

# Urbanization and Informal Development in China: Urban Villages in Shenzhen

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## Abstract

*Informal housing and industrial developments in the so-called urban villages have been key features of the recent Chinese urbanization. In this article we will examine the development of urban villages in one of the most dynamic Chinese cities — Shenzhen. The article first reviews the urbanization and migration process in the region and the emergence of urban villages. It then examines informal housing, commercial and industrial developments in these villages. We analyse the politics of village urbanization and highlight the important relationship between migration and informal village development. We emphasize the contribution made by urban villages in providing affordable housing and jobs for the low-income population during the rapid urbanization and urge cautious consideration with regard to hasty and large-scale redevelopment of these villages. We conclude that the development of urban villages is a very important part of the urbanization process.*

In pre-Communist China, foreign concessions and major coastal cities developed under Western influence were very different from the traditional towns and villages found in the inland regions (Murphey, 1980). This foreign–Chinese division was replaced by an urban–rural division during the early years of the Communist period from 1949 to 1976. Cities and towns occupied by the non-agricultural population functioned as bases for industrial development and administration, while farmers living in villages were food producers. Rural areas also served from time to time as containers for the poor, the less privileged and the politically incorrect members of society. China's recent rapid entry into the global system under the unique combination of socialism and a market economy has created new social and spatial divisions (Gaubatz, 1999; Wu and Yeh, 1999; Logan, 2002; Pannell, 2002; Wei and Lin, 2002; Ma, 2005; Ma and Wu, 2005; Wei, 2005; Lin, 2006; 2007; McGee, *et al.*, 2007). Traditional rural villages located in the fast growing regions and suburban areas of major cities were either partially urbanized or entirely overrun by the rapid urban sprawl. These villages have become part of cities or towns in terms of their physical location, but in the composition of their buildings and their residents, they retain many traditional characteristics. This unique phenomenon in urbanization has changed the simple dichotomy between the rural and the urban, and

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created a third category of spaces and residents: 'urban villages' (*chengzhongcun*) and the peasant workers (rural migrants or the floating population) who live in them. The emergence of these semi-urbanized spaces and population has also restored some characteristics of the pre-communist urban divisions in China. Modern business and commercial districts, occupied by official residents and linked closely with the global economic system, form a sharp contrast with informal and poor residential areas represented by urban villages (Fan, 1996; 2001; Ma and Xiang, 1998; Knight and Song, 1999; Solinger, 1999).

Literature in English on urban villages in China is rare (Yeh, 2005; Lin, 2006). Inside China, urban villages have been a controversial issue for many years. Mainstream academic and policy researchers have focused on the negative aspects of unplanned developments. Their arguments are often based mainly on economic considerations, and their recommendations for redevelopment tend to ignore the interests and needs of local residents, particularly the large number of migrants. This article contributes to the debate on roles played by urban villages in the urbanization process and the future strategies that the municipal government should consider in dealing with urban villages. We specifically address the following questions: how have urban villages emerged?; what unique roles have they played in the urbanization process? Our research focuses on a case study of Shenzhen city. We will firstly review the urbanization process and the emergence of urban villages in the region. This will be followed by a detailed description of housing, commercial, industrial and other developments in urban villages. The roles played by different interest groups in the development of urban villages will be analysed before we draw together our conclusions and recommendations.

Fieldwork for this research was conducted in Shenzhen from 2005 to 2007. We interviewed relevant officials at every level of government, including village leaders. We collected and reviewed historical local policy documents, reports and statistics, and held discussions with local researchers who have an interest in this issue. During the fieldwork, we visited many urban villages located both in the central built-up area and suburban districts, and examined the housing, industrial and commercial land use patterns in them. Our study also includes a large household survey on migrant housing conditions in 16 villages. Results from this survey are reported separately.

## From traditional village to urban village

Shenzhen was a small border town next to Hong Kong in Bao'an County. In August 1980, the central government carved an area of 327.5 square kilometres of land out of Bao'an County to create China's first Special Economic Zone (SEZ). In 1993, the Bao'an County government was abolished; the remaining area under its control was divided into two districts and merged with the SEZ to form the greater Shenzhen Municipality. Together with the four inner districts created early inside the SEZ, the Shenzhen Municipality covers a territory of 2020 square kilometres and controls 6 district-level governments. The boundary and name changes reflect the extremely speedy transformation of Shenzhen from a small border town of less than half a million residents to a large and dynamic city with more than 8 million, of whom over 70% are migrants (The Editorial Committee for Shenzhen Real Estate Yearbook, 2005).

Migration played a vital role in the urbanization process and the expansion of Shenzhen. China had a very low urbanization level before 1980. From 1958 onwards rural to urban migration was controlled strictly through the residence registration (*hukou*) system. This system classifies every person in the country as a member either of the agricultural (rural) population or the non-agricultural (urban) population. Movement from rural to urban areas had to be approved by the authority. (For details on the *hukou* system see Ma and Hanten, 1981; Johnson, 1988; Christiansen, 1990; Goldstein, 1990; Chan, 1996; Cook, 1999; Wang 2004). In 1985, for the first time, rural migrants were

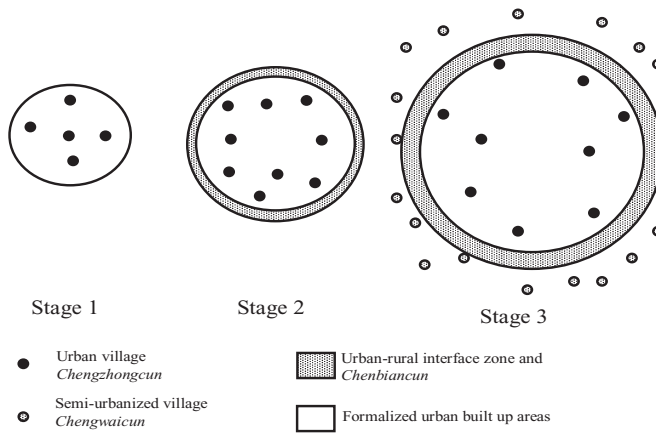
allowed to register as temporary residents in urban areas (Shen, 1995). Rural to urban migration has since become a main factor in China's urbanization (Day and Xia, 1994; Liu and Liang, 1997; Davin, 1999; Yang, 2000; Shen *et al.*, 2002).

