TO REFORM OR NOT TO REFORM:

CHINA’S HUKOU REFORM AT THE LOCAL LEVEL

by

Miaofeng Zhang

LL.B., Shanghai International Studies University, 2011

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF

THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF ARTS

in

The Faculty of Graduate and Postdoctoral Studies

(Political Science)

THE UNIVERSITY OF BRITISH COLUMBIA

(Vancouver)

December 2015

© Miaofeng Zhang, 2015
Abstract

The Chinese government has issued a series of directives of hukou system reform. However, the strength and depth of the hukou reforms at the local level differ greatly across localities. Some local governments refused to reform, while others implemented local reforms either radically or conservatively. Among those that reformed local system, some decided to suspend or alter it and others continued. Thus, the paper asks what accounts for the variance of hukou system reforms across localities. Specifically, the research question is two-fold: 1) regarding the initiation of reforms, why some local governments implemented radical hukou reform, others partially reformed their hukou policies, and still others did not carry out the reform, and 2) as for the maintenance of reform, why, among those that pursued hukou reform, some decided to suspend or alter it while others continued. The paper adopts the comparative case study method and delves into three cases: Zhengzhou, Hohhot, and Fenghua.

Different from existing literature that focuses merely on either incentives or disincentives of local hukou reform, this paper brings the political factors in and argues that it is local leaders’ political decisions based on different degrees of pressure of urbanization from upper level governments and different levels of policy adjustability to costs that cause such divergence. What’s more, I contend that the variance of the adjustability to expected costs leads to different outcomes in maintaining hukou reforms.
Preface

This dissertation is original, unpublished, independent work by the author, Miaofeng Zhang.
# Table of Contents

Abstract.......................................................................................................................... ii  
Preface.............................................................................................................................. iii  
Table of Contents ........................................................................................................... iv  
List of Tables .................................................................................................................. v  
Acknowledgements ......................................................................................................... vi  
Introduction ..................................................................................................................... 1  

## The Hukou System and its Reforms ............................................................................. 5  
  Rural-Urban Division .................................................................................................... 5  
  Decentralization of Policy Reform at the Local Level ................................................. 8  
  Hukou Reform ............................................................................................................. 10  

## Theoretical Framework .............................................................................................. 15  
  Argument: Expectation of Urbanization and Policy Adjustability ............................ 16  
  Alternative Argument: Local Economic Condition .................................................. 21  

## Case Studies ................................................................................................................. 23  
  Zhengzhou: A Case of Radical Reform ...................................................................... 24  
  Fenghua: A Case of Conservative Reform .................................................................. 31  
  Hohhot: A Case of No Reform .................................................................................... 36  

## Conclusion .................................................................................................................. 40  

## References .................................................................................................................. 45
List of Tables

Table 1: Comparison of Cases

39
Acknowledgements

I would like to express my sincere gratitude to my supervisor, Dr. Antje Ellermann, not only for her inspiring comments that pushed me forward in the thesis process but also for her consistent support and encouragement that helped me restore my confidence when I felt frustrated. I would also like to thank Dr. Xiaojun Li for being my thesis examiner and providing invaluable feedback on my work.

My enduring gratitude also goes to the faculty, staff, and my fellow students at UBC, who have motivated me to continue research in this field. I am deeply grateful to my friends for sharing their knowledge and inspiration with me. I am particularly indebted to Yingqiu Kuang for her insightful ideas and her company. I owe special thanks to Peter O’Boyle for proofreading my manuscript. I also thank Margherita Barbieri for reading my draft and for her encouragement. All shortcomings and remaining errors are, of course, my own.

Finally, I wish to thank my parents for their unrelenting support – my gratitude to you is beyond words.
Introduction

On June 10, 1997, China’s State Council approved the Ministry of Public Security’s guideline on a pilot scheme to reform the household registration system in small cities and towns. Based on this stipulation, pilot experiments were launched in 382 small towns in 1997. This order initiated the pilot project of hukou reforms at the local level, which included a combination of both top-down and bottom-up reform approaches (Cai 2013).

In 2001, the state government issued the Notice of the General Office of the state Council on Actively and Steadily Promoting the Reform of the Household Registration System to further hukou system reforms at the local level.

Yet, it turns out that the strength and depth of reforms differ greatly from region to region (Cai and Wang 2008). Some regions advocate hukou reforms, while others refuse to reform in their regions. Among those that pursued hukou reform, some reformed in a relatively more radical way, whilst others reform their policy more conservatively. Besides, some of those reformed localities decided to suspend or alter the reform while others chose to continue.

Given the importance of the hukou reform in China’s economic reform era, scholars have mostly contributed to the analysis of China’s hukou reform more generally or at the central level, and some have examined hukou reform at the local level. However, little attention has been paid to the variance of reform policy decisions across localities. In this
paper, I attempt to fill this gap and explore the variance of hukou reform policy decisions at the local level. The paper asks what accounts for local governments’ divergence of policy decisions in terms of hukou system reforms in their localities. Specifically, the research question is two-fold: 1) regarding the initiation of reforms, why some local governments implemented radical hukou reform, others partially reformed their hukou policies, and still others did not carry out the reform, and 2) as for the maintenance of reform, why, among those that pursued hukou reform, some decided to suspend or alter it while others continued.

Current literature on China’s hukou system reform is well researched at the national level (see, for example, Mallee 1995, Cai 2013, Melander and Pelikanova 2013). Yet, the variance of local hukou reform decision-making has not been sufficiently studied. Among the studies involving hukou system reform at the local level, most look at the disincentives to hukou reform. Some have characterized hukou reform as decentralized which poses pressure on local fiscal responsibility for collecting revenue (e.g. Wu 2013), while others have argued that it is the feature of path dependence of fragmented institutions based on hukou that makes it hard for the government to reform local hukou policies (Zhao and Li 2006). Moreover, other scholars have analyzed the incentives for local governments to reform hukou policy (see, for example, Cai 2013, Wang 2015). Overall, extant studies of local hukou reform have concentrated on either incentives or constraints to local political leaders.

In response to the variance of local governments’ hukou reform policy decisions, two
possible explanations will be tested in this paper. One argues that such variance is the outcome of local government’s expectation of urbanization determined by pressure of urbanization from upper level governments and local policy adjustability to expected costs brought about by hukou reform. The argument focuses on the political factors in local government’s hukou reform decision-making. An alternative argument posits that hukou reforms diverge as a result of the different economic conditions across localities, which rules out political factors and emphasizes economic elements alone.

In order to test the theories, the paper will delve into three cases: Zhengzhou, Fenghua, and Hohhot. These cities have taken divergent policy decisions in hukou system reform. Zhengzhou, the capital city of Henan Province, carried out radical hukou reforms in 2001 and 2003 that abolished the rural-urban division but decided to tighten the migration rules in 2004 while maintaining the abolition of the rural-urban division. Fenghua, a county-level city in Zhejiang Province, took the initiative in conservative reform in 2000 and has maintained the course until now. Hohhot, the capital city of Inner Mongolia, refused to implement local hukou reform in 2005 even though the autonomous government of Inner Mongolia had communicated the reform decision to the local level.

