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Hukou Reform and Social Inequality in China

Introduction

The significance of the Hukou system in Chinese society lies in the central role it has played in forming the socio-economic structure in the light of national development in the past decades. By mobilising social resources and restricting the access of the rural population to urban areas and urban social resources, the Hukou system is not only a result of the rural-urban spatial division, but it also shaped the socio-economic division between rural and urban areas. With the process of urbanisation and the attempt of the Chinese state to mitigate the rural-urban division, the hukou reform becomes the focal point of this discussion.

The existing literature (e.g. Chan, 2010) shows that the recent hukou reform has not fundamentally changed the Hukou system. Although, due to the process of urbanisation, urban hukou is now granted to rural inhabitants residing adjacent to the urban areas, the discrimination against them has not been eradicated. Furthermore, since the Hukou system is the core factor of the rural-urban division, the unchanged Hukou system means that the unequal dualistic structure has been barely altered. As Chan and Buckingham (2008) suggested, the Hukou system can only be abolished provided that the relationship between of rural and urban areas is fundamentally changed.

This paper argues that whether the Hukou system is abolished or not, it is not a fundamental factor in the changing relationship between the rural and urban areas. Further to this argument, this paper unveils the evolution of the rural-urban dualistic structure towards a more dynamic,

flexible, multi-dimensional social stratification in contemporary Chinese society by analysing the changing redistribution and consumption relationship between rural and urban areas, the forms of urban discrimination towards rural migrants, and the generation of resettled rural farmers in the state-led urbanisation process.

The paper is divided into four sections. The first section provides a brief review of the development of the Hukou system. The second section examines the economic gains obtained by rural migrants in the urban context and the economic losses of the urban disadvantaged groups, and to what extent these gains and losses can change their social positions and relations. By examining the dysfunction of the Hukou system in allocating social resources in the first place, the paper discusses to what extent hukou status and money are exchangeable in accessing social resources in contemporary Chinese society. The third section analyses the struggle and strategies of rural migrants in their interaction with other urban groups and the urban context in terms of different forms of discrimination and privileges. Finally, the fourth section introduces the new multi-dimensional social stratification structure, in which the new social positions and halfway urban membership are not directly tied to the hukou status of an individual any more.

A review of the history of the Hukou system

The Hukou system was promulgated in 1958 to support grain rationing, which was to facilitate urban industrialisation by securing that enough grain was produced in rural China (Chan & Zhang, 1999). In the 1950s, with the implementation of the First Five-Year Plan, major and coastal cities became the priority in industrial development and access to these places was limited for the unproductive rural labourers. Rural labourers tended to move to where development was fast and the opportunities were ampler to gain supplemental non-agricultural income along with their agricultural production. Tension was generated between the pursuit of the rural labourers of higher income and better welfare in the cities, and the avoidance of the state regarding the dispersion of capital and the high costs of industrialisation caused by rural peasants (Cheng & Selden, 1994). After the failure of persuasive measures in keeping the rural inflows outside the city, the state restricted channels for rural labour intake

from a spontaneous to an organised and demand-based approach. According to Cheng & Selden (1994), the follow-up regulations even maintained regulations on “intra-rural and intra-urban” movements. In the 1960s, the famine caused by the Great Leap Forward intensified the struggle in supplying grains for the urban population by the state, which caused a stricter Hukou system and more urban residents were sent to the countryside. Through the 1960s and until the late 1970s, migration continued to be limited due to the strict control of the state (Mallee, 2003). These measures intensively distinguished urban areas from rural areas and made urban livelihoods (employment, healthcare, education, housing and retirement) the responsibility of the state while rural areas were to endure on their own.

The document passed by the state council in 1998 (关于解决当前户口管理工作中几个突出问题的意见) loosened the Hukou system to some extent. Until 2007, it was reported (Xinhua, 2007) that 12 provinces abandoned the distinction between agricultural hukou and non-agricultural hukou, and more provinces followed up afterwards. At the recent Third Plenum of the 18th Party Congress in China, the national press (Xinhua, 2013) reported that the Hukou system will keep restricting the rural population from entering cities like Beijing and Shanghai, while opening medium and small cities/ towns for the rural population to settle in.

