consultative Conference in 1949, and acted as China's de facto constitution until the National People's Congress ratified the first formal constitution in 1954. Article 5 stipulated that: "The people of the People's Republic of China shall have freedom of thought, speech, publication, assembly, association, correspondence, person, domicile, moving from one place to another, religious belief and the freedom to hold processions and demonstration" (Selden, 1979). Article 90 of the 1954 constitution similarly guaranteed people "freedom of residence and freedom to change their residence" (Selden, 1979). In this period, China's urban population increased from 10.6% of the total population in 1949 to 14.6% in 1956, with a net gain of 34.6 million. Rural migrants accounted for 19.8 million of the total increase (Kirkby, 1985). Throughout the early 1950s, in the honeymoon years of the People's Republic, free movement into and out of cities and throughout the countryside facilitated economic recovery, restoration of trade, and social healing after a century of political disintegration, protracted foreign invasion, and civil war (Cheng, 1994). At the same time, the unemployment problem in urban China became serious.

In the years 1953 to 56, the transformation from private and capitalist ownership to state and collective ownership of agriculture, industry, handicrafts, and commerce was basically completed (Cheng, 1994). By the end of 1956, 97% of rural households had joined co-operatives, including 88% in large collectives of the Soviet type. At the

same time, over 74,000 handicraft co-operatives were set up, including six million craft workers—92% of the total number of such workers (Selden, 1993). By 1956, 68% of factories had been nationalized and the remainder were classified as joint state-private enterprises. This effectively brought all industry and virtually all commerce within the orbit of state control (Cheng, 1994). By the end of 1956, the production and residence in both urban and rural areas was under state control. Meanwhile, the state exerted more control over population movement.

On 16 July 1951, the Ministry of Public Security, with State Council Approval, issued "Regulations Governing the Urban Population." The regulations were a nationwide mechanism to monitor urban population movement and residence, both short- and long-term. For example, visitors of three days or longer were required to register with a public security sub-station (Article 6), and hospital and hotel residents were similarly registered (Article 7). Significantly, responsibility for registration and control were vested in the public security bureau. On 17 April 1953, the State Council promulgated a "Directive on Dissuading Peasants from Blind Influx into Cities," referring above all to the largest cities. The directive, using persuasive language, urged the hundreds of thousands of peasants who had entered the cities in search of work to return to their villages (Cheng, 1994). On 31 December 1954, the Standing Committee of the National People's Congress promulgated the "Regulations for Public Security Substations." It mandated municipal and county public security bureaus to set up substations in areas under their jurisdiction. On the same day, the National People's Congress promulgated the "Organic Regulations of Urban Street

Offices." By then, all the preparatory work for establishing a national *Hukou* system had been completed.

Having consolidated institutions for police-administrative control over population movement, on 22 June 1955, the State Council passed "The Directive Concerning Establishment of a Permanent System of Household Registration." The *Hukou* system entered its second stage from 1955 to 1978—the controlled domiciliary transfer stage. The 1955 regulations inaugurated the shift in emphasis from the use of *Hukou* for registration purposes to state policies that prevented or slowed short-term and long-term migration (Cheng, 1994). On 9 January 1958, the Standing Committee of the NPC promulgated the "Regulations on Household Registration in the People's Republic of China." Freedom of residence and movement had long since disappeared from the list of state-guaranteed rights and they would not be restored in the decades of mobilizational collectivism that lay ahead. The 1958 regulations extended registration provisions to the People's Liberation Army (Article 3). Every Chinese citizen was now included in the *Hukou* system.

The *Hukou* system and associated state controls on jobs, housing, rations, and travel made possible the widening urban-rural spatial inequalities of income.

4.2 Resource allocation based on different *Hukou* status in the pre-reform era

Historically, redistribution, or the allocation of resources through a centralized authority, has been a distinctive mode of economic institutions (Polanyi, 1965). It evolved into its full-fledged form in the Soviet-type state socialist societies, where almost all resources were subject to allocation by the state (Zhou, 2004). Through

examining the redistribution system, and more specifically, how resources were allocated in both rural and urban areas, we can find out the different socioeconomic eligibility between agricultural and non-agricultural *Hukou*. Table 4.1 highlights the difference in socioeconomic eligibility between the agricultural *Hukou* and the non-agricultural *Hukou* in the pre-reform period.

Table 4.1 Comparison of Socioeconomic Eligibility before the Economic Reform: Agricultural *Hukou* vs. Non-agricultural *Hukou*

	Agricultural <i>Hukou</i>	Non-Agricultural <i>Hukou</i>
Basic Foods (grain, cooking oil, meat, etc.)	<ul style="list-style-type: none"> • Foods were mainly self-produced and food consumption depended on productivity • The state assumed responsibility to assure subsistence only in the event of unusual natural disasters 	<ul style="list-style-type: none"> • Basic foods were provided by the state through official retail outlets at subsidized prices • Food supply was rationed with low quality, consumption level depended on occupation as well as the administrative status of the city
Employment	<ul style="list-style-type: none"> • A major form of employment was collective farming • Obtaining urban-based jobs was subject to official permission with limited chances 	<ul style="list-style-type: none"> • Jobs were assigned by the state • The position was lifetime secured • Job changes were subject to official permission

	<ul style="list-style-type: none"> • Temporary urban jobs were available through contracts between urban enterprises and agricultural collectives 	
Income	<ul style="list-style-type: none"> • Income was paid by the rhythm of the agricultural cycle and distributed in kind and cash • Income level depended on productivity and state purchasing prices 	<ul style="list-style-type: none"> • Income was paid monthly in cash • Income level was low but guaranteed
Housing	<ul style="list-style-type: none"> • Rural housing was privately owned and private-responsible • Housing land was collectively owned and assigned to private use 	<ul style="list-style-type: none"> • Urban housing was mainly state or collective owned • The state or collective would rent housing at nominal rents • Housing was in short supply and living conditions were poor
Right for Urban Residence	<ul style="list-style-type: none"> • It was denied without authorized permission 	<ul style="list-style-type: none"> • It was entitled only in the designated town or city
Social	<ul style="list-style-type: none"> • Medical insurance was very 	<ul style="list-style-type: none"> • Health insurance and pension

Security	<p>limited, depending on the local collective.</p> <ul style="list-style-type: none"> • There was no pension scheme and care for the aged was the responsibility of family members 	<p>were provided by the government or enterprises</p> <ul style="list-style-type: none"> • It was enterprise-based • Degree of security was based on types of ownership
Level of State Guarantee	<ul style="list-style-type: none"> • State obligation was lower, level of living guarantee was based on the collective/community responsibility system 	<ul style="list-style-type: none"> • State obligation was higher, level of living guarantee was based on the state or collective responsibility system

(Source: Zhang, 2004)

4.3 *Hukou* status conversion in the pre-reform era

Hukou conversion and the corresponding process of converting *Hukou* status from agricultural to non-agricultural was the key to entering the institutionally “walled” cities (Zhang, 1994). Population migration was strictly controlled and peasants were shackled to the land, thereby sealing their fate.

4.3.1 The regulation of *Hukou* status conversion

The basic law of the PRC *Hukou* system in the *Regulation on Household*

Registration (Hukou) of the People’s Republic of China of 1958, stated:

ARTICLE 10: Citizen migration out of a *Hukou* zone: the citizen or household head applies for out-migrant registration to the *Hukou* agencies and claims migration documents; the original *Hukou* is canceled.

