CHAPTER 4

A Roadmap for Reforming China’s Household Registration System*

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1 Introduction

As China enters the urban age, the issue of urbanization has become an important one that concerns national development. China has limited arable land in the rural areas, even less than that in the United States. Yet, more than 600 million people continue to live in the countryside. Further developing non-agricultural employment and urbanization are inescapable choices. The right urbanization policies will boost domestic demand and economic development, enable China to shift away from a model of development that is overly dependent on exports and investments, and steer it onto a relatively more stable path toward the future. Conversely, the wrong urbanization policies can cause China to be mired in the “middle-income trap.”

Premier Li Keqiang recently made it clear that urbanization could no longer take the form of urban sprawl. Instead, it should be people-centric, which would mainly take the form of migrant worker urbanization (农民工市民化). According to urbanization plans drafted by the National Development and Reform Commission (国家发展和改革委员会), the urbanization of rural population was the first of five major emphases. I had pointed out many times that urbanization is mainly about promoting migrant worker urbanization.1 This refers to letting migrant workers become permanent residents in their city of work or business and benefit from the public services infrastructure, thereby achieving local household registration. I feel that this is no small task and of course not something that can be achieved overnight or in great leaps.

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and bounds. Instead, there needs to be a workable roadmap for a gradual and thorough reform of the household registration system over the long term.

There has been talk of household registration system reform for nearly two decades, yet actual progress is slow and no substantial change has happened. There is no time for further delay and this is the common view of most experts, academics, and government officials. Household registration system reform cannot be just a token move or even something as perfunctory as a name change. Instead, it must be substantial. Otherwise, the urbanization of 170 million migrant workers is only a remote possibility. The migrant worker population, plus families who may have followed them to the cities, form the vast majority of the more than 230 million urban dwellers without urban household registration. In addition, there are more than 10 million people among the floating population who are college and university graduates. In 2000, the floating population was only around 130 million, but it has grown fairly rapidly by 100 million over the last 12 years. As shown in Figure 4.1, the gap between the urban resident population and the registered population has been widening since the 1980s and is still heading in a worrying direction. If this continues, it is entirely possible for the floating population to increase by another 100 million in a decade. That makes it more than 300 million in size, with an even greater gap between the resident and registered populations, which is rather alarming. Such a massive “second class citizen” population will be detrimental to social stability if there is no thorough household registration system reform.

Conversely, even if only one-third of this floating population of more than 300 million people were to join the middle class and acquire spending power, they would swell its ranks by more than 100 million people, which is around half of the existing middle class population of more than 200 million. We should not underestimate this additional spending power. In fact, with the existing urban registered population declining in numbers and the effect of other policies, it is difficult to increase the size of the middle class among this population by much. Urbanization, particularly migrant worker urbanization, is the only meaningful way to expand the ranks of middle class consumers and stimulate domestic demand.

There are different views on how to realize “urbanization and migrant worker urbanization” and there are also many misconceptions and blind

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3 The difference between the urban resident population and the registered population is the “migrant population,” also known as the “floating population.”