The exchangeable relationship of urban hukou status and financial materials

The distinction between urban and rural hukou status is often related to urban and rural citizenship. In the discussion of citizenship, Marshall (1950) identified three elements: civil, political and social citizenship. Following Marshall's (1950) categorising on citizenship, Holston and Appadurai (1999) pointed out the possibility of separating urban citizenship into substantive social benefits and urban membership, in which substantive social benefits represent social citizenship and urban membership includes civil and political citizenship. Zhang (2002) applied this framework to the Chinese context and noted that certain social resources could no longer be fully accessed by holding an urban hukou in the context of the market economy in contemporary Chinese society, such as jobs, healthcare and education.

To analyse the exchangeable relationship of urban hukou status and money in accessing social services, this section raises the question of how hukou still affects migrants now and to what extent that which can be accessed by an urban hukou status can also be accessed by economic capital. This section examines the changing economic relations of the rural migrants and the urban newly poor in the urban context through examining the dysfunction of the Hukou system in allocating social resources and the exchangeable relationship of urban hukou status and money in accessing social resources. It focuses on the migrant group as they have experience in living in a place that is different from where their hukou is originally registered. Compared to urban and rural residents who live where their hukou is registered, they are more likely to be denied access to social resources connected to one's hukou status. Therefore, the exchangeable relationship of hukou and money affects them the most. Because of the various social-economic positions held by this group, this section divides migrants into three categories: those who have gained wealth and urban hukou; those who have gained wealth but no urban hukou; and those who have neither wealth nor urban hukou. To apply this categorised structure to the majority of migrants, "wealthy migrants" in this paper are defined as migrants who have enough economic capital to afford a lifestyle that is roughly equivalent to that of the average urban resident.

The few rural migrants who have gained wealth and urban hukou in the city, in theory, may be regarded as urban residents since they have had the same access to goods as those with urban hukou status, which also means that they can buy what can be bought in the market. Nevertheless, the perceptions of urban residents about rural migrants do not change as easily as statuses on paper. The discriminative perceptions of urban residents about rural migrants have been gradually shaped throughout the years, being in the result deeply rooted in the minds of the people. This paper will discuss the discrimination of and the interaction between rural migrants and urban dwellers in more detail in the next section.

The rural migrants who have gained wealth but have no urban hukou are eligible to pay for healthcare services, however, certain social services such as education, are still out of their reach. As concluded by Goodburn (2009), apart from the higher schooling fees, which this category of migrants may possibly afford, there are still other problems in the education of migrant children. If the migrant children apply for state-run schools,

the lack of urban hukou status means that migrants would be required to present a range of documents, including working and residence permits, health certificates, social insurance certificates and many more, which most of the parents are not able to provide. If the migrants enter migrant-run schools to avoid presenting the documents, their children face poor facilities and poor education quality, not to mention the risk of the forced closure of these unlicensed schools by the state.

The majority of rural migrants who have neither wealth nor urban hukou barely have access to both healthcare and education in the city. Unlike the first category, they cannot access healthcare through the urban hukou package and unlike the second category, they cannot afford the healthcare by themselves. As a result, they have to return to their hometown if they fall ill. When it comes to education, they have no access to free education in the city due to the lack of urban hukou; most of them cannot afford the higher fees charged for rural hukou holders. As a result, their only choices are to send their children to migrant-run schools, to leave their children in the village or to ask their children to work with them (Zhang, 2002: 318).

Not only can money replace some functions of the former institutional barrier, it can also give rural migrants a better social status. On the other hand, it is the reduced state-subsidies and less privileged social status received by the urban poor. In the discussion of the struggle and strategies of the urban laid-off workers, Zhang (2002) concluded that although laid-off workers maintain urban membership by holding an urban hukou, the substantive social benefits they received were eliminated along with their separation with the work unit. Even worse, they are uncompetitive in the market economy where ability and purchasing power are valued instead of the urban hukou status. Along with the reduced state-subsidises is the reduced privileged experience the urban laid-off workers experience compared to the pre-reform era. In the pre-reform era, urban workers were a crucial part in the industrialization and five-year plans where the Marxist class system and moral authority of being an urban worker were also promoted by the state; consequently, urban workers gained privileged status. Privileged status in the Maoist era meant access to employment security, state-subsidized benefits and moral authority. Nevertheless, in the post-reform era, laid-off workers are no longer the central part of economic production, while neither the class system nor the work-unit system is applied to the market economy. Thus, being laid-off from production,

urban workers lost both their work-unit distributed benefits and their moral status. In fieldwork, Zhang (2002) recorded the feeling of shame experienced by laid-off workers who worked for affluent migrant entrepreneurs (for example as a nanny) to gain more income.