According to the evidence shown in the cases, I find that local hukou reform decision-making is determined by the degree of local government’s pressure regarding urbanization because of upper level governments’ guidelines or goals of urbanization and the level of its policy adjustability when confronted with expected costs of hukou reform. In response to the two folds of the research question, I argue that the initiation of hukou
reforms is the outcome of local leaders’ expectation of urbanization and the maintenance of reform is affected by local policy adjustability to expected reform costs. Specifically, local expectation is affected by pressure of urbanization from upper level governments, which is manifested by policies, guidelines, and goals of central and provincial governments, especially targeted at a certain locality. Policy adjustability to reform costs is judged from whether local government implements economic policies to attract investment and raise revenue to cover the reform costs. At the same time, the alternative argument of economic conditions is rejected through comparison of the cases.

In the following sections, the paper will first provide a background of China’s hukou system reform and review existing scholarship on hukou reform policy decisions at the local level, including literature on incentives and disincentives to reform or not. The next section establishes a theoretical framework to explain the variance of local hukou reforms. It proposes two potential arguments: the argument of local political leaders’ expectation of urbanization and local policy adjustability to reform costs, and the argument of economic conditions across localities. The paper then proceeds to comparative case studies of Zhengzhou, Fenghua, and Hohhot to test the theories. The final section offers a conclusion.
The *Hukou* System and its Reforms

The household registration system, also called the *hukou* system, is the major migration policy in China. The *hukou* system has had a long history, dating back to the Xia Dynasty (2070-1600 BC) for the purpose of taxation and social control in the feudal time (Young 2013). The current *hukou* system, the *Regulations on Household Registration of the People's Republic of China*, was promulgated in 1958, nine years after the establishment of the People’s Republic of China (PRC). The primary feature of the current *hukou* system is its rural-urban division, that is, the institutional setting that social welfare treatment is based on one’s *hukou* status in terms of location and agricultural or non-agricultural differentiation. The major feature of the *hukou* system reform is its decentralization from the central state to local governments. This section will first elaborate on the *hukou*-based rural-urban division and the decentralization of *hukou* system reform before reviewing studies on how these factors may affect *hukou* reforms at the local level.

**Rural-Urban Division**

The current *hukou* system was created under the centrally planned economy of the 1950s and achieved unprecedented uniformity, rural-urban duality, and state control.
Upon the establishment of the PRC, the Ministry of Public Security implemented the *Provisional Regulations on the Governance of Urban Populations* in order for social security in urban areas. In the 1958 *hukou* regulation, the *Regulations on Household Registration of the People’s Republic of China*, the rural-urban division became distinct and restricted in terms of migration.

The 1958 regulation set up a rural-urban division, both geographically and socially, based on individual’s *hukou* status. Hypothesizing that there are four major types of institutional exclusion, i.e., who you are, what you have, where you are, and what you do/did, Wang (2005) argues that China’s *hukou* falls into the third type – where you are. The *hukou* system segregates the population according to administratively determined family origins and legal residence (Wang 2005). Two types of *hukou* status were introduced by the 1958 regulation: agricultural *hukou* and non-agricultural *hukou*. According to this categorization, rural residents are supposed to hold agricultural *hukou*, while urban residents are granted non-agricultural *hukou*. In the planned economy, rural residents were inhibited from moving to urban areas. Individuals should claim for a *hukou* in their permanent residential place, and migration, particularly migration from rural to urban areas, was stringently restricted. The 1958 regulation listed a series of restrictions on migration including a variety of required permits. For example, “one must possess an employment proof from urban labor bureau, an enrolment permit from school, or proof of migration permission from urban *hukou* registration authority” *(Article 10)*. This effectively prevented people from leaving their place of registration. Prohibited
from moving out of the rural area, peasants were required to engage in agricultural activities and resort to farm work to meet the demand of agricultural products set by the state.

Although the *hukou*-based rural-urban division initially was a geographical term, the system no longer prohibits internal migration between rural and urban areas as well as across localities with the substantive removal of obstacles to geographical mobility in the late 1980s (Chan 2009). However, till now, citizen’s *hukou* status is still closely bound to rights and privileges, leading to the unequal welfare provision of rural population, such as schooling, health care, employment, and pension provision. Entitlement to public goods and social services depends entirely on individual’s *hukou* status (Wong, Li, and Song 2007). Rural migrants without a local *hukou* in the urban destination are granted less favorable welfare benefits than local urban residents. On the contrary, urban residents have a substantial welfare advantage over rural dwellers and migrants (Knight and Song 1999; Wang 2005).

Accordingly, the *hukou* system is a key component of China’s internal organizational structure through institutional division and exclusion (Wang 2005). The consequence of the *hukou*-based rural-urban division lies in two aspects: freedom of migration and social welfare treatment. Although nowadays there is no control over migration any more in China, the differentiated welfare treatment may inhibit migration from rural to urban or across cities in fear of inferior treatment due to lack of local *hukou* status. The classification of urban and rural residents by nature of *hukou* therefore prevents peasants
from flooding into urban areas, and the state reserves its resources and welfare disproportionately for those classified by *hukou* as urban residents (Cheng and Selden 1994).

As scholars have argued that the *hukou*-based rural-urban division is violating migrants’ basic rights, there is sufficient reason for the Chinese government to reform or even abolish the current system. The fact is that the central government has issued a series of directives of *hukou* system reform, yet some of the local governments refused to implement local *hukou* reform whilst others reformed their *hukou* policies. As will be discussed afterwards, the *hukou*-based rural-urban division itself affects local governments’ *hukou* reform decisions.

**Decentralization of Policy Reform at the Local Level**

China’s economic reform has coupled with regional decentralization in social and economic policies, including decentralization of *hukou* system reform and fiscal decentralization.

Decentralization of *hukou* system reform means that China’s central state has relinquished some power and responsibility of *hukou* reform to local governments and society (Chan and Buckingham 2008; Zhang 2008; Li, Li, and Chen 2010; Zhang and Wang 2010). Before the decentralization in the 1990s, it was mainly the State Council,
together with certain functional departments at the central level, that launched regulations and programs of hukou reform (Wu 2013). Since the mid-1990s, the task of developing specific reform policies has been decentralized to local governments. Though the hukou reform is mainly designed by the central state, the decision-making power of the reform has actually fallen to local, particularly city governments in the context of decentralization and increasing local autonomy (Cai 2000; Huang 2014). Local leaders have more rights and flexibility to adjust the institutional framework of guidelines and regulations provided by the central government and make specific policies of implementation based on local situations (Wu 2013).

The fiscal decentralization in 1994 also had a significant impact on hukou system reform. The comprehensive fiscal reform altered the structures of major taxes, changed the responsibilities for tax administration, and modified the revenue-sharing arrangements (Bahl 1998). Bahl (1998) argues that the responsibility to collect local taxes was transferred to local tax service as the fiscal reform separated national and local administration services. Local governments have been increasingly self-reliant in meeting expenditure responsibilities and the budget constraints have been hardened (Park et al. 1996). Therefore, given a freer rein in tapping off-budget resources, local governments are encouraged to raise funds through multiple channels to make up for their budgetary shortfalls (Tsui and Wang 2004).

