

# Household registration system and private enterprise's hiring policy in Shenzhen, China

Author: Shiyang Wang  
Supervisor: Isabelle Côté



## Abstract

The purpose of the thesis was to examine how household registration (*Hukou*) system affects private enterprise's hiring policy in Shenzhen, China. In addition, this thesis aimed to find out what makes Shenzhen different from other cities if *Hukou* plays a less important role in Shenzhen private company's recruitment process. In order to reach this topic, this thesis adopted Taste for Discrimination Model and Discrimination in employment theory, and uses a qualitative study research design with eight case companies. From previous study, there are severe discriminations in employment in China and *Hukou* is one of the reasons, especially rural *Hukou* people got unfair treatment compared to urban *Hukou* people. However, based on this thesis finding, *Hukou* is not a major factor for Shenzhen private company to consider candidates. Furthermore, *Hukou* is even not a factor during the recruitment process; company can provide Shenzhen *Hukou* to them if they want to obtain a Shenzhen *Hukou*. In the end, this thesis argues that Shenzhen has its unique policy and culture environment which leads to the *Hukou* discrimination not existing for Shenzhen private company.

Key words: *Hukou* system, HRM, Shenzhen, campus recruitment, discriminations in employment

## **Acknowledgements**

I want to express my gratitude to everyone who supported me on the road to write this thesis. I would like to express my deepest gratitude to my supervisor, Isabelle Côté. You have provided me skillful and patient supervision with your wealth of knowledge, which lighted up my whole writing process. I would like to thank my family for their support. I would also thank the eight interviewees who have been interviewed by me during the field work. Thank you for your kind help and active participation.

## Content

<b>ABSTRACT</b>	<b>2</b>
<b>ACKNOWLEDGEMENTS</b>	<b>3</b>
<b>1. INTRODUCTION</b>	<b>6</b>
1.1 Background and Research Problem	6
1.2 Purpose of Research	8
1.3 Research Questions	9
1.4 Thesis plan	9
<b>2. METHODOLOGY</b>	<b>11</b>
2.1 Meta-theoretical considerations	11
2.2 Research design	11
2.2.1 Case study design	12
2.3 Data collection	15
2.4 Critical considerations	16
2.5 Validity and reliability	17
2.6 Ethical considerations	17
<b>3. THEORETICAL FRAMEWORK</b>	<b>19</b>
3.1 Household Registration System	19
3.2 <i>Hukou</i> and HRM	20
3.2.1 <i>Hukou</i> in discrimination	22
3.3 Discrimination in employment	23
3.3.1 Taste for Discrimination Model	23
3.3.2 Statistical discrimination theory	25
3.3.3 Discrimination in employment in China	26

<b>3.4 Graduate students and discrimination in employment</b>	<b>27</b>
<b>3.5 Thesis contribution</b>	<b>27</b>
<b>4. FINDING</b>	<b>29</b>
<b>4.1 Hukou and Recruitment</b>	<b>29</b>
<b>4.2 Campus recruitment</b>	<b>34</b>
<b>4.3 <i>Hukou</i></b>	<b>36</b>
<b>4.4 Culture</b>	<b>38</b>
<b>4.5 Discrimination in employment</b>	<b>39</b>
<b>5. CONCLUSION</b>	<b>40</b>
<b>REFERENCE:</b>	<b>43</b>
<b>English source:</b>	<b>43</b>
<b>Chinese source:</b>	<b>47</b>
<b>Appendix 1 – Basic information of respondent’s company</b>	<b>49</b>
<b>Appendix 2- Questions of interview</b>	<b>50</b>

# 1. Introduction

## 1.1 Background and Research Problem

How household registration (*Hukou*) system affects private enterprise's hiring policy in China? Such research has been at the forefront of scholarly attention in the field of human resource management in recent decades around the world (Benson and Zhu, 1999; Warner, 2000; Zhu, 2005). Due to rapid economic growth over the last twenty years, China is currently the second largest economy around the world. However, the way of managing the employees has significant difference between China and western countries due to the different culture and political systems reasons (Björkman and Lu, 2000). Culturally, Chinese companies are more likely to manage and hire employees by regarding employee's age, authority, personal connections (*Guanxi*), and "face" (*Mianzi*). Politically, besides the difference of political ideology, China has a special household registration (*Hukou*) system (Warner, 2008; Lockett 1988).

The household registration system does not only exist in China, but also lots of foreign countries, such as Japan, France, and Sweden, have similar identity management system with a different system name. In the contents of foreign civil registration, register contents include population registration of birth, death, marriage, which is similar Chinese *Hukou* system. However, compared to foreign registration system, the Chinese household registration system provides different social benefits to different type of people. Chinese *Hukou* system distinguishes people as rural or urban. Some public services and rights are only provided to rural people, such as buying land from government and reduced tax for agricultural purpose. But normally urban people get more social benefits. Especially people with local *Hukou* can get priority in using public services, including public hospital and school education, the purchase of a house or apartment, getting loan from bank and so on. Moreover, when you need a document from the government, you have to get it from the government where your *Hukou* belongs to. For example, if you want purchase an apartment in Hunan province

and your *Hukou* belongs to Yunnan province, you need a certification from the police office of Yunnan province to prove that you don't have a criminal record and you have to get this document in person. These conditions make the Chinese *Hukou* system unique. In general, Chinese people can only have one *Hukou*.

Moreover, there are severe discriminations in employment in China, and different groups and regions show difference, but not much, in definition of discrimination in employment (Zhang and Tang, 2010). The discrimination in employment includes age discrimination, diploma discrimination, sexual discrimination, experience discrimination, health discrimination, and *Hukou* discrimination. However, when the discrimination happens, most of people failed to take action to in protest against discrimination. In 2014, the first lawsuit case about *Hukou* discrimination in employment pronounces a judgment in Guangzhou (Ling, 2014). A subdistrict office in Guangzhou refuses to hire Mr. Yang because his *Hukou* is not in Guangzhou. The judge adjudge that the subdistrict office compensate Mr. Yang 10,000 Yuan. After this lawsuit case, more and more labor use law to against the discrimination in employment. The same topic lawsuit about *Hukou* discrimination in employment start to appears in Beijing, Jiangsu, and Sichuan (Sina, 2014).

Campus recruitment is a new way for companies to recruit employees in China. It can help companies to find the most talented among newly graduated students. At same time, all graduated students are competing at the same level. Usually, no one has more work experience or other work skills compare to other graduate students. The only difference is their *Hukou* belong to. Thus, if the discrimination in employment happens towards graduate student, *Hukou* will be an important reason. Nerveless, since the turn of the new millennium, graduates in China have faced fierce competition when seeking employment and graduate unemployment has been high, raising social and economic concerns. Therefore, it is interesting to see how the *Hukou* system affects company's hiring policies and if it is a factor that decreases the employment rate.

It is particularly interesting to see if the *Hukou* system plays an important role for enterprises in Shenzhen. Shenzhen was once a little village in the Pearl River Delta, but it is now unique in its urbanization and economic development history. Due to its proximity to Hongkong and Macau to the south, China's previous leader Deng Xiaoping appointed this city to become one of the special economic zones in 1979, as such it became a pioneer for his policies of economics reform and renews openness by implementing the "open door" policy and the de-collectivization program (Hui, Yu, and Ye, 2012). Nowadays, Shenzhen is as a hub city in one of China's most dynamic cluster that includes Hongkong, Guangzhou, and Zhuhai and it has already become one of the first tier cities. As one of the China's most dynamic economic city, Shenzhen has a strong entrepreneurial spirit and attracts talented workers from all over China. Therefore, this region is worth to study.

Private enterprise has more representative than any other enterprise's type in Shenzhen. In 2004, Shenzhen offered land discounts of up to 30 percent exclusively to high-tech and other high-value-added industries, thus Shenzhen has a big number of high-tech companies (McKinsey, 2009). In the year of 2010, Shenzhen government announced and implemented a rule of "executive opinion to encourage social investment to promote economic development mode shift". There are 28 proposals in this document, and all these proposals make it easier for citizen to establish a new company and enroll in the government, reducing the market access barriers, and stimulate operators' entrepreneurial enthusiasm to invest in Shenzhen (Xiao and Li, 2011). The data also shows that until December of 2010, there are 372,744 enterprises and 323,474 of them are private company (Xiao and Li, 2011). As a result, the private enterprise can give a good example for this study.

