

China's Hukou Puzzle: Why Don't Rural Migrants Want Urban Hukou^{*}

Chuanbo Chen and C. Cindy Fan

Abstract

Despite the fact that urban *hukou* is understood to be far superior to rural *hukou* and that rural migrants have strong intentions to stay in cities for many years, responses to *hukou* reforms that increase opportunities to obtain urban *hukou* have been less than enthusiastic. This article addresses this puzzle by showing how the respective values of rural *hukou* and urban *hukou* have changed in recent decades. The access and benefits that are tied to rural *hukou*—including farming and housing land, compensation for land requisition, and more relaxed birth control—are considered increasingly valuable. Thus, many migrants are opting to straddle and circulate between the city and countryside rather than giving up their rural *hukou*. Meanwhile, the competitive advantage of urban *hukou* has declined as China seeks to expand basic public services to all and as the market's role in distributing food, housing, and other needs increases. The mismatch between rural migrants' preference for large cities and *hukou* reforms' focus on medium-sized and small cities and towns also undermines the reforms' effectiveness. From a policy point of view, this article's findings suggest

Chuanbo CHEN is Associate Professor of the School of Agricultural Economics and Rural Development at Renmin University of China.

C. Cindy FAN is Professor of Geography and Vice Provost for International Studies and Global Engagement at UCLA. Correspondence should be addressed to: fan@geog.ucla.edu.

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that China's urbanization strategy should take multilocality seriously and should focus on rural migrants' livelihood and well-being in cities, rather than on hukou conversion alone.

1. Introduction

China's *hukou* (户口) system is widely portrayed and understood as a source of rural-urban inequality. Terms such as "invisible walls," "apartheid," and "two-class society" have been used to describe hukou's effect, which has divided Chinese population into the privileged urban and marginalized rural.¹ Millions of rural migrants work and live in cities but cannot settle down there because they are denied urban hukou, having no option but to leave the elderly and children behind in their home villages.

Accordingly, scholars, observers, and journalists within and outside of China have long called for the abolition of the hukou system. Indeed, the central government has announced multiple times that it will relax hukou control. For example, recent guidelines from the central government have emphasized that migrants who have a stable job and a legal and stable place of residence (including renting) will be allowed to obtain local hukou in small cities and towns freely and obtain local hukou in medium-sized cities in an orderly progression.²

However, contrary to the expectation that peasants would respond positively and in large number when given an opportunity to change their rural hukou to urban hukou, survey after survey has found that their responses are lukewarm at best. In fact, many peasants consider rural hukou more valuable than urban hukou, and some who have changed their rural hukou to urban hukou want to reverse their decision. This paradoxical phenomenon is increasingly being observed and reported, but it remains largely absent in the literature on migration and hukou in China, and is certainly not well understood. In this article, we explore why Chinese peasants and rural migrants are not eager to obtain urban hukou despite the fact that they are encouraged to do so, the process has been made much easier, and urban benefits are superior to rural benefits.

The rest of this article is organized as follows. Section 2 briefly reviews the hukou system and hukou reforms. Section 3 addresses and shows evidence for the question of whether peasants want urban hukou. This is followed by two sections on changing value of rural hukou and

changing value of rural hukou. The concluding section summarizes our arguments and findings and explains why rural migrants choose to straddle and circulate between rural and urban areas.

2. Hukou and Hukou Reforms

China's household registration (戶口 *hukou*) system was formally implemented in 1958, assigning every Chinese citizen an agricultural hukou type (農業戶口 *nongye hukou*) or a nonagricultural hukou type (非農戶口 *feinong hukou*). In addition, Chinese citizens are assigned a hukou location, that is, where they are registered or where their hukou is. In the prereform period (prior to 1978) when mobility was very low, the hukou location was normally one's place of birth. In 1983, the number of migrants who had left their hukou location for another town, township, or street (街道 *jiedao*) for six months or more was only two million, or about 0.2 percent of the population. By 2014, the number and percentage were 253 million and 18.5 percent, respectively.³ Such heightened mobility has made the distinction between having local hukou (本地戶口 *bendi hukou*) and having nonlocal hukou (外地戶口 *waidi hukou*) — the former referring to someone who stays at their hukou location and the latter referring to migrants who stay at a place other than their hukou location — an important part of life in China.

The primary logic of the hukou system was based on a division of the nation into a rural sector and an urban sector. Rural citizens are given access to arable land, the presumed source of their livelihood. Urban citizens, on the other hand, rely on the state's allocation of resources and jobs and are expected to industrialize the nation. Thus, individuals' access to benefits and rights is largely determined by their hukou type and hukou location. Nonagricultural hukou is accompanied by state-subsidized food grain, education, employment, housing, health care, retirement, and other social benefits; whereas citizens with agricultural hukou are given access to land resources but are otherwise self-reliant, receiving very limited benefits from the state.⁴ Hukou location, which is geographically based, also determines one's access to resources. For example, certain government jobs in Beijing recruit only employees who have "Beijing Proper" hukou. And, eligibility to attend public schools is a function of whether the child has a local hukou. In general, hukou location in large cities is more attractive than that in small cities and towns because of the former's superior economic and employment

opportunities.

Because rural Chinese tend to have agricultural hukou type that is registered in a rural location, and urban Chinese tend to have nonagricultural hukou type that is registered in an urban location, it is customary to refer to the former combination as rural hukou and the latter as urban hukou. Other variations of the hukou type and location combination certainly exist, such as peasants living in Beijing's outskirts who have Beijing (urban) agricultural hukou, but those variations are relatively uncommon. For simplicity's sake, in this article we use primarily the terms rural hukou and urban hukou and only specify the hukou type and hukou location when necessary.

