The Effects of Neoliberal Economic Trends and the Hukou System on Rural Chinese Citizens

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ABSTRACT

China is currently experiencing internal migration on a greater scale than can be seen at any other point in recorded history. The remnants of the Hukou, or household registration system, and the influx of neoliberal economic doctrine have combined to create a county where rural citizens cannot find employment in the places where they are eligible for state welfare and they cannot gain state welfare in the areas where employment is available.

Introduction

This research examines how the Hukou, or household registration system, and the current global social structures of accumulation have created a segmented labor market within China. This research posits that the collapse of the Hukou, or household registration system, as well as the ascendancy of neoliberal capitalism through the global social structures of accumulation have led rural citizens to become the most oppressed population in China.

Due to the Hukou system, most rural populations live in abject poverty in areas where employment is not readily available. Many people are forced to leave their homes in order to seek employment in urban centers. This migration causes a problem due to a registration system in China that only entitles people subsidized social services such as education, housing, and healthcare in the area where they were born. Because of this restriction, many rural citizens are forced to choose between social services and employment.

Employment is difficult to find in rural areas because the majority of industry in China is in the manufacturing and construction sectors, jobs that are typically found only in urban locations. Foreign capitalists fund the majority of industry in China. This influx of foreign capital is due to the Chinese state’s adoption of the economic doctrine of neoliberalism, a system that advocates little to no government restrictions on the free market. Industries are moving to China because the country has a nearly inexhaustible supply of labor and the few labor rights laws that are in place are not enforced.

These two factors, the influx of neoliberalism and the breakdown of the socialist era rural workers’ safety net, have led to a floating population of workers that is numbered in the millions. This research will focus on three facets of this social problem; the Hukou system and how it creates economic disparity between geographic regions, the formation of segmented labor markets within China, and the effects that the current global social structures of accumulation have had on China’s rural population.

This research was conducted through a comprehensive literature review on the subjects of neoliberalism, labor market segmentation, social structures of accumulation, the history of the Hukou system, and the current living conditions of the Chinese migrant worker.

Literature Review

Economic Forces

The view of labor market segmentation used here is informed by the article “Dual Labor Markets: A Theory of Labor Market Segmentation” (Reich et al 1973). This article does not reference Chinese migrant workers but does give a concise definition of the socio-economic theory of labor market segmentation. The idea of dual markets was referenced in many texts as a possible cause of the low living standard of the migrant workers (Harvey 2005; Seeborg 1999; Solinger 1999; Wing Chan 2009;). The article that best illustrates this connection is “Segmented Local Labor Markets in Postreform China: Gender Earnings Inequality in the Case of Two Towns in the Zhejiang province” (Xu et al 2006). This
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The article discusses how the labor market in China is segmented by factors such as gender, place, migration and Hukou status (Xu et al 2006:105).

Similarly, the view of accumulation adopted in this research takes “The Social Structure of Accumulation Theory” (Lippit 2006) as a starting point. This article does not reference Chinese migrant workers, but it does explain the concept of social structures of accumulation (SSA) theory, which is needed to understand the theory of a global SSA.

Many of the sources discussed neoliberalism and globally segmented markets in relation to the plight of the Chinese migrant worker (Xu et al 2004; Seeborg 1999; Solinger 1999; Wing Chan 2009;). It is posited that the global economic structure is intrinsically exploitative and has led to the situation in which migrant workers currently find themselves.

David Harvey’s book *A Brief History of Neoliberalism* (2005) explains the effect that global neoliberal economic structure has had on both rural and urban Chinese citizens. Harvey begins with a concise structural evaluation of the neoliberal ideology. He goes on to discuss other countries where neoliberal policy has been enacted. Harvey states that neoliberalism in China is unique because of the authoritarian presence of the state within the financial market.

“Globally Segmented Labor Markets: The Coming of the Greatest Boom and Bust, Without the Boom” delved the most deeply into a broad, economic explanation of the globally segmented labor market and the new social structure of accumulation (Asimakopoulos 2009). This article outlines the SSA’s three main institutions (the financial regime, the neoliberal regime, and the global segmented economy) and how the use of them has led to the exploitation of the working classes in developing countries. This article briefly touches on the situation with Chinese migrant laborers, but mostly concentrates on the structure of the current geo-political, economic climate.

*The Hukou*

The two texts that most clearly show why the People’s Republic of China instituted the household registration system are *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market* (Solinger 1999) and *A Critique of Soviet Economics* (Mao 1977). Solinger discusses how the People’s Republic of China formed their concept of controlled internal migration by observing the Soviet model. Solinger also explored the different reasons that the Soviet government thought it was important to control internal migration (Solinger 1999). Mao’s text discussed the rational for dividing the country into rural and urban segments. He thought that by collectivizing the rural population the country would stand a better chance of unifying the peasants and workers at a later time by avoiding the sort of uncontrolled urbanization seen in former colonies.

The Hukou system has changed many times since its implementation in the early 1950s. “The Chinese Hukou at Age 50” is a retrospective look at the formation of the Hukou system and how it has evolved since it was first enacted (Wing Chan 2009). It discusses how the People’s Republic of China needed a control mechanism such as this if it wished to control its people efficiently enough to reach the output goals that had been constructed in the planned economy.

Wing Chan’s article gives an account, by year, of all the major changes in the Hukou system from 1951 to present day. Another article that gives an effective time-line of the Hukou systems history is the article “Strangers in the City: The Hukou and Urban Citizenship in China” (Mackenzie 2002).

Although a person’s registered Hukou is difficult to change, there were cases when it was possible to do so. Wing Chan’s article as well as the article “The Household Registration System and Social Stratification in China: 1955 – 1996” (Wu 2004) outline the different situations when a person is able to alter their Hukou status.

David Harvey’s *A Brief History of Neoliberalism* (2005) establishes a coherent picture of the migrant workers’ history. Harvey’s text gives a detailed account of the political reforms enacted after 1978 and the changes that the large influx of foreign capital had on the country.
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The Living Conditions of the Chinese Migrant Workers

In “Labor Standards and Human Rights: The Case of Chinese Migrant Workers Under Market Socialism” details research conducted with migrant workers in many different industries and locations. These experiences present information on the workers’ lack of human rights, the forced and bonded labor that they must endure, their below substance level wages, and the use of physical violence and intimidation within the workplace (Chan 1998). This article gives concrete examples of the workers’ situations; such as being fined for needing to use the bathroom more than twice in a twelve-hour shift or laughing during or outside of work (Chan 1998:4).

