Chapter One Introduction

I The Chinese Exodus

The annual homecoming during the Lunar New Year, the most celebrated festival in China, has become bittersweet for most Chinese. Since 2006, the flow of railway passengers as estimated by the Ministry of Railways, has exceeded 100 million during the three weeks of what is called the "spring rush" (*chunyun*). The number increases each year due to rising rural-to-urban migration and return migrations for family reunions during the Lunar New Year. Every year around this time, the wave of two-way flux puts the nation's centrally controlled railway system to the test of shipping home millions of migrants, often creating tension on the government's nerves.[1]

The Lunar New Year has become a moment for the average Chinese citizen to realize the presence of this large "floating population," as officially labeled, for a number of other reasons besides the everyday experiences of overcrowding on long-distance train rides. It is a time when wage arrears and exploitations of rural migrants receive wider attention through the state media, sometimes with reports of top leaders helping them to claim back their overdue wages.[2] Paradoxically, it is also a time when urban residents of

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[1] Mitchell, Tom, "Daunting Departure," *Financial Times*, Jan 7, 2009. The snowstorm before 2008 spring festival stranded over one million rural migrants in the Guangzhou city railway station alone, causing a national emergency. This event was documented by an award-winning film *The Train to My Hometown* (2008) by Ai Xiaoming, a faculty in comparative literature at Zhongshan University, also an independent filmmaker.

[2] In the spring of 2003, a rural migrant women named Xiong Deming made a direct claim to Premier Wen Jiabao when he was on an inspection trip to her hometown about a 2300 yuan wage arrear her husband suffered from. "Migrant Workers: Urban Underclass," *China Daily*, April 14, 2004.

large cities warn each other about higher crime rates, pointing to the potential criminality of rural migrants in certain migrant-concentrated neighborhoods.

1. Emergence of the Largest Internal Migration

China's massive rural-to-urban migration has brought a sweeping social change to the society. In 1984, after agricultural decollectivization and the collapse of People's Communes in rural areas, the Chinese government deregulated control over peasants' residential mobility, allowing them entry into non-farming jobs in townships and cities.[3] Such belated deregulation was historical because it re-granted peasants' residential and occupational freedom of mobility. Unlike in central planning, peasants no longer face severe penalties for leaving their socialist duty as serf-like farmers.

With deepening economic reforms, market incentives also encouraged enterprises to recruit cheap rural labor, first from township enterprises in the 1980s, then urban industrial enterprises in the 1990s. As a result of gradual deregulation, the number of out-migrating rural workers tripled from 20 million to 60 million within less than a decade until the early 90s (Chan, 1994; Zai, 2001).[4]

Economic development along the east coast industrial zones began to take off after Deng's liberal policies began in 1992. Rising regional disparities added dramatic momentum to the volume of inter-provincial migration towards the southeast, especially

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[3] Two official documents directed the deregulation of residential control, allowing peasants' entry into township and small cities for nonfarming economic activities. They are "Announcements on 1984 Agricultural Production", Central Communist Party (January, 1984); and "Announcements on Peasants' Settlements into Townships", State Council (October, 1984).

[4.] Chan, Kam.Wing. 1994. *Cities with Invisible Walls:* reinterpreting urbanization in post-1949 China. Hong Kong: Oxford University Press. Zai Liang. 2001. "The Age of Migration in China." *Population and Development Review* 27:499-524.

to Guangdong provice (Fan, 1997; Wei, 2000; Wu, 2003; Bian, 1994; Chan, 1994).[5] In the decade to follow, China's landscape witnessed "the biggest peace time wave of internal migration the world has ever seen" (Knight et al., 1999).[6] By 2007, half of the Chinese population become city-dwellers, compared to 20 percent in 1985.[7] In 2008, official estimates of rural migrant population reported a figure of around 230 million.[8] It is estimated that an additional 200 to 250 million of rural-to-urban labor transfers should occur by 2025 (World Bank 2009).[9] From its sheer magnitude, China's rural-to-urban migration has caused massive rearrangements of its geographical and social landscape.

During this time, however, the longstanding rural-urban gap in China not only persisted, but also worsened when compared to most other developing countries (Knight et al. 2006; Eastwood and Lipton 2004).[10] The ratio of average income between urban

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[5] Fan, C. Cindy. 1997. "Uneven Development and Beyond: Regional Development Theory in Post-Mao China." *International Journal of Urban and Regional Research* 21, 4 (December): 620-639.
Wei, Y. D. 2000. *Regional Development in China: States, Globalization, and Inequality.* Londong: Routledge.
Wu, W. 2005. "Migrant Settlement and Spatial Transformation in Urban China: the Case of Shanghai." World Bank 3rd Urban Research Symposium, Brazil.
Bian, Yianjie. 1994. *Work and Inequality in Urban China.* Albany: State University of New York Press.
Chan, K.W., 1994. *Cities with Invisible Walls*. Hongkong: Oxford University Press.

[6.] According to the 2000 China Population Census, there are 200 million rural migrants in the cities and smaller townships, with this number likely to increase to an estimate of around 300 million by 2010.

[7] *China Statistical Yearbook 2007*. Rapid urbanization in the latter half of the 1950s peaked at 20 percent in 1960, and then dropped to 15-16 percent ever since and throughout the Cultural Revolution. Market reform in the late 1970s led to a gradual rebound to 20 percent in 1985, then 26 percent in 1990s, 30 percent in 1996. According to the National Bureau of Statistics, China was 40 percent urbanized, and by 2006, 44 percent of the population were defined as "urban" (using NBS' 1999 definition). Urban-dwellers are classified by NBS to include permanent residents and temporary residents with over 6 months of residence, regardless of *hukou* status.

[8] This is an official statistic from the State Council on December 20, 2008. Before that, Xinhua News Agency released a rough estimate of 210 million farmer-turned-migrant workers on Oct 19, 2008.

[9] *World Development Report 2009*, World Bank, p146.