Citizen migrating from the countryside to cities must have proof of

employment from urban labor agencies, proof of admission from schools, or proof of in-migrant permission from urban *Hukou* registration agencies.

Article 16 further stipulates:

Citizens leaving the permanent place of residence for personal reasons and living temporarily elsewhere for longer than three months must apply for extension [of temporary residence] or migration; those with no reason to extend and not qualified to relocate should return to their permanent place of residence. (Wang, 1989)

This additional requirement for rural-to-urban migration later developed into a legal Great Wall separating the majority of the Chinese in the countryside from the minority in the cities (Wang 2005) Chinese citizens thus became divided into two segments: rural and urban *Hukou* holders.

4.3.2 Conversion of *Hukou* status from non-agricultural to agricultural

Conversion of *Hukou* status from non-agricultural to agricultural is mostly politically-determined forms of migration.

In the economic crash of the early 1960s, the gap between the urban side and rural side widened as access to state-sector jobs and regular urban work of any kind was virtually closed to rural members. In the early 1960s, for the first and only time in the history of the People's Republic, not even state jobs were secure. In the years 1961 to 1964, the state responded to nationwide famine and the budget crisis by laying off twenty million state workers and sending them back to the countryside, including both recent migrants to the city and many who had been employed for a decade or more (Selden, 1993). Net migration from city to countryside was 13.9 million in 1962 and 20.3 million in 1964 (Kirkby, 1985, p. 114). These workers lost not only their jobs on

the state payroll, but their urban residence permits as well. Most found themselves permanently consigned to the countryside (Selden, 1993). The burden of assuring their subsistence shifted from the urban to the rural communities.

From the 1960s, even children of urban state-sector personnel faced extreme difficulty in obtaining state jobs and retaining urban residence. The persistent job shortage in the state sector, intensified by the cresting wave of urban youth entering the job market from the late 1960s, was a critical factor that led the state to send seventeen million urban high school and junior high school graduates to settle permanently in the countryside in the decade after 1966. The layoffs of workers in the early 1960s and the “downward” transfer of urban youth to the countryside dramatically reinforced the urban-rural and industry-agricultural divide between those who enjoy state’s grain and those who grew their own (Selden, 1993).

Faced with economic, demographic, and employment crises, the state transferred the fiscal burden to the countryside (Liu, 1984). An extreme instance of this was food consumption in the disaster years that followed the Great Leap Forward. While urban grain consumption dropped from 236 kilograms per person in 1954 to a tight 180 in 1961, consumption by rural people who grew the grain fell from a high of 205 kilograms in 1956 to 1957 to famine levels of 154-161 kilograms in the years 1961 to 1964 (Taylor, 1986).

From the early 1960s, sectoral position became irrevocable: one could change residence or accept a job at a lower point in the locational and sectoral hierarchy, but it was virtually impossible to move to a higher position in the hierarchy (Selden,

1993).

4.3.3 Conversion of *Hukou* status from agricultural to non-agricultural

An approval process for converting *Hukou* status from agricultural to non-agricultural reflected the fact that while the *Hukou* system played an important role in restricting the flow of people from rural to urban sectors, there were other significant factors involved (Zhang, 1994).

Dual classification of Hukou registration. For all PRC nationals, personal status under the rules of *Hukou* registration was defined in terms of two categories: one by settlement type and one by socioeconomic eligibility. The first classification was that of the “*Hukou suozaidi*” (the place of *Hukou* registration) (Chan & Zhang, 1999). It was based on one’s presumed place of permanent residence. The most common subcategories of the place of *Hukou* registration were urban centres (cities at different administrative levels and designated towns) or rural settlements (villages or state farms). The regular local *Hukou* registration defined one’s rights with regard to economic and social activities in a specified locality (Chan & Zhang, 1999).

The second classification was the “*Hukou leibie*” (the type or “status” of *Hukou* registration), essentially referred to as the “agricultural” as opposed to the “non-agricultural” *Hukou*. This classification was used to determine one’s entitlement to state-subsidized food, grain, and other prerogatives. The *Hukou leibie* originated from the occupational divisions of the 1950s, but later on as the system evolved, the “agricultural” and “non-agricultural” distinction bore no necessary relationship to the actual occupation of the holders, but to their socioeconomic eligibility and distinctive

relationships with the state (Zhang, Q., 1994).

The dual classification scheme produced several impacts on migration. Change of one's *Hukou* registration was far from a matter of personal choice. Any move from one location to another required individuals to go through a process of seeking approvals from various government departments (SC, 1958). A move within any *Hukou* category was generally subject to registration if that move went from a settlement with a higher administrative status to one with a lower status. A move crossing the *Hukou* category or going up from a settlement with a lower administrative level to one with a higher level was subject to control (MPS, 1962a; 1962b). A move from a rural agricultural category to urban non-agricultural one required a corresponding dual approval process: changing the regular *Hukou* registration place and converting the *Hukou* status from agricultural to non-agricultural. The latter was an important process commonly known as “*nongzhuanfei*” in China. To change the regular *Hukou* registration locale, the applicant needed to present appropriate documents to the public security authorities to obtain a migration permit. In the case of *nongzhuanfei*, one had to satisfy the qualifications stipulated by the state and go through official channels. The granting of full urban residence status was often contingent upon the successful completion of *nongzhuanfei*, the core of the *Hukou* conversion process (Chan and Zhang, 1999).

Dual control mechanism. The key to regulating rural-to-urban migration was to control the *Hukou* status from agricultural to non-agricultural, which was subject to both “policy” (*zhengce*) control and “quota” (*zhibiao*) control. The policy control

defined the qualifications of people entitled to non-agricultural *Hukou*, whereas the quota control regulated the number of qualified people who were assigned non-agricultural *Hukou*. In order to be eligible for *nongzhuanfei*, a person first had to satisfy the conditions set out in the policy control criteria while obtaining a space under the quota control at the same time. If one fulfilled the former criterion but did not have a space, he or she would not be able to succeed with conversion of *Hukou* status. The way the system worked was somewhat similar to the experience of international migrants trying to get visa permits in many countries. Therefore, through both policy control and quota control, the state regulated the kinds of people and the number it wanted to admit into the urban areas at any given time.

The categories of conversion of *Hukou* status under the special channel were defined by ad hoc policies concerning *nongzhuanfei* for certain groups of people under special circumstances. Most commonly, these involved workers changing from temporary to regular positions in state enterprises. There were also particular cases that arose from time to time (like the return of rusticated youths in the early reform era). This channel gave the state the flexibility to deal with unanticipated situations. It also included *nongzhuanfei* granted to a small number of demobilized military servicemen assigned urban jobs. The *Hukou* allowances under the special channel came out of sporadic but supplementary quotas for these transfers. In many cases, policies for *Hukou* transfers under the special channel were matters of joint decision among various government departments. As one could see from the way these policies were designed and implemented, a non-agricultural *Hukou* status was often used as a

reward for those who had made significant contributions to the nation as interpreted by the state apparatus. Conversely, one could lose one's non-agricultural status by having committed certain serious crimes (including political crimes) (MPS & MJ, 1984; Dutton, 1992).

