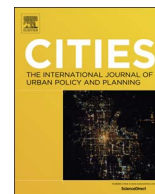




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Rural migrants' homeownership in Chinese urban destinations: Do institutional arrangements still matter after Hukou reform?

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ABSTRACT

In China, the *hukou* system has long been cited as the underlying cause of the disadvantages in housing access that rural migrants encounter in urban destinations. However, following the latest round of *hukou* reform, does the *hukou* system still have a significant impact on rural migrants' housing outcomes? This paper addresses the question by examining *hukou*-related arrangements faced by rural migrants, in both their urban destination and their rural town of origin. Based on data from a nationwide survey conducted in 2011, we find that city entry criteria together with insecure and inalienable land rights negatively predict rural migrants' homeownership attainment. Moreover, the impact differs across urban locations. Consequently, although *hukou* reform has eased discrimination against rural individuals, disparities persist between urban natives and rural migrants. This paper demonstrates that these disparities result from unequal access to social welfare and housing.

1. Introduction

Chinese leaders have emphasized rapid urbanization as the key to maintaining future economic growth (China Development Research Foundation, 2010). To this end, they have encouraged massive city expansion and large inflows of rural residents to urban areas (Xinhua, 2014). However, despite the scale of China's rural-urban migration, it is marked by a striking temporal feature: a large majority of the migrant population return to their rural origins upon accumulating enough savings (Murphy, 2002). This high mobility is associated with an institutional structure unable to permanently house migrants in cities (Wu, 2002). Rather than owning a home, most migrants live in rental housing; some live in collective housing shared with others or dormitories provided by employers (Sato, Sicular, & Yue, 2011). Since the decision to buy a home usually implies a commitment to settle in a place (Mallett, 2004), migrants without formal housing in urban destinations are most likely to return to their rural villages. This presents a challenge to the future of China's urbanization. In this paper, we examine how institutional arrangements affect rural migrants' access to urban housing within the urbanization framework and under the ongoing *hukou* reform.

Previous studies on rural migrants' housing tenure in China largely focus on the nation's traditional *Household Registration* (*hukou*) system. In the planning period, *hukou* not only prevented indigent rural residents from flooding into urban areas to seek employment, but also

excluded rural migrants from getting *hukou*-related benefits including housing, medical care and pensions. Over the past thirty years, China has taken steps toward reforming the *hukou* system. Early *hukou* reform broke down constraints upon the legal rights of residency and benefited rural populations by offering access to urban employment. In contrast, the current round of *hukou* reform has been less effective in improving conditions for rural migrants. Fundamental conditions continue to make permanent settlement difficult.

The new round of *hukou* reform is closely related to changes in land tenure policies and arrangements. In the past, rural land rights were *hukou*-based. Currently, these *hukou*-based land rights are being replaced by market-based rights. However, this shift is occurring gradually with insecure and inalienable land rights based on the old framework still existing. Rural migrants respond by periodically returning to their place of origin when risks of land reallocation still exist during their absence. With less inclination to settle down in cities, few rural migrants are willing to purchase housing there.

Thus, rural migrants' low levels of homeownership result from not only administrative constraints associated with urban *hukou*, but also institutional arrangements tied to rural *hukou*. Although the former has been well documented, the latter has been generally overlooked. In fact, reform at the urban destination can influence migration and homeownership only if households are not constrained by arrangements in their rural towns of origin (Mullan, Grosjean, & Kontoleon, 2011). If rural migrants do not settle in cities, it is a result of not only

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being pushed back by their destination cities, but also being pulled back by their home villages (De La Rupelle, Deng, Li, & Vendryes, 2009). By attaching importance to rural “pulling” factors at the origin of migration, this paper fills a gap in the literature on migrants' housing tenure, which has largely focused on urban “pushing” factors.

This paper also contributes to the literature on migrants' housing choice after the new round of *hukou* reform, which started at the turn of the century. To push urbanization and move large numbers of rural residents to urban destinations, in urban areas, a tiered approach to *hukou* reform policy has been implemented, through which *hukou* restrictions tend to be eliminated in smaller cities but maintained in large cities. In rural areas, market-based land rights have tended to replace *hukou*-based rights. This push for urbanization will significantly affect migrants' mobility and housing outcomes. This paper aims to empirically explore these outcomes. It assesses the effect of setting entry criteria in large cities directed by the tiered approach, and estimates the ongoing influence of rural property rights even following the latest round of reform.

Within the context of *hukou* reform, we have developed an analytical model for the mechanism of rural migrants' homeownership attainment, in which we put emphasis on institutional arrangements in not only urban destinations but also rural origins, and focus on “pushing” and “pulling” forces related to *hukou* reform. Using this model, we aim to address these main questions: to what extent do a migrant household's migration and housing status be determined by the balance of pushing and pulling forces? How does the strength of these forces vary depending on city size and development level? In the following, after reviewing the previous literature, we first introduce the research background, and then set up an analytical framework for the mechanism of housing tenure decision based on this background. Next, we clarify our research design, introduce the research data and present the empirical results. Finally, we give our conclusions and several policy recommendations.