[10] Knight, John, Shi Li, and Lina Song. 2006. "The Rural-Urban Divide and the Evolution of Political Economy in China." In *Human Development in the Era of Globalization: Essays in*

and rural residents increased dramatically, from 2.36: 1 in 1978 to 3.2: 1 in 2000. By 2005, the real rural income per capita is only 39 percent of real urban income per capita. Analysis shows that some 43 percent of this wage gap is not explained by individual characteristics such as education (Wang 2007).[11] Patterns of labor market segmentation by administrative arrangements based on *hukou* are self-evident: according to a 2005 national survey, 65.4 percent of rural migrant workers work in the unprotected informal sector, compared to 29.8 percent of urban workers (National Statistics Bureau 2005).[12] The poverty rate among rural migrants is 50 percent higher than that among urban residents (Yusuf and Saich 2009).[13]

Administrative categorization, deliberate separation of rural development from the urban economy, and the decentralized public finance system have led to rural residents' relatively lower social status and human capital (i.e. education and non-farming skills).

Honor of Keith B. Griffin, ed. James Boyce, Stephen Cullenberg, and Prasanta Pattanaik. Northampton, MA: Edward Elgar.
Eastwood, Robert, and Michael Lipton. 2004. "Rural and Urban Income Inequality and Poverty" in G.A. Cornia (ed) *Inequality, Growth and Poverty in An Era of Liberalization and Globalization*. Oxford Unviersity Press.

[11] Wang, Meiyan. "Changes of Discrimination Against Migrant Workers in China's Urban Labor Market," China Labor Economics, vol. 4, No. 1.

[12] A *hukou* refers to a type of residency permit which classifies the individual into either 'agricultural' or 'non-agricultural' category. Hukou status is passed down on a hereditary basis. The system was established in 1958, and has functioned as one important instrument of central planning of the labor force. The state relaxed Hukou control in 1985, allowing peasant mobility into the cities with temporary residence right.
Using the 1% Population Sampling Survey data in 2005 by National Bureau of Statistics, China.
Cai, Fang, Du Yang and Meiyan Wang. 2009. "Migration and Labor Mobility in China" UNDP Human Development Research Paper. Sept 2009. The size of the informal sector in China is hard to obtain due to lack of data. Some studies estimate that 30 to 40 percent of the labor force work in the informal sector (Cai et al. 2005; Du et al. 2006).
Cai, Fang, Yang Du and Meiyan Wang, *How Far is China From a Labor Market?* Beijing: China Commerce Press.
Du, Yang, Fang Cai and Meiyan Wang, "Marketization and/or Informalization? New Trends of China's Employment in Transition" Working paper, World Bank AAA Program on China's Labor Market Development.

[13] Shahld Yusuf and Anthony Saich (eds.), *China Urbanizes*, World Bank 2009, p94.

When post-socialist peasants came into cities for survival, they came loaded with historical baggage from their socialist past. Although freed of the socialist chains that bound them to the land, they faced other forms of structural exclusion and discrimination within the urban labor market. Rural migrants' lack of permanent residential rights has turned them into a caste of "transient" members in the city. They are seen as cheap and flexible labor and not wanted as permanent citizens. These structural bondages lock them into a state of second-class citizenship even within their own country.

This study examines how remnants of China's socialist institutions stratify rural migrants and their following generations through sociopolitical processes in the city. By focusing on the blending and segregating processes of the rural migrant experience in Shanghai, and on how these processes interact with public polices, I offer an institutional theory of social distinction and postsocialist inequality.

2. Mass Migration and the Commodification of Public Goods

Since mid 1990s, both state and local authorities were aware of rural out-migration being an inevitable trend and the inapplicability of old "blocking" policies. Public policies turned to a mode of "managed" migration—urban administrators stepped back in order to provide administrative guidance rather than relying on coercive controls. Specifically, a system of licenses and permits for managing the rural migrant population was established. Every out-migrating individual need to obtain a Migration-for-Work Certificate at his *hukou* origin. When he arrives in the city, the rural migrant is required to apply for a Temporary Residence Permit and other licenses for work.

Early migrants had to pay a large sum of money for these necessary documents. Such practices were justified by local authorities as compensation for extending public services to rural migrants. In 2001, it was estimated that, on average, a rural migrant working in the city of Shenzhen paid 600 yuan per year for their permits.[14] These surcharges later grew so out of control that in 2002, the state ordered the "temporary residence fee' (zanzhufei) to cut down to 5 yuan per person.

Over time, these regulatory activities have created procurable "rents" for local authorities. City and municipal governments have increasingly become "fiefdom-like" regimes controlled by local officials (Young 2000).[15] The permit system not only produced revenues for China's police system, but also expanded the enforcement agency to include a "joint security team" made up of laid-off urban workers. Detention and arrests became a common experience among rural migrant workers during the years between 1998 and 2003. They were frequent targets of forced bribery, repatriation and physical violence.[16]

Meanwhile, local "green card" regimes appeared to selectively incorporate migrants with skills or capital. In Shanghai, for instance, rural migrants were allowed to obtain the "blue stamp *hukou*", a type of "green card" system, through purchasing real estate from

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[14] *Guangzhou Evening News*, March 30, 2001. There were around 4 million rural migrant workers in Shenzhen around the time, so the local governments gained around 2.4 billion yuan from the permit system.

[15] Young, Alwyn. "Razor's Edge: Distortions and Incremental Reform in PRC", *Quarterly Journal of Economics*, Nov 2000, Issue 4.

[16] Report on Administrative Detention under "Custody and Repatriation", *Human Rights in China*, Sept 1999. Also see Nicolas Becquelin, "Enforcing the Rural-Urban Divide: Use of Custody and Repatriation Detention Triples in 10 Years," *China Rights Forum*, No.2, 2002, p22-27.

1994 to 2002.[17] At that time the market needed an injection of capital to boost its real estate market (Wong and Huen 1998).[18] Shanghai allowed wealthy and educated migrants to invest in real estate market. Minimum area of purchasing real estate was 100 square meters. But even for those who are issued with the blue stam *hukou*, many were not given legal residence status. Candidates for this *hukou* certificate remained on the waiting list for five years.

When the economic functions of these "inclusive policies" were completed, urban administrators discontinued this policy. The official explanation was that it has attracted too many "undesirable low-human-capital individuals" (*di suzhi*), which referred to rural migrants (Liu, 2008).[19] Since the interpretation of these policies waas at the local officials' discretion, many rules were used to disqualify some new homeowners from obtaining a Shanghai urban *hukou*, such as violation of the one-child policy (Liu 2008).