With the decentralization of fiscal power, provision of social welfare has also been pushed to the local level (Schwartz and Shieh 2009). In such a context of highly
asymmetric public finance system of decentralized expenditure assignment and centralized revenue, local governments have some control over what services they can deliver (World Bank and DRCSC 2014). Local hukou policy, related to social welfare provision, will thus affect government’s welfare costs. With stricter hukou policy, fewer migrants will move to the city and therefore it costs the local government less to pay for migrants’ social welfare; by contrast, less restrictive hukou policy will attract more migrants to the city and thus the local government needs to spend more on migrants’ social welfare provision.

**Hukou Reform**

The hukou system reform generally refers to two aspects: alteration and abolition of the system (Cai 2013). Chan and Buckingham (2008) contend that China is not going to abolish the hukou system in spite of a chorus of media reports of hukou abolition. However, constant alterations of the system have been carried out at both the national level and local level. Cai (2013) summarizes the three phases in the hukou reform process. The first phase ranged from the early 1980s to mid-1990s, when the reform was marginally carried out under the constraints of a planned economy. As has been stated above, the marginal changes mainly refer to the abolition of the hukou-based rationing system. In the second phase since the mid-1990s, as a result of the clearer market
orientation of overall policy reform, *hukou* system reform accelerated and the state
relaxed policies restricting migration. In the early twenty-first century, the reform entered
the third phase when the Chinese dual economy ushered in a new stage. In the latter two
phases, the reform was advanced with the launch of pilot scheme in 1997 to reform the
system in small cities and towns and the *Notice of the General Office of the state Council
on Actively and Steadily Promoting the Reform of the Household Registration System*

Despite the fact that the Chinese government has launched a series of reform policies
and stipulations, discontented residents and scholars have the impression that the reform
was not powerful enough or did not solve the fundamental problem of rural-urban
division. One reason for this phenomenon is that the strength and depth of the *hukou*
reforms in different localities vary to a large extent. Some local governments refused to
reform, while others implemented local reforms with different strength and depth.
Among those that reformed local *hukou*, some decided to suspend or alter it and others
continued.

Among the copious researches on China’s *hukou* system reform, most have focused on
the reform at the national level, and some have examined the reform at the local level. In
regards to local *hukou* reforms, scholars have explored both the reason why local
governments agree to implement *hukou* reform and the reason why they are reluctant to
reform their *hukou* policies. Nevertheless, they have not yet examined the variance of
*hukou* reform policy-making at the local level.
Broad consensus has been reached in existing scholarship that decentralization of *hukou* reform has distributed both power and responsibility to local governments (Chan and Buckingham 2008; Zhang 2008; Li et al. 2010; Zhang and Wang 2010). The factor of decentralization is the starting point of most studies of local *hukou* system reform. The central government has designated the bulk of administration to the local level, where the *hukou* reform is implemented. The administrative authority over *hukou* reform was thus transferred to the local level (Li and Smart 2012). With more autonomy in *hukou* reform, local governments can decide either to reform local *hukou* policies or to retain their original *hukou* regulations. They can also have adjustments in policy implementation and financial expenditure (Wu 2013).

What makes a difference is that not only have local governments been granted more autonomy in *hukou* management, but more responsibility has also been transferred to them regarding the management of their own administrative and tax affairs (Zheng 2004). Thus, cities have been the base of revenue generation and the center of both industrialization and agglomerating commodity production and hybrid commercialized consumption (Zhang 2008; Zhang and Wang 2010). While city governments strive to optimize their financial benefits from the power of *hukou* management, they try to avoid obligations and fiscal burden. The real issue is the costs of provision of social security, social welfare, and other public services that are related to the *hukou* system, especially the *hukou*-based rural-urban division (Cai 2000; Li et al. 2010). Even though social welfare provision for rural migrants is relatively low compared with that of urban
residents, it still constitutes a considerable amount of spending for local governments. Opening up the hukou system allows an influx of migrants and local hukou conferment results in provision of social housing, education, medical care and so on, thus exerting a huge fiscal burden on city governments (Li et al. 2010). This largely undermines the incentives for local governments to reform local hukou system. In order to control financial expenditure, it is reasonable for local governments to refuse to reform (Wu 2013).

In the meantime, there are studies that delve into the reasons why local authorities reform their hukou policies. Cai (2013) posits that the government’s incentives and initiatives are particularly significant in driving the hukou system reform. Cai argues that the Chinese economy has reached its Lewis turning point, judging from the phenomena of reduction in rural surplus labor, shortage of unskilled workers in urban areas, and wage rise in all sectors (Wang 2010; Cai 2013). Local governments, as competitive governments, are highly motivated to spur economic growth in various ways, including helping local business to seek financial resources and subsidies from higher levels of governments, public policy making, improving the investment and development climates (Cai 2013). Cai manifests that two factors have bred local governments’ incentives for hukou reform. One is the shortage of migrant workers, and hukou reform could stabilize labor supply. The other is local governments’ reclamation of arable land and house sites to boost urbanization if peasant workers have migrated to urban areas and have left their land and house behind. Cai (2000) summarizes that two kinds of city governments have
the incentives to reform their *hukou* policies: those fast-growing cities with significant benefits from the ample supply of migrant workers and those which have financial problems so that they are not able to provide services to their citizens and do not face any negative consequences if welcoming more migrants.

While the studies listed above have examined the incentives and constraints for local governments to reform or not to reform their *hukou* policies, they either focus on why it is difficult for local governments to implement *hukou* reform or point to why they choose to reform. None of them has paid careful attention to the variance of local *hukou* reform policy-making; not to say whether they are sufficient for explaining the variance. Little attention has been paid to empirical studies at the local level, and no work is available about comparison of specific cases across localities. As such, I contend that a systematic explanation of such divergence is worth exploring via a thorough examination of the empirical evidence. The next section is an attempt to develop a theoretical framework for explaining the variance in China’s local *hukou* reforms, especially the divergent strength and depth of the reforms.
Theoretical Framework

The dependent variable of this paper is the variance of local hukou reforms across localities in the initiation and maintenance of reform. In particular, in the initiation stage, the variance refers to different levels of strength and depth of local hukou reforms, which can be categorized into three major types: radical reform, conservative reform, and no reform. The criterion to distinguish them is whether to abolish the division of agricultural and non-agricultural hukou. In terms of radical reform, it contains the abolition of the division of agricultural and non-agricultural hukou. For conservative reform, it loosens migration restrictions such as lower criteria for applying for local hukou status, but the division of agricultural and non-agricultural hukou remains, distinguishing it from radical reform. If no policy alteration is made, it then falls into the category of no reform.

As to the maintenance of reform, the outcomes include 1) continuation of reform, either radical or conservative, which means that the hukou policy in the locality is no longer made stricter after the reform; 2) alteration of hukou policy that tightens migration rules while maintaining the abolition of rural-urban division in the context of radical reform; 3) suspension of reform, which cancels the abolition of rural-urban division in the situation of radical reform, or tightens up migration rules in a conservative reform.

In order to explain the variance of local hukou reforms, this section will illustrate two possible explanations. One suggests that the variance of local hukou reforms stems from
local leaders’ expectation of urbanization and local policy adjustability to reform costs.

An alternative argument posits that the variance is caused by different economic conditions across localities.

