

After Losing Land: Reemployment Opportunity for Landless Peasants in China

A Case Study of Yangguanzhai Village

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ABSTRACT

This thesis provides an analysis of factors that influence the reemployment opportunities for landless peasants after their lands are acquired by the State due to fast urbanization. This thesis aims to find out the factors by observing the difference between the peasants that can find reemployment easily and the others that cannot. I collected data through interviews and surveys that were conducted in Yangguanzhai Village. The arguments will be present in a descriptive and narrative manner.

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Introduction

China is experiencing fast industrialization and rapid urbanization. There is a huge demand of land for the growing industrial development and growing urban population. Because of the high land price inside traditional urban centers, industries and urban population are migrating out of the city to the urban fringe. Many industrial zones or high-tech zones are set up by local governments at the fringe to absorb urban population, attract investments and promote economic development. These industrial zones facilitate urbanization by attracting large manufacturing industries to cluster in areas that used to be occupied by agricultural production in a short period of time. Land that used to be farmland at the urban fringe becomes valuable resource for urban expansion.

However, urbanization should be a long-term process that requires the local community to progress along at the same time. A politically designated industrial zone, which urbanizes the rural regions in an unreasonably short time, brought many challenges to the local communities who are still socially unready. Before land acquisition, even if peasants did poorly in an industry, they can turn to agriculture as a back up plan to ensure

their basic survival. Now that they are landless, their lives are fundamentally changed. We can give a name to this group of people: landless peasants.

One issue is that these industrial zones leave landless peasants unemployed. Many landless peasants could potentially be unable to make ends meet if they do not improve on their skills to make a living. There is another group of peasants called migrant workers, who are the opposite of landless peasants. They are people who actively leave their land behind and move out of the rural area to seek for urban employments. Comparing to migrant workers, who voluntarily choose to migrate to the urban area, landless peasants are not socially ready to experience urbanization. They are relatively uneducated and untrained in general compared to urban dwellers. Most of these peasants do not have skills in sectors other than agriculture. At the same time, years of agricultural production leave them relatively unconnected with the urban job market. Many of the peasants are forced to work in labor-intensive and dangerous positions that have low skills requirement. But not every one can work in these sectors, such as women or people over the age of fifty. For some people, their livelihood depends on the one-time land compensation and monthly

rent. Many of them are not capable of generating income in other forms. While at the same time, their living cost increases. Since they are now in the “urban area”, their daily expense increases and their expenditure structure changes. This whole situation leads to a lower living standards compared to before. What is worse is that with the development of the industrial zones, there will be a shift in labor markets from relying on labor-intensive jobs to skill-intensive jobs. This makes it even harder for the landless peasants to seek for employment.

However at the same time, the reality is not all negative. The reemployment situation of some industrial zones seems to be significantly better than the rests. Job trainings and other government policies make great influences on the reemployment opportunities of these landless peasants. For example, the Fengqiao Sub-district Office Center of Suzhou High-tech Industrial Zone provides free job training to the landless peasants, which, according to the peasants, substantially increases their change of getting employed. Besides direct job trainings, the Suzhou High-tech Industrial Zone also introduces policies that encourage firms to employ landless peasants by providing yearly compensation to the firm

for each landless peasant that is employed. This policy increases the competitiveness of landless peasants in the market (Shen, 2006).

Even within the same industrial zone where the land compensation and the reemployment environment is the same, I find that some landless peasants can find employment faster than the others, or they are capable of generating further income and developing their own small businesses by utilizing the land compensation efficiently. Their income and life quality increases substantially during this urbanization process.

What types of policies can help landless peasants to find employment efficiently? What qualities do some landless peasants have that others do not have that make reemployment seems so easy? Is this solely their personal reasons? To what extend do government supports help? How do they utilize their land compensation differently? These are all questions that will be answered in this paper. This paper aims to find out the qualities of these peasants and the factors that impact their reemployment opportunities. This thesis will pay special attention on land compensation and skill-related factors such as job training.

This study is significant primarily because peasants constitute a large part of the total population in China. Their life quality reflects the life quality of Chinese in general. Also, policy-induced industrial zones are developing very fast in China. Unlike naturally developed urban area, these industrial zones are politically designated and therefore bring many social tensions. Besides, the problems within the industrial zones cannot be solved by one entity and requires efforts from multiple stakeholders. Other than that, certain zones or a group of landless peasants within one zone are find to cope with the loss of land better than the others, which indicates that there are variations in practices that can be learned and applied to others. Last but not the least, helping landless peasants to get employed is one of the crucial steps to solve the social tension and improve the life quality of residence in these industrial zones. Therefore, it is important to find out factors regarding the reemployment opportunities of landless peasants so that the experience of these peasants can be applied to the others to facilitate the reemployment of landless peasants in general, so as to further ensure industrial zones can develop in a healthier manner.

