

## How to Better Support China's Migrant Population

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## About the Author

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Cover Photo: Reuters/Jianan Yu

## China’s Evolving “Floating Population”

The non-registered population in China is generally referred to as the “floating population” (*liudong renkou*). It is a term meant to specifically designate those who work and live in a particular place but without the legally required local residency permit, or *hukou*. Currently, there are about 253 million such non-registered people in China, or roughly 20 percent of the total population.<sup>1</sup> They are the direct byproduct of the country’s process of reforms.

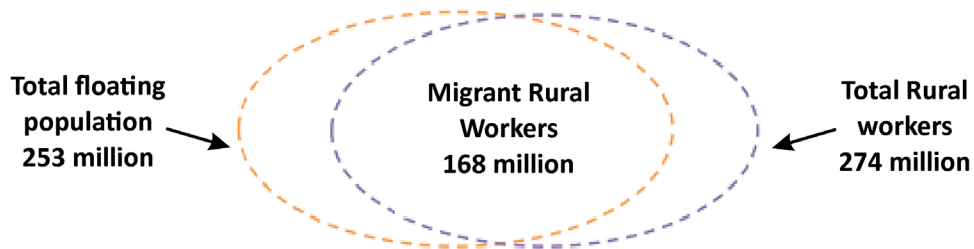
Prior to the launching of economic reforms in 1978, Chinese citizens were essentially bound by their formal residency registration in a particular region and were denied the right to move freely. Since the mid-1980s, however, Beijing has begun to allow rural residents to migrate and work in urban areas but without formally granting them urban *hukou*.<sup>2</sup> That is because of a basic contradiction in China’s economic policy of the period:

although China sought to build an economy that would depend upon labor along the coast, the government was not prepared to assume the political costs of abandoning control over population movements.

Initially, rural migrants made up the majority of China’s floating population. These people moved from their home villages to work and live in major cities, and these rural migrant workers overlapped substantially with the overall Chinese floating population.

In fact, some rural workers in China do not technically belong to the floating population. This cohort includes, for example, those who work in local non-agricultural sectors. What is more, some of the floating population are not rural residents at all—for example, some may already have urban *hukou* but live and work in another city. This group of people are generally known as the “floating white-collars.”

Figure 1. Floating Population and Rural Workers



Source: Author.

As of 2014, rural workers totaled 274 million, and 61.3 percent of them, or 168 million, were migrant workers, according to the National Bureau of Statistics' *National Survey on Rural Workers*.<sup>3</sup> These 168 million people count both as migrant rural workers and rural workers within the floating population (see Figure 1). As illustrated in the Venn diagram, while the terms "floating population" and "migrant rural workers" meant the same thing in the past, these two groups have diverged as the number of floating white-collars in China has risen.

After 30 years of development, however, the profile and characteristic of China's floating population has changed substantially.

First, young people now make up a large portion of this group. According to this author's seven-cities survey on the floating population conducted in 2013,<sup>4</sup> the current floating population is largely comprised of millennials, with people under the age of 35 accounting for around two-thirds of that population. Second, the educational attainment of this cohort is also much higher than it was in China 30 years ago. According to the same survey, 19.3 percent of respondents are college graduates or above, significantly above the national average of 5 percent for the 15 to 59 age group.

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Even among those with rural *hukou*, 10.7 percent are college graduates.<sup>5</sup> Moreover, the employment status among this group has also become much more diverse. Except for a few employment categories, such as public servants and university professors that require local *hukou*, most industries and occupations in China today count migrants among their employees.

But this is not all that has changed. In addition, income levels among China's floating population have also improved, reflecting growing diversity among this cohort.

According to the seven-cities survey, in the first half of 2013, the average monthly income of the top 20 percent

(6,320 yuan, or \$1,000) is 3.8 times that of the lowest 20 percent income group (1,662 yuan, or \$260). Although this

income gap remains narrower than that between the highest and lowest 20 percent income groups in the overall national urban population,<sup>6</sup> it does give an indication of the diversity within the floating population.

Still, this income disparity within China's floating population has two implications. First, Chinese migrant workers are no longer confined to the low-end segment of the labor market. Second, the role of government regulation on the migrant's income

has been reduced. Instead, their human capital, social connections, and business skills play a larger role in determining their compensation.