**Argument: Expectation of Urbanization and Policy Adjustability**

For the first possible explanation, the variance of hukou reforms is determined by local leaders’ expectation of urbanization and local policy adjustability to reform costs. It argues that the initiation of hukou reform is determined by local leaders’ expectation of urbanization and that the maintenance of reform is affected by local policy adjustability to reform costs.

Regarding the initiation of hukou reform, local leaders’ expectation is determined by pressure of urbanization exerted by upper level governments, which will be manifested by central and provincial policies, guidelines, and goals of urbanization, especially quota of local population. As scholars have demonstrated, local authorities in China are concerned over their political career given the performance-based promotion scheme, especially economic performance (Li and Zhou 2005). Thus, considering order from upper level governments, local authorities are prone to follow the order for the sake of their performance and future promotion. On the other hand, advancing urbanization is a significant aspect of good economic performance, which increases the likelihood of
promotion and decreases the likelihood of termination of local leaders (Li and Zhou 2005). Therefore, such pressure from the above urges local government to take measures, and the *hukou* system, regarded as barrier to urbanization, needs to be reformed for the sake of urbanization.

In addition, local authorities’ expectation and pressure of urbanization can also be reflected in their statements and interviews. If they mention such pursuits as urbanization, increase in urban population, attraction of capital, expansion of urban land, or raising local revenue in relation to *hukou* reform, it is quite probable that their decision to reform is the outcome of expectation of urbanization. All these factors are benefits from *hukou* reform and also directly contribute to local urbanization. First of all, an increase in urban population will lead to growth in local tax revenue and industrial development. Based on *hukou* policies, in-flow population into cities are usually categorized into two groups: one is talents and the wealthy, and the other is peasant migrants. Both groups of population are crucial to urban development. Rural migrants will participate in city infrastructural construction, meet the needs of labor-intensive factories, and develop the tertiary industry. The well-educated and the wealthy are favored for the reason that they can contribute more to urban revenue and increase the profitability of capitalist investment.

Moreover, increasing urban population will help to expand local housing market, which can contribute to government revenue and the profits of capital (Zhan and Andreas 2015). Zhan and Andreas suggest that every migrant in the city needs a place to stay,
either through purchasing or renting, and therefore, an increase in urban population will
enlarge the local housing market, while migrants with local urban *hukou* status are likely
to stay in the city and purchase a house in the long run. Again, well-educated and wealthy
migrants are favored because they are more capable of purchasing a house in the urban
area and contributing to urban capital and revenue.

Besides, by reforming local *hukou* policies, more peasant migrants will leave the
countryside and more rural land will be available to city governments. The city
governments can take rural land and house sites for real estate development to eventually
boost urbanization (Cai 2013; Zhan and Andreas 2015). In the meantime, local
authorities may also have the negotiating leverage to bargain with upper level
governments, including provincial and central governments, for a larger quota of urban
construction land.

As such, if the local government faces more pressure of urbanization from upper level
governments and thus has a relatively higher expectation of urbanization, it is more likely
for the local leaders to reform *hukou* policies. Conversely, if the local government faces
less pressure of urbanization and has a relatively lower expectation of urbanization, it is
more likely for the local leaders not to reform *hukou* policies. The level of top-down
pressure will be measured in three perspectives: 1) The amount of evidence such as
policies and orders of urbanization from the above. The larger amount of evidence
indicates higher pressure, while less evidence implies lower pressure. 2) The level of the
government that issues urbanization policies and orders providing such evidence is found.
Three levels of governments will be examined, including central, provincial, and city levels. If the central government is involved, the pressure will be considered high. Yet, if it is only the city government that issues relevant goals and policies, the pressure will be relatively lower. 3) The degree of focus on a certain locality. If a certain locality is selected as key role in promoting urbanization in the region, its pressure will be increased intensively.

While city governments expect benefits from reforming local *hukou* policies, they are concerned about potential costs and risks at the same time. Following the relaxation of *hukou* policies, rural migrants tend to be attracted to booming regions on account of better payment, more job choices and investment opportunities. The major burden can come from increase in urban population.

First, such burden lies in costs of social welfare provision. Because of the *hukou*-based rural-urban division, social welfare provision is closely related to individual’s *hukou* status. Relaxing local *hukou* policy means that more migrants could be granted local *hukou* status and share the same social treatment with local residents. Local governments bear the responsibility of providing social welfare, including health care, schooling, and employment for both local residents and migrants with or without local *hukou* status. Considering the fact that local governments should finance almost all public services, including eighty per cent of basic health and education costs (Miller 2012), it will definitely be a huge amount of expenditure for local governments. Even if migrants do not obtain local *hukou* and therefore achieve a relatively inferior social welfare treatment,
the government in the location should still take care of migrants’ social welfare provision. Therefore, it can be estimated that local governments are anxious about the greater fiscal burden caused by reforming local hukou policies.

Second, dramatic population increase in the city will impose pressure on city infrastructure, such as traffic, education resources, hospitals, and so on. In order to accommodate the huge influx of population, the city should be able to provide accommodating infrastructural facilities and promote its infrastructural capacity when facing more and more migrants. This not only puts more fiscal burden on the local government but also may threaten local social discontent and even instability if the government is not able to cope with the conflict of infrastructural issues and increasing local population. Therefore, it is reasonable for local authorities to worry about their adjustability to accommodate such challenges.

As such, local governments will show different adjustability by issuing policies targeted at attracting investment and raising local revenue in order to cover such reform costs. The variance of local adjustability to costs will affect whether the reform could be successfully maintained or not. It is to be judged by whether local government implements economic policies to attract investment and raise local revenue as a means of covering expected costs brought about by the reform. If a larger amount of such evidence could be found, then the locality shows better adjustability. Yet, if less evidence is available, the level of adjustability can be estimated to be lower.

In short, local hukou reform is expected to bring about both benefits and costs to
provincial and city governments. The dominant factor that leads to variation in their initiation of *hukou* reform is local authorities’ expectation of urbanization following the pressure from upper level governments. While political leaders implement *hukou* reform for the purpose of urbanization, they strive to alleviate reform costs by means of issuing economic policies. Specifically, the hypotheses are: 1) If local authorities are faced with higher pressure of urbanization from the above, it would be more likely for them to reform their *hukou* policies; 2) If local authorities show better adjustability to expected reform costs, they are more likely to maintain their reform; yet if local authorities exhibit less adjustability, it is more likely for them to tighten their migration policy after the reform.

**Alternative Argument: Local Economic Condition**

The alternative argument posits that the variance of local *hukou* reforms is the result of economic conditions of different localities. Specifically, it hypothesizes that if short-term reform cost outweighs long-term benefit of *hukou* reform, it is very probable that *hukou* reform will not be implemented in the locality. However, if long-term benefits are not less than short-term costs, it is very probable that *hukou* reform will be implemented in the place. It differs from the former argument in the following aspects: 1) the alternative argument focuses on economic factors instead of political ones; 2) given that *hukou*
reform has been decentralized to the local level and local governments have the autonomy to decide whether to reform or not, the alternative argument considers that the decision to reform or not is based on local economic condition instead of pressure from upper level governments.

