Hukou System and its Reform
Exclusion and Inclusion in China

Wang Liejun
Development Research Centre of the State Council of China
New Delhi, Oct. 24th
Outline

● What is *Hukou* System?
● Development Strategy and *Hukou* System
● What does *Hukou* Matter Today?
● *Hukou* Reform and Role of UN Agencies
● Challenges and Future Agenda
● Conclusions and Response to Inclusive Growth Framework
What is Hukou system?

● Differential citizenship.
● *Hukou* (household registration) itself is population registration based on household.
● While *Hukou* is attached with many entitlements which are very different between rural and urban, and from locality to locality.
● The problem is, that *hukou* is very difficult to be changed by one’s self-attainment.
● *Hukou* is regarded as the most persistent and institutional exclusion in China.
Development Strategies and *Hukou* System
Catching-up Strategy and Birth of *Hukou* System

**Background**
- In 1950s, under catching-up development strategy, exclusive priority was given to heavy industries, which meant fewer job opportunities and extraction from agriculture.
- Food shortage and job scarcity in cities.

**Birth of *Hukou* system**
- In 1958, Ordinance on Household registration (*Hukou*) of People’s Republic of China was adopted.
  - Dividing people into two groups
    - Agricultural *Hukou* holders VS Non-agricultural *Hukou* holders
  - Agricultural *hukou* holders were strictly restricted of movement from rural to urban areas.
- From 1958—mind-1980s, *hukou* system mainly functioned as migration control.
- Two different entitlement systems were set up separately for urban and rural residents.
Reform and Opening-up Strategy and the Erosion of *Hukou* System

**Background**
- Adoption of reform and opening-up strategy in 1979.
- Shift from heavy industry to labor intensive industry, which produced great labor demand.
- Market provision of living necessities.

**The Erosion of *Hukou* system**
- Massive rural-urban migration occurred with relaxation of control.
- *Hukou* system gradually lost its function of migration control, rather it functions as welfare access admission institution.
### What Does *Hukou* Matter Today?

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Migrant’s incomplete entitlement</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>Free access except local level public servants in some regions.</td>
</tr>
<tr>
<td>Education</td>
<td>Free education for elementary and junior middle school (9 years); Must return to hukou registration place to have national college entrance exam after senior middle school.</td>
</tr>
<tr>
<td>Healthcare</td>
<td>Free access for all to public health schemes, such as vaccination etc. For workers, equal access if you and your employee contribute to health insurance. For non-economically actives, you can only join the health insurance scheme in hukou registration place and not easily portable.</td>
</tr>
<tr>
<td>Social Housing</td>
<td>Not eligible in most regions.</td>
</tr>
<tr>
<td>Unemployment Benefit</td>
<td>Eligible if insurance contribution paid but many employers do not pay contribution for employees.</td>
</tr>
<tr>
<td>Pension Transferbility</td>
<td>Regulation on Transferability across provinces just released in 2010</td>
</tr>
<tr>
<td>Social Assistance</td>
<td>Not eligible at residence place but at <em>hukou</em> place.</td>
</tr>
</tbody>
</table>
Hukou Reform and Role of UN agencies
Hukou Reform since mid-1980s

- Detach welfare benefits from hukou status, along with social protection for migrants
  - Detach obtainment of food and other living necessities from hukou status in 1980s.
  - Detach job opportunities in formal sector from hukou status during 1990-2000.
  - Detach opportunities of compulsory education and public health services from hukou status.

- Lower and rationalize threshold for urban hukou acquisition
  - Allowed to acquire local urban hukou through formal sector employment, investment, family union etc. at early stage.
  - Experiments on hukou acquisition based on duration of living and working years in residence place, duration of insurance contribution etc.
  - It goes smoothly in small and middle size cities but staggers in large cities.
Prevailing *Hukou* Admission

**Conditions**
- high threshold

**Benefit**
- whole package

non-local *Hukou* holder

Skilled, Investment dependent

... 

“Threshold” Acquisition of Entitlements

- education
- pension
- minimum income
- health care
- social housing
- ...
DRC proposal for hukou reform

Step Acquisition of Entitlements

Benefit: incremental

Condition: low at starting point

Assistant in emergency

Work and pay tax

Residence Permit

Alternative Condition

- Voting rights
- Schooling near residence

- Public health
- Compulsory education
- Insurance-based rights

- Eligibility of college Entrance Examination at residence place

Longer duration of residence and schooling

- Minimum Income
- Social Housing Assistance in emergency

Short duration of residence
Or social insurance

- Voting rights
- Schooling near residence

- Public health
- Compulsory education
- Insurance-based rights

- Eligibility of college Entrance Examination at residence place

Longer duration of residence
Or social insurance

- Voting rights
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- Public health
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Longer duration of residence
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Short duration of residence
Or social insurance

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Short duration of residence
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- Minimum Income
- Social Housing Assistance in emergency
Role of UN Agencies

● Social protection for migrants in China attracted much attention of international organizations especially UN agencies.

● Joint project on “Protecting and Promoting the Rights of China’s Vulnerable Young Migrants” (2009-2011), in which UNDP China played an important role.

● UNFPA-DRC research project on “Population Policy adapting to Territorial Planning in China” (2008).

● Awareness and coordination improved considerably through projects.
Challenges and Future Agenda

- A national agenda for *hukou* reform needed, but very much challenging
  - The magnitude of migrants is huge, 150 millions.
  - Local financing and provision of most social services and welfare, with large disparities.
  - Urban sickness is emerging in several metropolitans which may add to the worries of embracing migrants.
- The key challenge and agenda is to reach an agreement on the financing responsibilities of social services for migrants between central and local governments.
Conclusions and Response to Inclusive Growth Framework

- *Hukou* is not a discrimination rooted in mind but closely related to the development strategy shifts, however, it is path-dependent and acts as persistent exclusion. It is dilemma of some developing countries.
- Exclusion deriving from *hukou* greatly alleviated since 1980s. Massive rural-urban migration and employment under relaxation of *hukou* system is quite inclusive growth.
- Mixed challenges of developing and developed ahead.
- *Hukou* is only one aspect of exclusion and inclusion (i.e. equal opportunity and basic protection), right incentive and sound institutions are also very important for inclusive growth especially in post-communist countries.
Questions and Comments