
VII. Overview of the PRC's Innovations in Land Expropriation and Resettlement Risk Management Policies

Introduction. With rapid economic development and social change in the PRC, there has been increasing conflict and concern over land expropriation, which has had important impacts on development and on social stability. To resolve conflicts in land expropriation, both the central government and local governments at each level have made considerable efforts within the existing legal framework, supported by research and innovation, in order to develop good practice so as to reform the current system and to provide a sound basis for policy decisions in implementing a new type of land expropriation system and to amend the relevant laws.

A. Rapidly Growing Number of Farmers Affected by Land Acquisition Puts Great Pressure on Employment

Although the State currently has control on the scale of land use, the demand for land from various construction projects is still growing unceasingly because of rapid development, industrialization, and urbanization in the PRC. The demand for land by nonagricultural construction programs is increasing. Therefore, there are a great number of farmers whose land has been expropriated for construction purposes. At present, there are no integrated statistics for the number of farmers whose land has been expropriated, but CLSPI has estimated, based on statistics collected in the last few years, that from 1993 to 2003, the total amount of cultivated land acquired for construction amounted to 1.67 million ha, and the number of farmers affected by land acquisition numbered 36.4 million. That is to say, about an average of 3.31 million farmers are affected by land acquisition annually.

According to the Nationwide Overall Plan and Outline Regarding Land Use, there is still a huge demand on the cultivated land of 1.23 million ha for construction from 2001 to 2010, 90% of which is collectively-owned land that needs to be acquisitioned. Based on the current area of the cultivated land per person and the fact that acquisition of 1 ha of cultivated land will make 21.5 farmers lose their land, approximately 26.5 million farmers will need to be resettled during this 10-year period.

At present, the labor supply each year has reached 12 million whereas there are only 8 million–9 million positions, and farmers in the rural areas that can be transferred are only 5 million–6 million. The farmers affected by land acquisition are a more fragile group than those laid-off. Therefore, how to appropriately resettle the balance 2.6 million, especially how to arrange their employment training, as well as their social security, so as to satisfy the demand on land from industrialization and urbanization, and to maintain the stability of the society, has become a pressing issue.

B. Low Level of Compensation and Imperfect Resettlement Policies and Asset Valuation Method

Apart from the LAL, there is no specified legal basis nor systematic policies and measures for resettling the farmers affected by land acquisition. In other words, there is no effective security from existing policies and regulations for the basic living and the long-term livelihood of the farmers affected by land acquisition.

According to the LAL, the legal basis for land acquisition compensation standards stipulated is too

low to resettle the farmers. The resettlement policies and measures do not have adequate provision to enhance the livelihoods of affected people in law, the policies and measures that protect the legitimate interests of the farmers affected by land acquisition are difficult to constitute, and there is no requirement for prevention of impoverishment risks.

According to the stipulation of the LAL, compensation for acquisitioned land includes compensation for land, resettlement subsidies, and compensation for attachments and young crops. Land acquisition compensation and resettlement subsidies should be six times and 4–6 times, respectively, the average annual output value of the acquisitioned land, calculated on the basis of 3 years preceding such acquisition. The total land compensation and resettlement subsidies will move between the low limit of 10 times and the upper bound of 16 times, with a maximum of 30 times, the average annual output value of the acquisitioned cultivated land calculated on the basis of 3 years preceding such acquisition.

However, in reality, the current compensation standards for acquisitioned land, whatever the lower or upper limits, are insufficient to maintain the original living standards of the farmers affected by land acquisition. If the average annual output value of the cultivated land in the eastern region of the PRC is CNY800 per mu, the total compensation for land and resettlement subsidies will be no more than CNY8,000 to CNY12,800. Even if it is 30 times that stipulated in the Law, the total sum will just be a little more than CNY20,000—a level that equals 1–2 years income of a common civil servant. A majority of underdeveloped regions and infrastructure construction projects adopted the lower limit of the compensation standard for acquisitioned land except for a few developed regions and suburbs of some metropolitan areas. Compensation for acquisitioned land is insufficient to resettle the basic living of the farmers, let alone the training and employment and social security for them. The process of resettling farmers affected by land acquisition will simply go through the formality if compensation for acquisitioned land is not improved.

The Decision on Further Reforming and Strengthening Land Administration by the State Council (promulgated by the State Council No. 2004 [28]) and its matching documents have clearly stipulated relevant issues, such as improving the compensation standard for acquisitioned land, establishing the system for training and employment service for farmers, and social security

system, etc. This has initially addressed some problems that existed in the system for land acquisition.

C. Noninclusion of Resettlement Policies and Measures in Laws and Regulations

Farmers affected by land acquisition are on the front line of rapid industrialization and urbanization in the PRC. Most of them are located in the suburbs of cities, or along the roads, or in the regions where the State is investing in development or provinces for major projects. Their production and livelihoods are beginning to shift toward urbanization and nonagricultural activities.

There is an obvious lag between the speed of acceptance by the township-based enterprises of the farmers affected by land acquisition. Only 30% of the affected farmers realized a change from farming households to nonfarming households. Under the current regulations and conditions, the farmers affected by land acquisition, living in the suburbs of cities, cannot be absorbed by township-based employment and social security system until they acquire the household registration of the towns. But the figures based on field survey showed the following facts. In Tianjin city, only 9.5% of the farmers who lost their land realized the move to household register of the city. In Shandong province, 70–80% of the farmers have their land acquisitioned but still remained as farmers, only 20–30% of them became residents of towns. In Hubei province, 70% of the affected farmers still remained as registered farming households. In Zhijiang city, 50% of the affected farmers realized the change to town-based household register, while the other 50% remained as farmers. If there are no proper policies and measures to provide long-term legal protection for such a huge social group in terms of employment and security, some severe economic and social problems may arise.