In the 1990s, more than 20 Chinese cities had implemented similar green card systems. The commodification of *hukou* produced two conflicting effects: it relaxed the ideological taboo against peasants' out-migration, but urban residency status became even more valued and highly commodified. These changes underline the policy oscillations of Hukou abolition since the 1990s.

3. *Hukou* Reform Dilemmas

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[17] The name came from the fact that their stamps are blue, while urban residents' are usually in red color.

[18] Wong, L. and W. Huen. 1998. "Reforming the Household Registration System: A Preliminary Glimpse of the Blue Chop Household Registration System in Shanghai and Shenzhen" in *International Migration Review* 32, No. 4:974-94.

[19] Liu, Yingfeng. 2008. *Origins and Changes of China's Blue Stamp Household Registration System: Migrants, State, and Markets*. Tsing Hua University, Taiwan. Master's Thesis.

Solinger (1999) refers the dilemma of *hukou* reform as "the collision of these forces with entitlements and expectations long and inextricably bound to the institutions of the prior regime." A free market order requires the free mobility of factors like labor, land, and capital, but China's partial reform preserved parcels of the old "rules of the game." Media disclosures of labor and police abuse towards rural migrants and advocacy from civil rights activists and organizations to make legislative changes have built up pressures to reform the *hukou* system.[20]

In 2005, the Ministry of Public Security announced a legal review report of the *Hukou* system, but only later deferred specific reform measures to local governments.[21] The state allocated no direct finances to make it happen. In their recent study, Chan and Buckingham (2008) examine the wave of "*hukou* abolition" discussions in late 2005 and find that these "liberal" reforms have been overstated, and their cumulative effects have contributed to not the abolition of the hukou system, but rather "devolution of responsibility for Hukou policies to local governments, which in many cases actually makes permanent migration of peasants to cities harder than before."[22]

The fact that *hukou* has become so infused with every aspect of life makes piecemeal reforms ineffective. With regards to pension reform, for example, more progressive cities such as Shenzhen have included rural migrants into its pension programs. But according to the *People's Daily,* 95 percent of rural recipients of this type of pension plan have filed for refunds, mainly because, according to the legal premises, it will take pensioners (the 1997 legislature) 15 years of continued premium payment in one locality to receive its

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[20] Macleod, Calum. "China Reviews Apartheid for 900m Peasants" in *The Independent*, June 10, 2001.
[21] Luard, Tim. "China Rethinks Peasant Apartheid" in *BBC News*, Nov 10, 2005.
[22] Chan and Beckingham, "Is China Abolishing the Hukou System?", in *The China Quarterly*, 195:582-606, 2008

benefits. Due to this restriction, rural migrants with unstable jobs were at an disadvantage. In other words, these welfare items are "non-portable" within the old legal framework.

Education is another example. Although the state repeatedly "urged" public schools in every city to "unconditionally accept" children from rural migrant families, with neither legal enforcement nor direct funding, only a very small number of low-tiered public schools complied. Some education authorities even responded with "innovative" policies to continue disqualifying rural migrant children. *Hukou* restrictions for *gaokao* also prevent nonlocal students from entering into public high schools and colleges.

II Research Questions

Since just more than a decade ago, economists, demographers and sociologists have started to examine rural-urban labor mobility in China (Chan, 1994; Liang and White, 1996; Scharping, 1997; Davin, 1999; Liang, 2001; Murphy, 2002; Wang, 2004), rural migrants' adaptation in China's urban society (Solinger, 1995; Zhang 2001; Wu and Treiman, 2004), and their citizenship (Solinger 1999).[23] While some research shows that

[23] Chan, K.W. 1994. *Cities with Invisible Walls.* Hong Kong: Oxford University Press.
Zai Liang and Zhongdong Ma. 2004. "China's Floating Population: New Evidence from the 2000 Census." *Population and Development Review* 30(3):467-488.
Scharping, Thomas. 1997. "Studying Migration in Contemporary China: Models and Methods, Issues and Evidence", in Thomas Scharping (ed.) *Floating Population and Migration in China: The Impact of Economic Reforms.* Hamburg : Institut fuÌˆr Asienkunde,
Davin, D. 1999. Internal Migration in Contemporary China. Berkeley: Unversity of California Press.
Zai Liang. 2001. "The Age of Migration in China." *Population and Development Review* 27:499-524.
Murphy, R. 2002. *How Migrant Labor is Changing Rural China*. Cambridge: Cambridge University Press.
Wang, Fei-ling. 2004. "Reformed Migration Control and New Targeted People: China's *Hukou* System in the 2000s." *China Quarterly*, pp.115-132.
Solinger D.J. 1995. "The Floating Population in the Cities: Chances for Assimilation?" In *Urban Spaces in Contemporary China.* D. Davis, R. Krus, B. Naughton and E.J.Perry (eds.), New York: Woodrow Wilson Center Press and Cambridge University Press. Pp. 113-139.

rural migrants are economically better off compared to their pre-migration conditions (Wang, 2004), others argue for relative deprivation of this group in the urban society (Chan, 1996; Solinger, 1995, 1999; Zhang 2001).[24] Given the fact that rural migrants as an identifiable social group have become internally stratified with only a small fraction entering into private entrepreneurship, these findings respectively demonstrate viable parts of the whole picture in order to help readers understand the patterns and changes.

However, there has been insufficient scholarly attention to explain why the pathways of rural migrants' assimilation into the urban society have been rugged. As Roberts (1997) points out, China's rural migrants face similar institutional constraints to undocumented Mexican immigrants in the US, including restrictions preventing permanent settlement in their destination.[25] But what has turned rural migrants into "transient residents" within their home country, after over two decades since the deregulation in 1984? Why have public policies addressing this problem over the years failed to alleviate them from systematic discrimination? This study attempts to contribute to the causal understanding of rural migrants' predicaments in the city in the following ways.

First of all, this study attempts to directly explain the realistic dilemma faced by rural migrants as well as urban administrators after migration networks matured and stabilized

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Wu, Xiaogang, and Donald J. Treiman. 2004. "The Household Registration System and Social Stratification in China: 1955-1996." *Demography* 41:363-384.

Solinger, D. *Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of Market*. University of California Press, 1999.

[24] Wang, Fei-ling. 2004. "Reformed Migration Control and New Targeted People: China's *Hukou* System in the 2000s." *China Quarterly*, pp.115-132.

Chan, K.W. "Internal Migration in China: An Introductory Review," *Chinese Environment and Development,* 7(1/2): 3-12. 1996.