It is difficult for someone who has rural hukou to change it to urban hukou. To delineate change in hukou type from change in hukou location, we refer to the former as "conversion" and the latter as "transfer" or "move." Until recently, rural-urban hukou conversion (change from agricultural hukou to nonagricultural hukou), or *nongzhuanfei* (農轉非) was strictly controlled, due to the large life-chance differentials between the two hukou types.⁵ During the prereform period, the annual change rate was kept at a very low level of 0.15 percent to 0.20 percent.⁶ Both hukou type and hukou location are primarily passed down through the family. Until 2003, a newborn baby's hukou type and location followed the mother's rather than the father's.⁷

Since the 1980s, a series of "hukou selling" reforms have taken place, primarily driven and decided by local urban governments, to gain monetary returns by letting selected "outsiders" obtain a local hukou. Common requirements for local hukou include "urban capacity fee" (城市增容費 *chengshi zengrongfei*), investment, and home purchase. Some local governments also created a special type of hukou called blue-stamp hukou,⁸ to be distinguished from the regular red-stamp hukou. Han estimated that by 1993 more than 3 million urban hukou had been sold for a total of 25 billion yuan.⁹ In addition, high education and skills are among the criteria set by cities that wish to boost their human resources.¹⁰

The "market value" of hukou reveals both the price of hukou type and hukou location. For example, in 1993, in order to obtain hukou in Xiamen, applicants with nonagricultural hukou were charged 10,000 yuan but those with agricultural hukou had to pay an additional 5,000 yuan.¹¹ In 1996, individuals who purchased an apartment of 50 square meters or larger in Hainan could transfer their hukou there, but those who had agricultural hukou were required to pay an additional urban

capacity fee of 8,000 yuan.¹² Despite the central government's requests to halt hukou selling as early as 1988, the practice has continued.¹³

Although megacities such as Beijing, Shanghai, and Guangzhou make it extremely difficult for hukou transfer,¹⁴ they and other cities have encouraged local peasants' rural-urban hukou conversion, mainly for the purpose of urban expansion and land requisition (see Section 4). As early as 2003, the Beijing municipal government had announced that local Beijing residents with agricultural hukou, who have a legal and fixed place of residence and a stable job or source of income, are eligible to obtain Beijing nonagricultural hukou for themselves and their immediate family who also have local Beijing hukou.¹⁵ Some cities even offered monetary incentives to boost rural-urban hukou conversion. According to Cixi's (Zhejiang Province) policy in 2008, local peasants who voluntarily convert their agricultural hukou to nonagricultural hukou (and give up their land entitlement; see Section 4) could receive 24,300 yuan to fully cover their pension insurance premium, social insurance subsidies and loan subsidies, urban housing subsidies, and a 4,000 yuan reward if they agree to move voluntarily.¹⁶

Many medium-sized and small cities and towns have softened the policies regarding not only rural-urban hukou conversion but also hukou transfer, allowing migrants with a fixed place of residence and a stable job to obtain local hukou. The 1998 Ministry of Public Security guidelines state that investors, entrepreneurs, and citizens purchasing homes, who have a fixed place of residence and a stable job or source of income, have stayed in the destination city for at least one year, and satisfy local government's requirements, may obtain local hukou in the city.¹⁷ Similar policies with some variations were tested and carried out in small cities and towns across the country, including 10 small towns in Guizhou in 1998,¹⁸ Chifeng in Inner Mongolia in 1999,¹⁹ Jiujiang in Jiangxi in 2000,²⁰ and Zhangye in Gansu in 2001.²¹

Some hukou reforms were led by provincial governments. In 2006, Sichuan removed all restrictions on rural-urban hukou conversion in cities and towns, except in the city of Chengdu.²² The Chongqing government announced in 2010 that peasants who give up their rural hukou could enjoy the same social benefits as urban residents.²³ Guangdong introduced a new residence permit in 2010, allowing rural migrants to access a wide range of urban services enjoyed by local residents such as education, housing, and employment assistance.²⁴

The recent "National Plan on New Urbanization (2014-2020)"

introduced the three “100 million people” goals,²⁵ namely, to provide local hukou in cities and towns for 100 million rural migrants, improve the living condition of 100 million residents in shanty towns and urban villages, and urbanize 100 million people in the central and western regions. By the end of 2015, more than 123 pilots were implemented, throughout provinces, centrally administered municipalities, provincial capitals, prefectural cities, counties, and towns. Under that plan, the distinction between agricultural and nonagricultural hukou is to be removed, but local governments, especially large and megacities, continue to set their own criteria for granting local hukou. As such, the plan’s impacts are expected to be gradual rather than profound.²⁶

3. Do Rural Migrants Want Urban Hukou?

Recent hukou reforms as described above have made it easier for rural migrants to obtain urban hukou. But do migrants actually want urban hukou? The Floating Population Dynamic Monitoring Surveys (hereafter FPDMS),²⁷ conducted annually by the National Health and Family Planning Commission since 2010, offer a glimpse into migrants’ interest in obtaining urban hukou. Among all publicly available data on the floating population, these surveys are the most comprehensive because of their rigorous and random sampling framework, large sample, national coverage, and provincial representativeness.

While the sample is possibly biased toward married migrants and family migrants, for the purpose of this article this possible bias has likely overestimated the intention to leave the countryside for the city. Since the questions asked varied from one survey to another, we list in Table 1 the six relevant questions used in the 2010 to 2012 surveys, in descending order of the percentage of yes responses. Those percentages would have been lower if the sample were not biased.

Table 1: Rural Migrants’ Intention to Settle Down and Obtain Hukou in the Place of Survey.

	Yes (%)	No (%)	Haven’t decided (%)	Year of survey
Do you plan to stay for the next three years?	64.1	8.1	28.8	2010
Do you plan to stay long-term (five years or more)?	60.1	12.4	27.5	2012
Are you willing to transfer your hukou here, if there are no other conditions?	50.0	24.3	25.7	2012

Cont' Table 1

Are you willing to obtain urban hukou?	35.4	38.7	25.8	2011
Do you want to convert your rural hukou to urban hukou?	21.8	78.2		2010
Are you still willing to transfer your hukou here if you are required to return your contract land?	11.8	85.1	3.1 ^a	2010

Source: National Health and Family Planning Commission, "Floating Population Dynamic Monitoring Surveys" (2010–2012).

a. 3.1% of the respondents did not have contract land.