Channels of Hukou status conversion from agricultural to non-agricultural are presented in Table 4.2.

Table 4.2 Channel of Hukou Status Conversion from Agricultural to Non-agricultural and Policy Approval Authorities

	Category	Policy Approval Authorities	Quota Issuer	Quota
Regular Channel	Recruitment by state-owned enterprises	Ministry of Labour	State planning commission	Annual issuance
	Enrolment in institutes of higher education	State Education Commission	State Planning Commission	Annual issuance
	Promotion to administrative posts	Ministry of Personnel	State Planning Commission	Annual issuance
	Personal reasons	Ministry of Public Security	Ministry of Public Security	Fixed

Special Channel	Transfer from temporary to regular positions	Relevant government departments	State Planning Commission	Occasional issuance
	Military demobilization	Central Military Commission of the CCP, and Ministry of Civil Affairs	State Council	Occasional issuance
	Land requisition by the State	State Council	State Council	Based on the size of the land requisition

Source: Compiled from various governmental documents relating to such things as employment, education, *Hukou* administration, and military service. Chan and Zhang, 1999

Qualification of Hukou status conversion. Table 4.3 presents the qualifications needed by the Ministry of Public Service.

Table 4.3 Qualifications for *Nongzhuanfei* through the MPS

Applicant	Conditions
Non-agricultural <i>Hukou</i> holder's spouse	Permanently disabled or chronically sick, unable to take care of oneself, without any relatives in the countryside to rely on
Non-agricultural <i>Hukou</i> holder's parents	Aging and unable to take care of oneself, without any relatives in the countryside to rely on
Non-agricultural <i>Hukou</i> holder's children or adopted children	Under 15 years old, without any relatives in the countryside to rely on
Resettled urban youth	Seriously sick and/or disabled, or facing serious hardship in the family, with the permission of "Educated Youth" Office at or above the county level
Family members of workers and staff working in the Qinghai-Tibet plateau region	Unable to adapt to the climate of the Qinghai-Tibet plateau
Children of female workers in the geological industry and prospecting teams	Inadequately cared for by their mothers due to the mobile nature of their work, with family members residing in urban areas

Source: Based on MPS (1977) & Chan and Zhang (1999)

Documents Needed. Registration of rural-to urban migration was administered by the public security authorities (SC, 1956). However, many government departments other than the MPS had real decision-making powers in granting *nongzhuanfei*. Although a permit to move and a migration certificate were issued by the police and migrants were required to complete the procedures of *Hukou* transfer administered by the police, the police were not the sole authority responsible for approving conversion of *Hukou* status from rural to urban. In fact, while the *Hukou* regulations explicitly stipulated the procedures for migration, they did not specify the qualifications for migration.

Table 5.5 catalogues the documentation required for *Hukou* registration in cities. Different categories of migration required different qualifications and documents, which were decided by various government departments other than the MPS. This left significant latitude for different departments to interpret and design their own policies, largely outside the *Hukou* administration. The restrictive *nongzhuanfei* showed that formal rural-to-urban migration was strictly and heavily regulated, but it was not controlled by the *Hukou* system in any sense. An approval to register was usually automatic when the various supporting papers were deemed valid. As a result, many governmental departments had *de facto* *Nongzhuanfei* approval powers as a corollary of their own policies, though the final step of rubber stamping was still administered by the MPS. (Chan and Zhang, 1999) In general, most formal urban in-migrants were admitted under the policies of other government departments. According to one survey of migration to the Beijing municipality, 63% of the cases were approved by

various government departments, 24% by higher-education institutes, and 10% by military departments (Yang, S., 1995). These figures showed that the cases exclusively decided by the public security authorities constituted a very small portion of the total for formal rural-to-urban migration.

Table 4.4 Required Documents for *Hukou* Registration in Cities

Reasons for in-migration	Main document required	Document issuer
Employment	Certificate of employment	Labour Bureau at or above the county level
Job transfer/job promotion	Introduction letter	Personnel Department or Labour Bureau at or above the county level
Education	Admission letter	Institutes of tertiary education
Demobilization of serviceman	Introduction letter	Regiments or military units at or above the county level
Return from overseas	Introduction letter	Chinese Embassy
Personal reasons	Certificate of transfer	Police unit at or above the county level
Homeless orphans adopted by urban civil affairs department	Introduction letter	Civil affairs department at municipal level
<i>Hukou</i> resumption	Certificate of transfer	Police unit at or above the county level

Source: Li Zhang (2004); Wang, F (1992); Yang, S. (1995); Wang, J. (1994); Zhang, Q. et al. (1995).

The real power of the *Hukou* system in the regulation of migration did not come from just the system itself, but rather from its integration with other social and economic control systems. Particularly in the pre-reform period, formal migration

operated within a political and economic context such that economic activities were strictly controlled by the bureaucratic apparatuses, with people's daily lives closely connected to and monitored by bureaucrats. There were few opportunities for urban employment outside state channels. The state's monopoly of living necessities made it hard to survive outside one's place of *Hukou* registration without proper documents (Wang, 1997). People's daily lives were tightly bound to their work units and watched over by the police and by residential organizations (street committees in the city and village committees in the countryside). Violations of the *Hukou* regulations were easily discovered. Overall, the *Hukou* system worked in conjunction with other institutions to form a multi-layered web of control, each of them administering one or more categories of rural-to-urban migration. The various lines of control were interrelated and complementary to each other. The efficacy of the state's administration of rural-to-urban migration depended a great deal on the proper functioning of all supporting institutions, rather than on the *Hukou* system by itself.

Through *Nongzhuanfei*, policy and quota controls, and other administrative mechanisms, rural-to-urban migration was fully bureaucratized. The procedures of *Hukou* registration provided certification of the legal basis for residence in one or another of China's urban areas. Officially-sanctioned rural-to-urban migration required a formal *Hukou* transfer, subject to both policy and quota controls. Thus, the state had nearly total control of rural-to-urban migration and decided where people should work and reside, leaving, at the same time, little room for individual preference and decision. Given the predominant role of state control, the outcome of

rural-to-urban migration, in geographic terms, was largely a function of state policies.

(Chan and Zhang, 1999)

CHAPTER 5

THE *HUKOU* SYSTEM AND INEQUALITY IN THE REFORM ERA

This chapter begins a study on the *Hukou* system in the context of economic reform and changes in the *Hukou* system. Resource allocation based on different *Hukou* statuses and the factors that influence *Hukou* status conversion are examined using survey data from 2003 to indicate inequality under the *Hukou* system in the reform era.

The data used in this analysis came from the China General Social Survey 2003, which was conducted in 28 cities throughout all regions of the country (except Xinjiang, Tibet, and Qinghai). This survey adopted the sampling frame of the Fifth National Census and ultimately yielded 5,894 effective questionnaire forms. The survey questionnaire contains extensive information on social stratification, mobility, and social network. Information on *Hukou* status and the experience of *Hukou* status conversion of the respondents and their family members made the data from this survey well suited for this study. Respondents' *Hukou* status, income, access to welfare services, education, employment, political affiliation, and similar information about the respondents' father are exploited in the following analyses.