In “Segmented Local Labor Markets in Postreform China: Gender Earnings Inequality in the Case of Two Towns in the Zhejiang province” the researchers conducted polls within groups of migrant workers in two different towns (Xu et al 2006). The data complied from these studies does much to prove that the Chinese migrant worker is systematically oppressed. The article discusses how labor markets have arisen in China that separate the working class into subgroups based on Hukou status, gender, race, and ethnic background (Xu 2004:105). The emergence of these labor market segmentations can be clearly traced to the influx of neoliberal policies in the country. This article helps to illustrate how the social divisions between urban and rural citizens can be linked to neoliberal policy.

“The New Rural-Urban Labor Mobility in China: Causes and Implications” gives a detailed account of the difference in job possibilities for men and women (Seeborg 2000). Seeborg details how migrant men are more likely to work in positions in heavy industry and construction while migrant women are more likely to find employment in service jobs and textile and apparel manufacturing (Seeborg 2008:39). It also discusses how male migrants are more likely to migrate to towns such as: Beijing, Tianjin, Shanghai and Liaoning where as females are more likely to migrate to towns such as: Guangdong, Fujian and Jiangsu (Seeborg 2000). These facts are important to the study because they highlight the fact that labor market segmentation occurs in China on various levels.

Anne Marie Broudehoux’s “Spectacular Beijing: The Conspicuous Construction of an Olympic Metropolis” describes the problem of unpaid wages and includes statistical information on this topic. The author details how the government is able to refuse payment to migrant workers because the migrant workers have no legal recourse when this situation occurs (Broudehoux 2007:309). The author also discusses the growing divide between the rich and the poor in China, stating that the richest 10% of the population control 45% of the country’s wealth while the poorest 10% hold little more than 1% (Broudehoux 2007:396).

Theory

The Social Structure of Accumulation Theory

The social structure of accumulation theory, or SSA theory, is a theory that seeks to explain how different institutions converge to either stimulate or cause stagnation within markets during a certain time period. In order for capitalists to invest, they must feel that the profit rates as well as the institutions they are investing in are stable and favorable (Lippit 2006:3). The institutions that they are investing in are the social structures of accumulation (SSA’s). What the theory posits is that when the SSA’s are favorable, capitalists invest and create economic growth. When the SSA’s that are supporting the economic growth collapse, the market goes into a period of stagnation.

One example of a social structure of accumulation cycle occurred after World War II in the United States. There were four different SSA’s that encouraged this growth. First laborers reduced their control on enterprises in exchange for job security and benefits. Second, the strength of the US dollar greatly increased in this period. Third, a higher disposable income became available for the average American with the implementation of state welfare programs such as social security and Medicare. The fourth reason was because competition within markets was reduced due to European businesses needing to recover from wartime losses. (Lippit 2006:6-7). This time period is relevant to the discussion in that it shows how varying social factors can converge to create a period of economic growth.
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Labor Market Segmentation

According to economists Michael Reich, David M. Gordon, and Richard S. Edwards, classical economic theory posits that the type of work and chance of promotion a person has is determined by personal characteristics such as work experience and work performance. However, it has become clear that there are numerous market divisions based on factors such as race, ethnicity, educational levels, or gender (Reich, Gordon and Edwards 1973:359). The theory of labor market segmentation attempts to understand the various ways that diverse classifications of people function within labor markets.

Economic theorists Michael Reich, David M. Gordon and Richard C. Edwards define the theory of labor market segmentation as follows. “We define the labor market segmentation as the historical process whereby political-economic forces encourage the division of the labor market into separate sub-markets or segments, distinguished by different labor market characteristics and behavioral rules.” (Reich et al 1973:359). In other words, motivating factors such as race or gender have the power to limit or improve the quality of one’s work experience.

When laborers are divided into groups, labor market segmentation occurs. Though it may be easy to understand that this market segmentation occurs, it is equally important to understand the cause of this phenomenon.

Within capitalism there are two primary classes, the working class and capitalist class. The capitalist class is known as such because they hold the majority of capital, both social and monetary, and they own the means of production. The working class is responsible for doing the labor that produces the goods that the capitalists then own. In a capitalist system the capitalist class is much smaller than the working class. In order for the capitalist class to gain a profit from the investments, the working class at some point must be oppressed. If the capitalists paid wages that equaled the total of the final product they would not be able to profit from the venture. It is posited that labor market segmentation occurs in order to divide the working class so that they will not be able to collectively oppose the situation. If the workers are divided because their working experiences are different, any common opposition they may have toward the capitalists is undermined (Reich et al 1973:361).

There are four common ways that market segmentation occurs. The first way is into primary and secondary markets. A primary market is comprised of jobs that have stable work, have relatively high wages, and the opportunity for advancement exists. Secondary markets have jobs that have unstable work, low wages, a high turnover rate, and the opportunity for advancement does not exist.

The second way labor market segmentation exists is within the primary market. The two markets within the primary market are subordinate and independent. In the subordinate market laborers typically have clerical, factory, or office jobs. The independent market consists of creative and professional jobs. The third and fourth ways that labor markets can be segmented are by race and sex (Reich et all 1973:359 – 60).

Michael Reich, a leading economist in the area of segmented labor markets, states that, “Segments may cut horizontally across the occupational hierarchy as well as vertically.”(Reich et al 1973:359). This means that individuals may be limited for more than one reason, such as being a woman and African American. Reich uses an interesting analogy when he states that dividing the labor market on such arbitrary terms is like burning away random rungs of a job ladder (Reich et al 1973:362).

Neoliberalism

Neoliberalism is the theory that an economy and state have the ability to function the most effectively when there are no market barriers in place. There are five main points to the theory of neoliberalism. The first is establishing a market that is completely free of regulation. The second is the eradication of public spending for social services. The third is the deregulation of any government intervention that imposes upon the gain of profit. The fourth is the privatization of all government run services and state owned assets. The fifth is eliminating the idea of the “public good” (Martinez and Gomez 2006:1-2).

In neoliberal theory, the idea of state becomes a means of force through which freedom of the market is enforced. For example, if there were a country or group of people who were working against a
neoliberal state’s free trade, the state would be entitled to force them to, either by coercion or brute force, into complying with the economic policy of neoliberalism. In fact, if one wishes to abide by the theories and rules of neoliberalism, the state should be used for nothing else.

There are definite problems when this idea is put into practice. For example, in a completely “free” society, a company would not have to follow labor or environmental standards. The theory is that if the workers were being treated badly, they would have the freedom to not work there. Neoliberal theory claims that the mistreatment of workers would be rectified when the workers quit because the labor standards were too low. With no employees, the business would fail and the system would have regulated itself with no outside intervention. In that scenario, the “freedoms” of the company to run itself without restraint would not be infringed upon, the workers would have been relieved from working in a company with poor labor standards, and the free market would continue to flourish unrestricted.

