



# The new urbanization policy in China: Which way forward?



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## ABSTRACT

China's urbanization process has followed a unique course and transformed the country in a very short period of time. Yet problems have arisen and the New Urbanization Policy 2014–2020 is designed to overcome many of these. This policy note outlines the objectives of the new policy, including a partial relaxation of the strict urban residency (*hukou*) rules, the move toward people-oriented urbanization and the expected changes that will occur in rural areas, particularly with respect to rural land. The paper concludes with a number of questions that do not appear to have been satisfactorily answered by the new policy. Will the differentiated *hukou* system be effective? Will the rapid urbanization of rural land be curbed? Will the new urbanization make China's cities more or less efficient? What are the plans to reform local government finance? How will the problem of loss of rural collective lands be addressed? The new policy is viewed as an important first step, but unanswered questions remain.

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## 1. Background

China's has followed a unique path to urbanization. Whereas most underdeveloped nations in Africa, Asia and Central and South America have experienced high levels of rural-to-urban migration, due to lack of employment possibilities, the migration has resulted in urban slums, non-existent urban services, deplorable health conditions, reliance upon the informal employment sector and poverty. China's unique path to urbanization has avoided many of these pitfalls, although the process has involved high costs but of another kind. This Policy Note examines some of the changes that are currently underway in China.

Urbanization describes the process of rural-to-urban transformation. China's urbanization has its own characteristics due to the unique household registration system (*hukou* system). Since its founding, the People's Republic of China (PRC) uses the *hukou* system to categorically divide the whole population into two groups: rural residents ('peasants') and urban residents (citizens). Rural residents and urban citizens were granted different social,

economic, and political rights. Between 1949 and 1984,<sup>1</sup> the transformation from rural residency to urban citizenship had been restricted. As a result, the pace of urbanization was extremely slow, from 10.6% in 1949 to 17.9% in 1978. Meanwhile, a new rural-urban dual structure in China formed. Rural residents were allowed to move into cities and towns for work. The floodgate was opened, as China's urbanization took off. During the period of 1978–2013, China's urban population has risen from 170 million to 730 million, and the level of urbanization has reached 53.7% in 2013. The number of cities has increased from 193 in 1978 to 658 in 2010. Over the same period, the number of towns has grown even more rapidly from 2173 to 19,410. Fig. 1 shows the change in city size and urbanization level from 1978 to 2007. In 1978, there were no cities with more than 5 million urban population and urbanization levels in most regions were under 30%. During the past three decades, both city scale and urbanization level have increased greatly, especially in the eastern region.

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<sup>1</sup> For better population management and agricultural yield, rural residents were restricted from migrating at the early stage of the founding of PRC. They were not allowed to switch their registrations until the year 1984 when the government document "Notice on rural work in 1984" was put forward, in which it was stated that "rural residents who moved to towns for employment, business and service can get their residence certificates in towns".