D. Existing Resettlement Policies and Measures for Affected Farmers Cannot Ease Post-Resettlement Group Risk

At present, there is a diversification trend regarding the employment and economic source of farmers affected by land acquisition. Their employment sources are more flexible than before. The five main employment strategies are as follows: (i) work out of home, (ii) continue to engage in farming, (iii) remain unemployed and stay at home, (iv) resettle and become

employed (for a minority of farmers), and (v) become self-employed and engage in the secondary and tertiary industries. Some of those who continue to remain in farming have intensified their production, although the fear of future land readjustment acts as a disincentive to investment in farm intensification.

For a majority of farmers affected by land acquisition, losing the land means losing the most basic and stable livelihood, even though incomes are often lower than urban levels. In other words, land acquisition means they will face unemployment risk. A small proportion of farmers affected by land acquisition are in a “Four No” status—no land, no job, no security, and no capital for establishing business. Worse, employment for nonfarming people is also difficult. When all the farmers in a village group lose all their land, or lose a large proportion of land while the remaining portion is not enough to maintain basic living, the impoverishment risk of the affected farmers is transformed into a group risk.

Income restoration measures for farmers affected by land acquisition can include the following aspects: First, all types of compensation for acquisitioned land and resettlement: it is a kind of one-off income. Second, fixed wages: the farmers get jobs and fixed wages through resettlement by governments, or in village-owned enterprises, the enterprises that acquisition the land, and the township-based businesses, and so forth. Third, collective subsidies: some well-off villages will give their villagers subsistence allowances. Fourth, farmers find jobs on their own and earn an income: the research shows that more than 50% of the affected farmers largely depend on running individual and private businesses, or engaged in the service industry, or going out of home to seek jobs to survive. Fifth, some of the farmers depend on house renting. Sixth, for those farmers who are living a difficult life after land acquisition and are transferred “from farming to nonfarming” households, they often experience the least secure livelihoods in the location. Seventh, some of the farmers who take part in the old-age social insurance system of the towns and villages are able to access social insurance. Eighth, income from farming the remaining land: if the income from all these sources is not enough to sustain their basic living, the individual risk of the farmers affected by land acquisition will further change into a group risk.

Although individual risk may be eased by traditional family or social relief, the group risk can only be resolved by perfecting policies, establishing

systems, and strengthening laws and regulations. This is an important rationale for the improvement of policies and systems and the drafting and adoption of new laws and regulations.

E. Analysis of the Impoverishment Risks of Affected Farmers

Michael Cernea's analysis of involuntary resettlement over the last 15 years has resulted in an extremely useful and insightful impoverishment risks and reconstruction model (RRM) which aims to explain why resettlement leads to impoverishment in many cases, and what measures need to be taken to address impoverishment risks. The impoverishment risks or impoverishment subprocesses include:

- (i) *Landlessness*. The loss of land has a serious impact on resettlers' agricultural production and income, business activities, and daily lives.
- (ii) *Job insecurity*. It is a difficult and expensive undertaking to provide new jobs for the unemployed. Therefore, unemployed resettlers have to suffer for a long time before they can get a new job.
- (iii) *Loss of homes*. The loss of homes marks a dramatic decline in living standards. For many people, it is a serious outcome. From a broad perspective of culture, the loss of home implies the loss of one's own cultural space, in the wake of which a feeling of segregation is a result.
- (iv) *Marginalization*. Many resettlers find no scope in the new environment to use their previous skills, and they are unlikely to be compensated. Involuntary resettlement is regarded as a degradation of social status that upsets people, makes them feel frustrated, and can even lead to abnormal behavior.
- (v) *High rate of illness and mortality*. The serious decline in health is caused by factors, such as social pressure rising from development, instability, psychological trauma, and disease infection in the process of resettlement.
- (vi) *Food insecurity*. In some extreme cases, resettlers may be prone to malnutrition.
- (vii) *Loss of access to communal property*. For the poor, especially for those who have no land or other assets, they lose their access to communal property or infrastructure facilities,

which leads them into difficult income and living scenarios. Even worse, sometimes local governments refuse to provide compensation for them.

- (viii) *Disintegration of social organization* (social disarticulation). Involuntary resettlement disrupts the existing social structure: it makes the social groups and social organizations more loosely related and estranges relatives. The mutual supporting relationship network, harmonious small groups, and voluntarily organized service groups are broken.

The loss of land, job insecurity, and poor long-term guarantees of livelihood are the major risks facing land-loss farmers. Since data and information on other risks are difficult to collect, the report has focused on the risks of the loss of land, job insecurity, and marginalization, especially for vulnerable groups, such as the poor and the elderly. Where reemployment is not feasible for APs, there should be long-term income guarantees. However, the eight risks in the model do exist in PRC's land acquisition and resettlement

F. Impoverishment Risks and Land-Loss Farmers in the PRC

1. Affected Farmers by the Amount of Land Acquisition

The farmers affected by acquisition fall into three categories according to the amount of land that has been acquisitioned:

- (i) *Category I, farmers whose land was totally acquisitioned.* Most of them live in the suburban areas, and some of them live in the rural areas, such as those who lose all of their land because of reservoir construction. Experts estimate that farmers whose land was totally acquired accounted for 35–40% of farmers whose land has been acquired. A survey conducted in the Guangxi Zhuang Autonomous Region found that farmers whose land was totally acquired accounted for 35% of those whose land has been acquired.
- (ii) *Category II, farmers whose land was largely acquisitioned.* They have a little land left for cultivation, and they are still registered rural residents. They may live in the suburban

and rural areas. A survey conducted in the Guangdong Zhuang Autonomous Region found that farmers whose land has been largely acquisitioned and have per-capita land area of below 0.5 mu accounted for 38% of farmers whose land has been acquisitioned.

- (iii) *Category III, farmers whose land was partially acquisitioned.* They are still registered rural residents. These people are mostly living in the rural areas, and their land is acquisitioned due to infrastructure construction, such as transport projects.