Discrimination and the sense of privilege in the urban context

The previous sections examined the separation of two main functions of the Hukou system, urban membership and substantive social benefits, as well the exchangeable relationship between urban hukou status and money in accessing social resources. This section extends the above discussion to the experience of discrimination and privilege, starting from the politics of “suzhi” (loosely translated as quality), which is a political discourse describing the amount of human capital possessed by individuals. This section examines the battle between rural migrants in pursuit of reducing the distance with the high suzhi urban dwellers and the attempts of urban groups to keep their distance from the catching-up rural groups.

Since the 1980s, with the development of non-state enterprises and their demand of reducing the cost of labour, hukou regulation implementations have been relaxed to allow the inflow of rural labourers into cities. Since then, a new political discourse has been put forward by the state as the logic of development, suzhi. Suzhi represents the social and cultural aspects of human capital that individuals possess; for example, the way people dress, behave and communicate. Furthermore, it is also a way of socially positioning oneself in the political and social hierarchy, such that people with high suzhi are more likely to obtain more political and economic capital (Anagnost, 2004; Kipnis, 2006). Yan (2008) explores the relation of suzhi with the process of the modernization of Chinese society and its strategic function in driving rural-urban migration. She also examines state education projects in urban and rural China that aim to improve the suzhi of rural populations and suggested that these projects lead to the assumption that only people who come from rural areas need to improve their suzhi (Yan, 2008).

Another source of discriminative perception is from the sense of belonging. Dong Jie et al. (1990) argue that urban residents regard rural migrants who work in the city as not belonging to the urban area mainly

because the formal transformation of their hukou status from rural to urban was still tightly restricted. Zhang (2002) points out that the lack of a sense of belonging extends to the assumption by urban residents that rural migrants are more likely to be involved in criminal activities. Other reasons for urban dwellers feeling that migrants do not belong include officials blaming migrants as a convenient cover for social problems, and the reports by media on rural migrants as “uncultured money grabbers” (Zhang, 2002; Guang, 2003: 624).

In the pursuit of rural migrants to reduce the distance between themselves and the ideals of “modernization”, migrants often try to show they have fashionable tastes through dress codes. Guang (2003) uses the example of young migrant women attempting to catch up in fashion trends with Shanghai women, by wearing fashionable sandals. However, from the perspective of urban people, the cheap sandals were another sign of rural origin and money-oriented migrants; furthermore, it did not meet the expectations of urban dwellers about the character of women. In this case, with the intention of becoming involved in city life, migrant women were pushed even further away from it.

The fashion, tastes, accents, behaviours, dress codes and possessions of rural migrants are all linked to the discourse of “low sushi”, which relates to their rural origin. Migrant women, from the combination of rural groups and female groups, suffer from overlapping discrimination. This puts them in the most disadvantaged and discriminated position in the social stratification, even worse than rural male migrants or urban male and female laid-off workers. Ngai (1999) highlights the specific forms of discrimination experienced by rural women from male supervisors. They are blamed for being stupid, dirty and rural and are castigated for not being appropriately “womanly” and “submissive”. From another point of view, discrimination towards migrant women also comes from the collision of the values represented by rural migrants in the urban context. Guang (2003) observes that values promoted in urban areas include leisure, material consumption, order, urban life and fashion-consciousness; whereas the values for rural migrants are working hard and earning money. The spatial separation between rural and urban areas not only causes unequal economic development, but also the consequent unbalanced development of social values.

Adding to the failure of rural migrants in pursuing integration into the urban space is the development of their own community in urban

areas. One form of occupying urban space is building migrant enclaves, among which the most well known was Zhejiangcun. Located in the south suburban Beijing, it was initially constructed by migrant entrepreneurs from Wenzhou, Zhejiang. According to Zhang's (2002) record, the population in Zhejiangcun tripled the local population by the mid-1990s. Despite the following construction of a community and the development of the housing compounds, Zhejiangcun was demolished in 1995. Zhang (2002) attributed the demolition of Zhejiangcun to the absence of rights for rural migrants in possessing urban space, led by the lack of formal urban status.