This theory, of course, does not work in practice. From a realistic point of view, one realizes that workers need employment, even if the conditions are bad. It has also been shown that businesses tend to base decisions on profit margins as opposed to using internal ethical regulation so to depend on such is hazardous. Even though there is obvious proof that the end result of this practice is harmful, many classic neoliberals maintain that it is still better that the state does not intervene. They believe that the “cure is worse than the disease” (Harvey 2005:37).

According to classic neoliberal theory, if people have complete and total freedom, the market will become a self-regulating entity and everyone working within it will have an equal chance of social mobility. Like the example stated earlier about the ways neoliberals believe labor standards will regulate themselves, the idea of a free market ensuring equality fails just as miserably. The ideal economic climate that neoliberals envision is one wherein a person would have the freedom to use their monetary capital in a way that will afford him or her the best life possible. In practice however, people do not begin with equal amounts of capital. The elite members of a society begin the process with more monetary and social capital than their working class counterparts and therefore have an undisputed advantage within the market. In practice, neoliberalism only works to create an economy where the capitalist class has the freedom to increase their capital to previously unseen amounts and the poor are forced to live at a lower and lower standard (Harvey 2005:38).

Global Social Structures of Accumulation

As discussed earlier, a social structure of accumulation is a set of institutions that lead capitalists to believe that investing in a certain endeavor will be profitable. While former SSA’s have focused economic growth primarily in one country the current “global” model is different. The economy that is looked at in the new SSA’s is the global economy. The groups of people who are profiting the most do not have a common nationality, but instead are made up of the capitalist classes of the industrialized nations. The way that these individuals manage to procure this wealth is through the occurrence of three key institutions in the current SSA, neoliberalism, the financial regime, and a globally semented market.

The way that neoliberalism functions within the current social structure of accumulation is because, once the trade regulations in regards to national borders have been eradicated due to neoliberal philosophies, capitalists have the power to move goods and investments, but not people, from a developing nation to a developed one. One of the results of neoliberalism has been the formation of economic treaties known as free trade agreements including the formation of one of the largest neoliberal structures; the World Trade Organization (Asimakopoulos 2009:181). The increase in trade agreements in relation to the emergence of neoliberal policies (which occurred in the early 1980s) is clearly illustrated in Figure 1.
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Figure 1 – Rates of Regional Trade Agreements from 1948 – 2002

![Number of Regional Trade Agreements](image)

Source: World Trade Organization

The net effect of free trade agreements is that “The neoliberal trade regime allows corporations to safely move production around the globe in search of low labor costs and financial incentives without fear of tariffs or barriers in order to boost historically declining profits” (Asimakopoulos 2009:181). Through the widespread use of neoliberal policy the entire global economic playing field has been tilted in favor of the capitalist class.

The second institution that plays a large role in the current SSA is what is known as the financial regime. The financial regime refers to institutions such as the International Monetary Fund (IMF), the World Bank, and other transnational banks. These financial institutions gained huge surpluses of capital from investments made by corporations. The transnational financial institutions then lent this capital to struggling and developing nations on the condition that the developing nations would then follow the trade protocols that the lenders specified (Asimakopoulos 2009:181). This means that when a country is struggling, there are numerous places for them to go to gain aid, however to do so means that they must then open their national markets to be plundered by foreign capitalists.

It is important to note that the wealthy elite of industrialized nations control the major institutions of the financial regime. For example, in 2007, the United States and the European Union held 48.88% of the vote in the IMF and 44.94% of the vote at the World Bank. Either the EU or US has always held the highest leadership positions at these two institutions (Asimakopoulos 2009:180-81).

The third institution at work within the current SSA is the globally segmented labor market. Globalization and neoliberalism have led to a global economy that is economically more interconnected than ever before. The idea of a segmented labor market was discussed earlier, but when examining it on a global scale it must be expanded and modified. Within the current SSA there are essentially two markets, developing countries such as Taiwan, India, China or Thailand, and industrialized countries such as the United States, Germany, France, and Japan.

Developing nations are used to produce goods because it can be done there much cheaper than in industrialized nations. The reason it is cheaper to produce goods in developing nations is because the labor pool is much larger while the standards on wages, human rights, safety, and environmental issues are much lower (Asimakopoulos 2009:184). However, it is important to remember that many of the
standards in these “third world” countries have been lowered by trade sanctions imposed on them by the transnational financial institutions.

The financial regime also blocks any efforts to improve these standards. The industrialized nations are the source of the capital that is invested in the developing countries.

Figure 2 – Global Production Consumption Model

This system has had profound effects on the working classes of industrialized nations. Businesses in industrialized nations have outsourced the majority of goods production to developing nations. This has undermined years of labor rights efforts because any time that a group within the working class wishes to raise wages or improve working standards they can be threatened with having their jobs outsourced (Asimakopoulos 2009:184).

This system depends on three things: the capitalist of industrialized nations having the capital to invest, the low cost of labor in third world countries, and the purchasing power of the working classes of developed nations. The current SSA depends on neoliberalism stripping the trade barriers on the movement of goods and capital from one country to another. The SSA depends on the financial regime to enforce neoliberal policies on developing nations and it depends on the globally segmented labor market to supply an expendable supply of cheap labor. These countries have become what some call “the world’s factories” (Wing Chan 206).
While it is possible to enforce neoliberal trade policies on developing nations through the financial regime, a key part of the global SSA is at risk. As stated earlier, the SSA depends on the purchasing power of industrialized nations to buy the products that are produced in developing nations. However, over time the bulk of the world’s capital is being consolidated in the capitalist class. John Asimakopoulos, a professor of socio-economics at the City University of New York, summarizes this phenomenon as follows,

“With each business cycle results a greater concentration of capital and a reduction in the size of the capitalist class. It is argued that a global SSA is forming based on the solidifying regimes of finalization, neoliberal trade, and a new global segmentation of labor resulting from, and intensifying, the defeat of developed nation working classes.”


The capital is being consolidated at higher levels than ever before because the capitalist class produces goods in developing nations for far less than they sell them in industrialized nations. At no point does the capital become reinvested in the working classes of the world. When capitalists do transfer large amounts of capital, it rarely reenters the global economy but rather is traded between the major capitalist businesses. This means that the working classes of the developed nations are losing their purchasing power, which could eventually lead to global financial crisis (Asimakopoulos 2009:175).

**Findings**

*The Formation of the Hukou System*

Research on the topic of the Chinese migrant worker leads most often to the subject of the Hukou, or household registration system. The Hukou is essentially an internal passport that is used to separate the population into two groups – rural and urban. The groups are eligible for different state welfare, different housing, and different employment opportunities. There is a vast socio-economic difference between the two, with the living standard of the urban citizens far exceeding that of their rural counterparts.