Income instability among rural workers also deserves attention. One of the biggest problems facing this population in China today is unpaid wages. This was a serious issue as recently as ten years ago, but it improved substantially once Beijing focused its attention on the problem. Over the last two years, however, the problem of wage arrears has once again worsened.

According to the 2013 *National Survey on Rural Workers*, in 2012 the proportion of unpaid back wages among migrant rural workers was 0.5 percent but then rose to 0.8 percent in 2013, reversing the improvement of previous years.<sup>7</sup> In 2014, the proportion was 0.8 percent but the amount of wage arrears rose 17.1 percent when compared to the previous year.<sup>8</sup>

Overall, then, the image of a “typical” migrant is eroding. The current floating population of China consists not just of poorly educated migrants from the countryside who have left villages to work in cities for low

paying jobs but then return home to get married and raise a family. On the contrary, this population is becoming increasingly diverse in terms of education levels, skill sets, and occupational categories.

It should also be highlighted that a significant portion of the floating population does not, in fact, “float.” According to this author’s survey, nearly 44.4 percent of China’s floating population expressed a strong willingness to settle permanently in their current cities, while only 29.2 percent expressed reservations about doing so. Moreover, nearly half of the survey respondents have lived in the cities where they currently reside for more than five years, while a quarter have lived there for over a decade.

This underscores the fact that significant numbers of the “floating population” are not only willing to settle in their current cities but also have already settled. In other words, generically referring to these people as part of a “floating” population is inaccurate and simplistic.

To put this into perspective, consider the following: Every year, a number of people migrate with their *hukou*



Photo: Flickr/Chris

(e.g., university graduates can obtain local *hukou* during their course of study, while relocated state sector employees always are able to obtain a local *hukou*). Such people are literally “floating” from one city to another but are never classified as part of the so-called “floating population.” As a result, a peculiar situation has emerged: many of the non-floating population have been counted as part of the floating population, while those who are “floating” are not classified as such. Indeed, the very idea of “floating” is increasingly a misconception because it no longer reflects the reality, nor is it the defining feature, of China’s floating population.

These shifting dynamics mean that it is important to formally rename the floating population as “non-registered population.” Doing so would not only signal clearly the root cause of the problems facing China’s migrant population today, but would also have two additional and important implications.

The first is that the term “non-registered population” would accurately reflect this population cohort’s singular common characteristic—namely, that they have no local *hukou*. Second, using the new term would clearly show that the fundamental problem—lack of local residency and entitlement to certain services—is not the result of migrants’ own unwillingness to obtain them but rather of local governments’ unwillingness to provide them.

In sum, local governments, rather than the floating population themselves, are the main culprits responsible for the challenges this non-registered population in China now confronts.

The next few sections of this policy memorandum examine flaws in China’s current administrative system for residency permits. A concluding section offers several modest policy prescriptions to better support and enfranchise this important but fragile non-registered population.



## Flaws in The Administrative System for Residency Permits

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Beijing's commitment to provide better public services to the floating population is reflected in the "Administrative Measures for Residency Permits," which the State Council Office of Legislative Affairs published for comment in December 2014 and was subsequently approved in October 2015.

A key measure in the new regulations is that Beijing will grant migrants a residency permit through which they will be covered for certain public services. Since Beijing only plans to provide *hukou* for less than half of the floating population by 2020, the residency permit serves as an interim step and also an upgrade from the previous "temporary residency permit."

The older system was a tool the Chinese government at all levels deployed primarily to better control population movements, particularly in urban areas, since those without such permits were prohibited from residing in cities. By contrast, the updated residency permit system does not restrict the floating population from living in cities and instead gives the holder a limited resident status and attendant benefits.

Such a permit does not, however, constitute a *hukou* replacement as it

nonetheless provides fewer services and benefits. Moreover, it is unclear whether residency permit holders will eventually receive a formal *hukou*.

The document stipulates that the government should provide better services to migrants, yet it is still overly conservative and will not fundamentally improve matters. This document includes three key points:<sup>9</sup>

- The residency permit is the principal measure by which the government acknowledges a Chinese citizen's right to live, work, and study in cities outside of their official residency registration region;
- Public services should be residence-based; migrants are entitled to nine public services and can apply for up to six types of documents/licenses in their resident city;
- Local governments should gradually expand social and political rights to the non-registered population living in their cities.

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conservative the central government remains on this issue.