If this theory is true, we should be very likely to observe such evidence as government documents or think tank reports about economic analysis of hukou reform, government officials’ statements in interviews and reports about the economic analysis of hukou reform. However, if we find evidence to support the former argument about political factors in the hukou reform policy decision-making, we can then reject this alternative argument.
Case Studies

In order to test the hypotheses, the paper will adopt the comparative case study method. When elaborating on the comparative method, Lijphart (1971) illustrates that “the great advantage of the case study is that by focusing on a single case, that case can be intensively examined even when the research resources at the investigator’s disposal are relatively limited.” For the same token, “the intensive comparative analysis of a few cases may be more promising than a more superficial statistical analysis of many cases” (Lijphart 1971).

This rationalizes the application of the case study method in this paper. The data sources of the three cases are mainly secondary data including news reports and interviews in newspapers and magazines, video scripts, and previous scholarly works. Considering the limitation of data resources and lack of field study, the comparative case study method is an appropriate approach for this paper to testing the hypotheses. Specifically, it seeks to find evidence in the cases to support or refute the hypotheses.

Lijphart (1971) also points out that “the most fruitful approach would be to regard the comparative analysis as the first stage of research, in which hypotheses are carefully formulated.” As no existing literature has been found about explaining the variance of China’s local hukou reforms, the comparative case study method appears to be both a suitable and initially useful approach to examining and developing possible explanations.
The paper will delve into three cases of China’s hukou reforms at the local level: Zhengzhou, Fenghua, and Hohhot. The three cities present very different trajectories of local hukou reforms in terms of policy making decisions and outcomes. Zhengzhou, the capital city of Henan Province, declared a loosened hukou reform policy in 2001 and a radical reform in 2003 that abolished its rural-urban division. However, in 2004, the local government tightened its migration policy while maintaining the abolition of rural-urban division. Fenghua, a county-level city in Zhejiang Province, was one of the first cities to reform local hukou policies as a pilot program. The city implemented the reform in 2000 and has maintained it till now. Hohhot, the capital city of the Autonomous Region of Inner Mongolia, refused to implement local hukou reform in the early 2000s according to the reform instruction at the provincial and central levels. The three cases present huge divergence in local policy decision of hukou system reform. By investigating data mainly from news reports, interviews, and scholarly works, I seek to find evidence for the possible arguments so as to determine what causes the variance in hukou reform policy decisions at the local level in China.

Zhengzhou: A Case of Radical Reform

The hukou system reform in Zhengzhou, the capital city of Henan Province, was the most radical and striking among all others. In November 2001, Zhengzhou began to
implement a new *hukou* policy, focusing on “lowering the threshold of obtaining the local *hukou* status and attracting high-quality talents.” The new policy made it easier for migrants to transfer to local *hukou* status. Criteria for applying for a Zhengzhou residential *hukou* included joining relatives’ or friends’ *hukou*, ownership of commodity housing, being an employee, or being a graduate student with intermediate technical credentials and above (Huang 2014).

In August 2003, Zhengzhou strengthened its reform further and completely loosened its *hukou* policy. In the new policy, the city government cancelled the categories of *hukou*, including agricultural *hukou*, non-agricultural *hukou*, and temporary *hukou*. Instead, it established a unified system of *hukou* management in the form of one identical Zhengzhou residential *hukou* (Hu 2004; Young 2013; Huang 2014). Thus, the new policy abolished the *hukou*-based rural-urban division in Zhengzhou. In other words, eligible applicants were granted equal rights to education, medical services, and some other major social welfare services. The radical *hukou* reform in Zhengzhou is therefore dubbed as a “Great Leap Forward of Urbanization” (Wang 2010).

However, in August 2004, the Zhengzhou government altered part of the 2001 *hukou* reform. According to the 2001 reform, as long as one can join a relative’s or friend’s *hukou*, a local *hukou* will be offered to this person. Yet this policy lapsed in 2004. Instead, only immediate family member could transfer their *hukou* status by joining the family. Besides, the Zhengzhou public security bureau ordered that *huji* management should stringently obey the city government’s policy and check migrants’ immediate family
relationship strictly (Zhu 2006).

Why did Zhengzhou choose to implement local *hukou* reforms in 2001 and 2003, especially in a radical way? And what can account for the sudden policy reversal after three years of reform?

With regards to local *hukou* reforms in 2001 and 2003, evidence could be found that it was the ambition to enlarge the city that motivated Zhengzhou to choose to implement such a reform (*The Beijing News* 2004). One significant effect comes from the emphasis of urbanization by the then Governor and Party Secretary of Henan Province, Li Keqiang, now Premier of the PRC. When Li Keqiang began his term in Henan in 1998, the rate of urbanization there ranked second-to-last in China (*Zhengzhou Evening News* 2013). As a result, Li promoted vigorously the goal of urbanization in the province. In 2000, as governor of the province, Li Keqiang made it a priority to carry out urbanization strategy and economic development in Henan. In 2002, he put forth a comprehensive idea of “accelerating industrialization, urbanization, and agricultural modernization” (*Zhengzhou Evening News* 2013). As soon as the Sixteenth National Congress of the CCP closed in November 2002, Li conceived the idea of “the rise of central China,” which was officially proposed to the public in 2003 (Sina 2011). When detailing the conception, Li stated one goal of development in Henan, “Non-agricultural labor should take up to no less than 60% (of the total population in Henan – added by author), and urban population at least 50%” (Zhang and Ye 2003). All these ideas and strategies point to the aim of urbanization in Henan Province.
More importantly, Zhengzhou was a key target to carry out these plans. At the beginning of the twenty-first century, the provincial and city governments made the decision to establish Zhengdong New Area, a district in Zhengzhou. One of the aims was to develop Zhengzhou into a regional central city (*Zhengzhou Evening News* 2013).

Since 2001, Li Keqiang had emphasized many times that the construction of Zhengzhou New District as well as the development of Zhengzhou was a crucial project in promoting urbanization in Henan Province. He visited Zhengzhou each year from 2001 to 2004 for instruction and investigation of local urbanization and economic development (*Zhengzhou Evening News* 2013). As to local urban population, the central and provincial governments’ long-term goal for Zhengzhou was 5 to 6 million (*Henan Daily* 2015).

Zhengzhou, as the capital city of Henan Province, had a population of around 6.7 million, ranking the fifth in Henan Province (Statistical Information of Zhengzhou 2011 and 2015). In particular, its urban population was about 3.75 million in 2001 (Statistical Information of Zhengzhou 2004), and its urban center was not playing a significant role in stimulating its economy. The local government expected to have an urban population of 5 million in 2020 and be one of the central cities in China, with an annual increase in urban population of 150,000 (Zhou 2014). A loosened *hukou* policy would definitely help the local government to attract more people and achieve this goal.