2. Impoverishment Risks of Affected Farmers

Farmers of different categories are burdened with different risks. Their impoverishment risks can be divided into the following aspects:

a. Loss of income

The loss of income as a result of losing the land, which is a key asset in rural livelihood strategies, is a major problem confronting resettled farmers. This loss is particularly severe when land-loss farmers have no other secure income sources.

Generally speaking, income loss for farmers affected by land acquisition increases in severity over time. At the initial stage, most resettled farmers may live a reasonable life since they receive a one-off compensation payment. For some, this payment may be sufficient to pursue livelihood strategies that provide an additional source of income. However, with time their living conditions may decline, including the individual health status and the ability to seek employment and development. Farmers, especially those whose education or skill levels are lower or those who lack the capacity for adapting to the social transition, or have no planned consumption, or lack the capacity of seeking employment opportunities or establishing their own business, tend to gradually fall into poverty.

From the perspective of regions, in developed regions, land acquisition is an opportunity for most farmers but a worry for a minority of farmers. In developed regions, there are currently plenty of employment opportunities in the secondary and tertiary industries. For example, some farmers affected by land acquisition make use of the compensation to run small shops, or to build houses for renting, or to buy vehicles to engage in transportation. These are all good ways

to make money. Some village collectives make use of compensation to run businesses or to build factories to rent, which increase their earnings. All in all, the loss of income from farming has no significant impact on the gross income because the income from farming only accounts for a rather small proportion of gross income. On the other hand, the income from trading or industry is higher than that from farming; therefore, the affected farmers will enjoy a higher income level on the whole. However, in most underdeveloped areas, the overall income level of the farmers affected by land acquisition declines and the income gap becomes bigger. Farmers whose land is totally or partly acquisitioned may fall into absolute poverty. Even farmers in the same region have obvious differences in income.

From the perspective of expenditure, the growing item of expenditure is for personal consumption among the farmers affected by land acquisition. The hard expenditure is not only for water, electricity, and coal, but also for agricultural products, such as foodstuff and vegetables, which are previously available on subsistence basis, often with some surplus. Moreover, due to the increased consumer prices after land acquisition, in most regions the living expense per person generally increases by 30% compared with that prior to land acquisition.

From the perspective of the purpose for land use, land acquisition for town construction, especially for commercial use, will allow a higher compensation standard and create more reemployment or self-employment opportunities, and the affected farmers would be less likely to become poor. But land acquisition for building infrastructure (such as railway and road) or public interest, or for building reservoir or agriculture purpose, the compensation standard is very low; thus, the affected farmers will be more likely to fall into poverty or face impoverishment risks.

Therefore, farmers who lose a majority of their land suffer the most from income decline due to land acquisition and those who lost a small portion of their land suffer the least.

b. Employment difficulties

Employment difficulties caused by land acquisition are mostly manifested by two aspects:

- (i) *High unemployment rate.* Employment difficulties can be seen in higher jobless rates among land-loss farmers. At present, land-loss farm-

ers are mostly resettled with cash payments and are obliged to find employment in the marketplace. However, as land-loss farmers are generally poorly educated, poorly skilled in nonagricultural labor, and are a vulnerable group within the labor market itself, employment after land-loss is their greatest difficulty. This is also a considerable problem for local governments.

- (ii) *Insecure employment.* Surveys found that most land-loss farmers secure a living through finding jobs in cities, or else through finding jobs in local rural enterprises, finding temporary and casual employment, or becoming self-employed, typically selling goods as a market or street vendor. But generally, in most instances, such employment is unstable.

The few land-loss farmers, who are fortunate enough to be employed in local rural enterprises, also face high risks of unemployment. There is often severe competition for jobs in local rural enterprises, yet such enterprises are often economically uncompetitive in the market, and so are susceptible to closure, with further unemployment. In terms of unemployment after land-loss, often those land-loss farmers in the suburbs of towns and cities face lower risks due to availability of more opportunities for lower-grade, unskilled nonagricultural employment. However, in cities with slow economic growth, land-loss farmers face a high risk of unemployment or low wages.

c. Job insecurity and poor long-term guarantees of livelihood¹⁹

Given the speed and extent of change within Chinese society, existing social provision has faced considerable challenges and, in particular, a system of social security for farmers has not yet been established, and the social welfare of farmers continues to be dependent on previous arrangements. In fact, throughout a period of profound change, access to land of a viable size—inside or outside of collective farm units—has been the most stable guarantee for the long-term well-being and livelihood of people in the rural areas. Thus, after land is acquisitioned, how to

¹⁹ In the PRC, social security systems have just started to be set up in cities and do not cover the rural areas. Farmers have not enjoyed the benefits brought by social security systems. But as members of village collective economic organization, farmers will get a piece of land and get steady earnings from it. Although land ensures subsistence for farmers, this is decided by Chinese internal conditions.

establish a long-term livelihood for land-loss farmers has become the key issue. In recent years, some local governments have begun to establish social security systems for land-loss farmers, with distinctive results. But for most land-loss farmers, their greatest worry is that their futures and livelihoods are now chronically uncertain. Most land-loss farmers do not participate in any insurance programs. And at the same time, they have no medical insurance. Many land loss farmers enjoy neither rural cooperative medical insurance nor medical insurance for urban workers. If they are ill, they face an acute crisis. Besides, vulnerable groups, such as the elderly, the disabled, women, and the poor, deserve special attention.

The summary of the extent of risks facing farmers with different degree of land-loss is shown in Table 6.

In terms of the degree of risk, full land-loss farmers face the highest risks of impoverishment, followed by farmers in the rural areas who have little land left, while farmers in urban suburbs who have a little land left face lower risk. Land-loss farmers who retain more land face the lowest risk.

In terms of the degree of stability, those in the urban suburbs and rural areas who lose only a little land live the most stable life. Those in urban suburbs who lose most land but still retain a little arable land live a relatively stable life. Those farmers in rural areas who lose most land live a relatively unstable life, and those who lose all land face the most uncertain future.