This makes citizenship in the People’s Republic of China much different than citizenship in most other countries. “Citizenship is primarily considered to mean rights of participation in a common national community” (Smart 2001:1853). However, in the case of China, Hukou status separates citizens into groups with different rights thus making spatial placement the defining characteristic of what “kind” of citizenship one has. It makes citizenship a concept that has “multiple levels and limitations rather than an all or none situation” (Smart 2001:1853).

The effects of the separation are still strongly felt today. “The Hukou, introduced during the first decade of the People’s Republic of China, institutionalized the denial of basic rights and services to China’s so-called floating population of 150 rural to urban migrant laborers” (Mackenzie 2002:305). The Hukou, a system still in place in China, effects the citizens on a daily basis, but in order to understand how the Hukou was formed, one must first grasp the motivating factors behind it. The formation of the Hukou was done for a variety of reasons. As with many of their other economic policies, the People’s Republic of China modeled the treatment of its rural, peasant class after the Soviet model.

The USSR, as well as the majority of its satellite countries made an effort to control internal migration by way of a workers registration system (Wing Chan 2009:199). This system was formulated based on interpretations of Marxist/Lenist writings. There were three main reasons that the Soviets thought that spontaneous, internal migration should be stopped.

The first reason is because Marx believed the socio-economic differences between the rural and urban centers should be eradicated so that people and industry could be evenly disbursed. This meant that the surge of citizens going to the cities should be stopped in order to develop industry and agriculture in other parts of the country (Solinger 1997:27).

The second reason was because in order for the regimentally planned economy to succeed, there would need to be worker discipline and labor mobilization. A household registration system made this possible because it gave the government more control of the people. A registration system also gave more
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control of production to the government because it allowed them to predict the amount of workers in an area so that it could plan where industry investment could be best utilized (Solinger 1999:27).

A third reason is because the development of heavy industry was believed to be one of the most important parts of socialist development. In order for this to be accomplished, resources surrounding heavy industry must be accounted for carefully. The population could not grow too large in industrial areas because the money needed for industrial development would then be used to support excess workers (Solinger 100:32). In theory, by diminishing the surplus available for socialist construction, this would delay the parity between rural and urban, a condition that would allow for the loosening of residency restrictions.

The People’s Republic of China had to do many things in order to restructure its society. It was important for the People’s Republic of China to control the movement of people within their country. They also needed to protect the resources that were needed to support industrial workers and to build China’s industrial sectors (Mackenzie 2002:306-7). In order to do this, they created the Hukou system, which essentially established two separate classes of citizens.

Chairman Mao Tsetung felt that this dual citizenship was essential to the advancement of agricultural industry and the productivity of heavy industry within urban areas. Chairman Mao thought that it was very important to, some day, eradicate the separation between rural and urban, but that the commune system in the rural area was an essential part of this process (Mao 1977:46).

Mao thought the communes were essential in the rural areas because, if this was not done, the areas would become polarized. Also, if this process had not been started then it would have been impossible for the state to have control of buying the output of the agricultural areas at state mandated levels (Mao1977:46).

Mao outlined the way the use of communes could ultimately lead to the unification of the peasant-worker alliance in five steps. The first step in the process was to accomplish the land revolution so that the rural areas could be collectivized. When the cooperatives had been established, agriculture would be able to become mechanized. The mechanization of the collectives would lead to people’s communes. When people’s communes had been established, basic ownership of the commune by the commune could be achieved and this would eventually lead to full state ownership (Mao 1977:46-7). Mao states, “When state ownership and mechanization are integrated we will be able to begin truly to consolidate the worker-peasant alliance, and the differences between workers and peasants will surely be eliminated step by step” (Mao1977:47). Essentially, Mao Tsetung stated that although the process may be painful, it was the only way to reach the end result of equality and full productivity of the separate industries.

However, there are some scholars who do not believe the rural urban divide was established in order to reach equality. Solinger states that the main reason that the state made the Hukou system was “…to lock into the land a potential underclass, ready to be exploited to fulfill the new states cherished project of industrialization” (1999:27). Solinger goes on to describe the rural citizens as “victims of internal colonization” (1999:27).

While historical evidence supports Solinger’s argument that the rural population was used as a base to support the “more important” urban centers, it is unclear of the true motivations that Mao had for implementing this system. Mao Tsetung himself referred to the peasant class as a “form of savings” (Mao 1977:43). Although it is also important to know that in other writings he has alluded to the fact that draining capital from agricultural centers for urban centers while expecting agriculture to produce more is like wanting a hen to lay more eggs but not feeding it (Mao 1977:12).

As mentioned earlier, the Hukou was a household registration system that separates the country into two groups: rural and urban. The Hukou system was first put into place in the year 1955, but at the time the system had no way of enforcing the rule that rural citizens could not move to urban centers. In order to enforce the rule, the government made it impossible for anyone without an urban Hukou to buy grain within the city centers.

This should have effectively stemmed the flow of rural citizens to the city, but the implementation of the system coincided with the “Great Leap Forward.” The “Great Leap Forward” was
a five-year economic plan whose failure to foresee weather related crop failure resulted in mass food
shortages and the deaths of millions of people (Mackenzie 2002:306-7). What this meant was that the
policy that was put into place to control internal migration became ineffective in the face of the chaos of
the widespread famine. However, the government soon realized that something had to be done because
food shortages within the city were making it hard to support the urban citizens and there was little left
over to aid the rural migrants. The government decided that it must take further steps to protect the urban
centers. In 1961 through 1963, millions of rural citizens were deported back to their place of origin

The Structure of the Hukou System

Over time, with policy changes such as the one’s listed above; the Hukou system became a rigid
barrier between urban and rural citizens. This system divided rural citizens into two spatial districts. The
first district was the industrial section. The industrial sector was a priority to the country’s economy. The
citizens and businesses in these areas received strong state support and protections in order to maintain
their social and political stability. Industries in the urban centers were known, as state owned enterprises
(SOE). The SOEs were nationalized businesses, were financially controlled by the government, and had
strict state management. The workers and the families of the workers in this district had access to the
state welfare system that was known as “the iron rice bowl.” The welfare program provided housing,
employment, education, and health care. The workers in the industrial sector comprised roughly 15% of
the Chinese population (Wing Chan 2009:200).

The second district was the agricultural district. This district was considered less of a national
priority. It was used to provide cheap, raw materials (including food grain), labor, and capital for the
urban/industrial sector. This area was collectivized with the collectives acting as the primary policing tool
in the agricultural sectors (Wing Chan 2009:201). These citizens were excluded from state welfare
programs. Instead of state welfare, these citizens were given “five guarantees”. The five guarantees
declared that every rural citizen was entitled to were food, clothing, medical care, fuel, and a burial
(Smart 2001:1855).

Though the lists of what benefits the two groups were allocated sounds similar, it is important to
note that the urban sector received relatively ample support while the rural area’s support was barely
subsistence level. The rural citizens also had no claim on national resources and were expected to
provide for themselves except in extreme circumstances. The five guarantees were given only in these
“extreme circumstances” and to accept often incurred disapproval from the other members of the
commune (Smart 2001:1855).