My hypotheses are: first, previous experiences and job trainings in sectors other than the agricultural sector play an positive role in helping the landless peasants to seek for employment. Second, land compensation, on the other hand, reduces the incentive of these peasants to look for jobs and therefore negative impacts the reemployment of landless peasants. However, there could be methods to push people to make good use of the money in ways such as using it as the starting money to run small businesses or to pay for job trainings. Lastly, government plays a deciding role in the performance of the reemployment of landless peasants. Poor planning practices will directly lead to low reemployment rate within the zone. Based on the first two hypotheses, it is suggested that government should include trainings and improve on their current compensation system.

The thesis starts with an explanation of past literatures regarding the mechanisms of employment, followed by a case study of how Japan deal with unemployment, and then moves on to an explanation of the generation of landless peasants in China. In the second methodology part, I cover information such as how the study is organized, a basic introduction of the land acquisition process in the study site, etc.. Then in the next part, I

provide key findings generated from the onsite study. This part include detailed information of how the land acquisition process changes the life situation of landless peasants and people who currently live inside the Village. After this comes the conclusion where I recap the key findings. I also develop policy implications as well as suggestions for future researches.

Literature Review

Unemployment: A Definition and the Coping Methods

Unemployment is the situation where people do not have active occupation. There are different theoretical frameworks to explain the reasons for unemployment. There are two types of unemployment: the *structural unemployment* (also called the *involuntary unemployment*) and the *frictional unemployment* (also called the *voluntary unemployment*) (Sachs, 1987). The structural unemployment happens as a result of structural problems that are not controlled by individual job seekers, such as an economic crisis or a sudden change in the job market as a result of policy interventions. The frictional unemployment,

on the other hand, is caused by voluntary decisions of individual job seekers. In the case of frictional unemployment, people choose not to work because of low wage or individual leisure preferences.

To decrease unemployment, scholars have different suggestions. In Neoliberal Economy, employment of individuals can function effectively with pure market mechanism and there is no need for policy interventions (Keynes, 1936). The Keynesian economists believe that unemployment is “involuntary”, meaning that competitive market cannot deliver full employment, therefore there need to be active government policies to be taken in order for full employment to happen. Friedman and Phelps believe that it is allocate shocks that shift the demand for labor across products, which create an incentive for workers to move from one sector to another. Unemployment happens because it takes time for workers to move from one sector to another (Friedman, 2011; Phelps, 2011).

There are three groups of government interventions to cope with unemployment problems: first, placement policies that connect jobseekers with job positions; second, training schemes that improve the skills of jobseekers; third, direct money subsidy or

monetary subsidy in the form of social welfare (King, 1995). The first two approaches are effectively ways targeting at both structural and frictional unemployment. Long-term speaking, the third approach plays negative impacts on both structural and frictional unemployment.

Placement policies are designed to encourage information flowing. Government can encourage information flow by measures such as setting up career fairs and sending out newsletters. It is find that information sharing and improved interaction among unemployed workers and job position leads to positive information externality (Caplin, 1994). They are very important approaches to help people to get out of unemployment.

Training schemes are common approaches that are undertaken by many countries. New Zealand citizens can apply for Unemployment Benefits, or “dole”, which provides industry-focused job trainings to assist people to get reemployed; there are special training program provided to the youth (Ministry of Social Development, 2013). In Finland, TE-Keskus, or The Work and Livelihood Centre, is a government agency that provides trainings to the unemployed. Training is funded by the labor administration and is

provided free of charge to the participants (Ministry of Employment and The Economy, 2013).

Unemployment compensations and insurances are also very common. In the United States, Emergency Unemployment Compensation is provided to individuals who have exhausted all other regular state benefits for which they are eligible (United States Department of Labor, 2013). In Canada, Employment Insurance provides financial subsidy to the unemployed individuals who lose their jobs due to shortage of work, seasonal layoffs, mass layoffs, maternity, sickness, injury, etc. (Government of Canada, 2013). However, Stiglitz argues that generous unemployment compensations and insurances, which are designed to ease the burden of unemployment, may lead to continuously high unemployment rate because they reduce people's incentive to work (Stiglitz, 1999).

Above covers an academic explanation of the three groups of governmental interventions: their definitions, the situation where they are effective in, etc.. Here I will explain the how different policies works in a real case of Japan. This case is very relevant to my study primarily because what China is going through right now shares many

similarities with what Japan experienced in that time of its history starting from the 1990s when the unemployment situation was quite severe. The government played key role by incorporating different types of policies to control unemployment as well as to boost its economy. Today's Japan has a relatively low unemployment rate comparing to almost all other countries that are highly urbanized. I think it is important to understand what happened during this process so that their advanced practices can be learned and reapplied in China.