5.1 The *Hukou* system in the reform era

Since the reforms, both the transformation of the urban economy and the infusion of foreign investment have put pressure on labour supply, especially the supply of cheap

labour, in urban areas (Liang & White, 1997). Meanwhile, labour problems in the countryside have been further exacerbated by the increasing magnitude of surplus agricultural labour because of improvements in agricultural productivity (Shen, 1995). Many new jobs, such as nannies, restaurant servers, and factory workers are at the lower end of the occupational stratum and are not desired by regular urbanites (Fan, 2001). Accordingly, a new “pull” for labour is exerted by urban areas. At the same time, the “push” factor from the countryside is the increasing surplus agricultural labour because of improvement in agricultural productivity. Due to this, the state was compelled to relax migration control. Rather than removing the *Hukou* system, the state added provisions to it that facilitate the “temporary” migration of peasants to work in urban areas (Wong & Huen, 1998). The development of the economy needed a reform of the *Hukou* system and the institutional reform made the reform of the *Hukou* system possible.

5.1.1 The *Hukou* system and institutional reform

Institutional reforms have been the centrepiece of the overall economic reform programs in China since the late 1970s. Traditional institutions, such as collective farming, state ownership of means of industry production, central planning, and the labour employment and remuneration system are considered to be the root cause of poor economic performance during the pre-reform era (Liu, 2005). In the past two decades, the two mechanisms on which the *Hukou* system relies underwent radical reforms. For the mechanism of “central control over employment” on the rural side, the commune system was replaced by the household contract responsibility system,

which made individual households responsible for particular plots and allowed producers to sell any surplus grain on the open market, greatly improving the efficiency of agricultural production (Liang 2001), and fully fired the enthusiasm of Chinese farmers and made tremendous achievements in the rural economy. By 1984, fully 95% of former production teams had contracted land to households and adopted independent household management (Selden, 1993). As the reform in the countryside led to a dramatic rise in productivity and created a large pool of surplus labourers, peasants tried to seek jobs in the industrial and service sectors. On the urban side, with emergence of domestic and foreign capital state-directed allocation of labour gradually had to give way to a less rigid labour market in which people could attempt to secure jobs on an individual basis (Alexander & Chan, 2004). The growing private sector and foreign capital outside the redistributive system demanded more cheap labour. Even some state-owned work units preferred to hire rural peasants either because they had no commitment to peasant-workers' housing and other social benefits or because the jobs were unattractive to urban workers (Wu, 2004). With the deepening economic reforms in both rural and urban areas, the mechanism of central control over employment was abolished.

After improved supplies and free markets, rationing and the coupon system lost much of its former importance and most products could now be bought with money. In September 1980, the Ministry of Public Security and the Ministry of Food and National Personnel Authority issued "*The Regulation of Food Supply by Nation*" or the specialty cadres' rural family members who moved into urban areas. This

regulation began to break the quota control of household registration. Following good harvests and dietary changes, many provinces completely did away with grain coupons in the early 1990s (Mallee, 1995). By the close of the eighties, with the prices of food and goods now largely set by the market, the ration-coupon system had vanished.

Gradually, the state stopped allocating most jobs, allowing a labour market to thrive.

Figure 5.1 shows the institutions in the reform era.

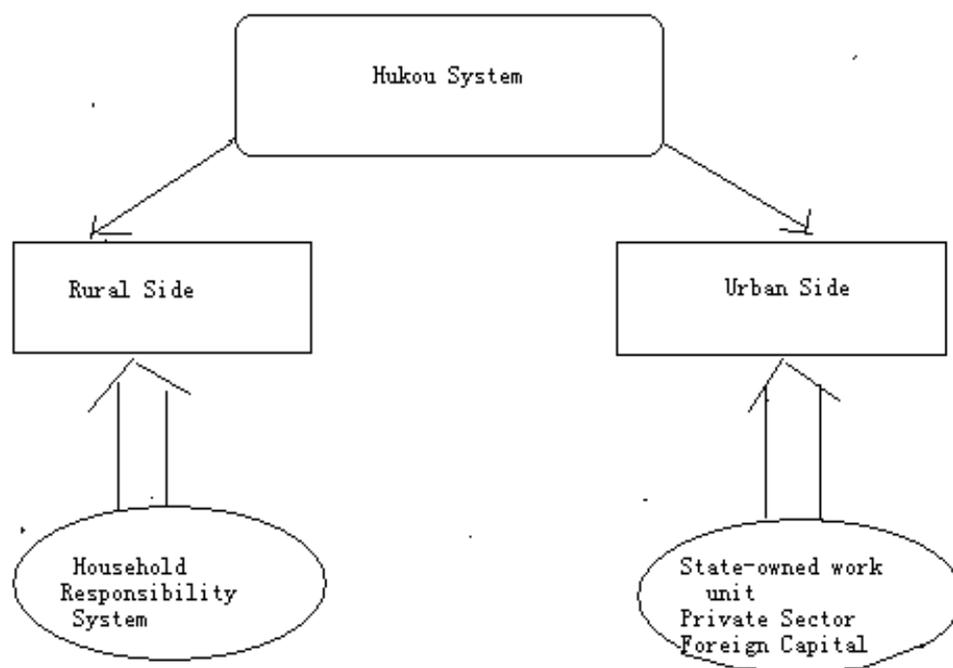


Figure 5.1 Institutions in the Reform Era

5.1.2 The reform of the *Hukou* system

The development of the Chinese economy in the 1980s and the radical

institutional reform have had the greatest impacts on rural-urban population mobility.

Under these circumstances, the *Hukou* system, which is the only system inherited from the planned economy to monitor population migration, underwent piecemeal reforms.

Policies concerning reforms of the *Hukou* system

Along with reforms of the centrally planned economic system and the rapid development of the Chinese economy, population movement between the countryside and cities has increased since the 1980s, and a more flexible *Hukou* policy was adopted. Although there were still restrictions on movement through the *Hukou* system, they were considerably relaxed.

Table 5.1 Policies Concerning Reforms of the Hukou System since 1979

Issue Date (mm/yy)	Issuer	Document Title
09/1980	Ministry of Public Security & Ministry of food and National Personnel Authority	The Regulation of food supply by nation for the specialty cadres' rural family members who move into urban areas
06/1984	The State Council	Circular on the tentative regulations for the application of the system concerning the recruitment of rural rotating worker in mine-excavating enterprises
07/1985	Ministry of Public Security	The Regulation for the management of the transient population in towns
12/1985	National People's Congress Standing Committee	Articles of Citizens' Identification Cards of PRC
08/1992	Ministry of Public Security	Circulars of carrying out the local effective registered residence

1997	The State Council	Suggestions submitted by the Ministry of Public Security concerning the experimental work of reform of the household registration system in small towns
1998	The State Council	Circular of the State Council on the Approval and Transmission of the Suggestions submitted by the Ministry of Public Security concerning the prominent problems of current administration of residence revoked the restriction of settling down in medium-seized cities
05/2001	The State Council	The reform of the household registration system in small towns
2006	The State Council	Suggestions on Resolving the Farmer Workers' Problem
2008	Hunan Provincial Government	<i>Suggestion on Promoting Urbanization</i>
02/2009	Shanghai Municipal Government	Interim Implementation for People Holds "Residence Permit" to Apply Permanent Residence in Shanghai
04/2009	Guangdong Provincial Government	Regulation on the service and management of the floating population in Guangdong Province (Draft)

The first important legal measure was enacted in 1984 by the Circular of the State Council of the People's Republic of China, when the State Council allowed people with a rural *Hukou* to move freely to the 60,000 towns (zhen) below the county level (Messkoub & Davin, 2000). This circular stipulated that peasants and their relatives who have had jobs, done business, engaged in the service industry, or had a permanent job in township enterprises and institutions, were allowed to settle in town under the

condition of self-care. When this circular made population movements possible, the household registration system in towns shifted from “quota control” to “admittance condition control.”