## 1.2 Purpose of Research

The aim of this research is to study if and how *Hukou* system affects campus recruitment for private enterprises in Shenzhen. Although the *Hukou* system plays an important role for company's human resource management (HRM), there are just a



few researches that focus on the relationship between the *Hukou* system and HRM. Moreover, none of them focus on the recruitment process. Thus, this research also aims to contribute by investigating private enterprises in Shenzhen and focus on their recruitment process. As previous study from Zhang, Nyland, and Zhu (2010), people from rural area were traded unfairly compare to urban people, but what happened if one person is from a first-tier city, and the other is from a second-tier city? Would they have same level of salary? Would they been traded fairly? Therefore, this study also will look into this situation, to study if people from different urban cities will be traded differently.

### 1.3 Research Questions

The research problems are as follow:

1. How *Hukou* affects the hiring policies of private enterprises in Shenzhen?
2. What is the preference for private enterprises in Shenzhen to recruit local or non-local graduate students?
3. If they do not have any preference, will they treat local and non-local employees equally with the training, welfare benefits, social insurance, and promotion?

The hypothesis of this research is: *Hukou* system affects Chinese human resource management as employment discrimination exists between rural and urban *Hukou* as previous study in other city in China. However, since Shenzhen has a unique human resource environment, *Hukou* system has less effect in Shenzhen than in other city in China.

### 1.4 Thesis plan

In total, this thesis consists of six chapters and is structured as follows. The first chapter introduces the research problem, the aim of the study, and research questions.

In chapter 2, the methodology of the research is explained. The third chapter presents the previous research and the theoretical framework that relate to this topic and the thesis contributions to the field. The finding in the fourth chapter introduces the readers to the interviews. A summary of the finding and some suggestions for future research is presented in the final chapter 5.

## 2. Methodology

### 2.1 Meta-theoretical considerations

In this research, interpretivist and constructionist positions are adopted. Interpretivism emphasizes that a researcher must study how humans perceive their own social realities to gain a subjective understanding (Bryman, 2008:p.28). Constructionism indicated that social phenomena and its meaning are continually being accomplished by other social actors (Bryman, 2008:p.19). Furthermore, it implies that social phenomena and categories are not only produced through social interaction but that they are in a constant state of revision, in a dynamic and various ways. This position has been deemed most suitable for this study, because recruitment is a process that needs human interaction to accomplish. Both candidate and recruiter is a social actor that would affect this social phenomenon.

Moreover, with different rules under different circumstances for companies or cities, human resource managers from different companies must have different opinion about *Hukou* within their hiring policy. In view of the fact that the main method of gathering data in this thesis is the semi-structured interview, this study focus on finding out how human resource manager from different companies look at the relationship between *Hukou* and recruitment, instead of to find what is ‘real affect’ of *Hukou*.

### 2.2 Research design

Qualitative research method adopted for this research since it was deemed most useful for the type of research that was conducted. Qualitative research approach is more linked with respondent’s opinion or view of the research questions, and semi-structure interview allows the researcher to have followed up questions in order to get deep and comprehensive data from respondents (Bryman, 2008). This research has also adopted an inductive approach (Bryman, 2012:p.24), where researcher will make

a conclusion from some enterprises' interview and induct to a general knowledge about the study. Therefore, this research chooses to use a qualitative research method, and to be more specific, all the data got from semi structured interviews.

### 2.2.1 Case study design

This research adopted case study method to get data. Case study can contain many different data and collection strategies to validate the cross-check findings (Yin, 2014). Moreover, case study is applicable when the purpose is to improve the knowledge of a complex social phenomenon. For this research, it can be seen as a case study of recruitment practices in the city Shenzhen. The cases consist of several private enterprises operating in Shenzhen.

The methodological approach is semi-structured interviews based on a modified 'Seven Stages of an Interview Inquiry' conducted by Kvale & Brinkmann (2009). According to Bryman (2008), semi-structured interview as the opposed of unstructured interview allows researcher to not set any pre-arranged question, the questions will developed during the interview. With semi-structured interview, research will prepare some open-ended questions but also flexibility to develop the conversation base on the response of respondent (Bryman, 2008).

Semi-structured interview give author more freedom to ask whether the company has hiring preferences and what reasons behind this phenomenon or decisions. Every company has different human resource management goals; therefore every human resource managers may have different answers to the questions. With semi-structured interview, the author could ask further and deeper questions based on respondents' answers. Moreover, one on one interview was adopted, since this is more convenient and the reaction of respondent will less affect by other respondents. After the interviews, an analysis was required to interpret the data and answer the research questions. This thesis employed a thematic analysis which, according to Bryman, is a popular approach in examining in order to extract core themes "*that could be*

*distinguished both between and within transcripts”* (Bryman, 2012).

Shenzhen is one of the four special economic zones, and now Shenzhen becomes one of the first-tier cities (Wong and Yu, 2003). Other first-tier cities include Beijing, Shanghai, and Guangzhou. Shenzhen has short city history compare to others, and Shenzhen more welcome immigration (Wei, 1995; Cartier, 2002). Moreover, according to the data from the Sixth National Census, until 2010 the permanent resident population of Shenzhen is 10.3 million and 2.5 million people among them have the Shenzhen Hukou (Stats, 2011). Therefore, there are many firms that employ both Shenzhen Hukou workers and migrants from other city or province. This made it possible to look at if firms prefer to hire local Hukou graduate students or not. In comparison, Beijing has 7.04 million non local people among 19.6 million populations and Shanghai has 8.8 million non local people of 23.0 million (Stats, 2011). Shenzhen has the largest percentage of non local people, which means the *Hukou* is playing an important role in this city either reduce the discrimination phenomena which people do not care about *Hukou*, or increase the discrimination by trade local *Hukou* people as rare human resource. Therefore, it is important to study recruitment in Shenzhen in order to see if the *Hukou* discrimination of employment also happened in this city which has a small local and non local ratio.

Shenzhen’s rapid and dynamic urbanization has served as a leitmotif for china’s extraordinary transformation into a modern economy in thirty years. Shenzhen has already laid out a policy agenda that aspires to help the city truly modernize as its economy matures by using its special economic zone and policies benefits from the center government.

Shenzhen as a city inside Guangdong province had three reforms of its *Hukou* system. Shenzhen city had these three reforms because it is a special economic zone and with its development, a large number of people swarm into Shenzhen. Shenzhen needs to reform in order to manage the non local people and had better environment to keep its rapid growing. The first step was in the middle period of the eighties, because after

the implementation of the rural contract responsibility system, large numbers of labor surplus want to go to urban area to find job. In July 1984, the Guangdong Provincial Public Security Department put forward "opinion about the farmers self rations to the town settled views", which allows rural people to work as other jobs, such as workers, business man, or officer in urban area and settle down in the city. Before this document, rural people only can work as farmer and lived in rural area. This is the first major reform of the household registration management system for Guangdong Province.

The second stage is in 1992, Guangdong Province devolve authority *Hukou* control to the county government. This change gives the county government to give *Hukou* to the local people and build a more detail *Hukou* system. It also devolve authority to the local government that to transfer the *Hukou* to other place inside Guangdong.

The third step is only about Shenzhen and Foshan. In the year 2004, Shenzhen and Foshan become the first two cities that abolished the "agricultural registered permanent residence" and "non agricultural registered permanent residence" system. All the people are registered as "residence account" (Sina, 2009). In addition, Shenzhen is also the first city to implement the Blue Print *Hukou* system. The differences between Blue Print *Hukou* system and *Hukou* system is the Blue Print *Hukou* can be obtained by purchasing commercial residential building. The Blue Print *Hukou* holders have the same rights as normal *Hukou* holders. Although the purpose of Blue Print *Hukou* system is to stimulate the real estate market, thereby stimulating the local economic development, it gave government a doable idea about reform to the *Hukou* system. Unfortunately, the Blue Print *Hukou* system was abolished in 2014 by center government.

However, Shenzhen is not a perfect city, it also has limitations. For example, the education provision of Shenzhen is surprisingly limited for this large, prosperous, and developed city. The city has only nine local colleges and the enrolled students per year are less than 50,000 compare to 100,000 in Shanghai. This situation makes it

company have to recruit skilled worker they need from outside city.

Due to such short history and openness of Shenzhen, personal connection is more significant in recruitment than in other cities in China. For example, Knight, Song, and Huaibib (1999) reveal that the method of recruitment for 81.4 per cent of the Shenzhen population surveyed is through relatives and friends.