Though the agricultural sector was expected to support itself, the government depended on it for a
source of cheap goods. The goods, typically foodstuffs but occasionally raw materials were sold to the
government at what was known as the “official” price. This official price was set by the state not the
market. Because the “official” prices were so low, the agricultural workers were barely able to sustain
themselves. There was no social mobility and the rural citizens became an underclass (Wing Chan
2009:200-1).

Another way that the two groups differed was by whom they were connected to by their Hukou.
In urban centers, each family had a Hukou booklet that they were able to use to get their food rations and
secure employment. In the agricultural Hukous, each collective or commune shared a booklet. This
meant that people were tied to the entire workforce in their district instead of just their families

One was eligible for different kinds of government support based up whether he or she had an
agricultural or nonagricultural Hukou. One’s Hukou typically denoted the area of the country she or he
lived in, but there were a few exceptions. There were some individuals who living in the suburban areas
around cities that had rural Hukous and there were some individuals who lived in the country but had an
urban Hukou because of their job. These separations can be seen in Figure 3.
Though difficult, there were a few ways that one could change their Hukou from rural to urban during this time. The first way was to be recruited by the government for a permanent position in a SOE. The second way a person’s Hukou could change was if the government relocated a commune to an urban center in order to clear their land for government use. The third way a person’s Hukou could change is if he or she entered the People’s Liberation Army (PLA) and was deployed to an urban region. A fourth way was if a family crisis required the person to move to a city (although this was only done in extreme cases). A fifth was if a member of a commune was promoted to an administrative position in the government. A sixth way was by joining the Chinese Communist party (CCP) and being promoted to a rank that required urban Hukou status. A person could also change their Hukou if the government deemed them to be a national hero or someone who had sacrificed very much for the revolution (Wing Chan 2009:202; Wu 2004:364-5).

Education was the most accessible means of changing one’s Hukou. The way that this was done was by taking examinations to enter secondary and tertiary schools. Admittance to a secondary school did not automatically change a person’s Hukou, but it did better the chances that one would be able to get into a tertiary school. Acceptance to an urban tertiary school did give a citizen an urban Hukou. However, in order to gain admittance to these schools, one must have access to adequate primary schools and be able to score higher than one’s urban counterparts, whose schools were ranked far above those in the rural sectors, so gaining admittance was quite a challenge (Wu 2004:365-6).

All of the ways listed above are ways that a person could move from rural to urban Hukou status. As the urban centers had such a higher standard of living, people did not wish to transfer to a rural Hukou. That is why if an urban citizen had to work in the rural sector they were able to maintain their urban Hukou. This is what has led to the four subgroups within the Hukou shown in Figure 3. However, urban citizens could lose their urban Hukou as a punishment for a crime (Wing Chan 2009:202).

Though it is clear that the Hukou system created a dichotomy between the two kinds of citizens, it is also important to note that rural citizens did see an increase in their standard of living after the Cultural Revolution. As Fred Magdoff of the University of Vermont states, “Most of the writings about the Cultural Revolution have emphasized the problems, especially the problems of the intellectuals. However, in the rural areas of the country this period is still viewed in a much more positive light – an era when much infrastructure was built, agriculture advanced markedly, and attention was paid to problems of the people living in the countryside” (Magdoff 2008).
In fact, it was during this time period that education in rural areas was at higher levels than before or after the Cultural Revolution. Dongping Han, author of *The Unknown Cultural Revolution: Life and Change in a Chinese Village*, states that his research has shown that it was only after the Deng began to make reforms that the educational levels in the villages began to decrease (Han 2008:XI). He also states that while the education systems in the urban centers were better, it is important to remember that those areas already had preexisting infrastructure such as well educated teachers and adequate facilities whereas the rural centers were in some ways starting from scratch (Han 2008:24). This shows that although disparity between rural and urban citizens has existed throughout the studied history, the only period when the gap began to close was during the Cultural Revolution. When the economics reforms that began in 1978 were enacted the progress that was made during the Cultural Revolution was quickly erased and the gap between the rich and the poor continues to grow.

**Effects of the 1978 Reforms on the Hukou System**

Although there were minor modifications over the years, the Chinese Hukou system remained in this form until 1978. After Chairman Mao’s death, Deng Xiaoping began to make major structural changes in the People’s Republic of China’s economic infrastructure. Deng made changes, what he called modernizations, in four main areas: agriculture, industry, education and science and defense. He hoped that making these changes would revitalize the Chinese economy and lead to growth in areas such as technology and defense (Harvey 2005:120).

Perhaps the largest change that Deng made during this period was the opening of the country’s economic markets to foreign investments. The Chinese state was able to ensure high return to foreign investors by its authoritarian control of labor and its strict social control of all other costs of production such as limiting environmental and quality standards. The main reason that Chinese officials claimed they wished to open the market for capital was to generate economic activity among the SOEs, state owned enterprises that had been stagnating for years (Wing Chan 2009:204). There were four other benefits that Deng hoped China would receive from opening its borders. The first was that the country could amass wealth from entering global markets. Another kind of benefit that was hoped for was technological transfers from foreign countries (Harvey 2005:122). Deng also thought that China would be able to better defend itself against foreign aggression if other countries had fiscal interests within Chinese borders (Wing Chan 2009:204). The final reason is that China hoped it could use its open markets to project its power to other East Asian countries (Harvey 2005:122). It was known that this could eventually lead to inequality but, much like Mao’s argument in support of implementing the separation between rural and urban workers, Deng felt it was necessary to the advancement of the country.

When this process began in 1978, nearly all of the capital in the country was concentrated in the SOEs. The SOEs were relatively profitable, they provided job security, and they offered the “iron rice bowl” benefits discussed previously. These enterprises supported the citizens with urban Hukous and were the centerpiece of the controlled economy (Harvey 2005:125). Communes supported the agrarian centers. While it was well known that the system was flawed, it did supply the workers with at least a possibility of being able to receive the welfare benefits discussed earlier.

One of the reforms that Deng instituted was the dissolution of the commune system in favor of the personal responsibility system. The personal responsibility system took the risk of loss away from the state by making the individuals running an enterprise responsible for the profits or losses of an enterprise. At first, the only major change he made to the commune systems was that the rural populations could sell the surplus produce at market value, as opposed to the state value that was formally imposed upon them. By the late 1980s, however, the communes had been completely dissolved and the dual price system collapsed (Harvey 2005:127).