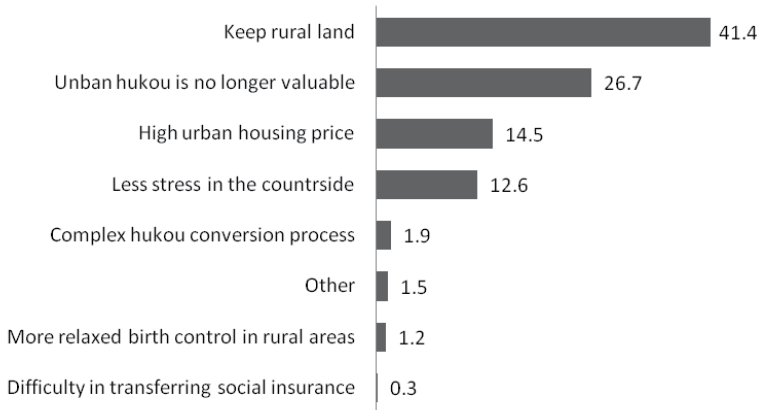
More than 60 percent of the respondents indicated that they planned to stay at the destination city for at least five years, just four percentage points lower than the response about staying for at least three years. This is similar to another survey conducted by the National Bureau of Statistics in 2006, which found that 55 percent of rural migrants planned to settle down in cities.²⁸ However, while the majority of rural migrants had strong intention to stay in cities, only a small proportion were willing to transfer their hukou there. Half of the sample said yes to transferring their hukou to the destination city if there were no other conditions (such as returning contract land; see Section 4), but 24 percent replied no regardless and 26 percent could not decide. The percentage of yes responses to "obtain urban hukou," "convert your rural hukou to urban hukou," and "transfer your hukou if you are required to return your contract land" decreased from 35 percent to 22 percent and 12 percent, respectively. In other words, despite rural migrants' strong intention to stay long term in cities, their intention to change hukou — especially if they are required to give up contract land — is much weaker.

The above findings are consistent with those of a number of other studies. For example, a study by the Development Research Center of the State Council that included more than 7,000 rural migrants in 20 cities found that only 9 percent wanted to eventually return to their home village, but the vast majority were not willing to give up their contract land and housing land in exchange for urban hukou (see Section 4).²⁹ Of rural migrants, 84 percent wanted to keep their contract land and two-thirds wanted to keep their housing land and housing in the village. A survey by Sichuan's Bureau of Statistics in 2014 found that 90 percent of

migrant workers did not want urban hukou.³⁰

Responses to programs that award urban hukou to selected migrants also revealed migrants' lack of enthusiasm about urban hukou. For example, Huizhou city of Guangdong had allocated 60 slots of local hukou to "outstanding migrant workers," but none of the eligible migrants from Guangdong province were interested and only several migrants from other provinces took the offer, all for the purpose of their children's education (see Section 5).³¹ Nanjing offered a similar program, but only one out of the 50 selected outstanding migrant workers agreed to hukou change. Of the more than 20,000 rural migrants in Jiangsu province who were identified as outstanding migrant workers, only 6 chose to obtain urban hukou in the cities or towns where they worked.³² In Zhongshan, only 100 out of the 30,000 eligible rural migrants agreed to change their hukou.³³

Figure 1. Reasons for the Lack of Interest in Urban Hukou.



Source: National Health and Family Planning Commission, "Floating Population Dynamic Monitoring Survey" (2010).

According to the FPDMS data (Figure 1), the most important reason why rural migrants are not interested in rural-urban hukou conversion is to "keep rural land" (41 percent), followed by "urban hukou is no long valuable" (27 percent), "high urban housing price" (15 percent), and "less stress in the countryside" (13 percent). Other reasons, including "complex hukou conversion process" and "more relaxed birth control in rural areas," each accounted for less than 2 percent of the responses. In the

following section, we highlight some of the reasons migrants prefer or do not prefer rural hukou and urban hukou.

4. Changing Value of Rural Hukou

Land

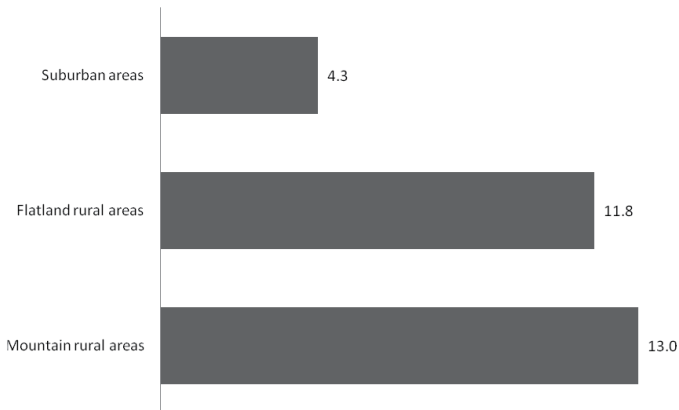
China's dual-track land tenure system parallels that of the rural-urban dual structure. While urban land belongs to the state, rural land is controlled by rural collectives, namely villages. Members of rural collectives, variably referred to as peasants, villagers or *nongmin* (農民) who are registered there are entitled to land rights for two purposes. First, "contract land" or *chengbaodi* (承包地) is allocated to individual households for agricultural purposes and is generally tied to household size. Second, "housing land" or *zhaijidi* (宅基地) is allocated to rural households to build their own house or expand and renovate it as they please.³⁴

When villagers leave the village permanently and move their hukou elsewhere, they may lose their land rights. Article 26 of the Law of the People's Republic of China on Land Contract in Rural Areas (農村土地承包法) (hereafter Land Contract Law) stipulates that rural households who have moved to a city (that consists of urban districts) and obtained hukou there shall return their contract land to the village, whereas those who have moved to a small town and obtained hukou there may retain their right to use the allocated contract land at the village.³⁵ Despite the Land Contract Law's somewhat ambiguous distinction between cities and towns, in practice rural migrants who have obtained urban hukou are no longer considered members of a rural collective and as such will not be eligible for contract land allocation (and by extension housing land allocation).

