

# Impact of Household Registration System Reform on Rural Migrant Labor Employment

Hui Xu

Tianjin University of Finance and Economics, Tianjin 300222, China

xuhui@stu.tjufe.edu.cn

**Abstract.** In recent years, the reform of the household registration system aimed at promoting social fairness and justice has aroused strong repercussions in the whole society. Although the new household registration system has played a positive role in breaking urban-rural divisions, eliminating barriers to urban-rural labor mobility, and reducing discrimination in the labor market, this role is also very limited. This paper studies the limitations of the household registration system reform, labor market level restrictions, human capital differences and social capital differences, and finds that the household registration system reform can't achieve the desired results at promotes rural migrant labor employment, narrows the welfare gap between urban and rural areas. Based on this, this paper proposes policy recommendations to further improve the household registration reform system and improve the employment status of rural migrant labor.

**Keywords:** Household registration system reform; Rural migrant labor; Employment.

## 1. Introduction

In July 2014, the State Council issued the “Opinions on Further Promoting the Reform of the Household Registration System”, proposing “the elimination of agricultural and non-agricultural household registration, and the establishment of a unified urban and rural registration system.” This means that the “rural” and “urban” household registration management model officially withdrew from the historical stage. However, the realization of all legal and institutional goals cannot exceed the economic and social relations at a certain stage. Therefore, today we cannot expect that the inequality of urban and rural workers’ rights that have existed for more than half a century will automatically disappear in the face of a reform policy. There is still a long way to go to improve the welfare of the rural labor force and promote the fairness and justice of the whole society.

## 2. Related Literature Review

Since 2001, China's household registration system reform has begun to slow down, and academic research on this institutional reform has been ongoing.

As far as the direct impact of the reform of the household registration system is concerned, due to a series of harsh conditions attached to the reform of the household registration system, the effect of the reform is minimal and it is difficult to have a substantial impact on the rural migrant labor force. (Sun Wen kai et al., 2011) On the other hand, the reform of the household registration system has improved the employment of rural labor to some extent by breaking the employment barrier between agriculture and non-agriculture and increasing the employment choice of rural migrant labor (Li Shi, 2013). The indirect influence of the household registration system reform, under the dual household registration system, is relatively low in the national labor income due to the low labor price and strong liquidity of the rural labor. The construction of the one-dollar household registration system through the household registration system reform will increase the proportion of rural migrant labor income (Yang, 2015). It can be seen that the existing research mostly starts from the aspect of data analysis, and draws quantitative conclusions through a large number of sample analysis. However, this often neglects the influence of the household registration system reform from the theoretical level, and it is difficult to explore the role of the household registration system reform in rural migrant labor employment. Based on the four aspects of the reform of the household registration system affecting the employment of rural migrant workers, this paper expounds the real impact of the reform of the household registration system from a theoretical perspective.

### **3. The Impact of Household Registration System Reform on the Employment of Rural Migrant Workers**

#### **3.1 Limitations of the Household Registration System Reform**

In essence, the household registration system has different social welfare and related rights for different household registrations. This household registration reform system is more about the purpose of equal rights, and clearly wants to "promote social fairness and justice." The National Residence Permit Application Regulations expressly stipulate that: "Citizens who leave the permanent residence and live in other cities for more than half a year are eligible for legally stable employment, legally stable residence, and continuous study may apply for a residence permit ". Because of poor human capital, it is difficult for them to compete with high-quality urban labor. Only through frequent mobility to find more opportunities. At the same time, most rural migrant laborers do not sign employment contracts with employers when they are employed, which is a category of informal employment. Therefore, the social insurance participation rate of rural migrant labor is lower. All of the above reasons will increase the difficulty of applying for the residence permit.

#### **3.2 Labor Market Hierarchy Restrictions**

The dual labor market theory divides the labor market into primary market and secondary market. Among them, the primary market has high wages, a good working environment, stable work, and high return on human capital; the secondary market is just the opposite. Due to the existence of discrimination and liquidity barriers, it is difficult to enter the primary labor market for the people from the internal labor market.