The Role of Government: A Case Study of Japan

Unemployment rate in Japan today is relatively low compared to countries in the Western world. In 2012, the unemployment rate in Japan was 4.3 (Ministry of Internal Affairs and Communications Statistics Bureau, 2012). In comparison, the unemployment rate of the United States in 2012 was 8.1 percent (Statistics, 2013). The unemployment rate of the European Union in 2013 was 12.1 percent (Eurostat, 2013). Among countries in Europe, the unemployment rate of Greece was an extremely high 27.2 percent (Eurostat,

2013).

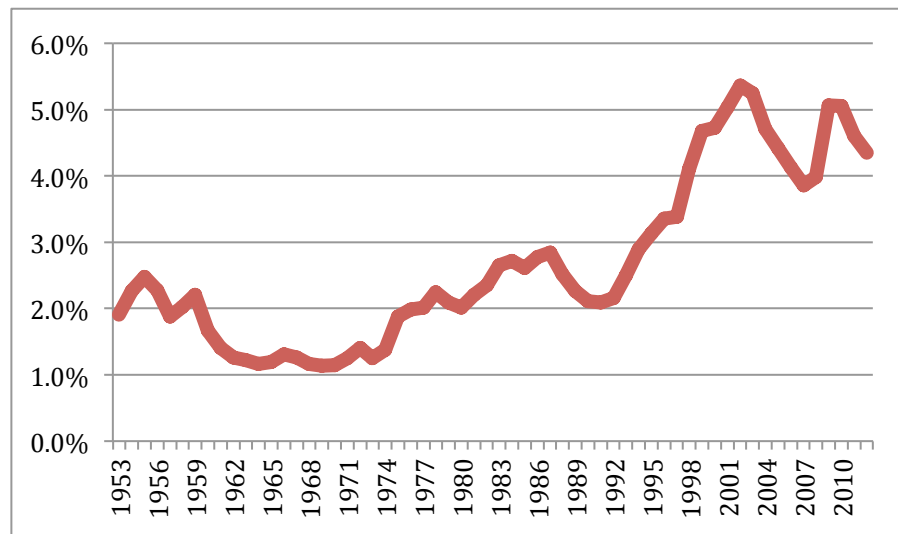


Figure 1 Unemployment Rate in Japan from 1953 to 2012 (Ten Thousands)

Source: Ministry of Internal Affairs and Communications Statistics Bureau. 2012. Annual Report on the Labour Force Survey 2012 Calendar and Fiscal Yearly Average Data (1953-2012). Retrieved from: <http://www.stat.go.jp/english/data/roudou/report/2012/index.htm>

Historically, Japan has experienced fluctuations in its national unemployment rate. After the World War II, the unemployment rate in Japan dropped from 2 percent to 1 percent. The 1960s was a fluctuating period where the national unemployment rate remained under 1.5 percent. After the First Oil Crisis in 1974, the unemployment rate in Japan was no longer low and stable. In 1978, Japan faced the First Strong-yen Recession. The Second Oil Crisis hit Japan in 1981. Later in 1987 came the Second Strong-yen Recession. The unemployment rate slowly rose to almost 3 percent in 1987. In the last three years of the 80s, there was a rapid drop of the unemployment rate to almost 2 percent.

However, the decreasing situation did not continue for very long. Starting from 1990, the unemployment rate increased rapidly for ten years. The Financial Failure in 1998 pushed the unemployment rate to the highest point in history: 5.3 percent. There was another rapid drop in the first few years in the 2000s. With the 2008 Economic crisis, the unemployment rate increased to over 5 percent. After that, there was a rapid drop.

To deal with the situation of widespread unemployment on a nation scale starting from the 90s, the Japanese Government came up with different attempts to help connecting the unemployed with job opportunities.

In 1949, Emergency Unemployment Countermeasures Law was enacted to manage demands in the labor market by directly creating jobs by implementing large public works project nationwide. In 1978 when the economy was suffering from a recession due to the first strong-yen shock, The Temporary Law to Deal with Displaced Workers in Specified Areas in Recession was enacted which aimed to stabilize job opportunities in areas that are badly impacted by the recession. A large amount of grants was provided to both individual workers and firms. Educations and trainings of individual job seekers was subsidized.

Firms were also subsidized for job creation; for instance, firms that hired middle-aged or elderly workers received wage subsidies. In response to the high unemployment rate in 1987, which is closely connected with the Second Strong-yen Recession, The Law for the Development of Local Employment was passed which regulated measures to create local employment. In 1998, the Emergency Employment Development Program was developed which promotes the Education and Training Benefits System; the Emergency Economic Package created one million new jobs; The Emergency Employment Measures and Measures to Strengthen Industrial Competitiveness provided emergency funds and special grants to new sectors; The Second Supplementary Budget for Fiscal 1999 paid special attentions on Small and Medium Enterprises. In 2002, the Public Employment Security Offices started to provide free counseling services for the unemployed and those who are expected to lose their jobs (Kazutoshi, 2004; Naoki, 2011; Ohtake, 2004).