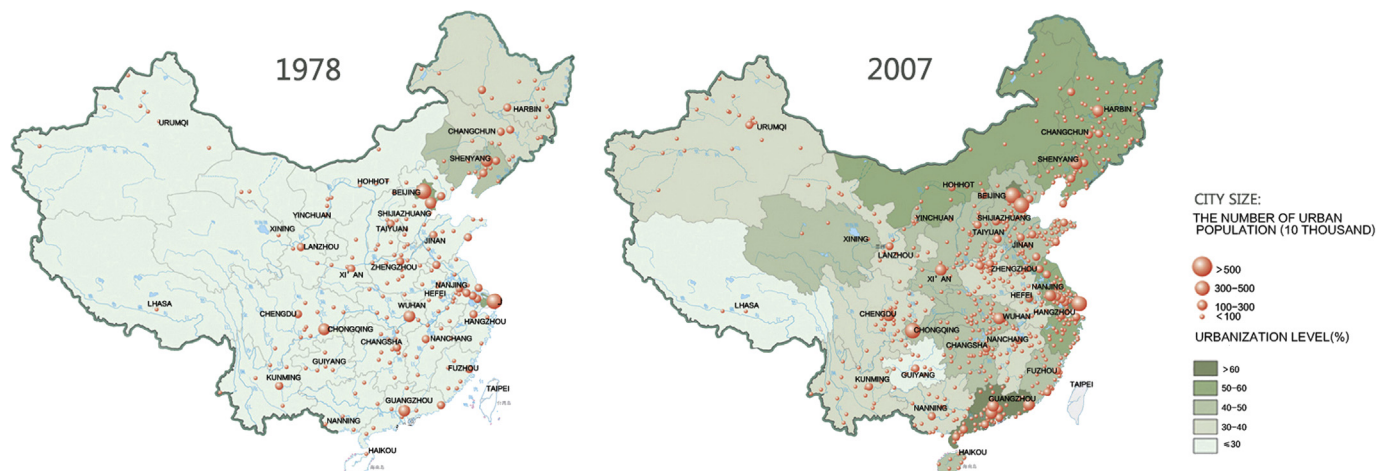


Fig. 1. City sizes and urbanization levels in China in 1978 and 2007.

Source: atlas of “China’s 30-year reform and opening” made by Chinese Academy of Surveying & Mapping.

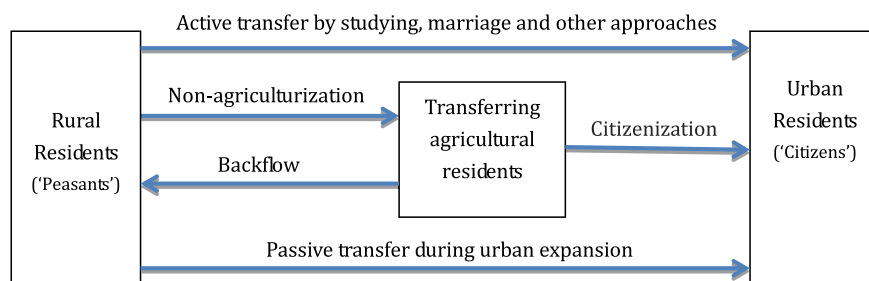


Fig. 2. Urbanization process in China.

Note: This figure is based on Huang (2011).

However, China's urbanization process has progressed faster than economic growth since 2004 (Chen, Liu, & Tao, 2013). As a result, China's urbanization has increasingly had its own problems. These are, for example:

First, China's agricultural population has difficulties in getting permanent urban residence certificates, namely the “urban *hukou*”. The level of urbanization was 36% in 2013 if only urban residents (with urban *hukou*) were counted. This means that nearly 234 million rural migrants were regarded as urban residents but with no urban rights, such as access to education, employment, medical services, pension insurance and housing security. In fact, urbanization in China is not as simple as transferring of status from rural residents to urban citizens. Generally, rural migrants can become an urban citizen either (1) by active means, such as studying, marriage and other approaches, or (2) by being given “non-agricultural status”<sup>2</sup> when rural collective lands are acquired during the process of urban land expansion (Huang, 2011). Rural migrants working in cities and towns with no urban registration are counted as urban residents (if they live in cities or towns for more than six months), but they are not urban citizens. They are regarded as “transferring agricultural residents”. This special status was established under China's rural-urban dual structure policy and most of those residents

are rural migrant workers. As shown in Fig. 2, they have a chance to become urban citizens. Some may alternatively choose to flow back to rural areas. This special policy, however, provokes widespread criticism that urbanization in China is not people-oriented.

Second, the rate of land acquired for urbanization was growing faster than that of the urban population. Between 2000 and 2011, new town-constructed areas had grown by 76.4% while urban residents increased only 50.5%. Local governments have created urban sprawl at the expense of intensive land use. Excessive urbanization is incompatible with the sustainable development that China needs.

Third, the spatial distribution and scale structure of urbanization are imbalanced. More people are moving to eastern areas, while the resources and spaces in middle and western regions is not utilized effectively and efficiently. Associated problems, such as “urban diseases” and land disputes, have caused major social concerns. In view of these shortcomings, in 2014 China carried out a major rethink of its existing policy for urbanization.

## 2. National New Type Urbanization Plan (2014–2020)

To better guide its urbanization, China's National Development and Reform Commission put forward the “National New-type Urbanization Plan (2014–2020)” (hereinafter referred to as “Plan 2014–2020”) in March 2014. As the first formulation of urbanization in China, Plan 2014–2020 aims to (i) refine the existing mode of urbanization, (ii) promote the citizenization of transferring agricultural residents and (iii) realize sustainable development.

<sup>2</sup> China has operated a system of rural land collective ownership and urban land state ownership system since 1982. As urbanization has taken place, parts of the rural collective land have been nationalized. Thus, the rural residents who have gone through land acquisitions are can be granted “non-agricultural status”.

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