2. Literature review

The literature on rural migrants' housing tenure in China has long focused on the *hukou* system as an explanation for the disadvantages that rural migrants encounter (Y. Huang & Clark, 2002; Y. Huang & Jiang, 2009; Li, 2000; Logan, Fang, & Zhang, 2009, 2010). Scholars point out that, despite reform, the *hukou* system continues to function in ways not very different from the socialist period. That is, rural migrants experienced unequal access to subsidized housing in both the owner and the rental sector. However, these earlier studies focused on the period before or immediately after the *hukou* reform started. As such, they fall short in their ability to assess the long-term influence of reform. Recently, some studies have begun to touch upon this. For example, Fang and Zhang (2016) and X. Huang, Dijst, Weesep, and Zou (2014) explored the effect of urban policies relating to *hukou* reform and migrants' characteristics on their housing tenure choices.

There has been little work elsewhere on the relationship between land tenure and housing outcomes, except for the studies of Tang, Feng, and Li (2016) and W. Zhang and Zhang (2017), which indicated that rural households without land, or holding just a small amount of land, were more likely to buy housing in urban areas. Since housing tenure and mobility are closely connected and often rely upon the same reference literature, we include some relevant studies investigating the relationship between land tenure and migration. De La Rupelle et al. (2009) revealed that when exposed to a higher degree of land tenure insecurity, rural migrants refrained from permanent migration. Additionally, in the absence of complete rental rights, strengthening the security of land tenure reduces the probability of out-migration (Mullan et al., 2011). However, reform of the rural land transfer system can effectively relieve the negative impact of land tenure on rural households' permanent migration willingness (Xi & Zhu, 2017).

The scholarly literature typically discusses *hukou* reform and land

tenure reform as distinct processes, and has tended to overlook the link between these two. For example, the existing studies on *hukou* reform have largely focused on the constraints associated with urban *hukou* reform. In fact, to carry out the state's policy of rapid urbanization, rural land reforms are underway, with the aim of moving vast numbers of rural residents off of the land. If this fundamental change escapes scholars' attention, analyses of the *hukou* system's constraints will be incomplete.

3. Background and theoretical perspectives

3.1. *Hukou* reform and housing tenure

The *hukou* system places institutional barriers on most rural migrants based on two classifications: *hukou* type (urban vs. rural) and *hukou* location (local vs. non-local) (Wu, 2006). The classification of *hukou* type dates back to the early socialist period. It discriminatorily granted urban *hukou* holders secure employment, a welfare housing provision, and an array of social services, whereas rural *hukou* holders granted access to land, but little else (Andreas & Zhan, 2016; Wu, 2006). Although the discriminatory nature of *hukou* classification by type has been lessened over thirty years of *hukou* reform, *hukou* classification by location continues to disadvantage rural migrants, dooming them to outsider status within their destination cities. In 2014, the State Council announced a stratified *hukou* reform approach for different types of cities, through which *hukou* restrictions are to be abolished in small cities and towns, relaxed in medium-sized cities, but tightly maintained in a handful of megacities (Xinhua, 2014). This means that *hukou* reform prescribes different opportunities and entitlements depending on the size of the migrant's destination city. Thus, the higher-level social entitlements and housing associated with local *hukou* in the largest and wealthiest cities remain unavailable to outsiders.

In China's wealthiest cities, local *hukou* confers a higher value because it provides access to a wide range of facilities and social services. But in these cities, local governments often enact strict residency criteria (L. Zhang & Tao, 2012) geared toward helping only those migrants with the most potential to “contribute” to the destination city. These criteria generally include age (young is better), educational attainment, employment stability, skills, social security and pension contribution, personal income tax payment, housing qualification (applicant owns a home of a certain size and value), and special achievements (Fang & Zhang, 2016). Migrants who meet the criteria can obtain local *hukou*, which in turn, affects their settlement and housing decisions (Fang & Zhang, 2016). However, these criteria are not easy to meet.

Entry barriers are strictest in the largest and most developed cities. For example, applicants seeking permanent residency in Shanghai must have held a temporary Shanghai residency certificate and have been in the city's social insurance program for at least seven years. They must also be taxpayers, have obtained high level vocational qualifications, and worked in pertinent fields. Some city entry criteria also restrict housing purchasing to control surging house prices and protect affordability for local citizens. For example, Beijing stipulates that migrants without local *hukou* are not allowed to buy housing if they own housing in other cities, do not have temporary registration in Beijing, or cannot provide five years' continuous local income tax payment certificates or social insurance. These tough criteria have prevented large numbers of rural migrants from owning houses. Additionally, these strict residency constraints limit outsiders' access to the valuable social entitlements and public services offered only in large cities, leading to new inequality between local urban inhabitants and rural migrants, and making local and non-local *hukou* division the single most prominent predictor of migrants' settlement and housing tenure decisions (Wu, 2006).

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