G. Explaining Impoverishment

1. Land Dependency

Successful income restoration contributes not only to pension or income from land loss compensation, but also contributes to the income generated from secondary or tertiary industries, which are less dependent on land. Those whose incomes suffer the greatest decline are those who have a high dependence on land, and once this important resource is lost, and in the absence of new income sources, they are likely to see their income decline sharply. Some affected people, such as the disabled or senior citizens in particular, may even find themselves plunged into extreme poverty, living off meager compensation, and unable to secure alternative sources of income.

Farmers whose income comes mainly from nonagricultural sources tend to be in a stronger position and evidence suggests that this affected group may see their disposable income rise and consumption increase significantly faster than the average. For farmers who work on land allocated by the Collective, and who can work in companies especially set up by the Collective after their land is taken, their income and consumption are less likely to decline. But for farmers who rely on land for basic living, land loss takes a much heavier toll on their welfare.

Table 6: Degrees of Risk for Land Loss Farmers

Category		Reduction of Income	Difficulties with Employment	Fewer Long-Term Guarantees of Livelihood
Full land loss	Urban suburb	XXX	XX	XXX
	Rural area	XXX	XXX	XXX
Most land loss	Urban suburb	XX	XX	XX
	Rural area	XX	XXX	XX
Less land loss	Urban suburb	X	X	X
	Rural area	X	X	X

XXX = High risk; XX = Medium risk; X = Low risk.

Source: Prepared by CLSPI.

2. Lack of Employment Training and Low Social Security Assistance

Many factors contribute to impoverishment risks arising from land acquisition, but the lack of employment training and social security system are foremost causes of poverty.

When farmers' income is not enough to cover their basic living after their land is totally or partly acquisitioned, the key to preventing impoverishment risk is to reemploy the new nonfarming people in order to provide a new income source. This requires a big career change from farming to nonfarming. To accomplish this, it is impossible to be employed without being trained. Without adequate skills or training, it is inevitable that some of the farmers affected by land acquisition will suffer employment difficulties or low-quality employment, having no income or only a low level of income, and then plunging into poverty because there is no proper employment training mechanism for them. As for the farmers who are old and unable to work, they will surely be driven to poverty if no social security system catering to them is established.

3. Differential Treatment of Land-loss Farmers based on Gender, a Hidden Culprit for Poverty

In terms of gender, failure to guarantee the interest of female farmers in land acquisition has led to gender-based poverty risk, since land was also a major source of income and living security for women who became urban citizens. In the process of extended land contracting that began in 1998, such gender discrimination came to the fore, as some regions might allot land proportionally to men and women while some other areas failed to give due shares to women in practicing reallocation of landholdings. Because the land policy remained unchanged for 30 years, when a woman married, she lost her entitlement to a land allotment and, in addition, her original share in her mother's home/land was also taken. As a result, many women found themselves deprived of any land under their name. In addition, despite the appreciation of land values in suburban areas and better treatment for resettled villagers, many women were still deprived of such benefits since their "registration" was forced to change or was suspended. Thus, the average income of such women is lower than that of men in the rural areas.

Women's interest was hurt because their mobility, which resulted from marriage, is not matched by the

change in their title to land rights. In addition, the stable land policy, advocating land area stability despite shift in population and permitting little adjustment, puts women at a disadvantage when it comes to their rights, despite the fact that such arrangement helps ensure social justice. What is more, gender bias among folk practice has also deprived many women of their right to own land. Given these reasons, gender-based poverty risks and differentiated treatment deserve greater attention.

H. Analysis of Current Resettlement Policies and Practices for the Prevention of Impoverishment Risks

In practice, the policies for resettlement of farmers after land acquisition by the Government centers mainly on a number of basic resettlement modes, such as (i) cash compensation, (ii) employment compensation, (iii) resettlement in farming, (iv) resettlement through land reallocation, (v) housing compensation, (vi) social security compensation, etc. At present, cash compensation is the main method and the resettlement mode is often single. Other resettlement modes, such as social security, are only applied on a very small scale and have only recently been introduced. To sum up, current compensation and resettlement methods are at a low level and are generally ineffective in solving problems, such as basic living, employment, business establishment, social security, etc., for the farmers affected by land acquisition (see Table 7 for comparison of the resettlement modes).

The above problems may be resolved by adopting positive employment promotion policies and establishing corresponding social security systems, which are drawn from international experience and some preliminary trials in the PRC. Therefore, to perfect the policies and measures on resettlement for the farmers affected by land acquisition, the authorities not only need to pay attention to the combination of cash resettlement, employment (employment and skills training) resettlement, farming resettlement, land-reallocating (land-for-land) resettlement, housing resettlement, social security resettlement, etc., but should also identify the orientation of the policy—giving highest priority to employment promotion and social security resettlement. This aims to avoid the limitation and negative effects that all the resettlement modes may bring about and to achieve the objective of the policy, that is, to resettle the farmers affected by land

acquisition. There are advantages and disadvantages in current resettlement policies and measures:

1. Cash Compensation/Self-Resettled

Cash compensation is the primary method currently in use. It gives resettlement subsidies and sometimes partial or total land compensation to affected farmers as a one-time cash payment, allowing them to restore their livelihoods all by themselves. Over recent years, the traditional employment resettlement methods are no longer welcomed by farmers and land users, but it is difficult to arrange and provide no long-term guarantee. Therefore, the cash compensation method is the most favored option for 90% of the construction land-use programs submitted for the approval of the State Council. According to the 2002 survey conducted by MLR in 16 provinces (cities, districts) from 2000 to 2001, 60%–80% of the resettlement of affected farmers is based on this method. The proportion in Tianjin, Zhejiang, Shanxi, Guangdong, and Hebei is more than 90%. The proportion in Shijiazhuang, Harbin, Hefei, Lanzhou, and Nanning is as high as 100%.