The government has proved to have major impacts on Japan's unemployment situation both directly and indirectly. This implies that there are many political attempts that can be learned and applied to region that are facing unemployment issues.

Unemployment of Landless Peasants in China

Chinese peasants are losing their land due to the development of Industrial Zones. The Chinese Government started to set up Industrial Zones since the 1990s. From 1990 to 2003, there were 10 million acres of agricultural land being converted due to the development of industrial zones each year (Lin, 2003). The data by Development Research Center of the State Council shows that 70 percent of the land is acquired by the States (Lin, 2003). According to the Department of Agriculture, the National Development and Reform Commission, and the Ministry of Finance, in China, there were over 1 million peasants losing their land each year due to rapid urbanization (Chang, 2006).

This trend of land acquisition is likely to continue in the near future. The National Overall Plan For Land Utilization Scheme predicts that there will be around 55 million acres of agricultural land being occupied from 2000 to 2030, indicating a growing number of landless peasants in the future (Ministry of Land And Resources of The People's Republic of China, 2006).

People who resident inside the region previously, most of which are peasants,

experience lower life quality than before. Policy-induced industrial zones experiences fast urbanization and demonstrates strong urban characteristics. However, being urbanized does not indicates a high life quality. According to Lou, almost half of the landless peasants consider their current economic status as the same as the peasant from nearby village who are working in the agriculture sector. One fifth of the landless peasants even consider their economic status as being worse-off comparing to before (Lou, 2005).

This is largely due to the fact that many landless peasants are not capable of find employment after land acquisition.

During the Planned Economy period (From 1952 To 1992), the Government would take care of the reemployment of landless peasants. Most of the peasants were assigned positions as workers in state-owned enterprises once they lost their land. During that time, this system of land acquisition worked very well because peasants were willing to take the positions since there was no alternative for them in the controlled economy, also because the pace of urbanization was slow and the Government was capable of making arrangement for a relatively small number of landless peasant comparing to that of today.

In today's situation, many firms are now either private-owned or public-owned. Even if they are owned by the State, the government is no longer in the position to make hiring decisions for firms(Cao, 2006).

For most of the Industrial Zones today, the only support that is provided to the peasants by the Government is the compensation for land acquisition. According to the No. 47 Clause of the *Land Management Law of the People's Republic*, the amount of compensation for the acquired land to its original owner should be six to ten times of its first three year average production value; the form of compensation should be one-time and should be in direct monetary form (Qu, 2008). Yin Chengjie, the spokesman of the Department of Agriculture, claims that it is very important that all stakeholders follow the Law to ensure the land compensation to be provided to peasants at a reasonable amount in a timely manner.

The current government supports during land acquisition are inadequate. Firstly, according to Du Ying, the deputy director of the National Development and Reform Commission, first, this standard for amount of compensation is too low to justify the value

of the land; second, there are improper lands acquisitions happening in real life where the peasants receives even less than the number indicated by the standards (Chang, 2006).

Secondly, monetary subsidy is a one-time, therefore, this approach cannot solve the long-term livelihood problems of the landless peasants. For many peasants, the amount of money is very large. Many of them do not know how to utilize the money wisely. It is not uncommon for them to adopt a luxury lifestyle and end up spending all the money within several years. Once the money is gone, they become landless, money-less and skill-less. The labor market inside the Industrial Zones is different. It is very competitive and employment opportunities are hard to get for most of the peasants who do not possess the skills. At that time, there will be big problems associate with their livelihood.

I argue that the Government needs to change its current land acquisition system. First, there should be improvements in the money compensation system to ensure the money can arrive at the peasants in a reasonable amount. Second, there should be much more actions from the Government than simple money subsidy or social security regulation. What is more important are actions such as job trainings and money management

techniques that can help the peasants to make the smooth transformation from the agricultural sector to urban employment, as well as from being a rural dweller to a urban dweller.

Methodology

This study is an analytical narrative and descriptive qualitative study. I aim to identify the types of policies that can best help landless peasants to find reemployment. I will group the policies into three major ones: the first one is direct money compensation. This type of government support is found to be necessary, while at the same time, to only be effective in helping landless peasants to find reemployment when working with other types of government support. If it is the only type of government supports, it is highly likely that the money will be used unwisely because peasants do not have the skills or experiences to utilize capitals to generate further income. Second, skill-related factors that impact the reemployment opportunities of landless peasants, specifically meaning job trainings and previous job experiences in the non-agricultural sectors. I argue that trainings and previous

job skills are very important in helping landless peasants to utilize the compensation or other types money supports wisely, meaning to start their small businesses or to find other reemployment opportunities rather than to spend them on daily uses. The third type of supports impact on the peasants indirectly. This is the ones that targets at entities that are not the peasants themselves, such as to nearby firms. These supports have huge impacts on the reemployment of landless peasants if their jobs are services that targets at people who work in these firms.