For one thing, most of the public services for the floating population listed in this document have already been covered by past laws and policies, which means the new policy measures did not move the needle much. In fact, migrant populations in certain local jurisdictions are already receiving these services.

At the same time, most of the public services included in the policy document are relatively cheap to fund from a local fiscal spending standpoint. Welfare and social assistance programs that require more substantial fiscal expenditure, such as minimum living allowance guarantees (*dibao*) and medical assistance, are not mentioned, however. So a substantial coverage and spending gap remains.

As such, the 2014 measures should be considered a transitional phase. They aim to improve the current management of the public services system for the non-registered population in anticipation that the *hukou* system itself will ultimately be repealed.

But this system contains some apparent flaws. The first one is that public

services that are currently provided by the residency permit system are insufficient. These are well below the expectations and needs of the floating population. For example, under the current system, local governments are not providing basic public welfare for the floating population, such as free or discounted senior care and pre-school childcare. But these are necessary if migrants are to bring their families to the cities.

Second, while the current system is incomplete and is clearly meant to

be a transitional system, it is entirely unclear how the system will eventually come to replace *hukou*.

Third, funding and implementation of the residency permit system

remains largely at the discretion of local governments. Indeed, the 2014 document is a non-binding guideline. So in the absence of significant intervention from the central government, there will likely be vast regional variations and disparities in the provision of public services and welfare.

Fourth, there is only a limited possibility under the new system for a residency permit holder to obtain a formal *hukou*, especially in large cities.



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To illustrate, there are currently two pathways through which migrants can obtain *hukou* through their residency permits: (1) in small and medium-sized cities, migrants could apply for *hukou* once they have held the residency permit for a certain period of time and met additional requirements specified by the latest *hukou* reform policy document; (2) in large cities, they would have to accumulate enough

points (education, tax payments, volunteering, and so on—all of which could be converted into points) to be eligible to apply for a *hukou*. Yet under either policy, the difficulty associated with obtaining a *hukou* is directly correlated to the size of the city population. Both policies also discriminate against people who are relatively less educated, old, or have low-skilled services jobs.

## Fixing the System

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To eventually let China's floating population enjoy equal services and benefits as legal local residents, reform will be needed along two lines. First the current *hukou* system needs to be repealed, thus removing policies that discriminate against migrants. Second, regional inequalities in public services provision will need to be narrowed. In other words, non-registered populations living in different parts of China should be entitled to a similar level of public services.

### **Hukou Reform and Timetable**

Due to conflicts of interest among local governments, *hukou* reform is unlikely to be completed in the near future. But to ensure gradual steps are taken toward the full realization of *hukou* reform, Beijing will need to issue a top-down policy that lays out the eventual goal and timeframe for such a reform, the ultimate goal of which should be the establishment of a unified national residency management system.

Under such a system, public services should be residence based, rather than *hukou* based. This means that the floating population should be entitled to benefits based on where they currently live, not based on where they

originally received a *hukou*. As such, Chinese citizens would automatically have access to public services coverage once they move to a new location and settle down.

Since such reforms will involve an arduous process—and will probably be accomplished only through a sequence of steps—it will be necessary to design the phases and plot out the sequencing of such reforms. Specifying a roadmap and timetable for *hukou* reform can

help to prevent unnecessary delay, while facilitating better coordination among various levels of government.

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### **Steps Along the Way to Full Reform**

As China moves toward this ultimate reform, the following steps can help to nudge the country down this path in a progressive and gradualist way.

First, public service provisions need to be based on where people live now instead of based on where they originally acquired their *hukou*. Such a reform should allow migrants to be gradually covered by the local social welfare and public service systems. The central government should establish a national standard that specifies the benefits and services for migrants, and

should then shoulder part of the fiscal burden for meeting it.

Second, future *hukou* reform should focus on how to provide better services to migrants, replacing the current emphasis on managing and controlling migrants. Up until now, the primary concern of China's policy toward migrants has been how to control the floating population so that it will not pose a risk to social stability.

Beyond the normal system through which China aims to manage all local urban populations, migrants are subject to additional administrative measures. These policies and the associated registration process have made migrants' lives more difficult. For example, some cities in China require migrants to report and register with the local government within three business days upon their arrival, and such registration is also required whenever they move to a new address. In essence, the system is set up with the goal of tracking people rather than prioritizing their social wellbeing.

