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Internal Migration in China: Integrating Migration with Urbanization Policies and Hukou Reform

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Introduction

China's rise as a global player in manufacturing is closely linked to its epic-scale internal migrant labor supply and its associated "semi-urbanization" strategy of the past four decades (Wang 2006; Chan and Yang 2020). The huge number of low-cost urban laborers who constitute the bulk of China's "floating population" (*liudong renkou*) have helped bring down prices substantially, making Chinese products fiercely competitive in the world market (Harney 2009). At the same time, these workers do not have access to urban social benefits, creating a semi-urbanized and marginalized migrant population.[1] The 2020 census indicates that the floating, or migrant, population—defined as those without local household registration (*hukou*)[2]—had expanded to 376 million, from 155 million in 2010. This is in addition to the significant increases seen in the preceding three decades (NBS 2021a). Thus, migration has not receded, contrary to the indications of pre-census migrant population statistics extrapolated from sample surveys (NBS 2021b). Internal migration in China operates within an institutional context of heavy state intervention that regulates not only the movements of people, but also distributes social benefits across different locales.

The Hukou System

Internal migration in China is tied to a core socioeconomic institution called the *hukou* system (Chan 2019a). Adopted by China in the 1950s, this institution divided all citizens broadly under two subsystems: one for urban residents and another for rural residents (*The Economist* 2014; Chan and Wei 2019). It was initially used to limit migration out of the countryside but was refashioned in the reform era to serve China's export-driven industrialization. In an era of rapid migration, the *hukou* system has continued to determine Chinese citizens' access to housing, education, and public services. For example, only urban *hukou* holders have access to urban social benefits or public services. Moreover, an individual's social benefits are bound directly to the place where that individual's *hukou* is registered (Chan 2019a). In the absence of holding a local (urban) *hukou*, migrants who work mostly in the cities are unable to access even the most basic public services where they work. They have effectively been disenfranchised. In sum, the *hukou* system poses many problems at present and, looking into the future, is a major barrier to building an integrated and equal society in China.

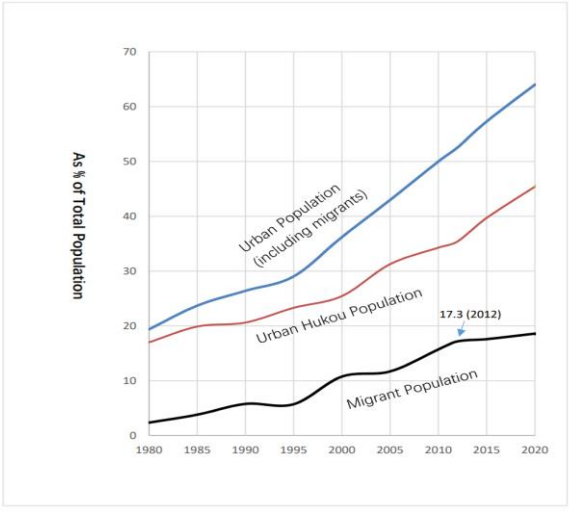
[1] As epitomized by their being "in the city, but not of the city" (Chan 2011).
[2] Unless otherwise stated, this is the definition used in this brief for the migrants that make up the "floating population" (*liudong renkou*) noted by China's National Bureau of Statistics.

Migration Trends and Features

Figure 1 shows China's urbanization trends since 1980. The latest census reported that the share of the population residing in urban areas reached 63.9 percent in 2020 (the top, blue line). Data from the Ministry of Public Security, which controls the *hukou* registration, indicate that only 45.4 percent had an urban *hukou* (the middle, orange line). The difference of 18.5 percent broadly represents the percentage of migrants living in urban areas without an urban *hukou* (Chan 2021). The difference can also be conceived of as the "urban social benefits gap" that the government needs to close to achieve equal access to social services for urban locals and migrants. As evident in figure 1, the two upper curves have diverged consistently over the past four decades. As a result, the percentage of uncovered migrants has continued to rise quite rapidly during that period. Indeed, according to the 2020 census, the migrant or floating population had expanded to 26.6 percent of China's population (NBS 2021a). This suggests that the benefits gap is even larger than is usually believed (figure 1). The large difference between the two migrant shares (26.6 percent and 18.5 percent) also points to a greater prevalence of rural-to-urban migration but like typical migrants from the countryside, many urban migrants also cannot access social benefits locally. Of the country's 376 million internal migrants, one-third are from other provinces and two-thirds are from within the provinces where they reside (NBS 2021a).