One form of discrimination in the urban group is generated from the anxiety of the newly poor urban residents (Guang 2003). Although most rural migrants are still poor, the wealth accumulation of certain rural migrant groups is equal to or even larger than that of certain urban groups; as a result, some urban residents see this as a threat to their privileged social status. According to Guang (2003), by emphasizing cultural differences, the urban group on one hand is able to preserve their superior privilege; on the other hand, they can address the newly gained wealth of migrants as dysfunctional since their money cannot buy them culture. This may echo the evolution of social classes that has taken place in other countries, who have also started moving away from focusing solely on the relations of production or even income towards cultural factors (Skeggs, 2004; Savage et al., 2013).

Another form of discrimination from the urban group is in housing selection and renting. In the urban area, "new gated housing developments" illustrate the clustering effect in housing location selection correspondent to the position of individuals in the social hierarchy (Anagnost, 2008). The *suzhi* of the neighbourhood is the most important factor after environment and price in the benchmarks urban populations use to select housing (Anagnost, 2008). Urban buyers require their future neighbourhoods to have a similar level of intellectual and economic capital when compared to themselves. The free housing selection leads to a residential clustering effect. People in the same social strata are more likely to live in the same building or community. In suburban areas, there are also conflicts between local villagers and rural migrant workers. Suburban areas are popular places for rural migrants to rent, due to their locations being adjacent to urban areas and the relatively lower rents. Nevertheless, the local villagers, including the local residents and the resettled rural

farmers, often build up fences or walls to segregate the living space with their tenants, which is partially attributed to good practical reasons; in other cases, it is because rural migrants are perceived as less civilised by local villagers (Xu et al, 2011).

The new flexible social stratification system

The previous sections discussed the changing economic positions of the rural migrant group and the urban newly poor, as well as their struggle in keeping their distance from other social groups. This section analyses the new social positions generated correspondent to the changing economic and social positions of these groups, and presents the evolution of social stratification from the rural-urban dualistic structure to a more dynamic, flexible, multi-dimensional social structure.

The separation of the substantive social benefits from the urban membership of the hukou status contributes to the generation of new social positions. With the generation of these social positions, the new social stratification system is more flexible and boundary-blurred. The rural-urban dualistic division is not a rigid boundary anymore regarding social resource redistribution and the use of urban space, although the Hukou system has not been abolished. This multi-dimensional social stratification system mitigates the absolute exclusion for certain social groups in accessing social resources and pursuing a privileged position in a transforming society. The flexible social stratification allows individuals to acquire halfway membership in a social group. On one hand, it enables rural migrants to become involved in urban space and obtain economic gains by participating in production processes. Nevertheless, they cannot fully integrate into urban life. Instead, they struggle with urban discriminations and the preserved urban privilege, which is partially from their inferior social image, shaped by the use of “suzhi” and its social practices, and partially from the discriminations from certain urban groups in an attempt at keeping distant from inferior social groups. On the other hand, it allows the urban newly poor who still have an urban membership to retain the sense that they are still in an advantaged social position, although they are not participating in major economic activities and are receiving much lower state-subsidized benefits as well. It allows people to feel hope for full access to urban membership; at the same time, it causes

frustrations when rural migrants realize their legalized temporary status and urban laid-off workers realize that they are incapable of changing their difficult situations.

Conclusions

In conclusion, conventional wisdom perceives the Hukou system as one of the decisive factors in shaping the rural-urban relationship in China. This paper argues that the division between rural and urban areas in China is not kept by the Hukou system. With the loosening of the hukou since the 1980s, more and more rural migrants have come to urban areas. The functions of the Hukou system started to reduce due to the fact that products and services that were exclusively distributed by the Hukou system in the planned economy could also be attained through financial resources in the market economy. The ability of rural migrants to gain financial materials in the urban market and the commoditisation of the public services started to blur the boundary between rural and urban hukou, and the social status of some rural migrants began to surpass their urban counterparts. Nevertheless, rural migrants were discriminated by a range of urban groups with the use of discourses like “low suzhi” in the urban and suburban areas. Therefore, a new social stratification system that involves criteria like the urban-rural hukou status, occupation, suzhi, residential area and other factors began to emerge, and new social positions with halfway urban membership have been generated. Rural migrants are able to sustain themselves in the urban area by using financial materials in the market, though discrimination towards them and their inferior social image like “low suzhi” still prevent them from obtaining full urban membership; on the other hand, urban laid-off workers still have urban hukou status and urban membership, however, the state-subsidies and privileges they receive today is much less than that in the planned economy.

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