The resources from the dissolved communes were used to form Town and Village Enterprises (TVEs). At first the TVEs generated large amounts of profits. The development of light industry positioned China as a strong export based economy, which coincided almost exactly with the global surge toward a neoliberal economic infrastructure (Harvey 2005:128). As time went by, the foreign capital
entering the country was for the most part concentrated in the coastal area and focused on manufacturing goods cheaply that were then exported to developed nations.

While the TVEs were generating wealth, the SOEs were not growing as quickly. In order to generate economic growth, the SOEs were allowed to hire contract workers, rural citizens who could be used for labor at the SOEs without gaining urban Hukou benefits. This can perhaps be seen as the beginning of the Chinese rural citizens needing to migrate to find employment as well as the beginning of industries needing to use migrant workers to enlarge the labor pool. The SOEs were also allowed to sell excess goods at market prices (Harvey 2005:129). Neither of these incentives improved the SOEs and by the early 1990s the state began to convert them into shareholding companies which meant that any profit generated would benefit the private investor as opposed to benefiting the entirety of the workers producing the goods (Harvey 2005:129).

The TVEs, which had at first been so prosperous, began to fail in the early 1990s. Many of the TVEs went bankrupt and millions across the country lost their jobs. Due to the recent reforms, these newly unemployed citizens were also missing the safety net of social welfare programs that had previously been in place. Statistically, annual income levels have increased since the reforms were enacted. However, rural citizens now need to privately fund necessities such as healthcare, education, and housing. The wage levels have increased, but not proportionally to the increase in the cost of living resulting from the privatization of these services.

Throughout the past twenty years, due to the influx of capitalist policies and changes in internal infrastructure, the country has taken a decided turn towards capitalism. Though the Chinese government has been incorporating new neoliberal policies, it has maintained its authoritative control of the people. This is no coincidence, as discussed earlier it has become common practice for the key role of the state in a neoliberal economy to have authoritative control of its citizens in order to ensure that the system will not be disrupted. The examples of countries such as Chile, South Korea, and Taiwan all show that authoritative developing nation with large labor pools are easily incorporated into the global capitalist market (Harvey 2005:120). David Harvey succinctly describes the way that, although it has done it in a unique way, China is starting to shift to capitalist class system.

By taking its own peculiar path toward ‘socialism with Chinese characteristics’ or, as some now prefer to call it, ‘privatization with Chinese characteristics’, it managed to construct a form of state-manipulated market economy that delivered spectacular economic growth (averaging close to 10 per cent a year) and rising standards of living for a significant proportion of the population for more than twenty years. But the reforms also led to environmental degradation, social inequality, and eventually something that looks uncomfortably like the reconstitution of capitalist class power (Harvey 2005:122).

This restructuring of the Chinese economy has negatively affected Chinese citizens with rural Hukous, a group that has already been a severely disenfranchised group for nearly fifty years. When the communes were dismantled in order to provide capital for the TVEs, huge surplus labor pools developed in the countryside (Wing Chan 2009:204).

The effects of the economic restructuring on rural citizens are evidenced in Figure 4. It can been seen that the economic reforms have done little to improve the lives of the rural citizens. As of 1996, the average rural citizen earned roughly half of what the average urban citizen did. The annual income of a rural citizen in 1996 was still 72.6 dollars per year less than what an urban citizen made in 1985 (Seeborg 2000). It is important to remember that, although overall incomes have increased, the reorganization of the economy caused citizens to lose a nationally funded welfare system.
The Effects of Neoliberal Economic Trends and the Hukou System on Rural Chinese Citizens

Figure 4 – Rural versus Urban Income in China from 1985-1996
Source: Seeborg 2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural Real Income</th>
<th>Urban Real Income</th>
<th>Urban/Rural Income Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>397.6</td>
<td>685.3</td>
<td>1.72</td>
</tr>
<tr>
<td>1986</td>
<td>399.4</td>
<td>773.7</td>
<td>1.94</td>
</tr>
<tr>
<td>1987</td>
<td>410.5</td>
<td>787.0</td>
<td>1.92</td>
</tr>
<tr>
<td>1988</td>
<td>411.6</td>
<td>796.9</td>
<td>1.94</td>
</tr>
<tr>
<td>1989</td>
<td>380.9</td>
<td>771.8</td>
<td>2.03</td>
</tr>
<tr>
<td>1990</td>
<td>415.7</td>
<td>838.6</td>
<td>2.02</td>
</tr>
<tr>
<td>1991</td>
<td>419.5</td>
<td>888.3</td>
<td>2.12</td>
</tr>
<tr>
<td>1992</td>
<td>443.4</td>
<td>967.1</td>
<td>2.18</td>
</tr>
<tr>
<td>1993</td>
<td>458.5</td>
<td>1065.8</td>
<td>2.32</td>
</tr>
<tr>
<td>1994</td>
<td>492.3</td>
<td>1160.0</td>
<td>2.36</td>
</tr>
<tr>
<td>1995</td>
<td>541.4</td>
<td>1216.1</td>
<td>2.25</td>
</tr>
<tr>
<td>1996</td>
<td>612.6</td>
<td>1256.8</td>
<td>2.05</td>
</tr>
</tbody>
</table>

* Source: *China Statistical Yearbook, 1997, Table 8-2 and Table 9-4. Compiled by State Statistical Bureau, People’s Republic of China. Note: Nominal rural per capita income was deflated by the rural area consumer price index and nominal urban income was deflated by the urban area consumer price index.

The Advent of the Chinese Migrant Worker

In 1984, a new kind of Hukou was implemented in some parts of China. It was known as “Hukou with self supplied food grain”. This meant that rural citizens had the right to go to a different area provided that they do not use any of its resources, including education, housing and healthcare (Wing Chan 2009:204). This started a trend towards large scale migration in China but it was not until 1992 when Hukou management was localized and China ended the food rationing system (one of the key ways the Hukou was enforced) that millions of Chinese rural citizens began to migrate throughout the country in search of employment.

The migrant workers, who have come to be known as the “floating population,” are estimated to migrate through the country in numbers as high as 150 million (Wing Chan 2009:204). “Given that China is the most populous country in the world, roughly one out of every six person’s on the move today throughout the world is Chinese” (Goodkind et al 2002:2237). However, there is very little documentation for the people who are on the move so it is difficult to say with any precision the exact number of Chinese migrants at any given time.

Chinese migrant workers are some of the most disenfranchised people in the world. This is due both to the economic reforms instituted by Deng and the lack of state welfare afforded to their Hukou status. They are a group of people who cannot find employment in the places where they are eligible for state welfare and they cannot get state welfare in the areas that employment is available.