I base my study on both secondary data and primary data. The secondary data are collected from academic papers, news reports and government documents. The primary data is collected from surveys and interviews conducted in a case study village, the Yangguanzhai Village, which is located in Xi'an Jingwei Industrial Zone in Xi'an, China. The Village is 30 kilometers to the North of the Bell Tower that is the center of Xi'an City. There are around 900 households in this village. Around 3500 people are registered population of the Village and there are around 10000 floating population. I choose this site because it is located in an important industrial zone and it represents a typical example of villages that

are impacted by the development of industrial zones.

Xi'an Jingwei Industrial Zone is a newly developed industrial zone belonging to the Xi'an Economic Technology Industrial Zones. Xi'an Economic Technology Industrial Zones was set up in 1993, but it was not until 2000 when it became a national-level economic zone did massive development started to take place. It is the only national-level economic zone in the Western part of China. The total area is 71 square kilometers. It

is composed of four major parts: Central Business Zone, Export Processing Zone, Jingwei Industrial Zone and Caotan Eco-industrial Park. Jingwei Industrial Zone was started in 2003. It is located to the North of Wei River and the East of Xitong Highway. The total area is 25 square kilometers. Firms located inside the Zone are mostly heavy industries such as automobile, heavy machinery, military engineering and chemical engineering.



Figure 2 Location of Yangguanzhai Village

Yangguanzhai Village represents a typical model of villages that are impacted by the

development of Industrial Zones. Before land acquisition, the livelihood of most of the villagers relies on agriculture. In 2004, all of their 5600 acres of agricultural land was acquired for the development of industries inside the Zone. Later in 2005, several state-owned heavy industry firms started to move into the Zone. State-owned enterprises in China are different from profit-driven firms that are defined in a regular ways. There are both production-related elements and non-production-related elements that are connected with state-owned enterprises. In a zone that is occupied by state-owned enterprises, there are always supporting infrastructure such as residential buildings, hospitals and schools that are built to support factory production. This type of firm functions like a community. People who work in these state-owned enterprises tend to spend most of their time, both working and leisure, within the zone. With the move-in of these large state-owned heavy industry firms, Yangguanzhai Village experienced rapid changes.

The firm that impacts Yangguanzhai Village the most is Shaanxi Automobile Group Co., Ltd. (hereafter referred to as Shaanqi, meaning Shaanxi Auto). The construction of facilities for this firm started in 2005. The factory occupies 2700 acreages and the whole community

occupies 4000 acreages in total. The move-in of this firm changes the life of people of the Yangguanzhai Village fundamentally in two ways: first, the productions of the automobile industries occupy large acreages of their land which was used for agricultural production previously; second, the firm establish a active community that is made up of the workers and their dependents around this village. The residential community and the factory of this firm are located 15 minutes' walk from Yangguanzhai Village. Comparing to other villages, such as Xiaxuwu Village that is further North of our study sites, Yangguanzhai Village is geographic closer, therefore has a more intimated relation with the new community.

Eight years ago, this village was a normal rural settlement with surrounding agricultural lands. Now, the village has become a dynamic market place with restaurants, farmer's market, supermarket, small stores, KTVs, pool rooms and other facilities that support the daily needs of people who works in the nearby heavy industry firms. Many villagers of Yangguanzhai have successfully transformed their family income structure from agricultural-based to service-based. Many buildings inside the Village are rebuilt to three to four-story high with the first and the second floor being for commercial uses.

The study targets at small services businesses inside the Village that provide low-end services and goods to the surrounding communities. The research aims to find out the following facts: what type of business are available; do landless peasants own those businesses; if landless peasants do not own those businesses, then what do they rely on to make a living; what does the starting money come from to run the business; how are the performance of those businesses; what are the satisfaction level of the owners in terms of income and future expectation; what government supports have been provided and whether or not are they proved to be useful; etc.. The subjects of study are individuals who lose the land and currently live inside the business area or who currently run small businesses in the region. I went inside the village to gather information through direct observations, interviews and surveys on the abovementioned questions. Below is a list of the survey and interview questions that I asked.

1. Before land acquisition, what was your major occupation? How many percentage of your income came from agriculture? How many percentage of your income came from other employment?
2. After land acquisition, what is your major occupation? How many percentage of your income comes from agriculture? How many percentage of your income comes from other employment? How many percentage of your income comes from rent?

3. What is the amount of compensation you received for land acquisition? Do you think the land acquisition compensation constitute a large part of your income? How did you utilize the compensation? How do others use the money as far as you know? What do you think is the best way to utilize the compensation? Are there any problems associated with the acquisition compensation?