[25] K.D. Roberts, "China's 'Tidal Wave' of Migrant Labor" in *International Migration Review* 31:2, summer, 1997.

in the city. The speed of mass migration out of agriculture in China poses an anomaly due to the effects of long-term institutionalized closures against the freedom of movement. The abolition of migration control in 1984 directly resulted in the "spike" of migration flows in the subsequent decade.[26]

With a high volume of rural migrants relocating to cities with their family members since the mid 1990s, their access to public goods (e.g. housing, health care, and education) in the city becomes a major concern. This trend is supported by findings from my fieldwork interviews. For example, both migrant school founders and urban administrators in Shanghai recall the fast growth of migrant schools after the mid 90s. The situation in Beijing was similar: according to the 1997 Beijing Migrant Population Census, about 32 percent of rural migrants in Beijing were families. Statistics shows that in 2003, 24.4 percent of rural migrants in Shanghai have lived in the city for more than five years.[27]

Scholarly attention is needed to examine how the institutional environment in their destination accommodates these "long-term" migrants, or vice versa—how their long-term settlement pushes for institutional change. Here I propose an alternative to an economic analysis of migration in term of "pull-push" factors: rural-urban migration as an instituted process (Polanyi 1957), i.e., the migration across China's dualistic socioeconomic subsystems involve a set of institutionally embedded social interactions

[26] Across China, the number of short-term rural migrants increased by 119.7 percent from 1983 to 1988, and then experienced a historic high from 1988 to 1993 by 145.5 percent

[27] The 2003 Shanghai Migration Survey (N=332040), collected by Shanghai Public Security Bureau and Shanghai Statistics Bureau.

that are contingent, and constituted by, networks of relationships and social norms that serve to delineate group boundaries.[28]

Secondly, this study aims at specifying "the mechanisms through which institutions shape the parameters of choice" (Nee and Ingram 1998).[29] This approach is of primary importance in the research agenda of new institutionalism. Previous studies by Chinese scholars tend to overestimate the network-embeddedness of rural migrants, making generalizations of their clustered working and living patterns without providing a satisfactory causal explanation.

The causal effect of native-place identity is often over-stated. The study by Zhang (2001) about the Zhejiang village, a rural migrant community in Beijing, was a pioneering step towards theorizing the ongoing social interactions between rural migrants and other relevant actors. But her study also leaves the "why" question aside, and instead focuses on explaining the micro processes of group solidarity and collective action within that rural migrant community.

Portes and Zhou (1993), when theorizing immigrants' assimilation into the American society, argue that "modes of incorporation" consist of the localized complexity formed by (1) the policies of the host government, (2) the values and prejudices of the receiving society, and (3) the characteristics of the co-ethnic community."[30] These generalizations are pertinent to China's internal migrants as well. I propose to theorize at the middle

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[28] Polanyi, Karl. "The Economy as Instituted Process" in Granovetter and Swedberg (eds.), *The Sociology of Economic Life*, Westview Press, 2001.
[29] Nee, Victor and Paul Ingram. 1998. "Embeddedness and beyond: Institutions, exchange and social structure," pp. 19-45 in Mary Brinton and Victor Nee (eds.), *The New Institutionalism in Sociology*. New York: Russell Sage Foundation.
[30] Portes, A., and M. Zhou, "The New Second Generation: Segmented Assimilation and Its Variants Among Post-1965 Immigrant Youth", *Annals of the American Academy of Political and Social Sciences,* 1993.

range level on how rules, norms, organizations and beliefs in the host society create and reinforce different identities and distinctions in rural migrants' life.

Thirdly, the continuity of *hukou*-based social inequality makes this project another case study of path-dependent institutional change in post-socialist societies. What determines institutional continuity or divergence? According to Nee (2005), the relationship between the persistence of informal institutions and change in formal rules is key to the understanding of lock-in effects from the preceding social conditions.[31] This study confirms that it is the stability of informal institutional elements—customs, networks, norms, and cultural beliefs—that disproportionately accounts for path dependence in institutional arrangements (Nee 2005).

Meanwhile, migration policies and rural migrants' collective action have been in a constant flux. Within the education system, for example, the emergence of an "informal" education sector since 1993 and the subsequent closedown campaigns by city governments symbolize the heightened contestation between old and new institutions. Rural migrants' quest for education opportunities has involved challenging the society's underlying political and economic structures with the potential for collective action against powerful actors representing the post-socialist state.

As Powell (2007) argues, while new institutionalism in economic sociology is predominantly occupied with the institutional effects on individuals' and organizations' compliance to the expectations of the fields of their membership, a new research direction is to study "how changes in rules, normative systems, and cognitive beliefs shapes

[31] Nee, V. "The New Institutionalism in Economics and Sociology." In *The Handbook of Economic Sociology* (2nd ed.) edited by Neil Smelser and Richard Swedberg. (Princeton: Princeton University Press, 2005).

organizational fields."[32] This study also tries to explain the many "changeables" during institutional continuity.

III Theoretical Approach

My analysis focuses on the three core components that make institutions: the rules of the game, the legitimacy of rules, and a system of incentive distribution (North 1990).[33] Alba and Nee (2003), point to mechanisms at the *individual*, *primary-group*, and *institutional* levels.[34] They also highlight the importance of "incentive structure" embedded in the institutional environment for social actors. I argue that it is primarily through the institutional mechanism that rural migrants' pathways to assimilation are determined. Tilly (1998: 8) also claims that "durable inequality depends heavily on the institutionalization of categorical pairs", and more specifically, through social processes of "exploitation" and "opportunity hoarding" (Tilly, 1998: 9).[35] Although "ruralness" may not be an identifiable trait as distinctive as race, it makes a quasi-ethnic distinction with deeply entrenched norms of socialist categorization. How "ruralness" becomes an institutionalized distinction requires a historical analysis.

As legitimatization is key to institutionalization (Greif 2006), I study the sources of legitimacy for these institutional changes (or nonchanges). Among existing literature on the Chinese *hukou* system (Lu, 2003; Wang 2005), very few scholars examine the

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[32] W. W. Powell, "The new institutionalism" in *The International Encyclopedia of Organization Studies*, Sage Publishers. 2007

[33] D. North. Institutions, *Institutional Change, and Economic Performance*. Cambridge University Press. 1990.