Not surprisingly, some of these measures have adversely affected the employment prospects and livelihoods of China's floating population. To be

sure, there have been some recent improvements in this area. Some cities, for example, have adopted web-based apps and other new technologies to achieve "management for the convenience of the people" or to "humanize management." But thus far, local governments' focus remains squarely on management, not services.

So the goals and priorities of migrant-related policies are still based on the needs of local governments rather than those of the floating population itself. Future *hukou* reform needs to

emphasize public services and reduce control of the floating population.

Third, these policies not only inconvenience migrants but also have the debilitating side-effect of social marginalization.

Since China is only halfway through its urbanization process, the percentage of migrants in its urban population will continue to rise in the years ahead. To best harness this population inflow, municipal governments will need to find ways to bolster social inclusion. Yet the existing cumbersome procedures—and the fact that migrants tend to receive only substandard public services—mean that migrants will naturally think of themselves as second-class citizens, not welcomed in the cities.



Photo: Flickr/World Bank

To tackle this problem, local governments need to change the way they treat migrants, and eventually grant them equal treatment and benefits as official local residents. In the near term, this should include reviewing all existing migrant control measures and discarding many of them.

Fourth, attention should be given to how migrants can be better equipped with valuable skills. Migrants' future wellbeing and professional prospects will depend both on the pace of *hukou* reform and the employability of individual migrants. The general skill level and employability of China's migrant population has improved greatly over the past decade. Yet there remains a skills gap when

comparing migrants with China's new generation of urban workers.

China is in the process of industrial upgrading and economic transition, and its labor force will need to keep pace with this process by learning new skills and acquiring more knowledge. In short, the key to improving migrants' living standard is to make them more productive workers through continuing education and training.

China's future migrant policy reforms need, therefore, to aim not just at granting second-generation migrants equal educational opportunities but also to provide government-sponsored adult education to migrant workers.

## Endnotes

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<sup>1</sup> *National Survey on Rural Workers* (2014), National Bureau of Statistics (NBS), [http://www.stats.gov.CN/tjsj/zxfb/201504/t20150429\\_797821.html](http://www.stats.gov.CN/tjsj/zxfb/201504/t20150429_797821.html).

<sup>2</sup> Food stamps were required for food purchases, and the government did not permit the distribution of food stamps to rural migrant workers. The workers were unable to purchase food in the urban areas, so they had no choice but to bring their own food and provisions to the cities.

<sup>3</sup> *National Survey on Rural Workers* (2014), [http://www.stats.gov.CN/tjsj/zxfb/201504/t20150429\\_797821.html](http://www.stats.gov.CN/tjsj/zxfb/201504/t20150429_797821.html).

<sup>4</sup> In 2013, Nankai University's "Floating Population Management and Services" research group conducted a joint survey with a research team from East China University of Science and Technology Research on migrant workers in Tianjin, Shanghai, Guangzhou, Wuhan, Chengdu, Harbin, and Lanzhou. The sample size is 3,588.

<sup>5</sup> Most of the rural migrant workers obtained their undergraduate degrees through adult education programs.

<sup>6</sup> According to NBS, in 2013, per capita disposable income of the top 20 percent of urban residents is 4.9 times that of the lowest 20 percent. For more details, refer to the China Statistical Yearbook (2014), NBS, <http://www.stats.gov.CN/tjsj/ndsjs/2014/indexch.htm>.

<sup>7</sup> *National Survey on Rural Workers* (2013), NBS, [http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512\\_551585.html](http://www.stats.gov.cn/tjsj/zxfb/201405/t20140512_551585.html).

<sup>8</sup> *National Survey on Rural Workers* (2014), NBS, [http://www.stats.gov.CN/tjsj/zxfb/201504/t20150429\\_797821.html](http://www.stats.gov.CN/tjsj/zxfb/201504/t20150429_797821.html).

<sup>9</sup> According to the "Administrative Measures for Residency Permits," the nine types of public services are: 1. Free compulsory education; 2. Equal employment rights; 3. Basic employment services and benefits; 4. Entitlement to social security benefits; 5. Contributing, withdrawing and using the housing accumulation fund; 6. Public health and birth control services and associated benefits; 7. Access to culture and sports facilities; 8. Legal assistance; 9. Other types of public services provided by the central and local governments. For more details, see the regulation at <http://www.chinalaw.gov.cn/article/cazjgg/201412/20141200397777.shtml>.



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# Paulson Policy Memorandum

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