4. What is your highest level of education? Do you have one or more than one specific type of skills? Do you have previous experiences in fields other than agriculture? Please specify.

5. Did you receive any government job trainings or money management trainings? What do you think about the role of government in helping you to get employed?

6. Are there other supports from the government that help you to develop the business or find reemployment? In what form and to what extent?

7. How do you rate your level of satisfaction after land acquisition?

8. What is your future expectation?

Through direct observation, interviews and surveys, I develop a complete picture of the performance of peasants' current reemployment; based on which, make policy suggestions. The results are shown in a narrative way with data and information that are gathered during the onsite research as back up.

There are several limitations or problems related to this study. First, this research is conducted with only one case village; therefore the study might be impacted by factors that are unique to the case study site. Second, most part of this study is a descriptive and narrative; therefore it is hard to quantify the impacts of different factors which makes the

arguments relatively weak if compared with studies that have solid supporting numbers.

Third, there are ethnic concerns during data gathering. Special attentions are paid to developing questions asking for sensitive information, such as the amount of compensation for land acquisition, so as to ensure that the targets are comfortable when being studied, and that they are willing to provide accurate information.

Data Analysis and Research Findings

Situation In General

The onsite study was carried out in early January 2014 at Yangguanzhai Village. I interviewed two groups of people. The first group is 25 households who lived in the Village before the land acquisition. Most of my targets are one person. But I was able to get information on the household from one individual. For some households, there was more than one that participated in my interviews. The other group is 15 owners of small businesses that locate insides the Village when the interview is conducted. I also collect information through casual observations and causal talks when in the Village.

Before land acquisition, the general situation can be described as the followings.

Almost all people living in the village relied on agriculture. There was no industries or tertiary industry inside or near the village. Some of the young males worked as migrant workers in nearby towns or Xi'an City, but this situation was not the main stream. In general, this was a typical rural settlement: people lived in a relatively isolated situation with little public facilities, such as buses, and that people living inside the village were mostly genetically connected with their livelihoods depending heavily on agriculture.

The situation changed in 2004 when major Structural Unemployment (or Involuntary Unemployment) started to take place. Xi'an Economic Technology Industrial Zones was set up in 1993, but it was not until 2004 when this area started to be impacted. The agricultural land was acquired by the State to build large heavy-industry manufacturing factories and their supporting facilities. There were several facts that call for our attention during this process. The first one is about the amount of land compensation. The Management Committee was in charge of compensating for State acquired land. At first, all Villagers received 15000 Chinese Yuan per Mu (A Chinese area unit which equals to 666

2/3 m²) for their agricultural land. They were not satisfied with the amount of compensation and there were several public demonstrations and private negotiations happening regarding this issue. Finally, it was settled that besides the 15000 Yuan per Mu, each villager would receive 1000 Yuan per Mu per Year for a total duration of 10 years. The second is about the interactions between the old settlers and the new comers. In the early stage when those firms first moved in, there were intensive construction works happening in this area. Some villagers took the chances by working for the construction of the Zone. “The payment was decent, comparing with what I got in the old times” according to a 54 years-old male who have been living in the village for almost his entire life. However at the same time, it was reported that when the roads and buildings were constructed, the relationship between the old settlers and the new comers were quite intense. For examples, when the site was first being build, the construction works were massive; therefore, many of the details could not be all properly taken care of. Some of the construction materials were left lying on the construction site during nighttime unattended. It was not uncommon that the villagers went onto the site and took those materials on a regular bases. There

were major confrontations between the Village's side and the construction companies' side. Despite this, the situation did not get any better. If you took a walk inside the Village today, you can find that many of the buildings inside the village are three to four-story high. Many of them were built using the materials that were taken from the construction site back then.

The area is now a dynamic place after the transformation. First, very few people engage in agricultural work; most of them work in the tertiary industry by providing services to people who work in the nearby firms. For some households, the young men of the family even find jobs in those firms or migrate to nearby towns or Xi'an City to seek for job opportunities. There are also people from other area to move into this area for business opportunities. In terms of local infrastructures, the region is conveniently connected with other parts of Xi'an City by different bus lines as well as local run taxi service. There are restaurants, supermarkets and other types of services that are either operated by individuals or large chain companies to fulfill local needs. However, the living environment in and around the Village is not pleasant. There are little neighborhood enhancements

inside the Village. The poor living condition is especially noticeable if we compare the Village with the area that are newly constructed and are occupied by the firms.