Rapid urban expansion in China has dramatically increased the value of rural land near cities. Cities that encroach upon villages that were previously in urban fringes have transformed the latter into urban villages or *chengzhongcun* (城中村). Similarly, the value of land in suburban areas or *jinjiao* (近郊) has increased. While villagers in those areas are by definition members of rural collectives and they enjoy the same land rights as villagers elsewhere, many have chosen to rent out their houses, especially to migrant workers, for income rather than continuing to farm. Furthermore, in anticipation of continued urban expansion, they may expect handsome compensation from future land requisition. Article 47

of the Land Management Law (土地管理法) stipulates that compensation for land requisition is a function of the number of “agricultural population” (農業人口) who are displaced, excluding those who have obtained nonagricultural hukou in cities or towns.³⁶ Given that rural land rights are tied to rural hukou, the latter is of significant monetary value and is not to be given up easily. In anticipation of a future round of contract land reallocation in 2028 — 30 years after the last round in 1998 — peasants are understandably not motivated to lose their agricultural hukou before then. According to 2010 FPDMS data, only 4 percent of rural migrants from suburban areas were willing to give up their land for urban hukou (Figure 2).

Figure 2. Proportions of Rural Population Willing to Return Their Land in Exchange for Urban Hukou.



Source: National Health and Family Planning Commission, “Floating Population Dynamic Monitoring Survey” (2010).

Benefits

Since the 1950s, the Chinese state has identified industrial development as its priority for economic development. One of its key strategies is the well-known scissors price gap. Briefly, since the state monopolized the purchase and allocation of goods, it was able to set the prices of agricultural products low and the prices of industrial products high, and by doing so had transferred a large amount of resources from rural to urban areas. Cai and Lin estimate that during the prereform period (from about

1950 to the late 1970s) such transfer amounted to 600 to 800 billion yuan, a reason for the 15-times increase in gross industrial product compared to an only 1.3-times increase in gross agricultural product.³⁷ According to Huang, Otsuka, and Rozelle, rural-urban transfer between 1980 and 2000 was valued at about 2.3 trillion yuan (at 2000 constant price).³⁸ By virtue of their status, therefore, Chinese peasants have been subsidizing urban development through their labor. In addition, they are obligated to pay all kinds of taxes and fees. In the late 1990s, the ratio of such payments by peasants to their per capita net income was on average 5.1 percent and in some regions reached more than 10 percent.³⁹

In recent years, the Chinese government has attempted to mitigate the above unbalanced development by promoting strategies to assist rural areas, sometimes referred to as “industry nurturing agriculture” (工業反哺農業).⁴⁰ First, the agricultural tax was abolished in 2006. According to the Ministry of Finance, this change alone reduced the annual financial burden on peasants by 135 billion yuan in aggregate terms or 120 yuan in per capita terms, compared to the year 1999.⁴¹ Second, the state has increased its “three rural” (agriculture, villages, and peasants) or *sannong* (三農) expenditures. Between 2003 and 2013, such expenditures by the central government had increased from about 200 billion yuan to over 1.2 trillion yuan. Local governments’ expenditures amounted to another 2.5 trillion yuan in 2013. In addition, agricultural subsidies for grain farming, grain seeds, farming machinery and tools, and agricultural investment increased from 13 billion yuan in 2004 to over 140 billion yuan in 2011.⁴²

Rural benefits for education, health care, retirement, and subsistence have also increased. First, nine - year free mandatory education (up to junior high) was extended to rural areas. Second, health care benefits from the New Cooperative Medical Care System increased from 20 yuan per person annually in 2003 to 320 yuan in 2014.⁴³ Third, a new rural pension system was established in 2009, providing peasants age 60 and above a monthly benefit of 55 yuan as well as an optional plan that permits individual contribution.⁴⁴ Finally, a new subsistence allowance system for peasants was established in 2007. During the first year, 32 million peasants were eligible, each receiving a monthly payment of 30 yuan. By October 2013, the number of eligible peasants had increased to 53.5 million, each receiving a monthly benefit of 106 yuan.

In general, rural benefits are allocated to and divided among villagers who hold rural hukou in the village. Villagers who convert their agricultural hukou to nonagricultural hukou or transfer their hukou from the

village to another location normally would lose such benefits. The loss of farming land and housing land alone may be a tremendous sacrifice, given the fact that most rural migrants cannot afford the steep housing prices in cities, nor can they access housing subsidies there, and that migrant work tends to be unstable rather than a guaranteed source of livelihood. Giving up rural hukou may result in villagers having no stable income source and no place to live.⁴⁵

In addition to the above benefits, rural hukou is also tied to a more favorable birth control policy. First, rural hukou is associated with a greater latitude for multiple births. For example, individuals with rural hukou in Chengdu are allowed to have multiple births if they satisfy any of the 13 exemption criteria; those with urban hukou have a narrower list of only 5 possible exemption criteria. Second, the fine for violating the birth control policy is much higher for urban residents than rural residents. For example, in Sichuan's Xinjin County, the fine per "extra" birth in 2009 was about 100,000 yuan for those with urban hukou and only 40,000 yuan for those with rural hukou.⁴⁶ Finally, migrants who have obtained urban hukou are no longer eligible to receive birth-control-based rural benefits at about 600 yuan a year after they reach the age of 60.⁴⁷

In short, recent policies that increase benefits in rural areas as well as differentials in birth control have made rural hukou much more appealing, so much so that some peasants who have converted their agricultural hukou to nonagricultural hukou want instead to convert it back to agricultural hukou.