Cash compensation has the advantage of being easy to administer and is accepted by farmers. It is suited to young people and farmers who are working out of home, but not so favorable to groups between 45 and 60 years old or to farmers with low-level labor skills. It is applicable to the developed coastal area but not to the underdeveloped mid- or western region. Under the current social conditions, it is rather difficult for the farmers affected by land acquisition to seek jobs by themselves. In some developed regions, farmers may find jobs in thriving secondary or tertiary industries. But in the underdeveloped regions, the farmers' basic living, employment, business establishment, and social security cannot be radically changed as farmers become landless after land acquisition and the compensation for acquisitioned land is rather low. The farmers affected by land acquisition, who have limited options in terms of production and living, are all concerned about their living and their offspring because the cash compensation is not enough to cover their basic living and long-term livelihood.

2. Employment Resettlement

Employment resettlement is not used so often. Arrangements are made for affected farmers to work for enterprises that used the land or others that need

labor, and the resettlement subsidies are paid to such enterprises. Some places in Shanghai adopted this method. From 2000 to 2001, about 13.7% of the work force comprised those affected by land acquisition and were employed by land users.

One advantage is that it guarantees timely employment for the farmers and a relatively secure income. But with the establishment of the socialist market economy, the domicile system, and the reform of the employment system, the original employment resettlement and the transformation method "from farming to nonfarming" have lost their functions and meaning in practice. As a consequence, the farmers—who have less education and typically have no marketable skills—are in an extremely vulnerable position in the increasingly competitive urban labor market. They are vulnerable to being laid off and have to suffer unemployment and poverty even if they are employed for a short time. There is obvious limitation to make use of some town- or village-run enterprises to implement employment resettlement. On the one hand, the limited capacity of town- or village-run enterprises makes it impossible for them to solve the employment problem for a large number of farmers affected by land acquisition. On the other hand, town- or village-run enterprises are vulnerable to competition and subject to bankruptcy, which is more likely to lead affected farmers to unemployment and poverty again.

3. Farming Resettlement

Farming resettlement is an important method in addition to cash resettlement. Affected farmers can again obtain land through land readjustment among collective economic organizations that receive land compensation and subsidies.²⁰ The survey conducted by MLR shows that this method is popular in less-developed regions and areas with more per-capita cultivated land, such as in Guangxi and Gansu, where a significant amount of land readjustment has been done.

²⁰ Under the *Law on Rural Land Contracting of the PRC*, chapter 27, within the validity term of a contract, the party that gives out a contract must adjust the contracted land. In special conditions, the adjustment of land contracted shall get the consent from over two thirds of the majority of the villagers' congress or over two thirds of villagers' representatives and then be submitted to the township people's government and the administration department of the people's government of the county for approval. Actually, farmers whose land is acquired for projects, such as building speedway or railway, will be resettled by means of adjusting their contracted land (existing farmland is reassigned to affected farmers by taking some land allocated to unaffected farmers) when the number of affected farmers is small in collectives where per-capita arable land is higher. This resettlement method is against the law.

Land acquisition for infrastructure construction and for township development will have a higher rate of land readjustment because there is usually an adequate amount of farmland remaining in the affected villages.

Farming resettlement policy is constrained by overpopulation and paucity of land resources. It can only be achieved through land readjustment. Moreover, it may lessen the income of all the farmers and, thus, affect the implementation of the policies and measures. Only in the northeast PRC—where reasonable land resources are available—is farming resettlement feasible.

4. Shares Resettlement

One method involves the payment for land acquisition, including land compensation and resettlement subsidy, being invested collectively in the form of shares to develop and expand the collective economy, and then provide employment opportunities and living guarantees in the form of dividends for the farmers affected by land acquisition. Another method would enable the farmers to participate in the allocation of profits and realize their interests in land through capitalization and joint stock system on the basis of cooperation on land-use right after land acquisition. It is notable that the market risk and the operation risk are unavoidable regardless of the investment method, the scale of the enterprise, or the situation of the industry. Most of the land compensation is used for building houses and buying machines to establish businesses in most regions. But such enterprises frequently suffer heavy losses due to their poor operating skills and severe market competition. Moreover, once the enterprises close down, the village collective may not have accumulated assets, and may even be in heavy debt and cannot assist the farmers.

5. Housing Resettlement

After acquisition of collective land, multistorey buildings are constructed under the standard of modernized residential areas in cities for the farmers in the borders of towns and counties. This not only resolves the settlement for farmers affected by land acquisition but also allows them to rent their spare house(s) to increase income, accelerating the transition process from farmers to urban citizens. It is one of the effective ways to resolve the settlement problem for affected farmers.

6. Land Reserve Settlement

In addition to cash compensation given to farmers affected by land acquisition, a proportion of land assigned for nonfarming construction purposes should be reserved for collective economic organizations to conduct business or land development so as to resettle affected farmers.

The land reserve resettlement method emerged first in the special economic region of Shenzhen at the beginning of the 1990s. At that time, Shenzhen was facing the problem of how to turn the land in the special economic area into state-owned land. It proved to be a success. Currently, this resettlement mode has been adopted by most of the suburbs around large cities or developed areas mostly in domestically funded projects because the land property industry is developing fast and the land prices are generally higher. The reserve land retained typically accounts for 5–10%, or even as high as 15%, of the total acquisitioned land. Local government will adopt beneficial policies for the retained reserve land, including (i) allowing the development of second and third industries, (ii) returning most of the remise income,²¹ and (iii) reducing or eliminating taxes or charges. It permits affected farmers to retain certain pieces of land for commercial development, which is highly profitable. It may help the affected farmers with direct employment by developing the second and third industries. It may also provide security to all villagers through expanding the collective economy.