In order to continue to live, rural populations have begun a mass migration unlike any known to recent history. Many families are divided by this migration. Spouses are forced to live on opposite sides of the country from each other while their children stay with an older relative somewhere else. One migrant man told his story, which closely resembles the stories of millions of other migrant workers,

When asked why he did not bring his wife and children along, Ah Lam explained that it was not feasible. Where would he put up his wife and children? Dormitories are designed for singles, family units are available only for senior staff. As a low ranking employee, he would have to rent market-rate accommodations that would eat up most of his income. His children would also lack access to education (Smart 2001:1863).
Even with staggering sacrifice, the workers are still not granted even the slightest hope of social mobility (Chase 1999:258). All of this is done with only the hope that, in the end, the families will have shelter, clothing, and enough food to live.

Though the enforcement of the Hukou system has been relaxed in some ways, migrant workers are still required to go through an arduous and expensive process in order to gain permission to find employment (Chan 1998:890). To leave their village, workers must apply for a permit from the local government. Once this is done, they must apply for a permit to stay in the city where they will be employed. After they have completed these steps, they need to secure a contract with an employer and approve their stay with a local labor bureau, which will then issue them a work permit. If a person does not possess this work permit, he or she will be detained by local officials and eventually deported back to his or her home village (Chan 1998:890). The reward for completing this process is they are allowed to stay in the area until their labor is not longer need, at which point they are deported back to their registered village.

![Figure 5 – China’s Floating Population](image)

Desperation forces the workers to take any kind of work that is available. They do not have the luxury of declining a job offer because the conditions are too harsh or the wages too low. Like members of the lower classes all over the globe, the migrant workers are forced to do the menial and strenuous labor that the rest of society deems unworthy of performing.

“Since the majority of migrant workers are uneducated and do not have special skills, job mobility among migrant workers is very low” (Wong et al 2001:34). The majority of Chinese migrant workers are employed in construction, manufacturing, transportation, and services industries (Shen et al 1997: 37). Men are typically employed in heavy industry and construction while women are typically employed in labor-intensive production lines, textile and apparel manufacturing and domestic service (Seeborg 2000:42). While the common migration trends are from inland rural areas to coastal industrial areas, there is a difference in migration patterns among men and women. Women are more likely to migrate to Guangdong, Fujian, or Jiangsu, places in the southern areas of the country where light industry is dominant. Men are more likely to migrate to Beijing, Tianjin, Shanghai, or Liaoning, places where construction work is dominate (Seeborg 2000:42).

Working conditions for migrant workers are very poor. Because they are essentially undocumented workers, employers can abuse them with very little fear of retaliation. Chinese migrant workers have no minimum wage and can be fined for being late, calling in sick, negligent work, talking or laughing, forgetting to turn off lights, or having untidy dormitories (Chan 1998:894). In one Chinese factory, migrant workers could be fined two days wages for needing to use the bathroom more than twice during a shift that lasts from seven in the morning until midnight (Chan 1998:896).
In addition to being fined, migrants also have to fear that their employees will refuse to pay their wages. Nonpayment of wages is a common occurrence due to the fact that the migrant workers have little options for redress in this scenario. The Chinese government has estimated that unpaid wages for migrant workers totaled as much as US $12.1 billion for the year 2003 alone, and that overall the number may reach as high as US $43 billion. This amounts are especially appalling due to the fact the average Chinese migrant worker make US $4.87 a day (Broudehoux 2007:390-5).

As stated previously, migrant workers are not eligible for subsidized housing. As migrant families are often disbursed throughout the country, finding affordable housing can pose a difficult dilemma. According to the Administration Bureau of Household Registration in China, in 1997 migrant housing was as follows: 9.44% lived in hotels, 11.24% lived in local households, 30.36% lived in company quarters, 17.16% lived at a construction site, 27.75% lived in rented housing, and 4.05% lived in other locations (Shen et al 2003:59).

The migrants typically work in one area, and send money to family that is living in the registered area. In fact, it is estimated that remittances to rural family from migrant workers accounted for 40% of rural income in 2008 (Wing Chan 2009:207). One of the main reasons that children become separated from their parents is because there is little to no affordable healthcare for rural citizens in urban areas and, with the exception of a few primary schools, migrants have no access to publicly funded education (Chan 1998:889).

Figure 6 – Characteristics of Migrant Workers

<table>
<thead>
<tr>
<th>Item</th>
<th>Population (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban permanent</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>0–14</td>
<td>17.05</td>
</tr>
<tr>
<td>15–24</td>
<td>13.54</td>
</tr>
<tr>
<td>25–34</td>
<td>18.17</td>
</tr>
<tr>
<td>25–59</td>
<td>26.29</td>
</tr>
<tr>
<td>60+</td>
<td>14.42</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Illiterate</td>
<td>4.5</td>
</tr>
<tr>
<td>Primary school</td>
<td>13.5</td>
</tr>
<tr>
<td>Junior secondary school</td>
<td>34.9</td>
</tr>
<tr>
<td>Senior secondary school</td>
<td>44.1</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>17.6</td>
</tr>
<tr>
<td>Married (first marriage)</td>
<td>73.6</td>
</tr>
<tr>
<td>Married (remarriage)</td>
<td>2.0</td>
</tr>
<tr>
<td>Divorced</td>
<td>1.7</td>
</tr>
<tr>
<td>Widowed</td>
<td>3.2</td>
</tr>
<tr>
<td>Working hours per week</td>
<td></td>
</tr>
<tr>
<td>40–49 hours</td>
<td>73.6</td>
</tr>
<tr>
<td>50 hours</td>
<td>73.6</td>
</tr>
<tr>
<td>Total</td>
<td>17.6</td>
</tr>
<tr>
<td>Male</td>
<td>18.4</td>
</tr>
<tr>
<td>Female</td>
<td>73.7</td>
</tr>
</tbody>
</table>

Source: Wong 2001: 34

This Hukou system started as a tool to create industrialization with the People’s Republic of China. This may have worked, but since the command economy has dissolved, the rural Hukou has become the backbone for the modern export industry and manufacturing sector (Wing Chan 2009:205). The staggering amount of data has shown that the Hukou system, something that Mao Tsetung had hoped would unify the country, has instead lead the largest class divide in China’s modern history.

In 2005, China’s leadership formally acknowledged the growing divide between rich and poor when it announced that the richest 10% of the population controlled 45% of the country’s wealth while the poorest 10% held little more than 1%. (Broudehoux 2007:396). “The income divide between the urban rich and the rural poor is now greater than before the 1949 revolution and social disparities are said to compare unfavorably with some of Africa’s poorest nations” (Broudehoux 2007:391).
The Effects of Neoliberal Economic Trends and the Hukou System on Rural Chinese Citizens

Discussion
The Hukou and National Labor Market Segmentation

The theory of labor market segmentation can defined as follows, “…the historical process whereby political-economic forces encourage the division of the labor market into separate sub-markets or segments, distinguished by different labor market characteristics and rules” (Reich et al 1973:359). In China, the Hukou system has led to the rural population being forced into the lowest segment of the labor market.