The reform in 2001 completely broke the *hukou* barrier to migration. Its aim was to “expand the city, broaden the structure of the city, accelerate urbanization, and promote it to a regional central city” (Hu 2004). With the reform, people from other parts of Henan
Province were attracted to the capital city for better social welfare system and more opportunities of jobs and investment. Without the hukou barrier, migration to the capital city became easy. As a result, in 2002, the population in the city increased by 105,075 (Hu 2004), who were offered Zhengzhou hukou. And in 2003, around 150,000 new residents obtained local hukou. Urban population increased by 105,075 after the reform (The Beijing News 2004). In comparison, the population increase in Zhengzhou before the reform was about 40,000 every year (Zhengzhou Evening News 2004). The reform contributed greatly to local population increase. However, the local government seemed unsatisfied with this progress as urban population increase had not reached their goal. Consequently, the 2003 hukou reform was implemented and the local government achieved its goal of increasing urban population by about 150,000 a year (The Beijing News 2004). After the city government reported population growth created social problems, the local government decided to alter the reform and return to pre-reform hukou management (Young 2013).

Accordingly, it is quite obvious that the upper level governments had a significant impact on Zhengzhou in terms of local urbanization. Feeling such pressure and obligation, it was no wonder that Zhengzhou implemented such radical hukou reforms in 2001 and 2003, especially with the aim to increase urban population. However, even though local authorities were extremely eager for urbanization, the question of whether they were sure to bear the potential costs should still be under consideration.

In an interview with Wang Shengli in 2004, the then deputy director of the city public
security bureau in Zhengzhou, Wang was asked by the journalist of Zhengzhou Evening News about the government’s preparation for coping with potential problems brought about by the new hukou policy before its reform (Zhengzhou Evening News 2004). In response to this question, Wang provided an ambiguous statement, “Hukou reform will definitely cause problems in a variety of aspects, including some unexpected ones.” Wang argued in an evasive way that the crux of the issue was how to promote the hukou system and solve the problems (Zhengzhou Evening News 2004). One possible explanation for Wang’s elusive response was that the hukou reform was based on limited consideration of potential costs and risks. When analyzing local government’s functional change in the case of Zhengzhou hukou reform, Zhu (2006) points out the lack of effective information communication between the local government and local residents. Nor was there collection of information or feedback of the 2001 hukou system reform when the local government decided to further loosen the hukou system. Two valuable insights can be drawn from these facts. First, the hukou reform in Zhengzhou was not a result of objective cost-benefit analysis. Second, local government showed the tendency to disregard the expected costs in the process of hukou reform decision-making. Such ignorance marked a great contrast with the government’s ambition and expectation. It can therefore be concluded that hukou reforms in 2001 and 2003 in Zhengzhou were based on local government’s extreme anticipation of urbanization, so much so that it was willing to ignore the potential costs and risks.

In the meantime, its ignorance of costs can explain why Zhengzhou altered its reforms
in 2004. Without sufficient analysis of costs and risks brought about by the reforms, the local government turned out unprepared to accommodate the massive number of new urban residents (Wang 2010). The conflicts between infrastructural establishment, situation of social services, and the rapidly increasing population compelled the local government to stop implementing the reform (Zhu 2006). The government was indeed forced to go backward and implement the stricter system. The explosive increase in local population triggered great pressure on the city’s infrastructure and social welfare services. It turned out that without corresponding public goods and services, the attempt to abolish the hukou system in Zhengzhou would become a disaster for local governance. For example, in elementary and secondary schools, a classroom for 40-50 students had to accommodate over 80 students. This aroused discontent among the public and threatened urban stability. According to Hu (2004), the population in Zhengzhou increased by almost one million in 6 years, whereas the city government only newly invested 5 middle schools, 4 high schools, and no elementary school. Huang (2014) concludes that “the local government was obviously unprepared for the large influx of population and the infrastructure could not support the newcomers.” It can be estimated the local government figured out that the costs of reform outweighed the benefits after further loosening the hukou policy in Zhengzhou. Out of unbearable costs, the government had to call for an abrupt alteration of the reform and tightened up its migration rule.

The case of Zhengzhou thus shows that the hukou reform policy was a result of the city government’s expectation of urbanization and disregard of reform costs. The
intensive directives and instruction from both the central and provincial government urged the government of Zhengzhou to eagerly pursue urbanization and economic development, at the cost of undertaking unpredictable risks caused by the reform. It exhibits extremely high pressure of urbanization from the upper level governments and limited adjustability to expected costs. Therefore, this case well supports the hypothesis that if local authorities are urged to pursue urbanization, it would be very probable that they choose to reform their *hukou* policies. It also supports the hypothesis that if the local government is not able to adjust its policies to reform costs, the reform is very likely to be altered after implementation. At the same time, it refutes the alternative argument that the decision to reform *hukou* stems from economic factors alone.

**Fenghua: A Case of Conservative Reform**

In 2000, Fenghua, a county-level city in Ningbo, Zhejiang Province, implemented the *hukou* system reform. The reformed regulation determined that agricultural *hukou* holders who had permanent residence or stable employment in Fenghua could apply for local non-agricultural *hukou*. Moreover, in order to attract peasants to transfer their agricultural *hukou* status to non-agricultural *hukou*, the new regulation allowed a continuation of the migrants’ original contracted management right for 30 years as well as allowed them to have a second child if the first was no more than 3 years old.
Although no evidence is found that Fenghua was as significant in urbanization in Zhejiang and Ningbo as Zhengzhou in Henan, directives are available from upper level governments as to promote urbanization and economic development in small cities and towns. For instance, in 1999, the provincial government of Zhejiang announced its urban planning system and proposed Hangzhou, Ningbo, and Wenzhou as the three core cities of the development system (Youth Times 2011). Meanwhile, the city government of Ningbo announced the Notice on Implementation Outlines of Economic System Reform in 1999, which ordered small cities and towns to accelerate reform and construction. In particular, the notice promulgated that small cities and towns should be the centralization of township enterprises and attraction of non-agricultural labor (General Office of Ningbo Municipality 1999).

Considering the fact that local economic development lagged far behind its surrounding regions, Fenghua was determined to reform the local hukou system under the pressure of urbanization. The directives and plans issued by the provincial and city governments must have provided Fenghua with impetus to pursue urbanization by means of local hukou reform. The urban population in Fenghua was lingering at around 80,000 and the level of urbanization was merely higher than the average in China. A major reason of this phenomenon was the fact that the old hukou system inhibited rural migrants from moving to the city and that migrant workers’ not being able to obtain local hukou status made them frustrated and might compel them to return to the countryside. As a result, the city was hardly able to attract more people for its development (Hu 2001).
Besides, as one of the first batch of county-level cities, Fenghua was lagging behind in terms of its economic development. In 2000, the fiscal income in Fenghua was only 0.43 billion RMB, which was half of its neighboring county (CCTV 2001). It can thus be estimated that the city government of Fenghua had the demand for more population and labor for the purpose of local urbanization.

In an interview in *China Economic Weekly* (2010), Liu Jianjun, who participated in the whole process of the Fenghua *hukou* reform, suggested that the reform policy was based on plenty of research before it was promulgated. According to Liu, the reform in Fenghua was proposed by the local public security bureau and was supported by the city government. Liu revealed that the conception of the local public security bureau was out of the low economic development in Fenghua. The major reason was its lack of population, lingering between 70,000 and 80,000. Liu implied that lack of population would not help local economic growth. “For the purpose of development, it was necessary to relax *hukou* restrictions so as to attract local rural residents and non-native migrants,” revealed Liu Jianjun.