### 2.3 Data collection

In this paper, the primary data mainly comes from the interview with eight companies located in Shenzhen, China. Each company has one staff either human resource manager or someone in charge of recruitment participate during the interview. Since the fieldwork research date was just after the Chinese spring festival, most of the companies were in a busy period, and only 6 companies participate in the interviews. After author came back Sweden, 2 more companies connected the author and said they have time to do the interview now. Thus, the last two interviews were conducting through mobile phone. Moreover, some follow up interviews were also made through mobile phone in April, 2015. Secondary data comprised of online articles, journals, books and, newspaper articles that relevant with *Hukou* system, HRM, and/or Shenzhen.

Within the case, eight companies have been selected for interview and analysis. All the companies locate in Shenzhen, and all the companies are private enterprises, none of them belong to stated-own company, Chinese-foreign contractual joint ventures, or foreign-owned enterprises. These eight companies include three companies from internet and communication technology (ICT) industry, two from manufacturing, one from logistics industry, one in the food industry, and the one from game industry. Moreover, about the size of these companies, the sample cover from small company, in which has only few employees, to large company, which has thousands of employees and huge amount of revenue per years. Two of the respondents are human resource manager in the company, two of them are the owner of the company, and

rest of them is staff from the human resource department of their company. Moreover, all of them are in charge of company's recruitment. Gender wise, the interviewees were made up of seven female and one male, their ages ranged between 25 and 40. For the sake of the respondents' anonymity, they will be referred as Respondent 1-8 in this chapter. A brief description of the eight companies can be found in the appendix 1

Among all the private enterprises, Shenzhen has lots of famous ICT companies in China, even in the whole world, for example, Tencent, Huawei, Zhongxing, Konka Group, TCL Group and so on. Tencent is famous by its product QICQ, QZONE, and Wechat. QICQ as instant message software has 829 million users, QZONE as a social network website has 629 million users, and Wechat as instant message app on mobile phone, has 453 million users until March of 2015 (Tom, 2015). Huawei's products and solutions are deployed in over 170 countries around the world, serving 5 one-third people of the world's population. ICT industry has already become an important part for Shenzhen, and attracts people to come and work in Shenzhen. As we know, Beijing, Shanghai, Guangzhou, and Shenzhen have been called as "The First-tier Cities", Beijing as capital city is represents politics, Shanghai can be seen as economic capital of China, Guangzhou is famous for its manufacturing, and Shenzhen is proud of its ICT development. The development history of ICT industry in Shenzhen is also the development history of Shenzhen. Due to this reason, most interviewed companies are from ICT industry.

## 2.4 Critical considerations

Even if the purpose of this research is to find out how *Hukou* system affects private enterprises in Shenzhen, the sample still cannot cover all the industries. This is due to the concern of accessibility and time limit. However, the finding shows for most of the industries, different HR has the similar point of view if *Hukou* effects hiring policies. Moreover, each interview was about 30 minutes and six of the interviews were made at respondents' work place and two were through the mobile phone. This



may made the respondents feel comfortable and relaxed since they were interviews in a place that they familiar with, however, it may also mean the respondents cannot speak freely since they were inside company.

For this research, it is important that respondents answer the questions with the real condition instead of the ideal condition or what they want the condition to be. They should state what is really happened when they had a non local candidate, instead of thinking how to protect the company's reputation or answer with unreal things.

## 2.5 Validity and reliability

Reliability means to some extent this research can be replicated (LeCompte and Goetz, 1982). By using the similar approach and strategies, other researchers should be able to have alike result. This thesis can be replicated by using the same methods, theory or theoretical framework, and text in other city in China. Validity is a critical question to against the theory and the data in this research. It is important to highlight that the researcher of this research is not looking for de facto truth; the author is looking for different perceptions of reality (Kvale & Brinkmann, 2009).

Due to this research study recruitment and *Hukou* system which *Hukou* is a sensitive topic in China, because *Hukou* include all society information about a person, the respondents may not be totally honest to the author. The result from the interviews were conducted and accounted in great detail, which can provides both transparency and trustworthiness to the research results, allows this research owns reliability and validity

## 2.6 Ethical considerations

It is important and necessary for researcher to act "careful" and "respectful" during the research. Since this study will interviews people with different hukou, this research will strictly behave in accordance with the ethical principles of The Swedish Research Council (Vetenskapsrådet, 2002). The self-introduction, topic intent and all

the relevant information will introduce to the respondent before the interview. Since the research is about discrimination, respondents were only been told the topic is about recruitment.

The audio-recording interview digitally has been used. Audio-recording can be play many time on a portion that maybe unclear on the notes (Bryman, 2008). However, if the respondent does not want his/her voice to be recorded, and then the interview will not be recorded. In the end, four respondents allowed author to record the interview. In addition, since the finished thesis may be published on the internet, all interviewees were told that their answers would not be misused and their identities will also remain anonymous in the thesis.

### 3. Theoretical framework

#### 3.1 Household Registration System

Chinese household registration system has a historical development. On July 16, 1951, the Ministry of Public Security issued the implementation of the "Provisional Regulations on the management of urban household", mainly to administrate urban households, provides the rules about birth, death, immigration, emigration and so on. On June 9, 1955, the State Council issued "revelation of the establishment of regular household registration system", household registration at that time is only a registration procedures, the purpose for this is mainly to have a good command of the country's population and its changes, in order to provide accurate data for the country's economic plans.

On January 9, 1958, "the people's Republic of China Household Registration Ordinance" was promulgated, this regulation was to limit the so-called "rural jobless" move to the city. This regulation with the household registration system issued at beginning of 1959 when the national unified urban and rural household registration system was officially formed. By that time, the purpose of this system is not only for statistics purpose, but also to make rules to limit the "floating population" between urban and rural areas. However, it was followed by "three years of natural disasters" starting in 1960, which cause decrease of grain supply, thus government started to compress population of urban city. To tie in with this decision, the Ministry of Public Security divided household registration into "agricultural registered permanent residence" and "non agricultural registered permanent residence" in the year 1963. Although after the natural disaster, the grain supply returns to a regular level, the barrier between urban and rural areas remained.

In 1977, in order to regulate the transfer of residence system, the Ministry of Public Security issued a *Hukou* migration rules. It was the first time that it formally proposed the strictly control of "rural citizen into to urban citizen". This rule strictly limited the

transfer of registered permanent residence. Finally, the urban area and the rural area formed into two different camps.

After 1980, the household registration system eased limitation of internal immigration. The State Council in 1984 issued "notice about the issues of farmers settle in towns" to allow farmer, who has self financing, self rations, have fixed residence in the town, and have the ability to operate own business, to change their residence to "non agricultural" status. This is the biggest *Hukou* policy change since 1958, but still attached with some certain conditions. First, it only allowed farmer who has connection with urban people to move; second, it only allowed them to move to the town below the county level. After this reform, everything changed. Rural people are able to move to urban area and can find jobs in any place. (Cheng and Selden, 1994; Chan and Zhang, 1999)

Although in the last decades, there are several *Hukou* system reforms, the effects of Hukou system is still multiple and contradictory. On one hand, it creates sociopolitical and economic patterns of discrimination and injustice, moreover it also has shaped and uneven economic growth while circumscribing the development of urban slums. On the other hand, it helps government to achieve political stability and social control. (Wang, 2010)

### **3.2 *Hukou* and HRM**

HRM in China has been at the forefront of scholarly attention for decades (Benson and Zhu, 1999; Warner, 2000; Zhu, 2005). According to Morishima, HRM research can be categorizes into two different types in China: Managerialist Determined HRM and Socially Embedded HRM (1995). The managerialist determined HRM stands for approach that the pattern of HRM a firm may adopt is determined by managers primarily based on their business strategies. Scholars who study this approach found out that under managerialist determined HRM approach, manager mainly tend to concentrate on examining specific HRM policies and practices, in order to provide the

best HRM pattern with convergence and divergence, however, this pattern normally ignores the impact of institutional context upon HRM system (Morishima 1995, Rosenthal 1995). For the other type, scholars who believed in socially embedded HRM consider firms are “*deeply rooted and socially embedded into their respective national [institutional] contexts*” (Matten and Geppert 2004, p. 179).

HRM research is still dominated by the managerialist determined HRM and just few scholars pay attention to the institutional context in HRM research (Morishima 1995, Rosenthal 1995). However, the empirical findings already shows that HRM policy and practice are primarily based on local labor regulations, in which means the HRM pattern cannot ignore the institutional effects (Rosenzweig and Nohria 1994, Godard 2002, Schroder Hofacker, and Muller. 2009). For the field research of Chinese HRM, some scholars also used managerialist determined HRM pattern, although there are just a few scholars used socially embedded HRM pattern to examine Chinese HRM with China’s unique culture and political system (Zhang, Nyland, and Zhu, 2010; Shen and Leggett, 2014; Warner, 2011).