Most of the rural labor force is in the secondary labor market. The reform of the household registration system cannot change the law of endogenous economics. A large number of rural laborers already in the secondary labor market are unable to smoothly flow to the primary market due to liquidity obstacles. It led to restrictions on the role of household registration system reform in promoting rural migrant labor employment.

#### **3.3 Human Capital Differences**

Under the unified registration system for urban and rural household registration, rural migrant labor is at a disadvantage in terms of employment opportunities, employment types and employment quality due to differences in human capital. This difference in human capital is mainly reflected in the difference in human capital accumulation. According to the theory of human capital theory, the main source of human capital accumulation is human capital investment, and the investment channel is education and health expenditure (Schultz, 1960). In terms of education, because school-age children divide their school districts according to their household registration in compulsory education, rural children can only attend rural schools, while urban children attend urban schools. In urban and rural areas, compulsory education is separated. In recent years, the government has increased funding for rural compulsory education, but the investment in rural compulsory education is still much lower than that of cities.

#### **3.4 Social Capital Differences**

In the process of interaction between people, there will be resources that can promote and improve the employment and income level of the labor force. Under the same human capital, labor with more social capital will be in a favorable position in the employment and promotion of the labor market. For the urban labor force, most of their relatives and friends will live in the city, making it easier for them to form high-quality social networks. In contrast, rural mobile labor is difficult to form high-quality social networks due to various cultural differences and discrimination of urban residents, which makes them inferior in the labor market. At the same time, due to low-quality social capital, most of the rural migrant labor is engaged in low-end labor. The economic return of such work is low, and the promotion space is small, which also inhibits the employment of rural migrant labor to some extent.

## 4. Policy Recommendations

The current household registration reform system can't achieve the expected results. The effects of labor employment and improving social equity and justice are still very limited. Based on this, this paper proposes some possible policy recommendations.

1. The residence permit is issued and managed to cover the resident population. In the national unified residence permit application conditions, the application conditions can be as long as there is a residence, regardless of the specific criteria of the residence.

2. Provide basic public services on the basis of permanent residents. Non-resident permanent residents will be added to the performance appraisal and given sufficient weight to solve the problem of inconsistent local government incentives.

3. In the state propaganda, it is necessary to guide urban residents to correctly view migrant workers entering the city. At the same time, open up the media supervision function to prevent discrimination and trample on the bad behavior of the underlying labor force.

## References

- [1]. Sun Wenkai, Bai Chongen, Xie Yuchu. The impact of household registration system reform on rural labor mobility in China [J]. *Economic Research*, 2011 (01): 28-41.
- [2]. Song Jin, Li Shi. The Impact of Household Registration System Reform in Small Towns on Job Segmentation in Labor Market[J]. *China Rural Economy*, 2013(10): 4-16.
- [3]. Song Jin, Li Shi. China's urban and rural household registration reform and labor occupation distribution [J]. *World Economy*, 2013 (7): 28-47.
- [4]. Xie Guihua. The study of the status of social economy after "agriculture to non-agriculture" [J]. *Sociological Research*, 2014(1): 40-56.
- [5]. Yang Wei. The impact of rural labor transfer on labor income in the dual household registration system [J]. *Population Research*, 2015 (5): 100-112.
- [6]. Zhang Li, Li Shi. Household registration discrimination in China's labor market employment opportunities and its changing trend [J]. *Financial Research*, 2016[1]: 4-16.
- [7]. Yao Jun. The type of mobile employment and the wage income of migrant workers - empirical data from the Yangtze River Delta manufacturing industry [J]. *China Rural Economy*, 2010 (11): 53-62.
- [8]. Du Yang, Wan Guanghua. Informal employment in the urban labor market and its role in poverty reduction [J]. *Economics Dynamics*, 2014(9): 88-97.
- [9]. Qiao Mingrui, Qian Xueya, Yao Xianguo. Labor market segmentation, household registration and urban and rural employment differences [J]. *Chinese Population Science*, 2009 (1): 32-41.