The then city mayor, Chai Lineng, criticized the *hukou* system for its impeding local economic and urban development (CCTV 2001). Chai pointed out, “The accumulation of population and other factors of production can promote full use of resources that are beneficial to the city. The government is trying to make use of market mechanism by means of macro-control. Resources including land and other factors of production can be transformed into government’s financial resources.” Chai’s statement in the interview
clearly expressed the government’s desire for economic development and local urbanization by reforming the *hukou* system. Indeed, “urbanization” was the most commonly mentioned term by government officials at all levels in Fenghua (*People’s Daily 2001*).

However, at the same time, there was concern over the problems of reform, including local infrastructural capacity, birth control, urban planning, compulsory education, and employment. Liu Jianjun further replied in the same interview cited above that considering the number of local urban population in Fenghua, the city was able to accommodate an influx of 20,000 to 30,000 migrants in terms of employment, health care, and education (*China Economic Weekly 2010*). Yet, different from the government of Zhengzhou, Fenghua exerted efforts to lower the risks of implementing *hukou* reform. Before the reform, the city government, together with other functional governments, released several policies to prepare for the implementation of *hukou* system reform. For example, the city government increased its investment in education and promoted local education conditions so that migrant children had the opportunity and resources of education. Although local authorities agreed that there would be great pressure in urban construction, infrastructure, and employment, they considered these problems to be short-term ones (*China Economic Weekly 2010*). In addition, the local government issued such policies as *The Provisions on Policies to Encourage Foreign Investment in Fenghua* and *The Provisions on Several Policies concerning Attracting Investment in Fenghua* (Government of Ningbo 2008).
Last but not least, rural land in Fenghua was used for urban construction after the implementation of hukou reform. For example, in Xian Village, most of the rural land was occupied by urban construction (CCTV 2001). Besides, the village government provided the villagers with a variety of welfare and services. In regards to local urban opinion about hukou reform, according to the report from CCTV (2001), local citizens in Fenghua were commonly heard to say that the city had become prosperous, economy was boosting, houses were selling well, and the city was getting large.

As a result of the reform, the city attracted around 3,000 rural migrants to Fenghua within 5 months and granted local hukou to them (People's Daily 2001). 25% of these migrants were investors, businessmen, migrant workers, and graduates with a degree of vocational secondary school or junior college, and around 55% of the migrants purchased house and got local hukou status (People's Daily 2001; News Probe 2002). Within 2 years, more than 30,000 migrants became urban residents, and urban population grew to about 111,000, rising by 30% compared with the population before the reform (News Probe 2002). These migrants, with more than 50% purchasing house in Fenghua, not only helped the city accumulate population for the purpose of urbanization but also greatly boosted local housing market, including commercial and second-hand housing.

Judging from the outcome of local hukou reform, it can be concluded that the decision to reform was a result of local government’s anticipation of urbanization and that it succeeds in maintaining the reform until now on account of its adjustability to costs. The local government expected to increase urban population and boost the local economy. Its
reform policies pointed at all kinds of migrants with low entry criteria. It also aimed to stimulate the local housing market as the reformed policy was targeted at migrants capable of purchasing house in the city. In the meantime, Fenghua was striving to promote its infrastructural capacity (People’s Daily 2001). The local government was not only aware of the costs of implementing hukou reform but also quite prepared to undertake the costs. Considering these potential benefits, the government chose to face and overcome the costs brought about by the hukou reform. Furthermore, the local government achieved its goal of economic development and urbanization as well as managed to overcome the costs. It is thus quite reasonable for the government to continue with its hukou system reform. Therefore, the case of Fenghua defends strongly the argument of local expectation of urbanization and policy adjustability to costs and meanwhile rejects the alternative argument.

_Hohhot: A Case of No Reform_

At the end of 2005, the public security bureau in Inner Mongolia enacted a new hukou regulation. The new regulation allowed migrants to obtain local hukou status as long as they have legal permanent dwelling place, regardless of their original hukou status to be either agricultural or non-agricultural. Neither was there requirement of floor space in apartments if migrants wanted to transfer to local hukou status. This made hukou
management in Inner Mongolia one of the most accommodative among all the pilot provinces (People’s Daily 2006).

However, this provincial decision was not favored by all the regions in Inner Mongolia. Hohhot, the capital city of Inner Mongolia, refused to implement the new hukou regulation. According to an interview (People’s Daily 2006) with Wang Fan, an officer in the public security bureau in Hohhot, the cancellation of the limitation of apartment floor space was much looser than the Hohhot regulation, which required a minimum of sixty square meters apartment to transfer hukou status. This policy change would definitely reduce local revenue from its housing market.

Furthermore, Wang Fan said that complete loosening of the hukou system would lead to a dramatic increase in migrants and residents, triggering numerous different potential social problems (People’s Daily 2006). “The new regulation promulgated by the Autonomous Region Public Security Bureau is simply a notice of opinions. It needs complete and systematic supporting institutions, with the coordination of social welfare, housing, and education sectors to issue related policies,” Wang told the reporter.

Similarly, a secretary-general in the city government implied that Hohhot had the intention to enlarge the city area, but the implementation of the new hukou policy would definitely bring about a series of social problems (China Youth Daily 2006). He said, “The government is faced with tremendous pressure when offering migrants local citizenship. It will take a certain period of time to solve the issues in the areas of employment, housing, social pension, health care, education and so on.”
The remarks of both officers indicate that the Hohhot government would reform its hukou policy according to the provincial order as long as it had been prepared to undertake the costs of the reform. Their statements also suggest that the local authorities in Hohhot were quite concerned with the costs brought about by future reform so that they would like to put off the reform until later, even if they expected benefits from the reform. Significantly, the order or goal of urbanization in Inner Mongolia or Hohhot was not emphasized as greatly as that in Zhengzhou or Fenghua. This explains the lower impetus towards urbanization in Hohhot than in Zhengzhou and Fenghua.

It was not until 2008 that Hohhot abolished the limitation of sixty-square-meter housing purchase. Nevertheless, without abolishing the hukou-based rural-urban division, it was still a conservative reform. According to the new policy, purchasing an apartment in Hohhot as permanent residence was an approach for migrant and migrant’s spouse and unmarried children to have local hukou status (NetEase 2009). The less restrictive hukou regulation enabled more migrants to purchase local house and obtain urban hukou status. After the new policy was carried out, the housing market prospered in Hohhot (Inner Mongolia Morning News 2009). It is worth mentioning that the autonomous government of Inner Mongolia released the Notice on National Economic and Social Development Plan in the Autonomous Region of Inner Mongolia in 2007. One of the focal points in the notice was promotion of urbanization, especially in 50 key cities and districts (Autonomous Government of Inner Mongolia 2007). This may have had an impact on urging Hohhot to promote urbanization by virtue of hukou reform.
Accordingly, we can come to the conclusion that it is out of the demand of population for the purpose of local urbanization and economic development that Hohhot has been trying to loosen the local *hukou* system. The government’s refusal to implement *hukou* reform in 2005 was due in a large part to its huge concern about the considerable potential costs and risks of the reform. Given the lack of pressure from the government of Inner Mongolia about urbanization, the argument of local expectation of urbanization and policy adjustability to costs well explains the refusal of reform in Hohhot in 2005. Yet since 2008, less restrictive *hukou* policies have been implemented. For one thing, the goal of urbanization became more focal in 2007 than before in the autonomous region and its cities, and for another, Hohhot was better prepared at that time to accommodate the large influx of migrants and bear the expected costs.