Since Chinese companies are more likely to manage the employees by regarding employee’s age, authority, personal connections (*Guanxi*), and “face” (*Mianzi*) (Warner, 2008), this gives urban Hukou people more advantage than rural Hukou people, since urban people normally has more personal connections than rural people (Lv, 2014; Wang, 2010). The social resources become an important index for company’s hiring policy. Therefore, it is not difficult to imagine why firms are willing to hire urban Hukou people.

In addition, scholars argue that HRM function can be dividing into six parts: recruitment, training, reward system, performance evaluation, social security and unionization (Ding, Ge, Warner, 2005; Liu and Jiang, 2009). The recruitment process is one of the six functions of HRM. Rest five functions base on this process, if there is no recruitment, then the company does not need training, reward system, etc. Human resources management is under the people-oriented concept, based on enterprise

development goals and achieves by meet the goal of HRM functions, in order to achieve the enterprise talent reserves and strategic goal of creating value for the enterprise, bring benefits to the enterprise.

### 3.2.1 *Hukou* in discrimination

DeSimone, Werner, and Harris believe that in the field of HRM, it might have two types of discrimination: access discrimination and treatment discrimination (DeSimone et al. 2002). Because this situation, the enterprises believe that hiring new people led to more cost, the human resources department in the recruitment process needs to setting up the recruitment plan in order to control the costs, which include training cost, employee adapt to job, and employee turnover risk cost and so on (Lv, 2014). Therefore, the access discrimination may bring more benefit for company in a short term. For those who use socially embedded HRM to do their research, most of them have chosen *Hukou* system as the variable as the socially embedded to look at how the institution effects the HRM pattern.

The previous research in the city Shanghai, Jiangsu, and Fujian shows that the hukou system has exerted significant influence on the recruitment practice of firms, moreover there is clear differencing between rural-Hukou and urban-Hukou (Zhang, Nyland, and Zhu, 2010; Shen and Leggett, 2014). The finding shows that Hukou has been recognized as discriminating against rural-Hukou people, due to it is difficult for rural people to be employed with long-term contracts. Moreover, some firms confirmed that they would take account the Hukou status when they hiring regular staff (Zhang, Nyland, and Zhu, 2010).

However, there are not much research was done on local and non-local *Hukou*. Previous researchers were focus on rural against urban *Hukou* and ignore the differences between urban *Hukou*. It is not difficult to image the differences between urban and rural, yet different urban cities have different meaning for people. China has four first-tier city, Beijing, Shanghai, Guangzhou, and Shenzhen, and lots of

second-tier city, such as Dalian, Ningbo, Chengdu, Tianjing, etc.

Wang and Moffatt (2008) indicate that *Hukou* has big influence for graduates' job research. Graduates with non urban *Hukou* holders are more desirable to employers than urban *Hukou* holders, however, this phenomena may cause by the non urban *Hukou* holders accept significantly lower starting salaries than urban *Hukou* holders (Wang and Moffatt, 2008).

### **3.3 Discrimination in employment**

"Employment discrimination" has been experienced a long research and get a wide range of concerns. Both western and Chinese scholars have a clear explanation about this phenomenon.

In 1958, due to increased when foreign discrimination, the board of Governors of the International Labour Organization called, issued the "Convention for elimination of discrimination of employment and occupation", which the concept of "employment discrimination" has made a clear definition, in Geneva. The discrimination is mainly reflected in to the racial and religious discrimination. This Convention contains a total of 14 policies. It involves the definition of employment discrimination, discrimination of human rights violations, discrimination and non discrimination in how to define and related to the implementation of the measures and so on. In 2000, the EU adopted tow commands, which is "the framework of employment" and "employment instruction of racial and ethnic equality directive". They also made clear explanation on discrimination in employment in the provisions and treatment, including of foreign general disability, race, religion, and gender. For the discrimination in employment in China will discuss more blows in section 3.3.3.

#### **3.3.1 Taste for Discrimination Model**

Becker is the first economist study discrimination in employment. In 1957, he proposed the Taste for discrimination model. This theoretical model suggest that some

people don't like dealing with a particular member of the crowd that he would prefer to be paid a fee, like the kind of feeling is itself a kind of preferences. Becker also found that, because of the deficiency of the labor market in the allocation efficiency, enterprises in order to pursue their own benefit maximization, the unfair discrimination may exist in the hiring process. Becker resulting social economic development and employment discrimination exists is related, and the development and competition of market economy can adjust by a unit of discrimination. (Becker, 2010)

Becker's Taste for Discrimination Model assumes that discrimination is a "taste", refers to an individual does not prefer to deal with certain race, or gender people. Moreover, the discriminator is willing to pay for the discriminator's taste. In other words, people (employers, customers, and employees) sometimes do not want to work with minorities because they have preference against the disadvantaged groups. Society's taste for discrimination implies that it is willing to forego output and profits as the price of discrimination. The tastes for discrimination can be arising from three different sources, employers, consumers, and employees. (Becker, 2010)

Discrimination is associated with the stability of an economic structure in a specific time period (Becker, 2010). For the private enterprise, they may have the "taste" towards recruitment process on local *Hukou* candidates. They'd rather on give up the benefits that may come from no-local candidates, is also reluctant to hire these non-local candidates. And this is obvious out of subject wishes. The causes of this "taste" is various, for example, the local candidates may cost less on staff training costs, cost of leaving, and adapt to the job more easier compare to no-local candidates. For the current rapid economic times, companies are more willing to use local candidates, which can quickly create value of staff, and the training cost is smaller. Although the business to do so is to gain certain benefits, and this phenomenon in the market also has universality, but in the long run, such short-sighted behavior is less than disadvantages.



### 3.3.2 Statistical discrimination theory

Statistical discrimination theory is a theory of inequality based on stereotypes and also developed based on Becker's model. According to this theory, inequality may exist and persist between different groups. This type of preferential treatment is labeled "statistical" because stereotypes may be based on the discriminated group's average behavior. (Arrow, 1973)

In other words, statistical discrimination is based on the incomplete information, and for the access to information needs to pay. Enterprise employment in the labor market, the population characteristic of job seekers inferred to individual characteristics, this approach will enable disadvantaged groups by statistical discrimination. (Yang and Gu, 2010) If in a statistical population, differences between individuals are large, then by the statistical population characteristics as evaluation standard, it will produce large deviations and for some of them is extremely unfair. But for businesses, this is profitable and is consistent with profit maximization goal, the enterprise in the labor market information is not entirely under an efficient approach.

Although the recruitment process of a company need lots of interview and information about respondents, the existence of information asymmetry between enterprises and employees may makes the employer has to make the decision in the limited time. Company can't know all candidate's all information and cannot be more accurate know which candidate's labor efficiency is higher. Thus the decision may only base on the information that candidates provided. As a result, companies often out of subjective ideas (e.g., that female physical power less than male, an experienced worker's efficiency is higher than inexperienced worker, local people has more social benefits than non-local people), decided the final candidates for appointment. For example, if there are two groups people with same productivity and have no obvious difference, enterprise choose a group based on some statistical preferences, this can be seen as statistical discrimination. Perhaps this kind of discrimination is not for the subjective intention from the enterprise, but caused the

similar results.

Consider the campus recruitment, a common example of statistical discrimination is enterprise prefer to hire graduate student based on their colleges, instead of their personal skills or others. However if the enterprises willing to see more details and do some investigation, they may find out even in other colleges and universities there are many excellent graduates. This example explains based on the average quality of school statistical discrimination. This discrimination may cause a great harm, due to it strengthened the people's prejudices of a group of people and weakened the enthusiasm of other college or university graduates to improve their skills.

### **3.3.3 Discrimination in employment in China**

In Chinese fourth edition of constitution, rule 42 stipulate:” Citizens of the People’s Republic of China have the right and obligation of labor”. However in China, the research on the protection of the rights of workers started late and also facing complex situation, thus there are a lot of "employment discrimination" problem in Chinese society. Therefore, many domestic scholars appeal to develop China's "anti employment discrimination law" as soon as possible, and during the National People's Congress, the government received the "employment discrimination" on the bill every year (Lv, 2014)

Chinese scholars focus on the aspects of economics, laws, and sociology compare to western scholars more focus on establish model. Chinese economists Guo (1994) in his study “the issue of labor discrimination” discussed the manifestation of employment discrimination in the economic field in China. As the first study of employment discrimination of scholars in China, his article compared the similarities and differences and characteristics of Chinese and Western labor discrimination, and emphasizes the importance of the research on theory of labor discrimination in China. Tan and Chen (2001) from a sociological perspective, analysis the college students employment behavior, influencing factors of the employment of university students,

college students' career role adjustment, and college students employment guidance. They indicate that the graduate students don't have a clear goal and career orientation is the main reason to cause discrimination in employment.

