

Analysis on Reforming Household Registration System Into A Region-based System under Economics Evaluation

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Abstract

With the rapid growth in China, the implement of household registration system constrains the labor mobility and generate economic inequality among the society. A region-based Hukou system discussed in this paper is a proper solution. The regions were divided based on sincere evaluation on density of population, each province's industry structure and their resources. Under attempting region-based system, labor mobility is able to fully released and economic equality become a realizable goal in a long run. Improvement on overall education level would occur. Even though region-based Hukou system may expand imbalance between region to region, the region-based hukou system is supposed to be the most suitable solution at least for the first step of reformation.

Keywords

Reforming Hukou system; Labor mobility; Economic inequality.

1. Introduction

China is adopting the household registration system. Citizen holds an identification, so called Hukou, mostly based on one was born. The Hukou shows one's legitimacy to live in a place. With the rapid growth of economy in China, the Hukou system constrains the process of urbanization, causing the lack of labor mobility and economic inequality around the country. This paper proposes a solution of how to reform hukou system to promote urbanization, improve labor mobility, and shrink the economic inequality between cities as well as between rural and urban area.

2. With Aging Population and Disappearance of the Demographic Dividend, Restriction of Labor Mobility Is Supposed to Release in Order to Boost Economic Growth

Sixty percent of the Chinese population are in rural region. 288 million, that is approximately, 20 percent of population are rural workers. [1] The rural workers are one of the largest suppliers for the Chinese labor market, especially as the Chinese economic growth are dominated by secondary industry. The Chinese government announced the aim that at the end of 2030, no rural workers exist in China.[2] In 2014, Chinese government published "Advice of reforming Hukou" announcing that restrictions on household registrations in administrative towns and small cities were fully lifted, and largely removed the restriction on Hukou in medium size cities.

Besides, the advantages of demographic dividend in China will disappear in several years in terms of the data provided by Chinese Statistic Bureau. The proportion of citizens over 60 years old has increased by 0.47 percent point but the proportion of citizens from 15-64 years old has decreased by 0.1 percent point. For the sake of remaining economic growth, China has to shift from mobilization of resources to efficiency of resources. [3]

3. What Is Region-based Hukou System and How It Works

Reforming the city-based hukou system to region-based hukou system could be a possible solution. China will be formed by four different regions, which refers to “Huadong”, “Huaxi”, “Huanan” and “Huabei”. Each region has a central city. The economies of these central cities are relatively developed and each possesses comparative advantage. These cities are able to stimulate the economic growth of the cities inside their region, so as to boost overall economic growth.

Those regions were divided in terms of density of population, each province’s industry structure and their resources. The Huaxi region involves Xingjiang, Tibet, Qinghai, Sichuan, Yunan, Guizhou, and Chongqing. The central cities for “Huaxi” region are Chengdu and Chongqing. Due to their abundant and various type of land resources, specialized in developing new energy industry seems to be a wise option. The Huanan region involved Guangxi, Hunan, Guangzhou, Jiangxi, Hainan and Fujian. With the guidance of tow central cities, Guangzhou and Shenzhen, the “Huanan” region is aiming to expanding on High technology industry, for instance, automation. “HuaDong” region are led by Shanghai, which is constituted by Shanghai, Zhejiang, Anhui, Jiangsu, Hubei, and Henan. Since Shanghai as one of the most important finance and trade center combining with the transportation junction, Henan, further expanding on economy become their first responsibility. The Huadong region involved Shanxi, Ningxia, Shsxi, Hebei, Shandong, Dongbei, Nei Mongol, Gansu, and Beijing. It possesses a huge amount of natural resources including mineral resource, which could be adopting in developing new heavy industry. Under new household registration system, the initial city Hukou has been substituted by the region version. The merchandise of deciding which region one attached to is their jobs. The regional hukou involves two type, urban hukou and rural hukou. Transferring rural Hukou to urban Hukou has no constrains but to voluntarily hand in the lands. Instead, they will receive an amount of composition in terms of the market value of their land.

4. The Expected Consequence of Implementing Region-based Hukou System

4.1. Released Labor Mobility

Through reformation, the labor mobility is able to be fully released inside the region.