While detailed regional data from the 2020 census are not yet available, many believe that migration in China has become more diverse (Tan and Zhu 2021). In terms of geography, the 2015 mini-census data shows that Guangdong in the south and Shanghai in the east are the major hubs of interprovincial migration, attracting migrants mainly from the central and western regions (figure 2). Long-distance, five-year interprovincial migration flows (based on change of residence, not *hukou*) accounted for 27 percent of all migration flows during 2010–15, so the bulk of migration was within provinces. It also appears that there was some leveling of long-distance migration flows in the 2000–15 period (Chan and Yang 2020).

Figure 1. Urban Population, Urban *Hukou* Population, and Migrant Population, 1980–2020



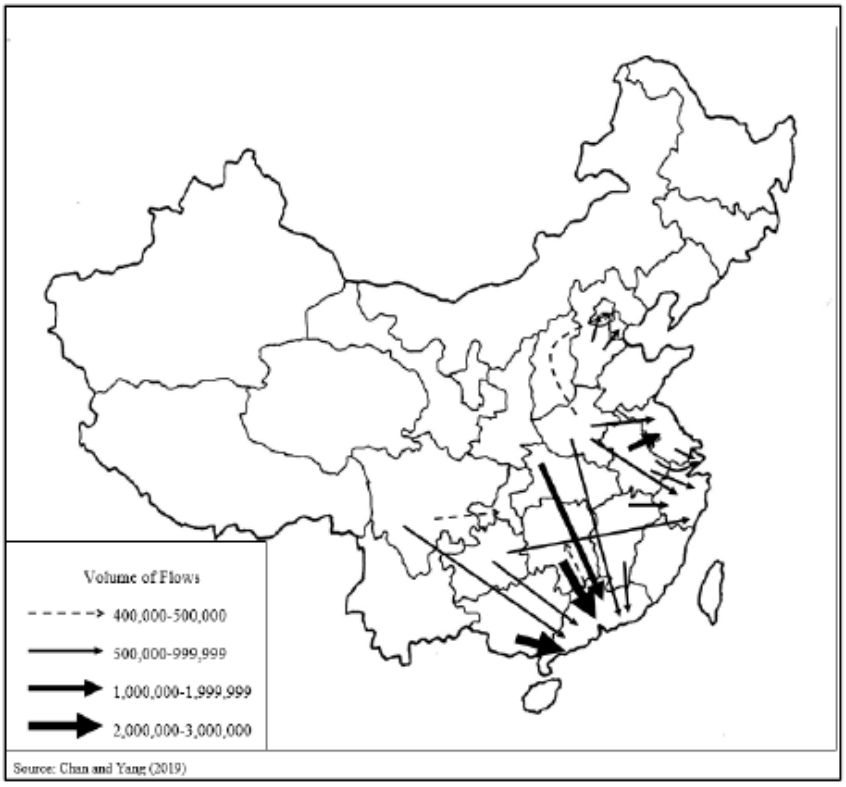
Sources: NBS 2020, 2021a, 2021c; Chan 2021.
Note: Migrant population = urban population – urban *hukou* population.

Migrants tend to concentrate in large cities. Using census and *hukou* data, the author has estimated that about half of the population in the four first-tier megacities (Shanghai, Beijing, Guangzhou, and Shenzhen) were migrants in 2020. Detailed, systematic data from the 2010 census also show that 44 percent of the population in cities with over 5 million people were migrants; three-fourths of them held a rural *hukou* and were thus predominately rural-to-urban migrants (Chan and Yang 2019; Zhao 2014). Women made up 47 percent of all migrants in 2010 and men accounted for 56 percent of long-distance migrants crossing provincial boundaries (Deng 2014).

Figure 2a: China's provincial map



Figure 2b: The 20 largest interprovincial migration flows, 2010- 2015



A New Urbanization Plan and Hukou Reform to Integrate Migrants

Over the past two decades, there have been many public calls for reforming or abolishing the *hukou* system made by scholars and policy advisers. The Chinese government finally moved to formulate more substantive policies to tackle *hukou* issues in the early 2010s. In 2014, the "National New-type Urbanization Plan (2014–2020)," hereafter the 2014 Plan, and related "State Council Opinions on Further Promoting the Household Registration System Reform," hereafter the 2014 Opinions, were promulgated (Government of China 2014; State Council 2014). They aimed to close the urban social benefits gap modestly, by 2 percentage points over the next six years (that is, to bring down the percentage of the migrant population without access to urban social benefits), from 17.3 percent in 2012 (shown in figure 1) to 15 percent in 2020, which was to be a major step in the right direction. The two documents also stipulated a gradual *shiminhua*,[3] granting migrants full rights and equalizing social benefits for migrants and locals through various measures, which included a renewed resident permit system and opening up *hukou* conversions in smaller cities while tightening them in megacities. The 2014 Plan also set a goal of ensuring all migrant children had access to public education. But the new initiatives left plenty of room for local governments to design their own systems of granting social benefits, which some chose to do based on points that basically gave priority to highly educated migrants.