### **3.4 Graduate students and discrimination in employment**

Based on the research of Guo (1994) and Tan and Chen (2001), more and more Chinese scholars start to study the discrimination in employment. Scholars use different variables to analysis how discrimination would affect during graduate students' job finding process.

Liu (2002) and Sun (2009) look at the employment discrimination in the household registration discrimination, and pointed out that the census register restrictions in employment policies and regulations reduce the efficiency of resource allocation, reduced the overall social welfare, therefore it is necessary to amend or repeal the relevant laws and regulations. Liu (2010) study the question about why female college students find it difficult to find a job from the perspective of economic. Li (2012) study the same research question from the perspective of social capital of discrimination. Both of them look at sex discrimination in employment of female college students, and they both presents discussion and solution. Deng and Huang (2010) use Becker's model to analyze what economic influence would discrimination in employment bring to the society, individuals and enterprise. They found the negative impact is very strong towards all three actors in the market, thus Chinese government has to adopted positive and effective measures to eliminate the negative effects and experience discrimination.

### **3.5 Thesis contribution**

This thesis looks into an area that had been barely study and explore. There are lots of study about Hukou impact on social movements, migrants, or economy (Bie and Zhu, 2003; Yao and Lai, 2004); and research about how gender affects human resource

management (Tan, 2011; Yang, 2011; Lens, 2003). However, the research of how Hukou, the unique Chinese political system, impact on human resource management just has a few. Therefore, it would be very interesting to see how *Hukou* embedded in private company in Shenzhen, if the *Hukou* factor also leads to discrimination in this city.

Due to *Hukou* system is under a process of development and reform, no one knows what will be the future for this system. However, the research of this paper to some extent can provide some evidences on how the *Hukou* impacts Shenzhen private companies' recruitment, to examine if the system leads discrimination towards rural people in this the Special Economic Zone city. Normally, the Special Economic Zone, gives people an impression as an openness and economic developed city. Therefore, the result of this research may give new thoughts on how can China developed its *Hukou* system and what can be the trend.

## 4. Finding

### 4.1 Hukou and Recruitment

Since the purpose of this research is to find out how Hukou affects private enterprises hiring policy in Shenzhen with the main factor campus recruitment, the major and core interview question is simple and clear: when you recruit employees, what is the most important thing you consider? Moreover is *Hukou* an important factor that could affect the final result?

Through eight interviews, they all gave a clear answer to this question. Although respondents are from different industries, the answer to this question is similar: the Hukou is not an important factor for the recruitment. None of them mentioned or indicated they take Hukou in consideration when they evaluate the candidates. Candidate's skills and strengths are the most important thing for them to make the decision. Other factor that may affect the final decision include professional skills, performance during the interview, result of the written examination, or exterior.

For instance, respondent 1 is from an IT company that has been established for more than ten years in Shenzhen. Now it has its own branches in Shanghai, Beijing, Chengdu, Guangzhou, almost in all the big cities in China. According to her, her company has more than 500 employees right now and "*is still recruiting people*". Gender divides as 90% of male and 10% of female. The percentage between local and non-local is 30% local people and 70% of non- local people.

According to her "*When I look at our candidate's CV, I normally don't look at if he or she has a Shenzhen Hukou, it may be the last thing that can decide if we want this candidate. Skills and candidate's achievement is the first thing we look into .The application we asked applicant to fulfill does not ask their information about their household or home town*"

Respondent 2 also IT company with more than 1000 employees, she agreed with

respondent 1. 98% of the employees has bachelor degree, 40% of them has a master degree. Gender ratio is 80% male and 20% female.

Respondent 2 had almost same answer as Respondent 1 towards this core question: *“{...} in our company, we don't care about our employee's Hukou. It doesn't matter where you come from or which Hukou you belong to. We prefer candidate with overall qualities and also their performance at interview. Maybe there are something would also affects the recruitment result, for female candidate, the apperance is also an important factor. These are the things that would affect the final decision, not Hukou.”*

Respondent 3's company is a software and Bluetooth technology provider. Within 110 employees work in this company, 70% of the employees are male. Only 20% of the employees own Shenzhen Hukou. The scale of the company is a small-middle size company. Although the company has already been established for 10 years, they are still developing.

Since the first three companies are all relevant with ICT industry, it is not surprise to see that they have quite similar hiring policy. *Respondent 3: “We look at candidate's capacity and education not where they come from. People in our company are from all corners of the country. Only a few of the employees, about 20%, has a Shenzhen Hukou Therefore, when we looking for new staffs the Hukou is not a vital factor for us to consider about. It won't be a problem for us if they are having Shenzhen Hukou. Contrary, we'd love to see people from other city or other province to apply our company.”*

Companies in the ICT industry require their candidates with strong capacity. All these companies still in their development process, therefore they want more talent candidates to join them. The normal factors affect HRM, like personal connection, and “face” (Warner, 2008), is not been taken in ICT enterprises' HRM, at least not affect the hiring policy.

Respondent 4's company is a manufacturing company. He is also a manager in the company. This company has more than 50 employees work divided in two manufactories and one design department. The major product of the company is design and produce mobile accessories, such as mobile shell, Selfie stick, and so on. According to the Respondent 4, *"95% of the employees do not have Shenzhen Hukou, and the rest of 5%, are all in the management position in the company."*

Moreover, he declares his company doesn't want to hire local people, since it may increase the cost of hiring. The labor market has lots of non local workers and the cost of hiring is much lower than hire local workers. Non local workers can accept the lowest wages, and has fewer requirements than local workers.

This finding give a new and important information that at least in labor-orientation industry, HR may want non local labor because of the less cost. This is totally against previous study (Liu, 2002; Sun, 2009) in which hiring non local cost more than local people. Respondent 4 is not the only one has this statement; other manufactory HR also has similar opinion.

*Respondent 4: "my company is a small size company, and we are a factory. We don't need our workers work with a Shenzhen Hukou. What I am looking for is work experience. I want my workers can start to use the machine immediately, so I don't need to spend time and money on training. Besides, I think I need to pay more if I hire workers with Shenzhen Hukou. I may need to pay other fees like social insurance, medical insurance for this worker. Therefore, I don't want to and don't like to hire local people."*

Respondent 5 is an owner of a plastic product manufactory. They specialize in many sorts of metal and plastic accessories. Most of the workers are male and history of the company is 14 years. In this factory, only manager level staffs own a Shenzhen *Hukou*, all the workers are from the same province, even same village. None of the workers have Shenzhen *Hukou*. In addition, all the managers are relatives to her. This factory

is kind a family-owned factory and has more than 200 workers.

*Respondent 5: "All the workers we hired are from my home town, from Hunan province. People from my home town are famous by endure hardships and be capable of hard work. Moreover, I know all of them, or their parents, who maybe my friends. This is a win-win thing. These people no longer need to work in the field. Now they have a job a big city, they can earn much more than they plant the farmland. I don't know about other industry, but I think in manufactory industry, all the factories are doing the same thing like my factory.[...]about the Hukou, it is never a big thing here. We never care about it."*

Respondent 6 is a HR manager of a food production company. They produce meat production and their market is all over China. This company combines by a research center and a food product factory. The research center has its office in the city center area, and their factory located in Shenzhen eight years ago, however, since 2009 they moved to the city edge, far away from the research center.

*Respondent 6: "the hiring policy is of course for different department in our company. Food production is something you really need to be sure about its safety. Therefore, for the people we want to hire for our research center, we need candidate's professional skill about food. This is the only thing we consider. For the manufacture, the workers of course don't need to be professional. It is funny to hear some said he is a professional worker, right? What we want for the workers is experienced. That is all, no Hukou request, no gender request, only experience."*

To make a short summary for factory companies, they also do not have any requirement about *Hukou*; they prefer to hire experienced workers. Moreover, they like to hire their workers from the same place, maybe owner's home town. This condition fulfill Warner's (2008) study in Chinese company, the personal connection can play an important role in this industry. In addition, the experienced discrimination exists in this industry. Although they didn't say it, it is clearly that they do not want



spend time and money on workers who can't participate in the work and bring benefit to the factory.