Urban-Rural Hukou Conversion

While restrictions on rural-urban hukou conversion have been increasingly relaxed, urban-rural hukou conversion (非轉農 *feizhuannong*) is under strict control. For example, in 2006 the city government of Chengdu announced, "Movements by urban residents and outsiders to Chengdu's rural areas should be strictly controlled. Rural residents who had undertaken rural-urban hukou conversion, local urban residents, and outsiders, are not allowed to move to the rural areas [and transfer their hukou there], except for marriage and family reasons. Those who are allowed to move to rural areas due to special circumstances are not eligible to access the benefits and land requisition compensation extended to local rural residents."⁴⁸

The situation of university students further illustrates rural hukou's growing popularity. For decades and under the central planning system,

students who entered college and university were mandatorily assigned urban hukou, regardless of their original hukou, and would be allocated jobs by the state upon their graduation. Given that the state's role in job allocation has considerably declined, in 2003 rural-urban hukou conversion for college and university students was made optional. Now that rural students have a choice, the majority of them have decided not to pursue urban hukou, probably due to the fact that they would not be allowed to reinstate the rural hukou and access the accompanied benefits.⁴⁹

In response to the increased demand for urban-rural hukou conversion, local governments have set strict criteria for such process. For example, in 2010, Yiwu announced that college graduates could convert their urban hukou back to rural hukou only if they meet the following four conditions: (1) they graduated from college after 1995, have never been employed by government agencies, public institutions, state-owned enterprises, or collective enterprises at or above the county level, and have never received benefits from urban housing reforms; (2) their original rural hukou prior to entering college was in Yiwu; (3) their current urban hukou is in Yiwu; and (4) the respective villagers' committee agrees to accept their application for hukou conversion. In 2012, a similar policy was adopted in Jinhua.⁵⁰ In general, urban-rural hukou conversion is increasingly difficult, requiring approval by four levels of government: the villagers' group, village, township or town, and county. Even if urban-rural hukou conversion is granted, full access to rural benefits is not guaranteed.⁵¹ In short, there is no turning back from giving up rural hukou, making peasants even more hesitant to pursue urban hukou when given the opportunity.

5. Changing Value of Urban Hukou

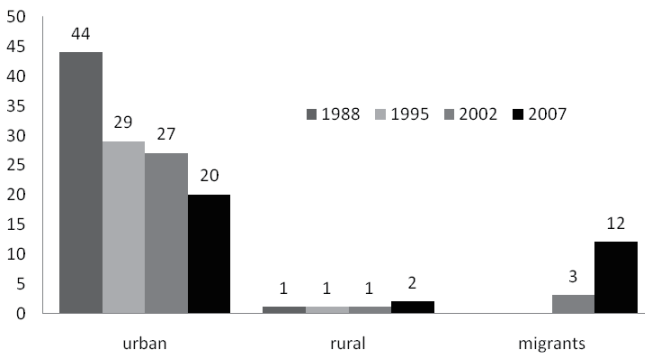
Benefits

As mentioned earlier, a primary logic of the hukou system was that the state would take care of urban residents from cradle to grave. But this logic is based on outdated assumptions of a rural-urban dichotomy of the country, immobility between the countryside and the city, and a tight central planning system. In reality, heightened interactions between rural and urban areas, dramatic expansion of the floating population, and marketization and fiscal decentralization have all depreciated the value of urban hukou.

State support for social benefits (社會保障福利) has always been

higher for urban households than rural households. But over time the gap has decreased. Figure 3, drawn from the Chinese Household Income Project (CHIP) data,⁵² shows that the gross income share of urban households that is attributable to social benefits has declined from 44 percent in 1988 to 29 percent in 1995, 27 percent in 2002, and 20 percent in 2007.⁵³ Meanwhile, social benefits for rural migrants have increased rapidly. Still, social benefits for urban households are higher than those for rural migrants, and are significantly higher than those for rural households, which in 2007 accounted for only 2 percent of rural households' gross income. Given the persistent link between urban hukou and superior social benefits, why is urban hukou not more attractive to rural migrants? The reason lies in the changing structure of social benefits, explained below.

Figure 3. Share of Social Benefits in Gross Household Income.

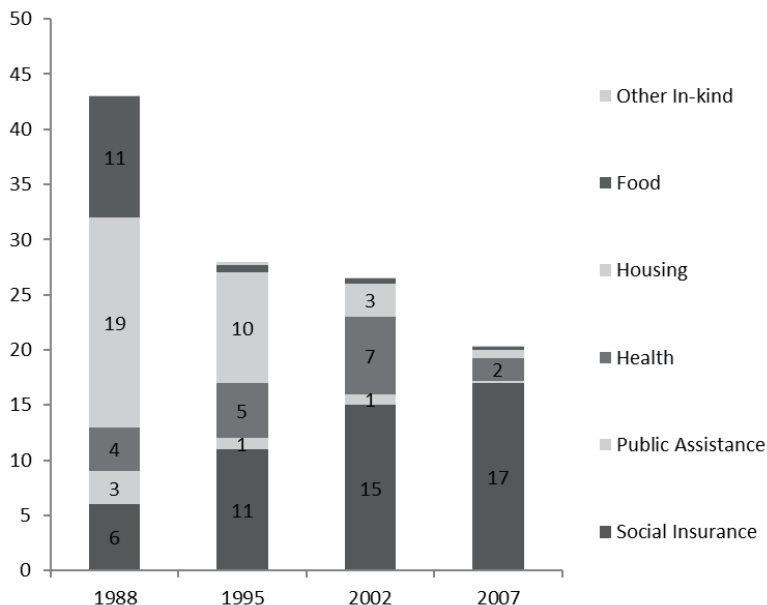


Source: Compiled from Qin Gao, Sui Yang, and Shi Li, "The Chinese Welfare State in Transition: 1988–2007," *Journal of Social Policy*, Vol. 42, No. 4 (2013), p. 750, Figure 1.