7. Social Insurance Resettlement

Social insurance resettlement has emerged in relatively developed provinces and cities and has been useful in paying for old-age insurance and medical insurance. The land compensation and resettlement subsidy is used to purchase insurance, gradually building a social insurance system for affected farmers. Zhejiang and Jiangsu provincial governments put in place policies last year to establish basic living allowance system for land-loss farmers. Shanghai, Chengdu in Sichuan, and Jiaying in Zhejiang also adopted social insurance resettlement successively. Since 1990, Jiaying has provided old-age insurance, job-seeking fees, and land acquisition information brochures to those affected

²¹ After a piece of collective ownership land has been expropriated into state ownership land by the Government, it can be used for the purposes of economic construction when the users have paid an amount of money to obtain the land-use right called land transfer price (to the Government it means remise income). The remise income can be regarded as income from land rent obtained by the Government.

farmers who have been converted to urban residents. They have been incorporated into the social insurance system for urban residents and secured a basic living allowance.

The establishment of this mechanism for farmers to share the fruits of industrialization, urbanization, and modernization is really a good strategy. But this resettlement mode needs to deal with the farmers' short-term (e.g., transition subsidies for unemployment, training, education, and medical costs) and long-term living (e.g., old-age pensions, welfare, and medical costs); for young adults, the emphasis should still be on employment resettlement. It also requires that the local governments have enough economic strength to sustain the programs. Issues to resolve include what level of insurance should be provided for the affected farmers, and what level can be provided for them in practice. Such problems have emerged in the process of establishing a sustainable system and need to be further studied systematically.

In conclusion, under the increasing economic competition and the rising higher economic risk, employment training and social security for the farmers affected by land acquisition must be taken into consideration in deciding the type of resettlement compensation. Employment training and social security for the affected farmers will provide institutional guarantee for their transformation from farmers to urban citizens.

I. Recommendations to Improve Resettlement Policies to Address Impoverishment Risks

1. Employment Promotion

Expand employment opportunities and provide a range of compensation and resettlement assistance options for affected farmers according to the employment policy for the unemployed and establish an employment promotion policy appropriate for affected farmers.

Opportunities should be explored to improve the employment opportunities of communities to meet the real-life demand from the labor market and the township-based residents. Assistance should be given to affected farmers for reemployment to benefit the development of the city and improve the living standards of residents through unifying the reemployment of the affected farmers with other issues in the cities, such as afforestation, environmental protection, sanitation,

transportation, and service facilities for the public. This can be achieved in part by pursuing a range of reemployment strategies. Reinforce the promotion and education on the concept of equal employment and encourage affected farmers to obtain employment in a nonfull-time system (nonfixed unit and in a part-time, season-based, and flexible work system).

Help the affected farmers who are unable to find jobs to obtain contracts on high-value market gardens (e.g., vegetables, flowers, seedlings, herbs, etc.) so they can continue to engage in farm production and fully utilize their skills.

The Government should bring the affected farmers into the policy coverage for microcredit or loans in order to provide favorable policy for their reemployment. The authorities, including the commercial and industrial department, the civil construction department, the taxation department, and the finance department, should help the affected farmers in such things as providing small loans and favorable taxation, etc. when they establish their own businesses, or seek employment by themselves, or organize a group to seek employment. This aims to gradually improve their living standard. The policy of microcredit or loans has been implemented for many areas. The farmers affected by land acquisition should be targeted in applying this favorable policy as soon as possible in order to improve their enthusiasm and the success ratio in self-employment attempts and independent job hunting.

Establish the financial security mechanism for the reemployment fund. The reemployment fund is so crucial an element of public finance that the finance departments at all levels should adjust the fiscal expenditure structure and increase the contribution to the reemployment funds to gradually guarantee the system.

Reinforce training for reemployment skills and strive to expand the training available in establishing businesses. Provide technical training at all levels with the emphasis on relevance to market conditions, practicability, and effectiveness, which should be based on innovative training and work mechanisms, as well as the employment need and structural change of the labor market. Encourage all persons to participate in reemployment training and inspire their enthusiasm; make more effort in training on establishing businesses, provide necessary training on the basic knowledge and needed abilities for the qualified farmers affected by land acquisition to foster a group of small-business

Table 7: Comparison of Different Resettlement Modes

Resettlement Mode	Content	Advantages	Disadvantages	Conditions and Targeted Regions
Money Resettlement (Cash Compensation)	Resettlement subsidies (sometimes including all or part of land compensation fee) are paid in lump sum to land-loss farmers for them to find their own means of livelihood.	Easy to operate; more acceptable to the affected farmers	Not enough to cover their basic living and long-term livelihood	Suited to young people and farmers who are working out of home; suited to the developed coastal area
Employment Resettlement	Land-loss farmers are employed by the new land users; resettlement subsidies in land compensation are paid to the new land users.	Guarantees timely employment and relatively fixed income for the farmers	High risks of suffering from unemployment and poverty even if farmers are employed for a while	Rarely used
Farming Resettlement	Land from inside of the collective economic organization is adjusted for land-loss farmers to obtain land from within the same location. Accordingly, land compensation and resettlement subsidies are retained inside the collective economic organization.	More acceptable for the affected farmers as they can continue to retain some fields	Land area is limited; contradicts the Rural Land Contracting Law	Applicable in under-developed areas and in areas where per-capita land is relatively adequate
Shares Resettlement	Payment for land acquisition, including compensation for acquisitioned land and subsidies for resettlement, will be invested in the form of shares and in a way of concentration and unification. On the other hand, the farmers can participate in allocation of profits through capitalization and joint-stock system based on cooperation on land-use right after land acquisition.	Reduces the short-term financial pressure of the Government; retains or provides long-term revenue for land-loss farmers	Unavoidable market risk and operation risk	Applicable in acquisition projects that can yield stable and long-term returns
Housing Resettlement	Multistorey buildings are constructed using standards of modernized residential areas in cities for farmers in the border of towns and countries.	This provides the settlement for land-loss farmers and also allows them to rent their idle house(s) to increase revenue	Uncertain legitimacy for the farmers to rent their houses	Applicable in the suburbs
Land Reserve Resettlement Social Insurance Resettlement	In addition to cash compensation, certain proportion of land or nonagricultural land for construction usage will be retained and allocated, according to land usages decided by city planning, to land loss collective economic organizations for development and operation or resettlement of land-loss farmers.	Provides jobs for some land-loss farmers by developing secondary and tertiary industries. Stronger collective economy can also provide multifaceted social security for the affected farmers	Limited application scope; hard to coordinate the usage of the retained land with overall city planning; detrimental to the rational usage of urban land	Applicable in suburb and relatively developed regions
Social Insurance Resettlement	Subsidies for resettlement, all or part of land compensation fee will be used to buy social insurance, such as old-age pension, unemployment insurance, and medical insurance, for land-loss farmers.	Allows the farmers to share the fruits of industrialization, urbanization, and modernization	Balances the relationship between short- and long-term livelihoods	Applicable in relatively developed regions