Table 1: Comparison of Cases

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Zhengzhou</th>
<th>Fenghua</th>
<th>Hohhot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pressure of Urbanization</td>
<td>Extremely high</td>
<td>Extremely high</td>
<td>High</td>
</tr>
<tr>
<td>Adjustability to Expected Costs</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Reform Decision</td>
<td>Radical Reform</td>
<td>Alteration</td>
<td>Conservative Reform</td>
</tr>
</tbody>
</table>
Conclusion

The paper examines China’s hukou system reform at the local level. Different from existing literature that focuses only on motives or constraints for local governments to reform or not to reform local hukou policies, this paper proposes and tests two possible arguments to explain the variance of hukou reform policy decisions at the local level: the argument of local expectation of urbanization and policy adjustability to costs and the argument of local economic condition. By comparing the three cases, Zhengzhou, Fenghua, and Hohhot, the paper comes to the conclusion that the argument of local expectation of urbanization and policy adjustability could respond to the research question of this paper. In particular, it is local leaders’ political decisions based on different degrees of pressure of urbanization from upper level governments and different levels of policy adjustability to costs that cause such divergence.

Firstly, I argue that the variance of expectation of urbanization is affected by pressure from the upper level governments. In the case of Zhengzhou, there is an abundance of evidence that both the central government and the Henan provincial government were vitally concerned about urbanization in Henan. The provincial government, in particular, declared many times goals, strategies, and directives to enhance urbanization in the province, especially in the area of Zhengzhou. This urged Zhengzhou greatly to pursue urbanization, and hukou reform is one of the effective approaches. Although evidence
could also be found in Fenghua/Zhejiang about strengthening urbanization, such
evidence is much less than that in the Zhengzhou/Henan case. Inner Mongolia showed
the least evidence in relevance, and therefore Hohhot had the least pressure and
eagerness in terms of urbanization. It was not until 2008 that Hohhot implemented local hukou reform following the emphasis of urbanization in Inner Mongolia. Such variance
directly determines the different strength and depth of their hukou reform. With the
highest pressure and most urgent pursuit of urbanization, Zhengzhou implemented a
radical reform which abolished the division of agricultural and non-agricultural hukou
status. Fenghua partially reformed its hukou policy for the purpose of urbanization,
which was less demanded than that in Zhengzhou. Facing the least pressure from upper
level governments, Hohhot decided not to reform until the time when order of
urbanization was issued by the autonomous government of Inner Mongolia.

In addition, I contend that the variance of the adjustability to expected costs leads to
different outcomes in maintaining hukou reform and can be judged from whether local
government implements economic policies to accommodate changes caused by hukou
reform. In Fenghua, regulations were promulgated by the local government to attract
investment and enhance the development of enterprises. Therefore, it was not only
confident in bearing the expected costs but also capable of undertaking the costs in the
long run. The result is that Fenghua has maintained its reform since implementation in
2000. In comparison, much fewer similar strategies and policies could be found in the
case of Zhengzhou and Hohhot. This implies the possibility that Zhengzhou was so eager
for urbanization that it preferred to ignore its costs and insisted on pursuing the reforms, or that it was anticipating that the economic benefits brought about by the reform would be sufficient to cover the costs. It also suggests that due to its lack of adjustability, Zhengzhou was not able to maintain its reform and had to alter it in 2004. While in the case of Hohhot, the government showed little willingness of or confidence in overcoming expected costs, and in consequence, it decided not to reform local hukou. In short, confronting the expected costs of hukou reform, Fenghua showed much more adjustability than Zhengzhou and Hohhot.

In the three cases, limited evidence could be found about the relationship between economic condition and local hukou reform. In the case of Fenghua, interviews with local officials reveal that researches and investigations were conducted in the process of hukou reform decision-making, but relevant documents or data are not found. One possibility is that such documents are not open to the public, while another possibility is that even though they are available to the public, I was not able to make use of them due to limitation of time and space for this research. In Zhengzhou and Hohhot, no clue to such evidence has been shown. Moreover, as the cases well support the argument of local expectation and pressure of urbanization and policy adjustability to costs, I can reject the alternative argument according to the research design.

In conclusion, Zhengzhou was the most eager for urbanization due to the pressure from both the central and the provincial governments and therefore implemented a radical reform. Its lack of adjustability when facing expected costs reflects its extreme
eagerness for urbanization so that the local government opted to ignore the costs and explains its alteration of reform in 2004. Fenghua was also pursuing urbanization, with relatively less pressure, which was from the governments of Zhejiang and Ningbo. Yet it was prepared for the expected costs by issuing several provisions on attracting investment in the city. Given the moderate pressure and rational consideration of costs, Fenghua implemented a conservative hukou reform. Furthermore, its policy adjustability can explain the success in maintaining the reform until now. Hohhot was not urged in terms of urbanization by the government of Inner Mongolia in 2005; nor was it willing to make some adjustment to raise local revenue so as to bear expected costs. Therefore, it is reasonable for Hohhot not to reform. Yet, as long as pressure of urbanization from the autonomous government appeared, Hohhot reformed local hukou policy in 2008.

Thus, different from existing literature that focuses merely on either incentives or disincentives of local hukou reform, this paper brings the political factors in and argues that it is political pressure from the above that plays a significant role in making local political leaders to make reform decisions. Besides, when confronted with costs of reforms, local government has the autonomy to adjust economic policies to cope with the costs. Moreover, it analyzes the variance of strength and depth of local hukou reforms instead of looking merely at a dichotomous variable of whether or not to reform.

Considering the implications of the paper, it suggests that hukou system reform has indeed been decentralized to the local level, as local governments have total autonomy to decide whether to reform and the strength and depth of their reform. However, pressure
from upper level governments in other aspects such as urbanization will urge them to make use of *hukou* policy for other economic and social purposes. It also suggests that China’s *hukou* system reform could be furthered if local governments are ensured of more economic benefits from the central government such as appropriation and funding and if more financial support from the state to the local is available to cover reform costs. On the other hand, the paper indicates that a radical *hukou* reform of abolishing rural-urban division seems implausible for the moment in China, especially in well-developed regions. Because of the economic and development gap across regions, it is very likely that migrants will flood into better-off regions for a living, resulting in greater pressure for the locality in terms of financial expenditure and social stability maintenance. As such, the *hukou* system is still a crucial instrument for China to regulate migration, direct urbanization, and maintain social stability.


Li, Limei, Si-ming Li, and Yingfang Chen. 2010. “Better city, better life, but for whom?: The hukou and resident card system and the consequential citizenship stratification in Shanghai.” City, Culture and Society 1: 145-154.


Mallee, Hein. 1995. “China’s Household Registration System under Reform.”


Statistical Information of Zhengzhou. 2015. “历年人口数.”


Zhao, Litao, and Li Jianying. 2006. *China’s Hukou System: Multifaceted Changes and Institutional Causes.* Discussion Paper No. 9, China Policy Institute, the University of Nottingham.

and New York: Cambridge University Press.