According to the CHIP data, not only have urban social benefits as a whole declined, the composition of benefits has changed dramatically (Figure 4). In 1988, benefits for housing, food, health care, and public assistance accounted for 19 percent, 11 percent, 4 percent, and 3 percent, respectively, of urban households' gross income. By 2007, those shares had each declined to 2 percent or less. Meanwhile, social insurance, made up mainly of pension and unemployment benefits, almost tripled its share of urban household income from 6 percent in 1988 to 17 percent in 2007. Given that social insurance is associated with employment, and that the urban labor market is increasingly marketized, such benefits are therefore also increasingly decoupled from urban hukou. In the

meantime, rural migrants who are employed in the formal sector — albeit still a small percentage⁵⁴ — may enjoy the same social insurance benefits as urban residents.

Figure 4. Structural Change of Social Benefits (Share in Gross Household Income %).



Source: Compiled from Qin Gao, Sui Yang, and Shi Li, "The Chinese Welfare State in Transition: 1988–2007," *Journal of Social Policy*, Vol. 42, No. 4 (2013), p. 752, Figure 3.

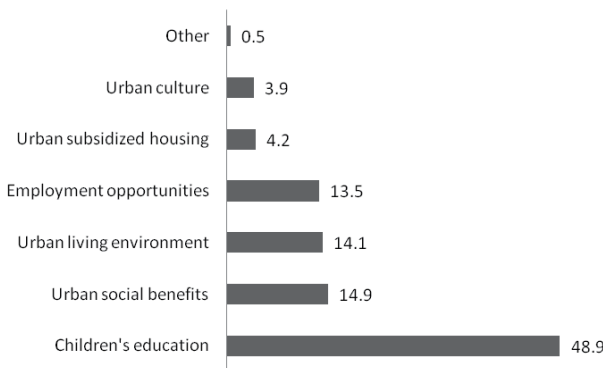
The differentials in entitlement between urban citizens who have local hukou and migrants who do not vary across the country, and a complete inventory of such differentials does not exist. Nevertheless, the central government has recently promoted the principle that basic public services such as education, health care, culture and sports, transportation, safety, housing, employment, and a sustainable environment should be available to all citizens. In response, some cities have documented detailed lists of public services as well as who are eligible for them. In general, more and more items of public services are now available to all residents, while some items such as minimum living security remain exclusive to those who have local hukou. Although migrants without urban hukou do not enjoy the full range of benefits, they increasingly can access basic public services in cities, reducing the need to seek urban hukou.

In addition, certain urban employers may prefer job seekers who hold rural hukou to those with urban hukou. This may seem counter-intuitive but is due to employers' responsibilities for benefits that differ by hukou. In general, employers are required to contribute to five types of insurance (pension, health care, injury, unemployment, and maternity) and to the Housing Provident Fund for employees with urban hukou, but only the first three types of insurance for employees with rural hukou. Although such discrepancies have narrowed in recent years, clearly employers' responsibilities differ for urban and rural employees. For example, for urban employees, employers' contribution to pension insurance premium is 20 percent and to health care insurance is 8 percent; their respective contributions for rural employees are 12 percent and 1.5 percent. Not surprisingly, therefore, employers of low-skilled jobs prefer to hire migrants who hold rural hukou, whose priority is employment rather than insurance. In that light, urban hukou may actually be a disadvantage in the low-skilled segments of the urban labor market.

Education

According to the 2010 FPDMS data, children's education was the main driving force for rural-urban hukou conversion. Almost half of the rural migrants who were willing to convert their rural hukou to urban hukou cited their children's education (49 percent) as the main reason, followed by urban social benefits (15 percent), urban living environment (14 percent), and employment opportunities (14 percent) (Figure 5).

Figure 5. Reasons for Obtaining Urban Hukou.



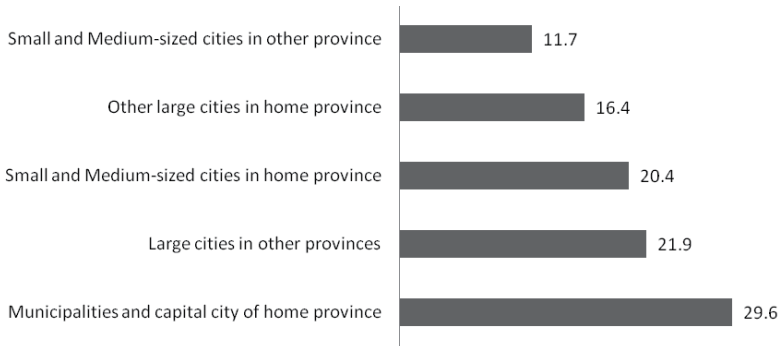
Source: National Health and Family Planning Commission, "Floating Population Dynamic Monitoring Survey" (2010).

In China, as in other parts of the world, attending good schools increases a child's chance for success. Under the current school district system, eligibility to attend a public school depends on one's specific hukou location. Even within a city, therefore, parents are motivated to change their hukou location in order to be close to a good school. Even if migrants manage to obtain urban hukou, there is no guarantee that their children will be admitted to a good school, unless they purchase a home in a choice location, which is beyond the ability of most. In that light, hukou transfer for the purpose of accessing good schools is an elusive strategy at best.

At the same time, the central government's recent push to make basic public services available to all, as discussed earlier, extends also to the education of migrant children. In Wuhan, for example, 98 percent of migrant children are enrolled in public schools for free. Once again, the expansion of basic public services further reduces the need for migrants to obtain urban hukou.