National statistics from the 2020 census and regular annual *hukou* registration data show that the government has fulfilled some of the goals set in the 2014 Plan. For example, China achieved the 100

[3] The term *shiminhua* means the integration of rural migrant workers into urban China, that is, 'transforming migrants into urban citizens.'

million urban *hukou* conversion target by 2020 (Chan 2021). However, this progress was offset by faster growth in migration, resulting in a much larger migrant population (between 261 million and 376 million, or 18.5 percent and 26.6 percent of the country's population) and thus making the 15 percent target set by the 2014 Plan impossible to meet. Thus, instead of narrowing, the social benefits gap in cities and towns has widened, edging to a worrying level of 26.6 percent.

One could argue that the motion started by the 2014 Plan has basically stalled, if not reversed. This is consistent with reports that except for the rich and highly educated, migrants have found it harder to enroll their children in schools in big cities in recent years (Dong and Goodburn 2019; Chan 2019b). The difficulties in accessing education for migrant children often force parents to leave or send their kids back home, turning them into "left-behind children" (LBC) and creating more split families. These difficulties have also led many working-age mothers to stay behind in the countryside to care for their children and remain separated from their husbands in cities. With no or only partial parental care close by, LBC face many problems in their nurturing and education, which has serious long-term consequences for their families and the country (*The Economist* 2015). The author's earlier research documented that the LBC population increased from less than 70 million in 2010 to 88 million in 2015, making up about one-third of China's total child population (Chan and Ren 2018). According to this figure, about one-third of China's children live de facto with single-parent families, which is an alarming situation. Between 2010 and 2015, the migrant children's population in Shanghai and Beijing decreased by 34–40 percent despite the continued growth of the migrant population. This reduction in the migrant children's population is likely to have coincided with the growth of the LBC population nationwide (Xingongmin Jihua 2020).

Toward a Policy for Integrating Migrants with Development

Given the failure of the 2014 initiatives to reduce the percentage of the migrant population without local urban *hukou* in the past few years, much remains to be done about *hukou* reform and the integration of migrants in cities and towns. The COVID-19 pandemic of 2019 and 2020 has further exposed a large gap in the Chinese urban social security system, which left migrants almost totally uncovered despite suffering disproportionately from high levels of unemployment due to stringent lockdown policies on mobility and work (Che, Du, and Chan 2020). It is imperative that China reactivate momentum to reform the *hukou* system and foster a more integrated society. The following pointers may be useful for policy reforms.

A. A sustained, gradual, and longer-term *hukou* conversion program

Ultimately, integrating migrants at their destination would require a substantive change in the *hukou* system through a more aggressive urban *hukou* conversion program. The large migrant population without access to urban social benefits (300–400 million) means that it is unrealistic to consider reforming the system in a short time (say, five years). Instead, a prolonged and sustained program is needed over a longer time period. In a policy memo commissioned by the Paulson Institute, this author proposed a program of 15 years to phase out the *hukou* system gradually and steadily by enabling all urban residents—locals and migrants—to have equal access to urban social benefits, eventually reducing the percentage of those living in urban areas without a local *hukou* to zero (Chan 2014). Such a longer-term program would require an annual urban *hukou* conversion rate of about 20–25 million, which is approximately twice the rate set in the 2014 Plan. The author also demonstrated that this rate is not only fiscally feasible given China's economic strength but also economically and socially beneficial for China in the long run. In the first five years, the priority for conversions would be assigned to college-

educated migrants and professionals, skilled migrant workers, and their families. In the following 10 years, the conversion would be extended to all migrants.