In 2006, The State Council issued *Suggestions on Resolving the Farmer Workers' Problem*. The requirement for peasant workers to get the permanent residence in cities is relaxed in this regulation. At the end of 2006, 12 provinces has abolished the division of agricultural and non-agricultural *Hukou*,

On January 1, 2008 , Yunan province abolished the dual *Hukou* system of agricultural and non-agricultural, unified into residence *Hukou*. On October 1, 2008 Jiaxing City in Zhejiang Province also abolished the agricultural *Hukou*. In the same year, Hunan Province introduced the Suggestion on Promoting Urbanization, the regulation aims at establishing unified *Hukou* system in Hunan Province and promoting migration of population.

On February 23, 2009, Shanghai Municipal Government issued *Interim Implementation for People Holds “Residence Permit” to Apply Permanent Residence in Shanghai*, people who lived in the city more than five years are granted the permanent *Hukou* in Shanghai. On August 1, 2009, Taiyuan in Shanxi Province introduced the *Regulation of Residential Tenancies for Non-local Hukou Residents*, people who lived in the city more than five years are granted the permanent *Hukou* in Taiyuan.

5.1.3 Changes in the *Hukou* system

Temporary residence certificate. This was important progress in the reform of the *Hukou* system. The rapid growth of population migration during the 1980s (Mallee, 1995) made the problem of temporary residence acute. The 1958 regulation stipulating that temporary residence of more than three days must be reported and that stays of over three months must be approved by the police, soon proved hard to enforce (Mallee, 1995). In July, 1985, after some local experiments such as the introduction of a new set of regulations governing temporary residence for workers without local *Hukou* registration in Wuhan (Solinger, 1985), a similar nationwide system (“The Regulation about the Management of Transient Population in Town” issued by the Ministry of Public Security) introduced procedures for obtaining temporary urban *Hukou* for those who stayed over three months in the city (Messkoub & Davin, 2000). This regulation established the legitimacy of long-term living in a place of non-registered residence.

Citizen identity card. In December 1985, the National People’s Congress Standing Committee issued “Articles of Citizens' Identification Cards of PRC.” The articles stipulate that residents could show their citizen identification cards as identification when they attended transactions involving politics, economics, and social life. Its use also changed the unit of administration of registration from one book per household in cities and towns and one book per village in the countryside to one card per person. This new approach, entailing both individuality and portability, was better suited to the new circumstance of population mobility (Chan & Zhang, 1999).

Changes in the Hukou status conversion policy. The *Hukou* conversion policy also underwent great changes. In the pre-reform era, *Hukou* conversion was core to any formal rural-urban migration and involved many departments at various levels (Mallee, 1995). In the reform period, there have been some measures to merge the *Hukou* “place of registration” with the *Hukou* “status” into one single classification. The policy control has been relaxed by opening a special channel and allowing an increased quota of *Hukou* conversion in this channel (Chan & Zhang, 1999). According to Yuan Congwu, the former Minister of Public Security, in 1993 there were 23 policy provisions for *Hukou* conversion, compared to only nine in the 1950s (Yin & Yu, 1996). Mainly because of the relaxation of the *Hukou* conversion policy, from 1979 to 1995 the non-agricultural *Hukou* population grew at an average of 7.8 million per year, or 3.7%. This was about twice as high as the average rate (2.5 million or 1.9% per year) in the period between 1963 and 1978 (Chan & Zhang, 1999).

5.1.4 The introduction of the new urban *Hukou*

Households with “self-supplied food grain” in towns. With de-collectivization in the early 1980s, the rapidly swelling surplus rural labour force needed to find jobs outside agriculture (Chan & Zhang, 1999). In November 1984, the State Council endorsed a conditional opening of market towns to peasants. Peasants were allowed to get a new type of urban *Hukou* called a “self-supplied food grain” *Hukou* in market towns, provided that they satisfied a number of requirements (MPS, 1984; Mallee,

1995). The main requirements were that these migrants would either be employed or run businesses of their own and find their own places to live. They would also have to make their own food-grain arrangements (Chan & Zhang, 1999). By 1988, the total population in this new category had reached 4 million (Cheng, 1991). This kind of town *Hukou* formally legitimated the right of certain peasants to break their ties to the land and move to urban areas (Zhang, 2004). Yet the holders of this kind of urban *Hukou* were not eligible for state-subsidized welfare. Above all, they could not take this new kind of *Hukou* to urban areas of administrative status higher than that of the town they had just been permitted to move to (MPS, 1991). However, once new opportunities for urban *Hukou* became available in the late 1980s, this particular variant lost its popularity. It appeared that the program was terminated some time in the early 1990s (Zhang, 2004).

The “Blue-Stamp” urban Hukou. Sales of *Hukou* and the “blue-stamp” urban *Hukou* were also introduced to cope with the new situation of migration. In the late 1980s, many locales started some form of a “urban citizenship for sale” practice. In order to rationalize this practice, a new type of *Hukou*, called a “locally-valid” urban *Hukou*, was formally endorsed by the central government (Chan & Zhang, 1999). In August 1992, the Ministry of Public Security issued the “Circular on Implementation of Locally-Valid Urban *Hukou* Registration,” whereby the “locally-valid” urban *Hukou* was extended to the whole state. This was distinguished by a blue stamp, different from the formal urban *Hukou* book that carried a red stamp. The “blue-stamp” urban *Hukou* opened more cities and towns, including large cities (Chan

& Zhang, 1999). Different from the “*temporary resident permit*,” which can be issued to anyone who has a legitimate job or business in the city, the blue-stamp *Hukou* was issued to investors, buyers of property, and professionals (Liu, 2005). The holders of a blue-stamp *Hukou* were usually required to pay a one-time entry fee, namely, the urban infrastructural construction fee, which varied from a few thousand yuan in small cities and towns to 50,000 yuan in more attractive cities. This blue card functioned more like the regular *Hukou*; its holders enjoyed most of the community-based benefits and rights (Liu, 2005). The introduction of the “blue-stamp” *Hukou* was a major step in legalizing the commodification of *Hukou*. It represented a new direction in the management of rural-to-urban migration by the central government (Zhang, 2004).

Since 1997 and especially since 2001, there have been so-called “deep reforms” of the *Hukou* system. Various schemes such as the locally-defined “entry conditions” for permanent migration, nicknamed “local *Hukou* in exchange for talents/skills and investment,” have significantly increased the mobility of selected groups of people (People’s Daily, 2001). Now, anyone who has a stable non-agricultural income and a permanent residence in a small city or town for at least two years will automatically qualify for an urban *Hukou* and become a permanent local resident (China Civil Affairs, 2001). Some medium and even large cities are also authorized to do the same, with a higher and more specific income, employment, and residence requirement (People’s Daily, 2001).