6. Mismatch between Hukou Reforms and Migrants' Preference

The current hukou reforms have been guided by the principle of “fully removing barriers for peasants to settle in towns and small cities, orderly reducing restrictions on settling in medium-sized cities, setting reasonable criteria for obtaining hukou in large cities, and strictly controlling the population size of megacities”.⁵⁵ Accordingly, in general the larger the city, the more difficult it is for rural migrants to obtain urban hukou there. However, given large cities' superiority in infrastructure, facilities, social benefits, education, and job opportunities, they are more attractive than smaller cities. According to the 2010 FPDMS data, of the rural migrants who want to obtain urban hukou, about 68 percent prefer large cities (Figure 6) — including 30 percent for municipalities and capital cities of home provinces, 22 percent for large cities in other provinces, and 16 percent for other large cities of home provinces — and only about 32 percent prefer small and medium-sized cities and towns. In other words, rural migrants are much less motivated to obtain urban hukou in small towns and small and medium-sized cities than in larger cities.⁵⁶

Figure 6. Places Where Rural Migrants Would Like to Obtain Urban Hukou.

Source: National Health and Family Planning Commission, “Floating Population Dynamic Monitoring Survey” (2010).

Rural migrants’ locational preference is also reflected by their current geography: about 69 percent are in the provincial-level municipalities (Beijing, Tianjin, Shanghai, and Chongqing), subprovincial cities, provincial capital cities, and other cities in the more developed eastern coastal region. Meanwhile, the total population of the 17,000 designated towns reached its peak at 150 million in 2005 and subsequently declined to 138 million by 2008,⁵⁷ suggesting that they are not the most preferred destinations of migrants.

The mismatch between hukou reforms and migrants’ locational preference highlights the crux of the urban hukou puzzle — the question is *where* more so than *what*. Urban hukou in places such as small and medium-sized cities that lack employment opportunities is not necessarily seen as valuable and may actually be considered inferior to rural hukou that gives peasants entitlement to farmland, housing land, and rural benefits. Meanwhile, urban hukou in large cities where migrants actually live and work remains out of reach.

Inferiority of Converted *Hukou*

While in theory rural residents who have obtained urban hukou enjoy the same rights and benefits as urban residents, in practice they remain inferior to urban residents in their access to urban benefits. In general, the more sought after the benefits, the higher are the barriers. For example, when Shanghai introduced a program in 2003 for local rural

residents to exchange their land for social insurance, the insurance offered was inferior to the standard package provided to urban residents. And, city governments often use additional criteria above and beyond urban hukou to restrict access to subsidized low-rent housing, such as waiting time between hukou conversion and housing application. For example, Shanghai requires that one family member has obtained Shanghai hukou for at least three years and other family members for at least one year;⁵⁸ and Hangzhou requires that at least one family member has obtained local urban hukou (excluding student hukou) and has stayed in the city for more than five years.⁵⁹

As early as 2001, the city of Changzhi in Shanxi province had already begun hukou reforms. Migrants with a fixed place of residence and a stable job could apply for urban hukou in Changzhi. However, they are excluded from the Urban Subsistence Allowance Program that was subsequently established in 2011.⁶⁰

While the central government has encouraged removal of the agricultural and nonagricultural hukou distinction, and some cities including large cities have done so — for example, Shijiazhuang in 2002, Chengdu in 2004, and Guangdong province in 2010 — rural and urban residents continue to be treated differently. Often, notations about an individual's previous hukou type are added to their current documents. For example, family planning officials continue to use the rural and more relaxed version of the birth control policy for residents who live in rural areas and whose main income source is agriculture, despite the fact that they no longer have agricultural hukou type. In addition, the Bureau of Civil Affairs has stipulated that urban subsistence allowance is accessible to only local urban residents. Similarly, many other management policies are based on the rural-urban hukou distinction — for example, local governments of ex-servicemen's origin are obligated to help demobilized soldiers with urban hukou find a job, but not soldiers with rural hukou. In Chengdu, despite its "free rural-urban mobility" hukou reform in 2010, urban residents who have housing land and related housing in rural areas are not eligible for urban subsidized housing; and those who have rural contract land are denied urban unemployment benefits.⁶¹ Finally, abolition of the agricultural-nonagricultural hukou distinction in some places but not all in China has made hukou transfer difficult. Preferred destinations of migrants may reject applications for hukou transfer simply because they cannot ascertain the applicant's previous hukou type!⁶²

Heightened Importance of Employment and Income

Until recently, urban benefits were inseparable from urban hukou.⁶³ But, increasingly, urban benefits are a function of local hukou (e.g. eligibility for low-rent housing), government employment or formal employment (e.g. social insurances), and economic capacity (e.g. purchasing subsidized housing), rather than urban hukou per se.

The 1994 fiscal reforms have reduced the proportion of local fiscal revenues to total fiscal revenues but increased local governments' expenditure responsibilities. Consequently, local governments are under increased pressure as the main source of funding for education, health care, housing, and public assistance. At the same time, many local governments choose to spend on promoting economic growth and city image and on personnel and operating costs rather than social benefits. Under those circumstances, urban benefits increasingly depend on the employer rather than hukou. By analyzing the China General Social Survey data, Zheng and Wu found that urban hukou alone does not increase income.⁶⁴ Positive income returns to rural-urban hukou conversion is found only among migrants who are highly educated and have prestigious occupations in state-owned sectors, that is, highly selective and upwardly mobile migrants. On the contrary, migrants with lower educational attainments and employed in private sectors do not gain extra income as a result of rural-urban hukou conversion.

Meanwhile, income and employment are increasingly the determining factors of one's access to urban benefits. For example, while local governments offer low-interest loans for the purchase of various kinds of subsidized housing, rural migrants must have both the economic capacity and urban hukou in order to take advantage of such benefits.⁶⁵ Another example is pension insurance for urban employees, where employers pay 20 percent and employees pay 8 percent of the premium, which is accessible to rural migrants. However, most rural migrants work in the informal sector where participation in pension insurance is extremely low. Therefore, by 2013 only 15 percent of rural migrants participated in pension insurance.