Sources: Prepared by CLSPI.

entrepreneurs and independent job hunters, thus drive more affected farmers to realize reemployment, and then form positive interaction among training, business establishing, and employment. Strengthen the relevance of the self-employment training and combine it with business-starting instruction, microcredit or loan, and taxation remission and provide continued support in order to set up a unified service for the affected farmers and help them to establish businesses successfully. Areas where conditions are most favorable may be set up for establishing businesses.

Make more effort in providing reemployment service and optimizing the employment environment. The employment security departments should offer free employment introduction and instruction for the farmers affected by land acquisition, continually expand the function of employment service and strengthen its agent role in the employment security issues. The public employment agencies should provide unified services that can facilitate the farmers in a true sense once they enter into an agency. These services include information inquiry, application register, employment instruction, training appraisal, archives trusteeship, and continued social insurance. Strengthen the design and administration of the labor market. Form the multitiered and comprehensive normative employment service network with reasonable layout and multipurpose in order to provide all kinds of timely and effective employment information for the laborers. Standardize the behavior of the employment agency. The employment security department, public security department, and industrial and commercial department should make more effort in law execution and inspection and resolutely investigate and prosecute illegal labor market, make full use of the bridging role of the market in employment, and protect the affected farmers' legitimate interests in the process of job hunting. Strengthen the construction of the fourth-grade employment security system and the stipulated six aspects that should be "in place", including agency, personnel, funds, venue, system, and work, as soon as possible.

Establish and perfect the reemployment support mechanism to help the affected farmers in difficult conditions to get reemployment. The support mainly targets the "40/50" featured persons (female: 40 years old and above; male: 50 years old and above) and families in which the couple are both unemployed in an effort to ensure at least one of them is employed. Therefore, the survey on the people in difficult conditions must be conducted carefully.

Further, find out the scale and the basic information of the 40/50 featured persons and unemployed persons, build up tracking service system, adopt "one person, one card" administration pattern, achieve "five clearness", that is, to be clear about the family, the employment inclination, the technical level, the income level, and the employment destination, and establish classified account according to their employment inclination, age, technical level, and so on. Strengthen the relevance and practicability of reemployment. Provide the people that have difficulties with unified service, including policy enquiry, employment instruction, employment introduction, technique training, and labor security issues acting service; increase the nonprofit undertakings. Increase the undertakings according to the characteristics and the demand of the people with difficulties. The "40/50" featured people and unemployed persons will be first assisted for employment in the nonprofit undertakings funded by the Government; expand the long-term stable reemployment assistance base and fulfill the relevant preferential policies.

Establish and implement a nationwide training program for the farmers affected by land acquisition, integrate training resources, innovate training method, and improve training quality. Set up the television-based (remote) nationwide training program and practice the "sunshine" project focusing on transition training, the nationwide training program for skilled workers, on-the-job training program for the affected farmers and consummate relevant policies with a target on the farmers affected by land acquisition based on their different training needs.

2. Establishment of a flexible social security system

Provide old-age security for affected farmers. The precise process for delivering such social security assistance can be worked out based on the prevailing conditions in the PRC, the phase of development of the social security system, and the state of affairs of the affected farmers. And finally, a flexible old-age security system should be established, which should be in line with PRC's national conditions, focused on individual AP's accounts with reasonable security and flexible payment method, transferable, adaptable, and widely applicable.

At present, the flexible old-age security system is not a theoretical assumption anymore—it has been put into practice. The innovative village-based, old-

age social insurance system in the Daxing district of Beijing city is an attempt to implement a flexible old-age security system. The Nationwide Village Old-age Social Insurance Work Symposium, which was held in December of 2004 in Yantai city of Shandong Province, has made arrangements to establish the flexible old-age security system pertaining to the farmers affected by land acquisition. In April 2005, Shanxi Province published the Notice Regarding Implementation of the Social Insurance Work of the Township Business Workers according to the abovementioned assumption. As a result, 3.75 million workers in township businesses of the province will be absorbed into the flexible old-age security system. There are 2.74 million workers included in the basic township-based workers' old-age insurance—the result of a 20-year effort. This practice in Shanxi province will essentially change the current structure of the social security system. The flexible old-age social insurance system may become a dominant model for social insurance in Shanxi province. This innovation in Shanxi province may become a model for the whole nation.

Provide basic, low level, comprehensive, and multi faceted medical health insurance. Practice different medical health insurance models in line with the local economic level. In poor areas, insurance will be given to people who have minor illnesses, and in areas that are not poor, insurance will be given to people who have serious illnesses. In this way, medical insurance will meet the basic requirements of farmers affected by land acquisition.

Establish a foundation for a social security system for affected farmers. The foundation can be financed through the following channels:

- (i) Government-appropriated funds that represent the public financial responsibility undertaken by the State or by the Government. These funds include money allocated for the management and operation of the social security institutions for such farmers, the special subsidies for the old-age pension insurance and medical insurance programs, as well as expenditures for reducing charges for farmers and for improving their livelihood.
- (ii) The Government's net income from land transfer.
- (iii) Yield of the nationwide social security fund, the contributions by units and individuals from all the society, and the income from

the liquidation of state-owned assets. As the social security funds for the farmers affected by land acquisition, funds from the Government should first be put in place; the Government may pay by installment if it is difficult to pay the entire sum in that year; however, the Government needs to fix an annual contribution plan in order to ensure adequate funds.