Respondent 7 is working in a logistic company. This company's headcounter located in Shenzhen and has branches in Wuhan, Guangzhou, and Dalian. The history of the company is only five years, however, the employees number of the company was not been told.

*Respondent 7: "my company asked our candidates with strong professional skills within logistic or maritime. We have a stable relationship with campus in Guangzhou and Dalian, most of them do not have Shenzhen Hukou, and they have Guangzhou Hukou or Dalian Hukou. Therefore, it doesn't matter what Hukou they own."*

The last respondent, Respondent 8, is from a gaming company, he is also one of the owners of the company. This is a small company with only 9 people. Two of them are the founder of this company, rest are three programmers, one bookkeeper, one art designer, and two are just graduate students are work as apprentice in this company. Most of them have Shenzhen Hukou, only two people, one of the apprentices and the bookkeeper does not have Shenzhen Hukou.

*"We are the homeboy. We love computer game more than any other things. That's why we have this company. Thus, when we hire employee, we want candidate has same passion and interest and skill like us on game. Most of us are from Shenzhen, because we find them from Shenzhen University just they graduate. We didn't do it on purpose."* said by Respondent 8.

To summary up, companies in different industries have different emphasis on hiring employees, however, they have same attitude about *Hukou* system, which is *Hukou* system is not important for their candidates. Enterprises in Shenzhen have different opinion about non local people. Unlike Zhang's research (2010) and Shen and Leggett's study (2014), the *Hukou* discrimination has less affects for private

enterprises in Shenzhen, and these enterprises are friendlier towards non local people.

## 4.2 Campus recruitment

Another topic for this research is campus recruitment. Through the interviews, it has been approved that different companies have different opinions about it. Some respondents claim that they have campus recruitment every year and has already build a channel with campus, however, some companies do not like to go in campus and hire graduate student.

*Respondent 7: “my company likes to hire graduating students with professionalism. We have sign contract with two universities, one in the city Guangzhou and the other in city Dalian. Because these two universities are the top 2 of logistics discipline college in China. We prefer graduating students then people who has job experiences. In logistics industry, the undertake transfer of personnel are very few. Normally, every company would like to keep their employees. Therefore, if one candidate is from other logistics company, he might not be qualified for the job or may have other purposes. Thus we prefer graduating students.”*

She also mentioned loyalty with graduate students, which she believes the graduates have more loyalty than employees recruit from other companies. This finding is against previous research about experience discrimination and Hukou discrimination. It can be understand as logistic industry need skilled employee and this can be found from people who graduate from university. However, Shenzhen does not has such profession, thus companies in this industry have to hire people from other city.

Also for the skill-orientation industry, they would like to have campus recruitment. But most of them like to have the campus recruit in other provinces instead of Shenzhen. Moreover, for a large, prosperous, and developed city, the education provision of Shenzhen is surprisingly limited. The city has only nine local colleges and the enrolled students per year are less than 50,000 – in comparison, the data for

shanghai is 100,000. This situation makes the company difficult to recruit and retain workers. Thus company has to recruit skilled worker they need from outside city.

*Respondent 2: "At least 300 of the employees were recruited by campus recruitment. The campuses distribute in all over China, like Harbin, Chengdu, Guangzhou, and so on. Shenzhen University was also one of the campus recruitment universities, however Shenzhen is the last station, and it was more likely to fill up the vacancy. We don't have the norm for each university."*

*Respondent 1: "The way of recruitment include campus recruitment and social recruitment and inter flow. The main way of recruitment is the social recruitment; most of people are recruited though this way. Next is the inter transition, because sometimes we need a good engineering in a short term or in emergence, but cannot find from the social recruitment, then we would "borrow" from other project program for a while. We do have campus recruitment; however, the number of people that they hire from campus is very small. In this project, there are only 6 people hired from campus recruitment, 4 from the year before last year, and 2 from last year. Besides, college and university in Shenzhen are not good at computer program, so the people we recruit form campus is rear services."*

*Respondent 3: "We are planning to appear on the market. So the company is in a period of stress. We do not have campus recruitment process, all the recruitment is done by online recruitment and interviews. This can make the recruitment process more clear and public. We have campus recruitment long time ago, however for some reason it was cancelled. Staffs we hired form campus was good and qualified, however we can find people with work experience from the social, in which is very helpful for a company like us- small private enterprise."*

Different companies with different goals, requires the human resource manager to have the best way for the company, which leads the campus recruitment has different function for the company. However, the evidence of discrimination in the employment

towards graduates still can be found from the interview with those companies, in which do not have campus recruitment.

*Respondent 8: “my company is a small company. First of all, we are not ready for expand; secondly, even if we go to the campus, I don’t think the students will be interested in my company compare to other huge and famous company; moreover, if we need a new staff, we prefer to have one with job experience that can help us immediately. If we hire a graduate student, we have to training the new one.”*

*Respondent 4: “we don’t have campus recruitment. What we need are workers, not university students. Our job does not require higher education and knowledge.”*

### **4.3 Hukou**

During the interviews, some respondents also told researcher another thing that can proof the argument that Hukou would not affects hiring policies. Some companies said they even help candidates to change their Hukou to Shenzhen in order to keep the candidates interest in their company. Recruitment is a two-way choice, when company is inspecting their candidates, the candidates can also apply several companies. Therefore, if the candidate wants have a Shenzhen Hukou, those companies can help them to have a collective registered residence, which is a type of Shenzhen Hukou, means this person register in the household that belong to the company. However, although some companies can provide such opportunity to help non local employee to change their Hukou to Shenzhen, most of the employees still prefer to keeps their original one.

*Respondent 1: “If our employee wants to change the Hukou to Shenzhen, we can help them to have collective registered residences in our company, so that they would have the same rights that benefit Shenzhen Hukou people, such as social insurance, easy to get a Permit for Proceeding to Hong Kong and Macau. But, basically that’s all. People also can have social insurance in their hometown. And the Permit for*

*Proceeding to Hong Kong and Macau can be apply online now instead of has to apply in the police office where you Hukou belong to, so it does not change much thing. One thing it might be affected, if you want buy an apartment in Shenzhen or a car with Shenzhen license plate, Shenzhen Hukou would provide some benefits.”*

*Respondent 2: “we can provide collective registered residences to who does not have Shenzhen Hukou but want it. However, it doesn’t make much difference. The salary and subsidies keeps the same level. The Shenzhen Hukou maybe only makes them easier to get Exit-Entry Permit for Travelling to and from Hong Kong and Macau, and some subsidies provide by government. The Shenzhen Hukou does not mean much more than other Hukou, and nowadays, people from rural area more prefer to keep their rural Hukou so that they can keep the lands they own in the rural area. The land is more valuable than the Hukou.”*

*Respondent 3: “Employees in my company would like to keep their home town Hukou. Because of only if they keep the rural Hukou, they can keep their land in their home town in rural are. Therefore, for those who own a rural Hukou, they don’t want to change it, the rural Hukou and land worth much more value than a Shenzhen Hukou could provide. Moreover, if the employee is not from rural area, they may have a Guangzhou or shanghai Hukou, then change it to a Shenzhen Hukou would become a weird idea, since these two cities Hukou can give more social benefits to the citizen.”*

*Respondent 6: “Since my company like to hire the graduating student from Dalian and Guangzhou, none of them would have a Shenzhen Hukou. The company would help employee to have a Shenzhen Hukou, however, not much people choose to have a Shenzhen Hukou. They’d rather have Guangzhou or Dalian Hukou instead, even have a Shenzhen Hukou may give them more benefits or rights when they live in Shenzhen.”*

Shenzhen as a unique city with its special *Hukou* system, gives employees who come from outside city more chances to own a Shenzhen *Hukou*, however, the evidence

shows that non local employees do not care about this change, which approves the idea that *Hukou* does not affect the hiring policy for private enterprise in Shenzhen.

#### 4.4 Culture

During the interviews, respondents think culture is one of the reasons that they prefer to hire people from outside if the owner of the company is from outside.