7. Discussion and Conclusion: Straddling and Circulating

Traditional migration theories focus on unidirectional rural-urban movements and consider circularity a step toward permanent migration.

But in the case of China, migrants' circulating between their urban work and rural villages has not only grown in magnitude and shown no signs of disappearing after 30 years but also become the dominant way of life among rural migrants.⁶⁶ Why do migrants pursue this way of life, despite having to split their families between the city and the countryside?⁶⁷ The findings of this article suggest that migrants do so in order to maximize their access to entitlements in urban and rural areas and at the same time minimize their socioeconomic risks.

This article has attempted to describe and explain a paradox — that China's rural migrants and rural residents in general may not and do not prefer urban hukou, despite the fact that urban hukou is understood to be far superior to rural hukou. Hukou reforms since the 1980s have made rural-to-urban hukou conversion and transfer easier. While hukou in large cities is still largely off limit, there are now many opportunities for rural migrants to convert their hukou type from agricultural to nonagricultural (hukou conversion) and to move their hukou location from rural areas to medium-sized and small cities and towns (hukou transfer). However, study after study has shown that responses to such opportunities have been less than enthusiastic, despite rural migrants' strong desire to stay in urban areas for extended periods of time. We have argued that this is due to changing values of rural hukou and urban hukou.

As long as rural hukou is associated with land rights — for both farming and housing — giving it up in exchange for urban hukou will not be an easy decision. This is especially the case in locations where future land requisition may bring about large monetary compensations. Recent government measures aiming at increasing rural benefits have also boosted the value of rural hukou. In addition, the birth control policy is much more softened among the rural population, another advantage of keeping rural hukou. And, because urban-rural hukou conversion is now extremely difficult — again counterintuitively given the assumption that urban hukou, not rural hukou, is in great demand — rural Chinese are increasingly cautious about not giving up their rural hukou easily.

The value of urban hukou, on the contrary, has declined. While the state's support for urban benefits continues to be more than that for rural benefits, the gap has narrowed over time. Meanwhile, the labor market is playing an increasingly important role in providing benefits to urban employees, further and gradually loosening what used to be an ironclad tie between urban hukou and urban benefits. In addition, the central government has promoted the principle that all Chinese citizens

should have access to basic public services, further dampening the demand for urban hukou among migrants in cities.

The location of hukou reforms is key to explaining rural migrants' level or lack of enthusiasm. Hukou in large and megacities such as Beijing, Tianjin, Shanghai, and Guangzhou remains very attractive to rural migrants, but hukou reforms in those cities are far less progressive than those in medium-sized and smaller cities and towns. In addition, existing evidence about the gain in life chances and well-being due to rural-urban hukou change is mixed. Facing the choices between urban hukou, high cost of living, and a relatively uncertain future in cities on one hand, and keeping rural hukou, land rights associated with it, and a system of rural protection and security on the other, rural Chinese seem to have voted for continuing to straddle and circulate between the city and countryside rather than giving up their rural status. In this way, they can maintain their entitlements in the countryside while continuing to access economic opportunities and basic public services in cities. This strategy is also relatively risk averse because migrants can return to the countryside if their urban opportunities subside, as was the case with the 2008 global financial crisis, which sent 12 million rural migrants back to their home villages.⁶⁸

Some rural migrants who have exchanged their rural hukou for urban hukou regret it but are not allowed to reverse their decision. For example, programs that allow peasants to “exchange contract land for urban hukou” (土地换户口) and “exchange housing land for urban housing” (宅基地换房) have been promoted by local governments and the media as beneficial to peasants who could then work in cities, profit from urban property appreciation, and receive rental income from contract land that is managed collectively. However, a 2013 survey of 1,000 households who gave up their housing land for urban housing in Chengdu found that almost none were satisfied: their income has increased by 20 percent but their expenditure has increased by almost 60 percent.⁶⁹ A survey of more than 1,000 peasants who moved to Chongqing permanently shows that more than one-third earned less than before and 40 percent were in poverty.⁷⁰ Pension insurance alone has depleted all the compensation they received by giving up contract land and housing land. In short, urbanization has transplanted peasants from rural land to cities, but many cannot find work or can find only low-paid jobs. After losing the traditional sources of income based on rural land, they now face a significantly higher cost of living and a hardly sustainable future.⁷¹

In short, peasants who have left their villages permanently in search of urban living have lost a system of protection and security. In the countryside, they have access to land, which is a source of stable economic security that will not be interrupted by losing a job. Their networks also are the basis of social protection and security. In order to protect their rural support system, migrants who have obtained urban hukou may choose to intentionally leave some family members behind in the countryside who keep their rural hukou. For migrants in Dongguan, this is an especially popular strategy, where the spouse is usually the one left behind to maintain eligibility for farmland and housing land. In a sense, the dualistic hukou institution has evolved from one that exploits peasants to one that guards their rural support system, motivating them to straddle the city and countryside in order to maximize their entitlements and minimize risks.

From a policy point of view, this article's findings suggest that China's urbanization strategy should focus on rural migrants' livelihood and well-being in cities, rather than on hukou reforms alone. As long as migrants are not confident about a long-term sustainable future in cities, their circulating between rural and urban areas will continue. In that light, research on multilocality is of relevance to policy makers' urbanization strategy.⁷² Finally, flexibility in hukou reforms would help ease the process of urbanization, such as allowing migrants to decide whether to change their hukou,⁷³ permitting those who obtain urban hukou to keep their contract land,⁷⁴ and increasing the transferability of social insurance between the city and the countryside.⁷⁵ Actual access to benefits and entitlements in cities, especially in large cities and cities in developed areas — perhaps more so than the hukou status alone — will shape migrants' strategy as well as China's urbanization trajectory.

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