[34] R. Alba and V. Nee, *Remaking the American Mainstream: Assimilation and the New Immigration*. Cambridge, MA: Harvard University Press. 2003.

[35] Tilly, Charles. 1998. *Durable Inequality*. Berkeley: University of California Press.

sources of its legitimacy of changing institutions.[36] According to Suchman (1995), legitimacy is a 'perception that actions of an entity are desirable or appropriate within some socially constructed system of norms, values, beliefs, and definitions."[37] The question of why *hukou* domination persisted without the widespread use of coercion remain unanswered.

With its coercive origin, this system of social distinction continue to rely on a general recognition of its legitimacy, as Weber put it, "custom, personal advantage, purely affectual or ideal motives of solidarity do not form a sufficiently reliable basis for a given domination" (Weber 1978[1921]:213).[38] Scott (1992) also demonstrates that it is the aura of impregnability, rather than of moral superiority, that is essential to the durability of power.[39] Weber stresses that it was primarily those who were involved in the administration and enforcement of a system of power who had to be convinced of its legitimacy. During my ethnographic fieldwork, I not only interviewed individuals who are subject to this systematic domination, but also talked to actors of administration and enforcement to shed light on this issue.

The study calls for a return to Weber's social closure thesis—which entails rich institutional and process analysis—to formulate *an institutional theory of social distinction*. Weber (1978[1922]: 342) theorizes that resource scarcity and competition for "remunerative opportunities" first build into a certain group's incentive structure to take some "externally identifiable characteristics" (e.g., residence) for installing a social

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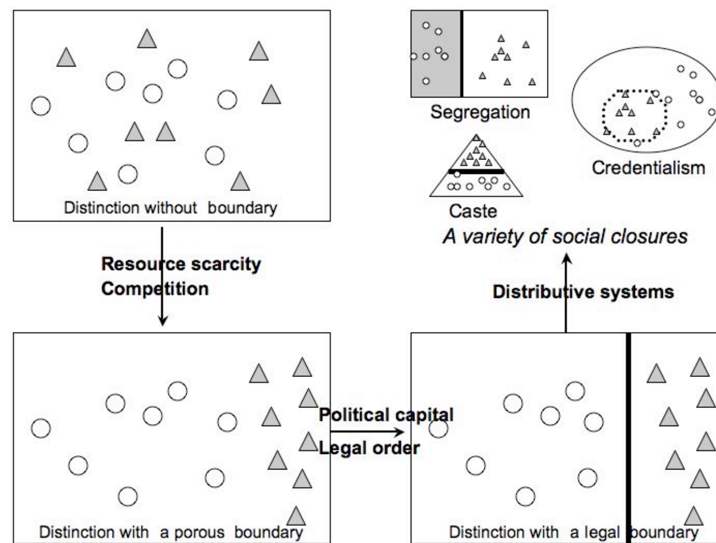
[36] Lu, Yilong. 2003. *Household Registration: Control and Social Categorization*. The Commercial Press.
[37] Suchman, Mark. 1995. "Managing legitimacy: Strategic and institutional approaches." *Academy of Management Review* 20(3): 571-610.
[38] Max Weber. 1978[1922]. *Economy and Society*. University of California Press.
[39] J. Scott. *Domination and the Arts of Resistance: Hidden Transcripts*. Yale Unversity Press. 1992.

boundary. This jointly acting group of individuals form into an "interest group" toward out-group members. When this high-status group gains access to political capital, a tendency for rational regulation appears, which logically results in a "legal order that limits competition through formal monopolies". This interest group then evolves into a "legally privileged group". A social closure enforced by formal legislation is set in place.

Closure may assume various forms, from a caste, a guild, a membership club, a secret cult, to a monopoly, or the right to a particular job. Take the caste system in India, members of the society claim over opportunities for business or for life on a hereditary basis. In China's two-tier *hukou* system, because all administrative positions are filled by individuals with urban residence status, there's an inevitable tendency to form a common interest group to enforce the borderlines of enjoying such privileges, through techniques such as enforcing entry requirements, licensing through permits and legal papers, eligibility by birth, acquisition of an appropriate right, etc.

Figure 1. Weberian Conceptualization of Social Closure Formation



Later inequality theorists elaborate on this Weberian concept (Collins, 1979; Murphy 1988; Parkin 1979; Tilly 1998; North et al. 2007), and claim that similar systems persist with the incentive to generate rents through limiting entry of all to "valuable political and economic functions" (North et al. 2007).[40] These systems exist in various forms, such as occupational licensing or certification (Weeden 2002), segmented labor market (Doeringer and Poire 1971), and more extreme forms like apartheid segregation and the caste system.[41]

Yet why is China the only country that has instituted a system of social distinction based on residence for over fifty years? Although the Soviet Union was the earliest regime to design such an internal passport system in 1932, 'the *propiska*', it abolished such distinction and extended privileges to rural residents in 1974. Is this social distinction causally related to the Soviet-type development strategy? What are the social constituents for its persistence in the Chinese society?

According to Parkin, the criteria and strategies for closure depend on the distributive system of that society (Parkin, 1979).[42] Likewise, Sen emphasizes the mechanisms of redistribution as the culprit for large-scale famines in non-democratic societies (Sen

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[40] Collins, Randall. 1979. *The Credential Society: A Historical Sociology of Education and Stratification*. New York: Academic Press.

Murphy, Raymond. 1988. *Social Closure: The Theory of Monopolization and Exclusion*. Oxford: Clarendon.

Parkin, Frank. 1979. *Maxism and Class Theory: A Bourgeois Critique*. New York: Columbia University Press.

Tilly, Charles. 1998. *Durable Inequality*. Berkeley: University of California Press.

[41] Weeden, K. (2002), "Why Do Some Occupations Pay More than Others? Social Closure and Earnings Inequality in the US." *American Journal of Sociology* 108(1):55-101.

Doeringer P. and Poire, M (1971) Internal Labor Markets and Manpower Analysis, Lexington MA: CD Health.

[42] Parkin, F. "Strategies of Social Closure in Class Formation", in Frank Parkin (ed) The Scial Analysis of Class Structure. Tavistock Publications. 1979.

1982).[43] I examine two central meso-level institutions that determine the basic redistributive system in China: the fiscal system and the administrative bureaucracy of urban governance.