“The Hukou system prevent rural workers from settling and reuniting” Wen said.

According to the restriction of the initial Hukou system, being employed in a cosmopolitan city such as Shanghai and Beijing were not complicated, but it is extremely difficult to settle in those place, not even to mention reuniting with families. [4] As a result, the rural worker will naturally flow to where they came from, which means labors are actually not be mobilized at the end. Under region-based hukou system, the limitation of labor mobility inside the region has been removed. People will have the flexibility living and settling in any places inside the region where their job is. Once those labor force have settled, they can bring their families or build up their families and these people are all successfully be urbanized. The labor mobility is actually be fully released. Their offspring are able to receive advanced education in those big cities and most of them will become a relative high labor force, which means their productivity and efficiency will be boost.

4.2. Improvement of Labor Productivity

Labor productivity and efficiency are able to be maximized inside the region since reformation create a marketized labor market. In the short run most of the labor will try their best to move to the central city where the wages are high and with more opportunity. Without the constrain from hukou system, whether being employed is only determined by market selection and the

labor market are naturally become marketization. Ren Yuan indicated that relying on labor market to determine what kind of labor they need is the most efficient way. Sometimes, the population with higher education may not be more talented than the entrepreneurs with lower education. [4] In the cosmopolitan city, for instance Shanghai or Beijing, the supply for high skilled labor were actually overcrowded. However, there are a huge amount of demand in service industry, for example chief, and most of these positions are filled by rural workers. With a limitation of job position but with unlimited rural workers, the labor market will become more competitive, which would definitely boost the labor efficiency, since every single labor maximize their productivity under position that fully matched their ability.

4.3. Balancing Economic Inequality Inside Region

With the intense competition in the market, the economic inequality is expected to shrink inside the region. Some of the labor filled to hold a spot in these central cities, but their labor abilities have been improved through competing. Instead of going back to rural area, most of them would be willing to move to secondary cities. As those people naturally flow to the secondary cities, the economic inequality will be naturally balanced, and those cities will come the cosmopolitan cities like Shanghai in a while.

5. Other Factors That Needed to Be Considered

However, only reforming the Hukou system cannot be promote rural workers to urbanized. Having the equal rights to enjoy the social welfare is the most important. The cost of settling in cosmopolitan cities is too high for a rural worker since majority of them were employed with relatively low salaries. In order to retain those labor, government is supposed to invest as much as they can to provide social welfare to those who find a job position and are willing to settled. In the short run, it will definitely bring huge pressure on finance, but according to Song Yugang's words, these expenditure on social welfare will boost the economic growth.[5]

Meanwhile, achieving urbanization completely by 2030 seems implausible if implementing region-based Hukou system. Such a household registration simply arranges labor force into a free market inside the region. The time that fully complete the urbanization were determined by how the labor market functioned and how fast the labor force will naturally flow to the secondary and third cities. Also, through reformation, labor mobility around the nation is still constrained by the policy. Labors filled to fully interact with each other and to further expanding their productivity and efficiency. Moreover, the economic inequality inside the region is able to largely remove but the imbalance between regions would still remain or even expand than before, especially between Huaxi region and other region. Since the economic growth and development in Chengdu and shanghai are not on the same level.

Despite the drawbacks and the unintended consequence, the region-based hukou system is supposed to be the most suitable solution. Hukou system has been existed in china for more than hundreds of years and it was relevant almost everything that a citizen owned from government, especially social welfare and education system. Suddenly abolished hukou system seems impossible. The region-based household registration system release a large proportion of constrain, which build up a solid foundation for fully abolishing the Hukou system.

6. Conclusion

The region-based Hukou system subversive conventional Hukou system. It supposed to be the first attempt of reformation of Hukou system. One of the most crucial pivot of reformation is to release labor mobility in order to achieve next exclusive economic growth in China. Chinese labor market is able to shift from policy-based to market based, which is conducive to improve labor productivity as well as shrink economic inequality in the society. Lining with robust

welfare system to support movement of labor inside and outside region is an essential factor to generator all expected consequences discussed in the paper. However, region-based hukou system could only be regard as a stepping stone since it only released a portion of labor mobility. Further discussion and analysis of reforming Hukou system is needed in order to fully boost economic growth.

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