B. Megacities to open their *hukou* doors too

The current *hukou* policy stipulated in the 2014 Opinions and recent amendments is to generally "open smaller cities and control the megacities"—that is, while *hukou* restrictions have been largely lifted in smaller cities and towns, and eased in third- and fourth-tier cities, the restrictions remain strong in cities of over 3 million and especially the first-tier or megacities (Li 2021; NDRC 2021). There is a long-held misperception among some analysts that such policies represent the path of "urbanization with Chinese characteristics," which would allow China to avoid urban blight and slums. To the contrary, other scholars such as Wang (2012) and Lu (2016) have long argued that at China's current stage of development, agglomeration in large cities is still an important driving force of economic development. For this reason, the key to *hukou* reform is to open the door to *hukou* registration in all cities, including the megacities, to allow firms and migrants to make their own choices. Agglomeration brings many benefits and reduces business transaction costs. In megacities plentiful job opportunities exist for all migrants—college-educated youth as well as unskilled migrants from poor counties who can work in low-skilled service jobs (such as delivery workers). These large urban centers can thus help the country to alleviate rural poverty.

C. Access to education for migrant children

Among the many measures needed to integrate migrants, the lack of access to education for migrant children in the megacities is critical as it often forces migrant parents to leave their kids in the village, creating split families and a large population of LBC. It is important to lower the barriers for migrant children's education (Xingongmin Jihua 2020). A major obstacle is the lack of portability of central funding allocated for free and mandatory Grade 1–9 education, which is protected by Chinese law. There have been some changes in the fiscal mechanism to align government funding for education with the actual size of the school-age children's population, but much remains to be done. The steps in this direction are crucial in helping migrant families stay together and integrated into cities. This would also allow migrant mothers to participate in urban jobs and help raise family incomes.

D. Other supporting measures

Hukou reform is a highly complex project that requires coordination among many different policies and agencies of government. Below are some of the most crucial and perhaps also most urgent components.

1. **Strong central government leadership.** The central government, working with local governments, has successfully launched three rounds of pilot reforms in relation to the new-type urbanization since 2014, covering some 200 cities and towns and yielding useful experiences and lessons (Li 2021; NDRC 2021). But the crux of *hukou* reform requires dismantling barriers imposed by regional administrative boundaries so that migrant workers from one province can obtain *hukou* when they move to another province. One large set of challenges in granting *hukou* to the floating population relates to social welfare benefits such as public housing, education, social security, and land rights. Another set is about the sharing of fiscal resources and responsibilities between the central and local governments. Both challenges urgently require the central government's strong leadership and cannot be left to only local governments, as is currently the case. Given that *hukou* reform needs more than 10 years, a

regular central agency is recommended to oversee the reform, including coordination between various ministries and local governments.

2. **Local revenue structure adjustments.** Local governments resist *hukou* reform because the burden of paying for migrants' public services (e.g., education) primarily falls on them. Currently, local governments obtain their revenues principally from enterprise taxes, land sales, and debt finance. Given the increasing decentralization of government finances and responsibilities, the municipal finance system needs to be aligned with population growth in a market economy. Under the proposed reform program, in the next 20 years, as most of the migrants become new members of the urban workforce, consumers, and homebuyers, so should they also become new sources of income tax, sales tax, and property tax. The crux of the local tax reform should be to create a tax base that grows with the local population. This will enable expenditures on social services as well as revenues to grow in parallel with the population and achieve fiscal sustainability at the local level.
3. **Reform of the agricultural land transfer system.** Growing urbanization will require an increase in urban land, which will primarily be achieved by using agricultural land for nonagricultural uses. After the rural population moves to urban areas, the land they leave behind should be transferred to increase utilization efficiency. Presently, such transfers present a complex challenge of how to distribute the revenue from land value appreciation and protect the interests of the rural migrant population that, in the absence of access to urban social benefits, relies mostly on farmland as a form of social security. How to ensure fair compensation when farmers leave the land and transfer it, at the same time, protecting their livelihoods in the transition to the urban system, will be a major issue that requires careful policy design as China reforms its *hukou* system.

Conclusion

Internal migration has played a central role in China's economic rise in the past four decades, and migration is expected to play an outsized role in the years to come as the urban local population experiences rapid aging and low fertility (well below replacement levels). But migration under China's semi-urbanization model has also created many hurdles to integrating migrants in cities and towns, which might harm the nation's long-term growth. In addition to various piecemeal measures to ameliorate some problems over the years, the government articulated a more comprehensive plan for urbanization and *hukou* reform in 2014, aiming to reduce the share of migrants excluded from the urban social benefits net. As of 2020, that goal was not met, and greater effort was required. This brief outlines the major issues and policies needed to integrate the existing 300–400 million migrants into cities. Through a gradual but bolder and sustained *hukou* reform program (over 15 years), the floating population in urban areas can be turned into a new driver of China's economy in the three to four decades to come.

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