The following chart is a summary of my key findings during the onsite visit in response to the questions that I throw out at the start of my thesis:

Q1: Are people satisfied with their current employment situation?
Not really. Less than 10 percent claim to be satisfied. The majority remains neutral.
Q2: To what extent do government supports help?
Very little in this case. Most people are not aware of the existence of government supports in forms other than land compensation. Very few of those who are aware think that it is “face saving project”.
Q3: What types of policies can help landless peasants to find employment efficiently?
<ol style="list-style-type: none"> 1. Indirect Money Assistances that are posed onto nearby firms are more important than Direct Money Assistances that are given specially to the peasants. 2. The effects of Placement Policies and Training Schemes cannot be evaluated because most respondents claim that they did not receive government assistance in these two forms.
What qualities do the landless peasants who are able to get reemployed have?
<ol style="list-style-type: none"> 1. Demographic characteristics of being a male under the age of 50. 2. Previous experiences and training schemes. 3. Other personal reasons such as connections with the job opportunities and support from families and friends

Describing Facts Regarding Villagers

Most of the respondents of my interview were female or people over the age of 50. Because most of the young males were not in the village during weekdays when I visited.

The general pattern of my studied individual household is composed of a couple that are both over the age of 50, a young female in her 30 and one or two children.

The unemployment of the region is a combination of both Structural unemployment and Voluntary unemployment. The year 2004 was the time when they experienced massive Structural Unemployment. Some people start to actively seek for jobs ever since then. Some people, however, choose to remain in Voluntary Unemployment for reasons such as that the payments are not satisfying. Generally speaking, the employment situation of these landless peasants is not optimistic.

In general, the employment situation is not very satisfying. First, there is a high rate of unemployment among females and people over the age of 50. Old men generally stay at home to manage household issues. Female often stay at home to take care of children and do housework.–Young men tend to move outside the Village to seek for opportunities elsewhere. Some young male of the households also choose to seek for employment inside the Village. For instance, two households mentioned that the young male of their household are drivers of the local taxi services. They purchase the car using their land compensation

money. These taxis are owned by individuals (Hei Che or “黑车” in Chinese) and can generate quite a lot of income. Second, most of the respondents claim rent to be the major source of income for their households. The average rent of a 10 to 20 Square Meter shop is 60000 Chinese Yuan per year. There are a few interviewee mentioning that the money send back from the young men of their family work in nearby towns or Xi'an to be one of their important source of income. One 35 years-old man says he work in nearby automobile manufacturing firms on night shift. However, the wage is around 1000 to 2000 Chinese Yuan per month, which is minor comparing to the rent income. There are two respondents saying that they start their small own business recently. The income generated from their business is not promising and they are thinking about quitting. Lastly, they think their current income source to be unstable and unsustainable, therefore are not satisfied with their employment. In response to the question “Are you satisfied with you current occupation”. 62.5 percent people says “No”, 25 percent people remain “Neutral” and only a small fraction of 12.5% claim “Yes”. However, at the same time, several people mention that they consider their livelihood to be better off comparing to that of before.

Describing Facts Regarding Business Owners

The Village is now quite a dynamic market place. It provides services to people who work and reside in the area. These services are mostly simple entry-level services such as restaurants and shops selling daily necessities.

Among the 15 individuals or groups who own small businesses that are located inside the Village, all of them move from other areas to the Village in recent years. Some of them are farmers from nearby villages whose land is also acquired; but because the location of their villages is rather isolated, there are not enough market and other opportunities for them to develop a profitable business, they decide to come to Yangguanzhai Village. These people make their livings with small businesses that have low entry requirements and maintenance costs, such as mending shoes. The skills required to run these business are simple and, in most cases, they learn the skills by themselves. An approximately same percentage of people are from slightly further areas, mostly are villages or towns near Xi'an. Most of these people have previous experiences in running the same type of businesses before coming here. After hearing about the business opportunities from their friends or

family, they replicate the same type of business that they have previous experiences in at Yangguanzhai Village. Their businesses tend to be slightly more sophisticated than the abovementioned group. Lastly, there are a few people who are from outside Shaanxi Province. These people are very experienced in running business. One interviewee is from Fujian Province, which is famous for tea business. Before coming to the Village and start his two-story supermarket, he helps his dad with their family tea business. There is also a couple that is selling branded shoes in their chained store. They are originally from the nearby Shanxi Province. Before coming to this village, they have been selling the same brand shoes at another town nearby. They start this store using the money they generated from the previous one. In conclusion, these businesses are simple businesses with low entry requirements and aim to serve the daily needs of nearby residents.

These businesses are highly impacted by interpersonal relationship. In most cases, the businesses are family-owned or are operated by people who are friends. In other cases, people hear about the business opportunities from family or friends.

Almost all of them have previous experiences or skills before they start operating their

businesses inside the village. Nearly all respondents think that the government plays little role in help them start the businesses. They are capable of starting the businesses primarily because of their previous experiences and skills, as well as helps from their families and friends. 90 percent of the respondents receive secondary education. A few people who are over the age of 60 only receive primary school education.