In addition, how the excluded social group responds to their status as outsiders of privileges, according to Parkins (1979), is also a key factor in explaining the self-reinforcing processes of social exclusion. Ethnographic fieldwork and qualitative interviews assist me to examine the ongoing blending and segregative processes rural migrants experience in the city, and how their responses challenge or reinforce these structural forces.

IV The Rural Migrant Experience in Shanghai

Shanghai, as the exemplar port city of China marketization and modernity, ranks highest on China's rural-urban hierarchy. Empirical evidence shows that over time rural migrants experienced positive changes in the opportunity structure when compared with the early stage of the reform; however, when permanent residence in the cities is concerned, segregative processes outweigh blending processes in creating a pattern of limited upward mobility them and their descendants. The municipal government's policies towards migrants from other cities have been fluctuating over the years too. Below are a few examples:

- ♦ After the State Council encouraged Shanghai government to invest in infrastructure-building in Pudong and granted the city government 10 preferential policies and 6 capital investment plans (*Pudong Development Plan in 1990*, PRCSC), in 1992, Shanghai government sped up the city expansion. One measure

[43] Sen, Amartya. 1982. *Poverty and Famines: An Essay on Entitlement and Deprivation.* Oxford: Clarendon Press.

was to deregulate labor control and allow rural migrants to enter into construction projects including railways, express ways, and airport projects (*Shanghai General History* 2005, p1624-1626). The total number of rural migrants employed increased by 16 percent from 1990 to 1997. Shanghai also mandated a policy of "Three Concentrations": to accommodate these rural migrants into concentrated lodging, concentrated services, and concentrated management.

- ♦ In December of 1997, Shanghai City Government mandated its "Regulative Measures for Enterprises' Hiring of Nonlocal Labor", making it mandatory for industrial enterprises to apply for quota of migrant labor before hiring. Article Four of this legislature states that the city government adopts a "Total Volume Control" (*zongliang kongzhi*) approach to limit the number of in-flowing migrant labor. This legal document was a breakthrough from restrictive entry to "quota management."
- ♦ In April of 2001, according to the Shanghai Labor and Social Security Bureau, a series of government policies would be released on restricted entry against rural migrants to certain job positions.[44] The first document listed five types of jobs: (1) all staff positions in party and government work units, public institutions, and social organizations; (2) jobs in social charity organizations including cleaning, environmental protection, maintenance, and security staff; (3) all positions in property management enterprises; (4) all salespersons in shops and department stores; (5) cleaning staff in airports, railway stations and other ports.
- ♦ In July of 2004, the Shanghai government abolished the legal mandates requiring hiring enterprises to apply for work permission for rural migrants. Rural migrants can enter into the local labor market with their Resident Permit.

Formal institutionalized closures facilitate a binding social norm that sees rural migrants as "not entitled" to equal job opportunities, even given equal stock of human capital. The majority now still work in the shadow economy as casual laborers on construction sites, temporary assembly line workers, street peddlers or live-in maids. A

[44] Sina News, April 20, 2001. http://news.sina.com.cn/c/236149.html

quantitative study by Knight and Yueh (2009) shows that segmentation outweighs competition between rural migrants and urban workers, because urbanites still dominate formal contractual jobs.[45] The majority of rural migrants enter into the "shadow economy", and accompanying the growth of this sector was the emergence of informal economic clusters: jobs in vegetable production, construction, recycling, domestic services, renovation, and wholesale are typical niches for rural migrants. Occupational clustering by native-place is relatively a less salient pattern in Shanghai than in Beijing. For almost three decades, the growing "grey zone" of China's informal economy has offered not only opportunities for migrant entrepreneurship, but also risks and continued vulnerabilities.

Rural migrants' economic incorporation is largely determined by the "degree of closure" in the specific industry. State enterprises (*guoqi*) and public institutes (*shiye danwei*) hired only a small number of rural migrants on low-skill job positions such as public canteen cooks, janitors, and cleaning staff, usually through strong personal referrals. Getting a job in this relatively more closed sector offers rural migrants regular work hours and relatively higher prestige. But it is the norm that as "temporary residents" of the city, they enjoy a lower pay packages with no contract or welfare benefits. Staffing positions of authority with urban workers only, factories set up their internal segregative regimes. They name urban workers as "contractual workers" (*hetong gong*), and rural migrant workers as "labor workers" (*laowu gong*). Factory dorms are also

[45] Knight, John and Linda Yueh, "Segmentation or Competition in China's Urban Labor Market?" *Cambridge Journal of Economics* 2009 33(1): 79-94.

turned into highly politicized "segregative regimes", resembling a "mini-paternalistic state" (Lee 2007).[46]

Competition between regions also exacerbates the suppression of industrial wages for informal laborers. Decentralization and deregulation in wage-setting policies has made local authorities to turn a blind eye to labor exploitation, because "the China price" is key in attracting foreign investments (Chan 2003).[47] Chan (2003) argues that *hukou* also functions as the "by-default" system legitimating enterprises to "drive down wages and other labor standards." A recent study compares (Bai 2007) such wage differences, showing that rural migrants' wage increases since 2001 had been minimal and unstable, compared to their urban co-workers.[48]

Table 1. Comparison of Wage Increases between Rural Migrants and Urban Workers

	Rural Migrants			**Urban Workers**	
Year	Population	Avr. Annual Income (yuan)	Annual Growth Rate	Avr. Annual Income (yuan)	Annual Growth Rate
2001	8961	5502	-	10870	-
2002	9400	5597	1.7	12422	14.3
2003	9820	5279	-0.57	14040	13.0
2004	11823	6471	22.6	16024	14.1
2005	12578	6577	1.6	18405	14.9

Hukou distinction still constrains the labor mobility of rural migrants. In institutionalized workplaces, long working hours, rigid workplace regimes and literally no unionization makes "job-hopping" a coping strategy among rural migrant workers.

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[46] Lee, Ching K. *Against the Law: Labor Protests in China's Rustbelt and Sunbelt.* Berkeley, Los Angeles, CA. and London: University of Californian Press. 2007.