For example, respondent 4 said the owner of this company has Shenzhen Hukou, Respondent 4 himself also has Shenzhen Hukou, but both he and the owner are from the village in *Chaozhou* area. This explain why in his company, most of the workers are from *Chaozhou* but do not possess a *Shenzhen* Hukou. “*Chaozhou has its own special culture, in which is totally different from Shenzhen.*” This phenomena is universal in the factory, they would like to hire people from where a same village or a same area. Usually the area or village is where the owner of the factory comes from. Respondent 4’s company likes to hire people from *Chaozhou* area, Respondent 5 is hire all the workers from her home town. Respondent 6 said his company has lots of workers come from *Dongguan*, The personal connection exists between everyone, and there are some relationships among them. The personal connection can be relatives, phrator, and friends. This would help the owner and manager easier to manage the factory and build trust relation between manager and workers.

For those ICT companies, although they don’t have many workers in the company, they mentioned the culture plays a role that might make Hukou become less important for the company.

“*Company would like to build a diversity environment inside company, especially cultural diversity. Shenzhen itself is a city with cultural diversity.*” Respondent 1 said. “*Shenzhen is a young and new city compares to other three other first-tier cities. When people talked about Shenzhen, they said this city is celebrated for its tolerance and diversity. Moreover, people believe that discrimination exists in other three*

*first-tier cities. The special thing about Shenzhen is Shenzhen do not has long history, its population, in which is the number of local people who has Shenzhen Hukou, is not much compare to other three cities. Although Shenzhen is located in Guangdong province, people in Shenzhen use mandarin the most, it makes everyone can communicate with each other. Not like Beijing people have its own dialogue, shanghai has shanghainess, and Guangzhou has Cantonese. Mandarin makes everyone in Shenzhen could more easier to integrate into this city.”*As the Respondent 2 mentioned, *“Inside Company, most people speak mandarin instead of cantonness during working.”* For these ICT companies, normally all the staffs have at least higher education.

Culture plays important role in HRM is not a big surprise. This phenomena sometimes can leads to discrimination, however, it also can prevent the discrimination in *Hukou* happened.

#### **4.5 Discrimination in employment**

The *Hukou* does not affect enterprises’ hiring policy in Shenzhen; however, there are other factors lead the discrimination in employment in Shenzhen. After every interview, author has made some chat with the respondents and these chat have not been recorded. However, almost all the respondents had said something about discrimination in employment. Gender discrimination, experience discrimination, and area discrimination had been mentioned with different respondents.

It is interesting to hear that respondent admit that the phenomena of discrimination exist within the recruitment, but none of them said anything about *Hukou* system, which gives profile evidence that the *Hukou* has less affect.

## 5. Conclusion

The purpose of this thesis was to find out if and how *Hukou* system affects private enterprise's hiring policies in campus recruitment in Shenzhen, China. As to better understand this social phenomenon, which include the concepts of *Hukou* system, HRM and discrimination in the employment, the study mainly relied on findings obtained from eight interviews with human resource staffs from eight private enterprises in Shenzhen. Previous studies have shown that *Hukou* discrimination in employment exists in China, and it strongly affects companies hiring policies for enterprise in Shanghai, Jiangsu, Fujian,(Zhang, Nyland, and Zhu, 2010; Shen and Legget, 2014) etc. The urban *Hukou* holders find it easier to find a job when they graduate and their salary and subsidy level are higher than non urban *Hukou* holders. But graduate students may also face other discrimination in employment, such as gender discrimination, experience discrimination and so on (Lv, 2014; Guo, 1994; Tan and Chen, 2001) Although all the information and previous findings claim that the discrimination in employment is in a severe situation, this thesis shows that with the unique character of Shenzhen, with its openness and its special development process, graduates in Shenzhen have less affects from *Hukou*. When they looking for job in manufactory, ICT industry, and food industry, they won't worry about *Hukou* will affect the result.

Based on the findings, private companies in Shenzhen have less discrimination in employment based on *Hukou* perspective. Thanks to the *Hukou* reform in Shenzhen, *Hukou* is not a primary factor for these enterprises to consider when they have candidates. It does not mean the discrimination in employment not happened in these enterprises in Shenzhen, but clearly *Hukou* is not a factor. Gender discrimination, experience discrimination, and hometown discrimination in employment may exist in private enterprises in Shenzhen, however, this research do not study these factors.

To make a summary, through eight interviews with eight different companies, it gives



a clear result that Hukou is not an important in Shenzhen private company's hiring policy. Culture and capability are the most important things when companies consider candidates. Besides, not only Hukou is not take in consider in all company's hiring policy, but also some companies use this as a mean to attract candidates. The evidence of discrimination in employment with gender, area, experience, has been proved to exist in Shenzhen, however, the *Hukou* is not the one of the discrimination factors.

*Hukou* discrimination is found in other city, include economic developed city, such as Shanghai. Therefore, this research argues that with right guidance, Hukou system reform, hukou discrimination can be reduced. People from other provinces will get fair treatment in employment.

Campus recruitment was designed as an important factor in thesis, however, different companies have different opinion about campus recruitment, and some of the companies have even canceled campus recruitment in recent years. Thus this research cannot address a clear answer for campus recruitment hiring policy. This may cause of there are only nine college/university in Shenzhen, which may not provide enough skilled labors for society and companies. Thus companies even don't have much choice, they have to recruit labor from outside Shenzhen with non local *Hukou*.

For future study, it can be important to focus on other factors of discrimination in employment, such as gender, experience, area, and age. Considering that Shenzhen has more *Hukou* system reform than other city in China; future studies can look at other cities in China, and compare them with Shenzhen. Focus on other coastal cities, or middle city or western city may also have different result, due to the different economic development and cultural perspective. This research use qualitative method, in order to get HR opinion about *Hukou*, I think further research also can used quantitative method to examine if those companies are telling the truth, for instance, verifying their hiring statistics. The behavior of human is hard to anticipate, although all the HR I interviewed told me that they don't care about *Hukou*, when it comes to a real situation, they may subconsciously choose the local candidates.

The finding also shows a good development trend for the *Hukou* system reform. It is a good thing to see that Hukou is no more a discrimination factor for private companies in Shenzhen. This would be a model for China to continue the *Hukou* reform. This would help other city to reduce the Hukou discrimination when private enterprise recruiting people or even stated-own company recruiting people. Other discrimination has been mentioned, study of those discriminations also can be a topic for further study.

## Reference:

### English source:

Arrow, K. J. (1973), "The Theory of Discrimination", in O. Ashenfelter and A. Rees (eds.), *Discrimination in Labor Markets*, Princeton, NJ: Princeton University Press.

Becker, G. S. (2010). *The economics of discrimination*. University of Chicago press.

Benson, J. and Zhu, Y., 1999. Market, firms and workers: the transformation of human resource manage

Björkman, I., & Lu, Y. (2000). Local or global. *Human resource management in international joint ventures*. In M. Warner (Ed.), *Changing workplace relations in the Chinese economy*, 117-138.

Bryman, A. (2008). *Social research methods*. Oxford university press.

Cartier, C. (2002). Transnational urbanism in the reform-era Chinese city: landscapes from Shenzhen. *Urban Studies*, 39(9), 1513-1532.

Chan, K. W., & Zhang, L. (1999). The hukou system and rural-urban migration in China: Processes and changes. *The China Quarterly*, 160, 818-855.

Cheng, T., & Selden, M. (1994). The origins and social consequences of China's hukou system. *The China Quarterly*, 139, 644-668.

Creswell, John W. (2007) *Qualitative Inquiry & Research Design, Choosing Among Five Approaches*, second edition, Thousand Oaks: Sage

DeSimone, R. L., Werner, J. M., & Harris, D. M. (2002). Human resource development.

Ding, D.Z., Ge, G., and Warner, M., 2005. Evolution of organizational governance

and human resource management in China's township and village enterprises. In: M. Warner, ed. *Human resource management in China revisited*. London: Routledge, 220–236.

Drenth, P. J. (1984). *Research in work and organizational psychology: principles and methods*. *Handbook of work and organizational psychology*, 1.

Ge, G. L., & Ding, D. Z. (2005). Market orientation, competitive strategy and firm performance: an empirical study of Chinese firms. *Journal of Global Marketing*, 18(3-4), 115-142.

Ghauri, P. & Grønhaug, K. (2005). *Research Methods in Business Studies: A practical Guide*. Essex: Prentice Hall.

Hui, E. C. M., Yu, K. H., & Ye, Y. (2012). Housing Preferences of Temporary Migrants in Urban China in the wake of Gradual Hukou Reform: A Case Study of Shenzhen. *International Journal of Urban and Regional Research*.

Kvale, S. and Brinkman, S. (2009). *Inter Views: Learning the craft of qualitative research interviewing* (2nd ed.). London: Sage.