- (iv) Reform the land acquisition system, enhance the compensation standard for acquisitioned land, and maintain necessary policy space to resolve the problems concerning social security of the farmers affected by land acquisition.

- First, amend the clauses stipulated in the LAL that are unsuited to the requirement of the market economy and the protection of farmers' interests. Improve the status quo of the existing land acquisition system, which stipulates a rather low compensation level to the farmers and acts against the market economy and the basic law of urbanization.
- Second, establish appraisal methods and define reasonable compensation for acquisitioned land based on mixed factors, including original revenue, the future purpose, location, quality, and supply and demand relations, combing with social security level for the township-based residents and the actual demand for the future survival and development of the farmers affected by land acquisition. Maintain necessary policy space for the purpose of resolving the problems concerning basic living, employment, and social security in order to provide essential system arrangement for solving these problems.
- Third, according to the actual social cost for resettling the farmers affected by land acquisition, establish the basic principle to which the minimum compensation standard for resettlement should conform, such as basic living, employment training, and social security of the farmers; enhance the compensation standard to a reasonable level; improve the com-

pensation allocation method; consume the compensation mechanism; and prevent lowering the compensation for acquisitioned land.

3. Specify the Main Responsibilities of the Government in Resettling Land-loss Farmers

Specify that the governments are responsible for dealing with the issues concerning basic living, employment training, and social security for the farmers who lose their land as a result of land acquisition by the State. Formulate a mechanism for sharing responsibility among the governments, collectives, and individuals.

4. Improve the Calculation Method for Land Compensation and Resettlement Subsidy

Fix the level of subsidies or compensation to meet the actual social need, including covering the cost of basic living, employment training, and social security for the farmers affected by land acquisition. The following are the detailed recommendations:

- (i) The security level should not be less than the minimum living security standard of the local residents, or less than the 2-year long unemployment insurance premium and necessary employment training fee. Also, establish an essential fund focusing on medical insurance for serious illness.
- (ii) Unify the concept of land compensation and resettlement subsidy as "compensation for resettlement," subdivided into compensation for basic living, compensation for employment training, and compensation for social security.
- (iii) Bring the farmers affected by land acquisition into the local social security system. Provide unemployment insurance for the affected farmers who cannot find jobs in time. Provide the minimum living security standard for those who are still living in poverty because they lack capabilities to be employed after being on unemployment insurance for 2 years.

5. Amend the Taxation Policy

The taxation policy has to be amended according to the principles of priority and privilege for the affected farmers.

- (i) Establish a taxation remission policy and subsidies policy on the charges for old-age insurance for farmers affected by land acquisition, and establish schemes exempting the interest tax on the old-age insurance funds and other support taxation schemes.
- (ii) Amend the existing taxation system for the acquisitioned land. Make appropriate adjustment on the taxation increases in the process of land acquisition, which mainly include occupancy tax for cultivated land, expenses for reclamation, the new added compensation for using the construction land, the new garden development funds, the expenses for administration of acquisitioned land, the expenses for the restoration of forest vegetation, the funds for water conservancy construction, the surcharge on education, and so on. Enhance the compensation to the farmers without increasing the cost for land acquisition by the land user in order to generate good relations between the Government, the land user, the farmer collective, and the individuals in terms of the allocation of income from land and, finally, protect the interests of the farmers.
- (iii) Set up a real estate tax and increase the value-added tax on land.
- (iv) Reform the existing budgetary estimate system for investment in construction projects and increase the proportion of expense for acquisitioned land in the investment in construction projects.

6. Improve Women's Land Rights

- (i) Explore the transfer method for land-use rights in the process of land acquisition and involuntary resettlement particularly in light of problems that arise over the changes in marital status and the nontransferability of land, to seek a balance between land stability and land adjustment in order to resolve the contradiction between long-term stability of land contracting rights and fair adjustment in land.
- (ii) Governments at all levels are advised to attach great importance to land contracting rights for rural women with the aim of promoting agricultural development and main-

taining rural stability, as well as safeguarding farmers' interests. Publicize and comprehensively carry out the Rural Land Contracting Law. Progressively correct customary practice and regulations that are against the principle of gender equality and violate women's land contracting rights. Enhance farmers' awareness of safeguarding women's land rights in line with laws. It is suggested that local governments should put in place relevant policies to ensure the enforcement of gender-equality principle in a forward-looking manner to conduct land expropriation, practice shareholding or joint shareholding systems, as well as urban renovation. The Government should also standardize the behavior of collective economic organizations and supervise the village committee to properly utilize collective assets and land settlement payments, as well as land compensation fees.

- (iii) Administrative departments in the rural areas should establish or improve the land contracting intermediation institutions and procedures in order to properly solve land disputes between women and village committees. Meanwhile, a nationwide investigation into the land contracting rights for women

should be carried out. For those who have not enjoyed contracted land at the second-round land contracting cycle, taxation and charges and relevant policies should be adjusted, and economic compensation should be provided. It is suggested that the Supreme Court should formulate judicial guidelines, specifying that farmers whose rights are violated by the villagers' committee may receive legal aid. Guidance should be provided to local courts on managing typical cases in order to protect women's rights in real earnest.

- (iv) Women's federations at all levels should organize publicity and training activities to make people know more about relevant laws and policies concerning gender equality, enhance local organizations and people's awareness of women and children's rights, and improve rural women's capacity to protect their own rights. Intensify investigation and research, and bring into full play cooperation between different organizations. For typical cases that violate rural women's land contracting rights, local governments should cooperate with relevant organizations to persuade people patiently in order to reach an early solution.