One of the defining characteristics of being in a segmented labor market is a group of people having different characteristics or rules. This can clearly be seen in the case of Chinese migrant workers as they not eligible for the same citizenship rights that are available for the urban Hukou citizens. Rural migrants are not allowed to own property, attend public schools, or have access to subsidized healthcare if they are in urban centers (Wing Chan 2009:208). Though these rules do not specifically apply to the labor market, the institutional discrimination practiced against the rural population makes it impossible for them to equally compete in the job market.

One reason that they cannot compete with urban workers relates to education. Job potential is clearly linked to the amount of education one has received. In China, admittance to secondary and tertiary schools is based on competitive examinations. While open examinations seem to offer educational mobility for migrants, the competition between rural and urban is vastly unequal. One reason for this is because rural primary schools do not meet the same standards as urban primary schools. This means that children with urban Hukous have a strong educational advantage over their rural counterparts. A second reason is that secondary and tertiary schools are often located in urban centers and give admittance preference to students with an urban Hukou. This means that rural children must do better than their urban counter parts who have had access to better education. Because of these reasons, citizens with urban Hukous have on average, two years more education than citizens with rural Hukous (Wu 2004:372).

Rural migrant workers are extremely beneficial to the economy of the areas that they migrate to. There are many jobs, such as cleaning, construction, textile manufacturing and childcare, that urban citizens will not take because the wages are too low and the conditions are too harsh. If neoliberalism worked the way that it claimed to, the conditions and wages in these industries would increase in order to gain the local employees. Instead of improved conditions, however, the labor pool is simply increased by the disenfranchised migrants who, out of necessity, take any employment that they can find. This system allows enterprises to continue to operate without the need to increase their labor standards or decrease their profit margin.

Industry in China takes full advantage of the fact that the Chinese migrant population is forced to such a low position in society and the government supports this oppression by continuing to allow the practice of the Hukou system. “Permitting spatial mobility for peasants without the full rights of urban citizenship results in them becoming second-class citizens, who presence is tolerated as long as the government does not need to provide for them and are pushed out when the need for their labor has declined.” (Smart 2001:1867).

The disparity between the two groups has lead to staggering differences in employment options. From the evidence presented in this report, it is clear that the Hukou has created two distinct groups in China, with the more privileged of the two being supported by their disenfranchised counterparts.

Effects of the Global SSA on the Migrant Population

When China opened its borders, the floating population became part of a much larger economic structure. At the same time that China opened its markets to the world, the global economy was going through a transformation. Neoliberalism, an economic practice that eliminates trade barriers in order to produce goods in cheap markets and sell them in expensive ones, has combined with the financial regime to force developing nations to allow the practice of the neoliberal policies in their country. The structure
of the current SSA depends on cheap, expendable labor in developing nations to make products that are then exported and sold to industrialized nations for massive profits.

In the 1980s when China began its move toward an export-orientated market, the need for massive amounts of unskilled labor arose. As discussed previously, rural Chinese citizens are segmented within China to a less profitable labor market than their urban counterparts due to the Hukou system. When current global SSA’s began to affect China, the laborers were segmented one again, but this time they were put on the bottom of the global scale. Due to the effects of the Hukou system, the millions of oppressed, rural workers became the victims the new economic trends.

As of 2005, there were, “14 million migrant workers who have left rural areas, temporarily or for good, to work in cities, and the government experts predict the number to rise to 300 million by 2020 and eventually to 500 million” (Harvey 2005:127). Foreign capital and foreign companies have flooded the country causing an enormous disparity between the amount of jobs offered in the city opposed to the country. The reason that so many industries are outsourcing to China is because there are less labor and wage restrictions. The legacy of the strong state permits relatively free movement of capital alongside an easily disciplined labor surplus (Harvey 2005:138). Foreign firms have flocked to China to produce their goods due to their low labor standards. Low wages make it possible to produce goods in China for cheaper rates than almost any other place in the world (Wing Chan 2009:207). This has also led to a rise in income for the non-rural citizens of China as they are in the position to benefit from the influx of foreign capital without being forced to work in the harsh conditions.

The capital generated from foreign firms using China’s manufacturing industry for 30% of China’s gross domestic product (GDP) in 2007 (Wing Chan 2009:205). A large percentage of the employees in the manufacturing industry are migrants. “In coastal cities such as Shenzhen and Dongguan, which specialize in exports, migrant labor easily accounts for the great majority (70 to 80 percent) of the labor force. Even for a more typical urban site, like the inland city of Wuhan, workers without local Hukou accounted for 43 percent of the employment in manufacturing in 2000” (Wing Chan 2009:207). This labor pool was created by the Hukou system, but is maintained in order to draw massive amounts of foreign capital into the county.

Conclusion

In 1949 China adopted socialism, a system of governance that is founded on the idea of equality. However, one of the initial acts the government made was to strictly divide the citizens into two groups; the urban citizens who had state benefits and social mobility and the rural citizens who were literally locked to land. This was initially said to be a temporary system used to create economic stability in the country. Once China was economically stable, the two groups were supposed to be reunited. With the influx of neoliberal policy, the temporary situation has become a permanent fixture that is needed to support the export based economy. While there were definite problems for rural citizens during the Cultural Revolution, the return to capitalism has effected them much more drastically.

Due to the influx of neoliberal practices from the West, Chinese citizens and foreign investors now have the “freedom” to do whatever they wish within the market, provided of course, they have the monetary and social capital to do so. Because of this, a huge percentage of the population has been left without the safeguards that they formally had. There is a small class at the top who have entered the global market and profited greatly because of it. However, in order for them to be reaping such benefits, the people at the bottom are suffering greatly.

The global market place has turned the Chinese migrant worker into an expendable commodity. The migrant laborers are used as the cheap labor, but the business cycles will not be able to sustain itself if there are not consumers for the products. The working classes in industrialized nations, who capitalists depend on to buy the products, are quickly losing purchasing power as more and more jobs are outsourced to developing nations and less capital is filtered through the global economy. Millions of people are kept at an extremely low standard of living so that a select few can increase their already vast amounts of capital. This is done even through leading economic scholars predict that the system cannot sustain itself and the collapse of the system will eventually lead to a global financial crisis.
The migrant workers have little influence on their station in life. They were born into communities where the opportunities to support themselves did not exist. Because of this fact, the people are forced to move to cities where they do not have any rights, including the right to educate their children. Because the children cannot be educated, there is little to no hope that the next generation will be able to change their station in life.

Unless there is a drastic change in the current situation, generations of people will be forced to repeat the migrant workers hard life of continuous work and stress with little hope for reprieve. In 1949, the Chinese populace revolutionized the way the country was run; hoping that this would end the hierarchical system of class discrimination in the country. However, fifty years later, the situation has only worsened.
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References