Lecompte, M. D. and Goetz, J. P. (1982) □Problems of Reliability and Validity in Ethnographic Research□, *Review of Educational Research*, 52, pp. 31-60.

Lens, V. (2003). Reading between the Lines: Analyzing the Supreme Court's Views on Gender Discrimination in Employment, 1971–1982. *Social Service Review*, 77(1), 25-50.

Lockett, M., 1988. Culture and the problems of Chinese management. *Organization studies*, 9 (4), 475–496.

Shen, J., & Leggett, C. (2014). The effects of *hukou*(official household residential status) on perceived human resource management practices and organizational justice in China. *Personnel Review*, 43(2), 168-183.

SZ, 2013, [http://www.sz.gov.cn/cn/zjsz/szsj/201306/t20130603\\_2154995.htm](http://www.sz.gov.cn/cn/zjsz/szsj/201306/t20130603_2154995.htm)

Tom Ollerton, 13<sup>th</sup> of April 2015, Instant Messaging 101, accessed on: <http://wearesocial.net/blog/2015/04/instant-messaging-101/>, accessed on: 2015-04-18

Vetenskapsrådet, I. (2002). *Forskningsetiska principer inom humanistisk-samhällsvetenskaplig forskning*

Warner, M. (2008). Reassessing human resource management ‘with Chinese characteristics’: An overview: Introduction. *The international journal of human resource management*, 19(5), 771-801.

Wei, S. J. (1995). The open door policy and China’s rapid growth: evidence from city-level data. In *Growth Theories in Light of the East Asian Experience, NBER-EASE Volume 4* (pp. 73-104). University of Chicago Press.

Wong, G. K., & Yu, L. (2003). Consumers’ perception of store image of joint venture shopping centres: first-tier versus second-tier cities in China. *Journal of Retailing and Consumer Services*, 10(2), 61-70.

Yin, R.K., 2003. *Case study research: design and methods*. 3rd ed. Thousand Oaks: Sage.

Yin, R. K. (2014). *Case study research: Design and methods*. Sage publications.

Zhang, M., Nyland, C., & Zhu, C. J. (2010). Hukou-based HRM in contemporary China: the case of Jiangsu and Shanghai. *Asia Pacific Business Review*, 16(3), 377-393.

Matten, D., & Geppert, M. (2004). Work systems in heavy engineering: the role of national culture and national institutions in multinational corporations. *Journal of international management*, 10(2), 177-198.

Morishima, M. (1995). Embedding HRM in a social context. *British Journal of Industrial Relations*, 33(4), 617-640.

Godard, J. (2002). Institutional environments, employer practices, and states in liberal market economies. *Industrial Relations: A Journal of Economy and Society*, 41(2), 249-286.

Rosenthal, P. (1995). Balancing the Organizational and Institutional Perspective in Research on HRM Change. *British journal of industrial relations*, 33(4), 651-656.

Rosenzweig, P. M., & Nohria, N. (1994). Influences on human resource management practices in multinational corporations. *Journal of international business studies*, 229-251.

Schroder, H., Hofacker, D., & Muller-Camen, M. (2009). HRM and the employment of older workers: Germany and Britain compared. *International journal of human resources development and management*, 9(2), 162-179.

Shen, J., & Leggett, C. (2014). The effects of hukou (official household residential status) on perceived human resource management practices and organizational justice in China. *Personnel Review*, 43(2), 168-183.

Wang, F. L. (2010). Conflict, resistance and the transformation of the hukou system. *Chinese Society: Change, Conflict and Resistance*, 3.

Wang, W., & Moffatt, P. G. (2008). Hukou and Graduates' Job Search in China\*. *Asian Economic Journal*, 22(1), 1-23.

Warner, M. (2000). Introduction: the Asia-Pacific HRM model revisited. *International*

*Journal of Human Resource Management*, 11(2), 171-182.

Warner, M. (2011). Society and HRM in China. *The International Journal of Human Resource Management*, 22(16), 3223-3244.

Zhang, M., Nyland, C., & Zhu, C. J. (2010). Hukou-based HRM in contemporary China: the case of Jiangsu and Shanghai. *Asia Pacific Business Review*, 16(3), 377-393.

Zhu, C. J. (2004). *Human resource management in China: Past, current and future HR practices in the industrial sector*. Routledge.

### Chinese source:

覃伟丽. (2011). *我国大学生就业歧视现象研究 [D]* (Doctoral dissertation, 湖南师范大学).

别敦荣, & 朱晓刚. (2003). 我国高等教育大众化道路上的公平问题研究. *北京大学教育评论*, 1(3), 54-59.

姚先国, & 赖普清. (2004). 中国劳资关系的城乡户籍差异. *经济研究*, 7, 82-90.

郭正模. (1994). “劳动歧视”问题初探. *经济科学*, 2, 71-72.

谭卫华, & 陈沙麦. (2001). 大学生职业意识探析. *福州大学学报: 哲学社会科学版*, 15(2), 95-97.

刘宁, 于基伯, & 周红肖. (2010). 基于经济学视角的女大学生就业歧视分析及对策. *经济研究导刊*, 29, 127.

李莉, & 宋蕾放. (2012). 性别社会资本对劳动力市场性别歧视的经济学影响机制分析. *湖北社会科学*, (10), 67-69.

肖月生, & 刘韵清. (2007). 打破大学生就业的“经验歧视”. *当代青年研究*, (12),

1-4.

张时飞, & 唐钧. (2010). 中国就业歧视: 基本判断. *江苏社会科学*, 2.

凌越, 2014-04-24, 广东户籍就业歧视第一案成功调解 求职者获赔一万元

杨冰洁, & 顾佳. (2010). 女大学生就业难的经济分析. *市场周刊*, (6), 91-92.

陆益龙. (2002). 1949 年后的中国户籍制度: 结构与变迁. *北京大学学报: 哲学社会科学版*, 39(2), 123-130.

刘志华, & 姜瑞云. (2009). 人力资源开发理论与大学生就业指导. *河北工程大学学报: 社会科学版*, 26(3), 78-78.

吕莎. (2014). *大学生就业中经验歧视的经济分析* (Master's thesis, 山西财经大学).

Xiao Jian and Li Shile, 26<sup>th</sup> of July 2011, 深企 37 万家 私企近九成, [http://szsb.sznews.com/html/2011-07/26/content\\_1675263.htm](http://szsb.sznews.com/html/2011-07/26/content_1675263.htm)

深圳市政府统计局, 2012, 人口统计资料  
[http://www.stats.gov.cn/tjsj/tjgb/rkpcgb/dfrkpcgb/201202/t20120228\\_30403.html](http://www.stats.gov.cn/tjsj/tjgb/rkpcgb/dfrkpcgb/201202/t20120228_30403.html)  
[http://www.stats.gov.cn/tjsj/tjgb/rkpcgb/dfrkpcgb/201202/t20120228\\_30381.html](http://www.stats.gov.cn/tjsj/tjgb/rkpcgb/dfrkpcgb/201202/t20120228_30381.html)

中央广播网。(2014), 全国首例户籍就业歧视案原告获赔万余元, <http://news.sina.com.cn/c/2014-08-08/084130651897.shtml>



## Appendix 1 – Basic information of respondent’s company

	Industry	Size	Record	Date
Respondent 1	ICT	Large	Note taken	2015.03.01
Respondent 2	ICT	Large	Audio record	2015.03.05
Respondent 3	ICT	Small	Audio record	2015.03.06
Respondent 4	Manufactory	Small	Audio record	2015.02.27
Respondent 5	Manufactory	Small	Note taken	2015.04.22
Respondent 6	Food	Large	Note taken	2015.04.27
Respondent 7	Logistic	Medium	Audio record	2015.03.19
Respondent 8	Gaming	Small	Audio record	2015.03.24

ICT= Information and Communication Technology

## Appendix 2- Questions of interview

1. Basic information about company: name of the company, industry, size of the company, how many employees, and other basic information.

公司的基本情况：公司名称，所在行业，企业大小，员工数量等其他基本信息

2. How do you recruit employees?

你们是如何招聘员工的？

3. How many employees do you recruit?

你们招聘多少员工？

4. Do you have campus recruitment every year?

你们有校园招聘计划吗？

5. What you expect from the candidates?

你们期望看到应聘者什么资质？

6. What are the major factors when you consider a candidate?

你们最看重应聘者的什么方面？

7. Is *Hukou* playing an important role in recruitment?

户口在招聘过程中的影响大吗？

8. What is effect by *Hukou* in HR section?

在人力资源中，有哪些是被户口所影响的？