From the mid-1990s, journalists have been interpreting official statements on

“reforms” of the *Hukou* system as presaging an end to the system as we know it. For example, as early as February 1994, Hong Kong’s South China Morning Post published an article entitled, “Registration system set to be abolished,” reporting a Chinese proposal to drop the classification of agricultural and non-agricultural populations (1994, Feb., p. 7). Many other pieces carrying similar messages were published in the Hong Kong and Western press between 1994 and early 2005, with headlines proclaiming a new era of freedom for peasants and the collapse of city walls (Chan, 2008). In these media reports, the *Hukou* system no longer seemed to be functional. But these descriptions stand in stark contrast to the analysis provided by scholars working on this topic. Feiling Wang’s analysis of the *Hukou* system concludes that “this omnipresent and powerful, albeit adapted and adjusted, system is alive and well” (Wang, 2004). Are the news reports careless readings of China by inexperienced observers? Despite the scholarly naysayers, does the reform of *Hukou* system eliminate the inequalities between rural and urban *Hukou* holders? These questions have prompted me to look into the topic of the impact of the *Hukou* system in the reform era more carefully. The next two sections elaborate the inequality under the *Hukou* system from the aspects of resource allocation and the *Hukou* status conversion process.

5.2 *Hukou* status and resource allocation in the reform era

After almost 20 years reform of the *Hukou* system, does the unequal resource allocation between different *Hukou* statuses still persist? To answer this question, data

from China General Social Survey 2003 is applied in the following study. The survey was conducted in 28 cities from all regions of the country (except Xinjiang, Tibet, and Qinghai), yielding a national probability sample of 5,894 adults. The dependent variables that were chosen for measuring the resource allocation are: monthly income, management level, provision of basic medical care, basic old-age insurance, unemployment insurance, and housing and housing benefit. The independent variable is different *Hukou* types: urban *Hukou* and non-urban *Hukou* status.

Monthly income was recoded into 4 levels; 1=below 1499RMB, 2=1500 to 2499RMB, 3=2500 to 3499RMB, and 4=above 3500RMB. The variable of management has four values: non-managers, low-level managers, middle-level managers and senior managers. The rest of the variables all have two values of yes and no.

Table 5.2 presents the economic condition of floating population and the comparison with those who have the urban *Hukou* status.

Table 5.2 Monthly Income By *Hukou* Type

Monthly Income	HUKOU TYPE			
	Non-Urban <i>Hukou</i>		Urban <i>Hukou</i>	
	n	%	n	%
Below 1500RMB	311	86.9%	4295	86.9%
1500-2499RMB	25	7.0%	454	9.2%
2500-3499RMB	9	2.5%	109	2.2%
Above 3500RMB	13	3.6%	83	1.7%
Total	358	100%	4941	100%

Table 5.2 reveals that residents who have non-urban *Hukou* status have higher monthly incomes than those who have urban *Hukou* status. With 3.6% of non-urban *Hukou* residents having more than 2,500 yuan monthly income, the urban *Hukou* holders' percentage is 1.7%. For residents who have non-urban *Hukou* status, the average monthly income is 921 yuan, the median is 600 yuan, and the standard deviation is 0.083; for those who have urban *Hukou* status, the average monthly income is 705 yuan, the median is 500 yuan, and the standard deviation is 0.035. This result shows that monthly income levels of non-urban *Hukou* residents is a little higher than that of urban *Hukou* residents, but also more diverse. This result can be explained by the fact that most urban *Hukou* holders usually work in state-owned units that provide a low salary but high welfare, while those who have non-urban *Hukou* status are more likely self-employed or work in private enterprise or foreign business providing a higher salary but less welfare.

To test the foregoing explanation and to further explore resource allocation based on different *Hukou* type in the reform era, it is necessary to examine the relationship between *Hukou* type and welfare. Tables 5.3 to 5.6 separately show the cross tabulation of *Hukou* type and provision of basic medical care, basic old-age insurance, unemployment insurance, and housing or housing benefit. Urban *Hukou* status holders have an advantage because they enjoy all kinds of welfare: only 18.9% of non-urban *Hukou* holders enjoy basic medical care, while on the other hand, 58.7% of urban *Hukou* holders enjoy this welfare; 20.9% of non-urban *Hukou* holders enjoy basic

old-age insurance, but the percentage is 67.8% for the urban *Hukou* holders; the percentages are respectively 8.4% and 32.5% for non-urban *Hukou* and urban *Hukou* holders who have unemployment insurance; for the provision of housing or housing benefit, 13.4% of urban *Hukou* holders and only 41.1% of non-urban *Hukou* holders enjoy this welfare.

Table 5.3 Provision of Basic Medical Care By Hukou Type

Provision of Basic Medical Care	<i>HUKOU TYPE</i>			
	Urban <i>Hukou</i>		Non-Urban <i>Hukou</i>	
	n	%	n	%
No	1765	41.3%	129	81.1%
Yes	2506	58.7%	30	18.9%
Total	4271	100%	159	100%

Missing: 1, 464

Table 5.4 Provision of Basic Old-Age Insurance By Hukou Type

Provision of Basic Old-Age Insurance	<i>HUKOU TYPE</i>			
	Urban <i>Hukou</i>		Non-Urban <i>Hukou</i>	
	n	%	n	%
No	1380	32.2%	125	79.1%
Yes	2901	67.8%	33	20.9%
Total	4281	100%	158	100%

Missing: 1,455

Table 5.5 Provision of Unemployment Insurance By *Hukou* Type

Provision of Unemployment Insurance	<i>HUKOU</i> TYPE			
	Urban <i>Hukou</i>		Non-Urban <i>Hukou</i>	
	n	%	n	%
No	2680	67.5%	141	91.6%
Yes	1288	32.5%	13	8.4%
Total	3968	100%	154	100%

Missing: 1,772

Table 5.6 Provision of Housing or Housing Benefit By *Hukou* Type

Provision of Housing or Housing Benefit	<i>HUKOU</i> TYPE			
	Urban <i>Hukou</i>		Non-Urban <i>Hukou</i>	
	n	%	n	%
No	2550	58.9%	142	86.6%
Yes	1778	41.1%	22	13.4%
Total	4328	100%	164	100%

Missing: 1,402

Table 5.7 presents the cross tabulation of *Hukou* type and management level. The results show that 2.5% of non-urban *Hukou* holders work at middle or high management level, while 9.5% of urban *Hukou* holders work at middle or high management level. It is thus clear that differences of *Hukou* status exist at the management level, since the one who has urban *Hukou* status is more likely to be promoted.

Table 5.7 Management Level By *Hukou* Type

Management Level	<i>HUKOU</i> TYPE			
	Urban <i>Hukou</i>		Non-Urban <i>Hukou</i>	
	N	%	n	%
Non-Managers	1888	69.7%	129	81.6%
Low-Level Managers	562	20.8%	25	15.8%
Middle-Level Managers	203	7.5%	4	2.5%
Senior Managers	54	2.0%	0	.0%
Total	2707	100%	158	100%

Missing: 3,029

Without obtaining urban *Hukou*, migrants still don't have access to subsidized benefits and must rely entirely on themselves for housing and other necessities. They are also excluded from the more prestigious and desirable jobs at the management level. At the general level, this *Hukou* reform initiative does little, if anything, to break down China's significant rural-urban divide, and the walls between rural and urban social space remain powerful. In the past, the rural-urban divide was defined with reference to the "agricultural" and "nonagricultural" *Hukou* determined by the state (controlled by the central government). At present, the divide remains: it is based on differentiating between the "locals" and the "outsiders" (migrants from the countryside) (Chan, 2008). The findings indicate that with the rapid, but segmented and uneven economic growth, the rural-urban *Hukou* status divisions and horizontal socioeconomic stratification are likely to persevere.