[47] Chan, Anita. "A Race to the Bottom: Globalization and China's Labor Standards" China Perspectives, No.43, March-April 2003, p41-49

[48] This table is taken from a secondary source, calculated by Baoli Bai, "Analysis of Rural Migrants' Low Wage", on *Economic Latitudes* (*Jingji Jingwei*), Issue 04, 2007. Bai's calculation iss based on data from *China Statistics Yearbooks* (2001-2005), *Rural China Statistics Yearbooks* (2001-2005), *Chinese Economy Statistics Yearbooks* (2001-2005), 2005 *Survey of Rural Policies and Regulations*, 2001-2005 *National Statistics Bureau Surveys*.

Cumulative migration, network reliance, low income and haphazard demolition restricted most rural migrants into four types of housing situations: (1) on-job dormitories (on construction sites or in gated manufacturing factories), (2) old slum neighborhoods in inner-city districts, (3) villages vacated by Shanghai rural residents in suburban areas, and (4) residential apartments shared by two to three migrant households collectively. The 2000 Population Census shows that 63 percent of rural migrants living in temporary and precarious accommodations (including dormitory and rent spaces). During fieldwork interviews, from over a hundred rural migrants I nonrandomly selected as informants, I learned about only a handful of cases when "new rich" rural migrants afforded to purchase real estate in Shanghai. One case was through the "blue stamp hukou" policy (1994-2002), and three to four "spatially upwardly mobile" migrants were "bosses" of informal migrant schools.

Statistics from the Shanghai Population Census (1990, 2000) show a clear trend: newly arrived rural migrants tend to cluster in central districts, but with the passing of time, they tend to gravitate to suburban areas.[49] Urban renewal projects aggravated suburbanization of this group. Despite the city government's demolition projects, still less than ten concentrated "*penghu*" (shantytowns) areas exist in Shanghai's central landscape today. These areas later became migrant-concentrated neighborhoods for their cheaper rent and easier access to service jobs. But more and more have gradually relocated to more suburban districts, primarily the three areas of Pudong, Minhang and Baoshan.

Migration bridged the physical distance between the urban and the rural Chinese, but there persist a salient yet invisible social distance among these two groups. A survey

[49] Shanghai Statistical Yearbook 1991, 2002.

reports that 74 percent of local Shanghai residents held rural migrants responsible for emerging urban problems such as crime, overcrowding in transport, employment, and environmental pollution (Solinger 1999:101). A survey in 2004 shows that 79.5 percent of rural migrants develop friendship ties only with their in-group members, and 67.9 percent of rural migrants experience disrespect from urban residents (Horizon Research Group 2004).[50]

Many surveys show that rural migrants' primary concern in life is their children's education. As a result of more liberal policy making since 2000, Shanghai's public primary schools now receive half of the school-aged children from rural migrant families. Statistics show that the percentage of migrant children enrolled in public schools (both primary and secondary levels) has increased from 44 percent in 2002 to 54 percent in 2007. A significant proportion of rural migrant children are enrolled in Shanghai's 200 "informal" migrant schools. The fact that *Shanghai Education Commission* is determined to close down all migrant schools by 2010 has made the legalization of these schools a highly contentious issue.[51]

Exam closure forms another policy barrier, as the Chinese education legislatures require students to take their key-point exams only in their *hukou* registration. By September of 2007, according to the Shanghai Education Bureau, over 80 thousand migrant students who are enrolled in Shanghai's junior middle schools are faced with the prospect of returning to their rural high schools for qualifying exams and further education. This policy greatly disrupts migrant children's education trajectory. Many,

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[50] The survey was conducted by China's earliest independent survey company, Horizon Research Group, in four cities (Beijing, Shanghai, Guangzhou, Wuhan) in 2004, with a sample of 1000.

[51] "Time is Called on Shanghai's Migrant Schools," Jan 22, 2008. *Shanghai Daily*, http://www.china.org.cn/english/China/240270.htm

having actually grown up in the city, are now faced with family separation and difficult adjustments to rural life. Consequently, the number of dropouts from junior middle rose steadily. The China Children Center conducted a survey in 2004 showing that rural migrants' children receive less than average education than the rest of the country, with a dropout rate as high as 9.3% for children from age 8 to 14.

Moreover, disadvantages in educational attainment perpetuate patterns of labor market segmentation along the *hukou* line. A survey by the *China Children Center* shows that in 2004, 60 percent of dropout students from rural migrant families (aged 12 to 14) took up informal jobs in the city. According to a survey conducted by the China Youth Development Foundation in 2005, over 60 percent of rural teenagers enter into the labor market after junior middle school. A report from the Ministry of Education in the same year confirms a close estimate of over 35 million rural youth entering into the segmented labor market.[52]

V An Institutional Theory of Social Distinction

1. The Political Construction of "Social Distinction"

This study examines the institutional processes by which an individual's identity as a rural or urban resident became the most salient site of social distinction and persisted during China's market transition. I construct an institutional theory of social distinction rather than a systematic study of the *hukou* system because after decades of institutionalization, in everyday social interactions, salient *hukou* identities have evolved into identifying the social distinctions of "ruralness" versus "urbanness" symbolizing

[52] 2005 China Education Development Statistics Report

backwardness and modernity respectively. Individuals take the status hierarchy behind these distinctions as “the way it is.” It is only in areas of administrative governance when rigid categories of *hukou* re-appear as the social reality for individuals. Neither do I downplay the role of formal institutions (e.g. *hukou* and its variants), because these “rules of the game” forcefully constrain individuals’ choice making.

When investigating every social aspect of rural migrants’ experiences in Shanghai, I specify the mechanisms through which regulatory institutions shape their choices. These include (1) formal rules and binding organizational practices, (2) informal beliefs, ideology, values and prejudices of members from different social groups, and (3) the processes of how individual actions mold these institutions into new forms. I also analyze the sources of legitimacy for these institutions, and discuss how incentives for changes are played out. In every section, I attempt to integrate some historical analysis.

2. Path-Dependence and Legitimacy

To explain the resilience of status hierarchies, a researcher needs to tap deeper into the informal beliefs and value systems of the Chinese, whose lifestyles have turned towards free market and individualism but whose mindsets are still half-encaged in the “plan”. Most Chinese bureaucrats, in particular, still hold on to the belief in “differential entitlements” for those who are “outside of state plan.” To them, things “outside of state plan” are likely to be “out of order.” Rural migrants, especially the first generation, on the other hand, tend to defer to authority in an unquestioning manner. Exceptions include high-risk industries where exploitation was too widespread (e.g. construction), and city-born second generation of rural migrants. They develop a range of strategies to cope with

discrimination. In 2004, public media exposed that wage arrears for rural workers reached an astonishing total of 100 billion yuan in the construction industry alone. The pervasive labor abuse caused notable cases of "suicidal appeals" by rural migrants in several cities.[53] Media played an important role in bringing the plight of rural migrants to wider visibility. Since early 2000s, the emergence of non-government organizations and advocacy of independent public intellectuals directly challenged the legitimacy of these practices.