60 percent of the respondents claim to be neutral regarding the economic performances of their small businesses. The remaining 40 percent express concerns towards long-term sustainability. There is no one claim to be positive regarding the current situation, indicating a room for improvements. Almost all of them, especially those that own restaurants, report that their business became less popular in recent two years comparing than when the zone was first built. They claim that this is because of the declining economic performances of nearby firms, which lead to low wage of people who work inside the firms. With a declining wage, these people prefer to cook at home rather than to eat out, as well as to shop for daily commodities less frequently.

Another fact is regarding the rents. The average rent for a small restaurant on

secondary road is 1000 to 2000 Yuan per month. Besides regulated businesses, there are many small businesses that do not operate inside buildings, such as food carts and poolroom. These people do not need to pay rents to any individuals if they conduct their businesses in public areas. However, they do need to pay a certain amount of management fee to the Village Committee. The amount depends on the size of their businesses. For instance, for a poolroom with six to eight pool table, the fee is 3000 to 5000 Yuan yearly; an old couple that mends shoes reports that the fee for their flow businesses is 300 per year.

Conclusions: Key Findings and Policy Implications

From 2005 till now, these landless peasants have tried different approaches to make a living. They are living a different urban-like lifestyle and report that the living standards are better-off comparing to those of before. In terms of the reemployment performances, most young men do not have difficulties in finding new jobs, regardless of ones that are in the area or further away. Some households are capable of making smart choices when utilizing the compensation money. For instance, some used the money to buy cars and

started their private taxi service when the area was not even conveniently connected by public transportations. However, the current employment situation of landless peasants is not optimistic in all aspects. First, there is a high unemployment rate among females and people over the age of 60. These people are relatively unskilled and inexperienced in any fields besides agriculture. Second, government definitely provides too little help in helping these people to seek for reemployment. Based on the interview, most people do not know there are government trainings in any form. There is only one respondent that claims to be aware of the training; however, he considers the trainings as “face-saving project”, one that does not have actual benefits for the peasants. Third, people depend their livelihood too heavily on rents. Whether this is unsustainable or not in a long term is decided by the area’s economic situation. In the recent two years, villagers have suffered from reduced rent income as a result of reduced income of factories workers led by poor economic performance of those nearby firms. However, on the other hand, just because the declining needs for renting in the recent two years, these landless peasants start to make changes. They start to cool down from the overoptimistic attitude of receiving large amount of land

compensation, and gradually realize that they need to find alternatives for their future.

These landless peasants, generally the elderly and the females who still stay in the village,

begin to experiment different approaches, such as starting their own small businesses.

Because they have only started this attempt recently, the income is not a number that is

significant, but this attempt could open up different possibilities for them.

For people who own small businesses in the village, almost none of them are local.

They come here after knowing the businesses opportunities from families or friends.

Almost all of them have previous experiences in running the same type of business before.

Most of the businesses are low-end and targets at the daily needs of local residents. Their

income is highly connected with the performance of nearby firms. Their income is in the

recent two years is not as high as that of before. In the recent two year when nearby firms

are not performing well and the area has a reduced consumption power, a lot of the

businesses even move out. Lastly, their economic performance is also highly related with

the geographic location. Shops located on a few streets, such as one that directly faces the

main gate of factory of Shaanxi Automobile Ltd. and the one that links a large supermarket

with farmers market, have higher income comparing to shops on other streets. Their rents tend to be higher as well.

Service industry will be the future for landless peasants in industrial zones. Service industry has low-entry and generates high income in a relatively short period of time. Also, considering the fact that there are many industry workers that suddenly move in, there are huge demands for service inside a new industrial zone. Besides that, in terms of economic structure, a healthy and developed region usually has high percentage of service industry in its economic structure.

The future of landless peasants is not all negative, but from this example of Yuanguanzhai, we can find that many service-oriented villages alike are still facing many problems in terms of employment of their original residents. Government plays deciding role in the performance of the reemployment of landless peasants. Poor planning practices will directly lead to low reemployment rate within the zone. Even when a policy is carefully designed after well-round researches, it is important to take the implementation process into consideration.

There are a few assumptions that we need to bear in mind when posing policy suggestions: previous experiences in sectors other than the agricultural sector and job trainings play an important role in helping the landless peasants to seek for employment; Unregulated land compensation sometime reduces the incentive of these peasants to look for jobs at the start and therefore could negative impacts the reemployment of landless peasants.

The most crucial suggestion that comes out from this research is that, in some if not the most circumstances, governmental interventions prove to be more effective if posed indirectly rather than directly. This is especially true for villages where many people are in the service business. As observed in Yangguanzhai Village, the economic performance of the nearby firms has more impact on the service businesses in the village rather than direct supporting methods such as job trainings. This finding calls for future research on details.

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