5.3 *Hukou* status conversion in the reform era

Although governmental policies had encouraged urban residents to move formally to rural areas, there was essentially no voluntary mobility in that direction given the huge advantage associated with urban *Hukou* status. *Hukou* status conversion, therefore, was mainly from rural status to urban status, which was highly limited by governmental regulation (Wu, 2004). Since the *Hukou* status conversion was almost unidirectional, conversion from rural to urban is examined in this section by applying survey data from 2003.

5.3.1 Hypotheses

According to chapter 4, the regular channels of *Hukou* status conversion from rural to urban were enrolment in institutes of higher education, recruitment by state-owned enterprises and promotion to administrative posts, and the special channels were transfers from temporary to regular positions and military demobilization. Here are the main factors that I think govern the conversion of *Hukou* status.

The first is education. According to *Hukou* regulations, students are granted urban *Hukou* status upon admission to specialized secondary or tertiary school (State Council, 1986[1958]). Access to urban primary and specialized secondary and tertiary schools is open to all citizens on the basis of merit (usually assessed by examination scores). Thus, junior high school graduates with a rural *Hukou* have two strategies for gaining an urban *Hukou* via higher education. The first is to gain admission to a specialized secondary school, which confers urban *Hukou* status immediately upon admission. The second is to gain admission to senior high school and then to try to get

admitted to a tertiary school. Tertiary education confers both urban *Hukou* status and non-manual jobs (Wu, 2004). Thus, I expect, other things being equal, that people with higher levels of education are more likely to change *Hukou* status than are those with lower levels of education.

Two other ways of changing *Hukou* status are recruitment by state-owned enterprises and promotion to administrative posts. This shows the importance of employment status on *Hukou* status conversion. The urban *Hukou* is almost guaranteed after gaining a full-time job in a city. A new type of urban *Hukou* in the reform era, the temporary resident permit, can be issued to anyone who has a legitimate job or business in the city. Based on this regulation, I expect that people who find a full-time job are more likely to change *Hukou* status.

With the reform of the *Hukou* system since the 1980s, sales of urban *Hukou* and the “blue-stamp” urban *Hukou* have also been introduced. Paying a one-time entry fee (namely, the urban infrastructural construction fee), one can get the “blue-stamp” urban *Hukou*. The urban *Hukou* is closely related to economic status in the reform era. Thus, I expect people with higher monthly incomes are more likely to change *Hukou* status than those with lower monthly incomes.

Joining the Chinese Communist Party is also an important way to change *Hukou* status. Although CCP membership does not guarantee an urban *Hukou* status, political loyalty manifested in this way is thought to improve upward career mobility and eventually the odds of gaining an urban *Hukou*. For example, rural CCP members may be able to serve as rural “cadres.” Some of these “peasant cadres” are promoted

to leadership positions at the township level, making them part of the state bureaucratic system and hence eligible to change to urban *Hukou* status (Wu, 2004). This career path suggests that CCP members are more likely to change *Hukou* status than are non-CCP members.

In examination of the potential to obtain urban *Hukou* status, gender inequality must be considered. Rural women are particularly disadvantaged in acquiring educational and political credentials. They are less likely to enjoy the sponsorship of their families because sons generally have priority when a family uses social connections for its children's future (Lin 2000, p. 291). Hence, I expect that men are more likely to change *Hukou* status than are women.

Children inherit *Hukou* status from their families. Parents' *Hukou* type largely influences children's *Hukou* type and *Hukou* status conversion. Urban connections in a mixed *Hukou* family (typically an urban father and a rural mother) may facilitate *Hukou* mobility. Because children's *Hukou* status generally follows that of their mothers (State Council 1986 [1958]), urban-status fathers in mixed *Hukou* families cannot easily transfer their occupational achievement in the urban sector to their children. However, the sharp contrast between rural and urban *Hukou* is especially salient within such families, which may provide not only additional motivation for children to change their lives, but also access to urban resources that offer information on how to take advantage of educational and employment possibilities. I expect that people whose father have urban *Hukou* status are more likely to change *Hukou* status.

The *dingti* policy of the 1980s allowed one child to take over the parent's job when

the parent retired; thus, children who were born to rural mothers and urban fathers could change their *Hukou* status from rural to urban if they took over their fathers' jobs (Bian, 1994, p. 55; Walder, 1986, p. 67). Hence, all else being equal, people whose fathers had a full-time job in a city are more likely to have changed *Hukou* status than are people whose fathers were not employed in state work units.

5.3.2 Data and variables

The data employed in this analysis are from the China General Social Survey 2003, a national probability sample of 5,894 adults from all regions of China (except Xinjiang, Tibet, and Qinghai). The survey questionnaire contains information on mobility and characteristics of family members. Information on whether the respondents have experienced *Hukou* status conversion, a respondent's *Hukou* status, education, occupation, income, political affiliation, and similar information about the respondent's father are exploited in the following analysis.

To examine the factors that influence the conversion of *Hukou* status from rural to urban, it is necessary to restrict the analysis to those who have rural *Hukou* origin. People whose original *Hukou* status was rural, those who have rural *Hukou* status in the survey year (2003), and those who have experienced *Hukou* status conversion from rural to urban were selected. The following analysis employs 2,112 cases.

The dependent variable is whether *Hukou* status conversion from rural to urban was experienced. The variable coded as 1=Yes, 0=No. Seven independent variables pertinent to these hypotheses are included: education level, employment status, monthly income, party membership, gender, father's *Hukou* type, and father's

employment status.

Education level appears to be a major factor affecting the odds of changing *Hukou* status from rural to urban. To distinguish the educational levels leading automatically to urban *Hukou*, I recoded education into three levels: junior high school or lower, senior high school, and specialized secondary school or higher.

To distinguish the impact of employment on the *Hukou* status conversion, the respondent's employment status is recoded into three levels: jobless or farming, part-time employment, and full-time employment.

Monthly income is recoded into 4 levels: 1=below 1499RMB, 2=1500 to 2499RMB, 3=2500 to 3499RMB, and 4=above 3500RMB.

Party membership was coded as a dichotomy; party members=1, nonmember=0. Of the 5,778 respondents who answered the question, "Are you a party member?" 1,077 were party members, accounting for 18.6%. Gender was coded male=1 and female=0. The father's *Hukou* type was recoded as a dichotomy: urban *Hukou*=1, rural *Hukou*=0.

Father's employment status was also recoded into four levels: retired, jobless or farming, part-time employment, and full-time employment.

5.3.3 Gaining urban *Hukou* status: a logistic regression analysis

Table 5.8 presents the coefficients for two binary logistic regression models of *Hukou* status conversion from rural to urban. Model 1 estimates the odds of variables that are thought to affect the odds of converting *Hukou* from rural to urban directly.