Rural migrants' struggle for long-term settlement in the city has challenged China's existing legal frameworks and governing ideology. It is important to discuss the dominant ideological infrastructure of a society, as Alba and Nee (2003) highlight that the constitutional rights in the US functioned as legal safeguards that backed up the opening up of upward mobility channels for minorities before the Civil Rights Movement. Although I do not consider the Chinese state as a unitary actor without internal fractions, I think the party-state has a coherent "paternalistic" conception of social justice which is not much changed from its socialist state: the sacrifice of individual pursuits can be justified if collectivist ideals are achieved. The post-socialist central state itself remains the most potent institutional force shaping individuals' choice making. The local government, although structurally situated in some conflict of financial interests with the central state, shares the core of such an ideology. I analyze migration related policies, legal documents and their implementation in reality to support this.

[53] According to estimates from the state-affiliated All-China Free Trade Union (ACFTU), wage arrears for rural migrants in year 2004 reached a total of 100 billion yuan. Legislative costs for claiming back this amount is estimated to be close to 300 billion yuan in total. And it usually takes one 15 to 25 days to file one claim of this sort.

VI Fieldwork and Data Collection

According to Weeden (2002) [54], social closure theorists have paid inadequate attention to the mechanisms "through which closure is translated into rewards" (or absence of rewards) during context-specific social processes. I use mixed methods to investigate these social processes and mechanisms, including archival research, quantitative surveys, ethnographic observation, and in-depth interviews. My fieldwork in China included three stages: a 2-month pilot observational study in Beijing and Shanghai, a six-month participant observation in one migrant community in Shanghai, a mixed methods study using in-depth interviews and questionnaire surveys.

I was personally involved in the *Pond* community affairs as a NGO volunteer and researcher. This period contributed to a real life understanding of the living experiences of rural migrant families in these communities. My ethnographic research spanned a very contested time for rural migrants, when China sped up the scale of urban renewal in metropolitan Shanghai and Beijing to host a few international "showcase opportunities"—the 2008 Olympic Games (Beijing), and the yet-to-come 2010 International Expo' (Shanghai). Realizing the importance of the education issue, I later extended my pool of interviewees to outside of that particular migrant community. I interviewed major stakeholders of this social problem, such as rural laborers in different lines of work, local administrators, urban residents, public school principals, and principals and teachers at "informal" migrant schools.

[54] Weeden, Kim A. 2002. "Why do Some Occupations Pay More than Others? Social Closure and Earnings Inequality in the United States." *American Journal of Sociology* 108(1):55-101.

My fieldwork produced over 130 in-depth interviews (two thirds taped with interviewees' informed consent), a community survey, and a four-school survey.[55] Among these, there are one hundred and seven interviews with rural migrants, five with urban administrators, five with NGO staff and volunteers, five with public school teachers and principals, six interviews with migrant school principals, eighteen interviews with migrant school teachers, three interviews with teachers from a private junior middle school which receives migrant students, and lastly, eighteen informal interviews with teenagers of rural migrant families. The interviews with migrant teachers, especially, are useful in two ways—I asked these migrant teachers about changes in their own life trajectories as rural migrants themselves, but I also asked them about the educational resources available to second-generation migrant youth. Casual conversations and chats with volunteers in some migrant NGOs (or named "NGOs serving rural migrants") are also beneficial for making sense of the changes in these neighborhoods over certain periods of time.

The study also draws on extensive search in scholarly Chinese journals. I have reviewed a massive number of news reports and academic papers in Chinese and English on this issue. I have also studied NGO reports and analyses where they have been relevant. Though Chapter One is devoted to the historical legacies of rural-to-urban migration using around 50 complete oral histories dating back to the early 80s, my primary interest is to study the life of rural migrants from late 90s to the present. During the 10 months of fieldwork in Shanghai, I was witness to life's vicissitudes of these rural

[55] A 51-household community survey (2008) was conducted in collaboration with a non-government organization (ROOT) in a rural migrant community. A four-school survey (2008) was conducted in collaboration with the Survey Research Center, Institute of Advanced Studies, at the Shanghai University of Finance and Economics.

migrant families. I also refer occasionally to field notes from my visits to several rural migrant communities in other cities like Beijing. However, my primary interest is in no way of comparative endeavors.

These methodological details aside, I also consider my own life experience to be another source of interest and inspiration on this topic. I have grown up in a rural setting in China, and then migrated to the city with my parents. Ever since, I've made trips to visit our rural hometowns where I still felt emotionally attached. I personally experienced the drastic difference between getting an education in rural China and in the cities. So spatial dislocations, difficult adjustments to urban life and schooling were familiar memories during my own experiences as a youth. My interests in comparing rural and urban life settings originated from these memories.

VII Organization of Chapters

Chapter 1 offers a historical account of China's internal migration as an instituted process during and after central planning. I examine the political, economic and social dimensions of such institutionalization using archival data and oral histories of rural migrants. Chapter 2 zooms in to examine Shanghai's changing labor market structure and rural migrants' pathways of integration into the urban economy. I survey a range of occupations rural migrants concentrate in, and generalize how workplace socialization contributes to the formation of social distinction. I also present the rise of migrant entrepreneurship with implications for institutional change. In Chapter 3, I present a "thick" ethnographic study of one rural migrant community in Shanghai—*Pond*. Rural migrants' communal life in metropolitan Shanghai involves their active agency in

redefining and negotiating the group boundaries with the locals and between different native-place groups. Chapter 4 analyzes rural migrants' active engagement in negotiating a space for their children's education in Shanghai. While presenting education as a key mechanism reproducing social distinction, I analyze how social interactions in the process of "contentious education" directly contribute to rural migrants' changing identity formation. Chapter 5 builds upon previous parts and constructs an institutional theory of social distinction. In the last chapter, I conclude with discussions of the major findings of this project and future research directions.