Model 2 adds the variables that are thought to affect the odds of *Hukou* mobility indirectly: gender and family background. Most of the results from both Model 1 and Model 2 are consistent with my hypotheses; each independent variable has a significant effect on the *Hukou* status conversion except the variable of gender.

Table 5.8 Coefficients for Binary Logistic Regression Models of *Hukou* Status Conversion from Rural to Urban

Independent Variables	Model 1		Model 2	
	B	S.E.	B	S.E.
Constant	-1.744 ***	.401	-2.923 ***	.650
Education Level	.718 ***	.118	.814 ***	.149
Employment status	.875 ***	.131	1.202 ***	.209
Monthly Income	-.438 ***	.124	-.419 *	.164
Party membership	1.218 ***	.322	1.634 ***	.436
Sex	.055	.167	-.265	.231
Father's <i>Hukou</i> type			2.384 ***	.284
Father's employment status			-.209	.125
X^2	176.506 ***		249.336 ***	
-2Log likelihood	964.893		525.859	
N (total: 2101)	1167		762	
R^2	.225		.437	

Note: *** p<.001 ** p<.01 * p<.05

First, as expected, given regulations that normally grant urban *Hukou* status upon enrollment in specialized schools or tertiary institutions, the effects of education level

are strong and positive ($P < .001$). With one unit of change of education level, the odds of converting *Hukou* status from rural to urban increase .718 times in Model 1, and .814 times in Model 2. The talented people (or those privileged to gain more education) have more chance to convert rural *Hukou* status to urban. Education, which is well known to be both an engine of social mobility and a mechanism of social reproduction (Treiman & Yip, 1989), also facilitates *Hukou* status conversion from rural to urban.

As expected, employment status has significant ($P < .001$) and positive effects on *Hukou* status conversion from rural to urban. Controlling all other independent variables as the employment status varies from jobless or farming to part-time job then to full-time job, the odds of converting *Hukou* status increase .875 times in Model 1 and 1.202 times in Model 2.

Monthly income also has significant effects on *Hukou* status conversion. ($P < 0.001$ in Model 1, $P < .05$ in Model 2). Different from my hypothesis, with the one level increase of monthly income, the odds of experiencing *Hukou* conversion from rural to urban decreases .438 times in Model 1 and .419 times in Model 2. This result corresponded to the results in Table 5.2, which indicate that urban *Hukou* holders do not have the advantage in monthly income. Another possible reason for this result is that the number of high-income people is too small and so they have limited contribution to the model.

Party membership sharply increases the odds of converting *Hukou* status from rural to urban. The odds of gaining urban *Hukou* status increase 1.206 times if a person has

party membership. In Model 2, with party membership, the odds of converting *Hukou* status from rural to urban increase 1.399 times. The result is consistent with Wu's (2004) findings, which show that education and membership in the Chinese Communist Party are the main determinants of transforming one's *Hukou* status from rural to urban.

Contrary to my expectation, gender shows no significant relationship. The first column shows a positive sign and the second column shows a negative sign. They are both insignificant. This result indicates the gender variable does not have much effect on the odds of converting *Hukou* status. Gender difference in this aspect is not significant.

Consistent with my expectation, a father's *Hukou* type and employment status have significant ($P < .001$) and positive effects on the dependent variable. This indicates that as an "ascribed" attribute, gaining an urban *Hukou* is largely influenced by family background.

It is true that restrictions for permanent migration have been reduced, but they are relevant only for the rich, the educated, and family members of existing urban residents. The strictly controlled *Hukou* status conversion from rural to urban has been replaced by the locally defined but nationally enforced "entry conditions" or "requirements" (Chan, 2008). Property ownership and education/skill levels will serve as an effective and more efficient economic tool to regulate China's internal migration based on the *Hukou* system than the old administratively maintained migration quotas.

Due to the selective relaxation of internal-migration controls that has been the

favorite reform measure in major urban centres, we may actually see an even higher concentration of capital and talent or educated labour in the few major urban centres like Beijing and Shanghai, creating even more internal brain drain and capital drain on the rest of the country. Increasingly, the reform appears to be replacing the “urban-rural *Hukou* duality” with one of a “rich-poor *Hukou* divide” (Wang, 2005b) and “haves vs. have-nots divide.”

CHAPTER 6

CONCLUSION

The primary concern of this thesis has been to examine how the *Hukou* system has contributed to inequalities in individuals' life chances and whether these inequalities continue today.

To answer these questions, I attempted to clarify the creation, basic operation and reform of *Hukou* system. Specifically, I have examined resource allocation based on different *Hukou* status and *Hukou* status mobility before and in the reform era.

Qualitative data based on regulations and policy documents was applied to examine how the resource was allocated differently between different *Hukou* holders and how the *Hukou* status conversion process was strictly controlled in the pre-reform era.

Quantitative data from the China General Social Survey 2003 was applied to analyze the correlation between *Hukou* type and resource allocation and to measure what factors influence *Hukou* status conversion from rural to urban in the reform era.

In the pre-reform era, the urban residents were advantaged in employment, basic food, income, housing, right for urban residence, and social security. The state took responsibility for taking care the urban citizens' life in these aspects. But rural residents were almost self-sufficient in these aspects. The *Hukou* status conversion process from rural to urban was strictly controlled by the dual mechanism of 'policy' and 'quota', and the regular channels for *Hukou* status conversion are recruitment by state-owned enterprises, enrolment in institutes of higher education and promotion to

administrative posts. Applying the data from CGSS 2003, the urban *Hukou* holders proved to enjoy welfare advantages of basic medical care, basic old-age insurance, unemployment insurance and housing and housing benefit in reform era. The respondents' education level, employment status, party membership, father's *Hukou* type and father's employment status all have positive and significant effects on the odds of *Hukou* status conversion from rural to urban.

The findings clearly indicate that the impact of *Hukou* system on inequality remain with respect to resource allocation and *Hukou* status conversion. After 20 years' reform, the inequalities still exist.

In the pre-reform era, the *Hukou* system differentiated resources for the entire population on the basis of position within a clearly defined spatial hierarchy. (Cheng, 1994) At present, the divide remains one based on differentiating between the "locals" and the "outsiders" (migrants from the countryside) (Chan, 2008) inside the cities. The strictly controlled "quota" and "policy" for *Hukou* status conversion from rural to urban was replaced by the locally defined but nationally enforced "entry conditions" or "requirements". (Wang, 2005b) The relaxation of *Hukou*-based migration control is likely to continue to be controlled on a localized basis. The rich and the talented people may now overcome the *Hukou*-based exclusion with ease, as "the urban-rural *Hukou* duality" is gradually replaced by the "rich-poor divide" and "haves--have-nots divide".

With its deep roots and many rationalizations, the PRC version of *Hukou* system is alive and well. The consequences of the *Hukou* system will continue to constitute the

peculiarities of Chinese institutions and the Chinese way of life. It will still take a long period of time to eliminate the inequality under *Hukou* system. Further development of the Chinese political economy may reduce the intensity and the extent of the *Hukou*-based inequality in individual's lives. To make the PRC *Hukou* system transform from the administrative social control and institutional exclusion to merely a system of simple residential registration and identification, we should continue to deepen reform of *Hukou* system.

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