It was at this time that Shenzhen began its extraordinary expansion. Processing plants, industrial workshops and factories, set up by direct foreign investment from Hong Kong and other countries, quickly attracted a large number of migrants from all over the country. Rural migrants were treated very differently from local urban residents. They did not have the right to rent public housing or buy commercial housing. High housing prices and rents also prevented migrants from gaining access to new, properly built housing estates (W.Wu, 2004; 2006; Wang, 2004). Average monthly income among migrants in Shenzhen was 1,149 RMB in 2004, which was relatively higher than that in other cities; it was however much lower than the income among official residents (2,195 RMB per month) (Shenzhen Municipal Government Housing System Reform Office *et al.*, 2004). With this level of income, the housing demand from migrants was very different from that of other residents in the city. Older and smaller dwellings in poor locations with awkward internal structure and low-grade facilities were the only option available to migrants. Local villages located in the urban rural interface zones and near major development sites thus became homes for most rural migrants.

When the Shenzhen Special Economic Zone was set up, the new government took a piecemeal approach to acquiring land for development from local villages. The new civic centre and other major public buildings were planned on fresh agricultural land, while the traditional villages were left intact. Road and other infrastructure projects also avoided village houses. As the new government was small and financially weak, it found it difficult to provide job opportunities for all the local village residents. It did not foresee that these simple village houses might cause problems for future redevelopment. In Futian district where the new city centre is located, a ring of traditional villages encircling the modern city centre can easily be identified. As urban development intensified and more land was taken out of agricultural production, these traditional villages were gradually turned into 'urban villages'.

In 2005, there were 241 urban villages in Shenzhen; 91 located inside the SEZ and 150 outside (Liu, 2007). These urban villages, however, were not created simultaneously. Villages at different locations experienced the transformation at different paces and times. From 1979 to 1992, the municipal government's attention was on the development of new areas and local villages were left to find their own ways to adapt to the changing environment. Very limited planning control was applied in these villages. At the same time, the government gradually took land away from farmers, and, in response, farmers shifted their attention from food production to property renting. They extended the village residential area into the nearby crop land. Both the government and the villagers saw land as the most important resource. The competition between them led to stronger government intervention. In 1992 the municipal government decided to 'urbanize' rural areas and villages inside the SEZ. Village committees (rural local organizations) were abolished and replaced with neighbourhood committees (the equivalent urban local organizations); local farmers' *hukou* status was changed from agricultural to non-agricultural; production teams (the rural economic bodies) were reformed into shareholding companies and village residents became shareholders. These compulsory changes gave local villagers some financial benefits and the right to access urban social and economic services; in return, the government brought all land within the SEZ under its control. It also acquired the right to develop any remaining agricultural land and the right of planning control over village residential land (Futian District Old Town Redevelopment Bureau *et al.*, 2004).

Urban villages located outside the SEZ experienced a similar shift from farming to industrial and property development, but experienced a longer period of self-adaptation, because they faced less pressure from urban sprawl. Between 2003 and 2004, the municipal government passed a series of regulations to urbanize all remaining rural areas



**Figure 1** Informal development and urban villages as parts of urban development

in the two suburban districts outside the SEZ. All local registered rural residents were given urban resident status and collectively owned land was taken over by the municipal government. Local government, residence (*hukou*) management, social security, education and healthcare provision systems were reformed in these areas to match those that operated inside the SEZ (Shenzhen Municipal Government, 2004).

These changes marked the end of the rural–urban division in Shenzhen and made all traditional villages into ‘urban villages’. However, not all urban villages are located inside the city’s main built-up area. Three types of urban village can be identified:

- *Chengzhongcun*: villages located inside the main built-up areas;
- *Chengbiancun*: semi-urbanized villages located at interface zones of the main built up areas;
- *Chengwaicun*: semi-urbanized villages in suburban areas or industrialized towns (see Figure 1).

Though they all share some similar characteristics, they also differ in one way or another, reflecting local physical and economic circumstances and the different stages of village urbanization.

## Housing development in urban villages

The traditional village layout in the Shenzhen area was simple. Each family occupied a small courtyard. Courtyards were often lined up in rows, with streets between them. Inside the courtyard, one or more simple houses were built. Larger and richer families would have more buildings and more yards. Most of these traditional houses were single- or two-storey buildings made of timber, brick or sun-baked bricks (Figure 2). When the Special Economic Zone was set up, it was expected that local residents would build houses. In order to control housing development in villages, a ‘Provisional Regulation on Village Household House Building and Land Use in the Shenzhen SEZ’ was issued (Shenzhen Municipal Government, 1982). This regulation allowed each household to have a courtyard covering 150 square metres of land, of which 80 square metres could be used for housing construction. These standards were for new households formed through family divisions and for new residential areas planned to replace older houses.

To benefit from this allowance, villagers soon divided family into small households, e.g. parents as one, each son as one (often regardless of age or marital status). Some villages also allocated half of the land quota to each female child (traditionally, when girls married, they moved away from the village to their husband’s house).



**Figure 2** Traditional housing in villages in Shenzhen

In 1986 the municipal government tried to apply more stringent controls on village housing development. The land allocation standards were adjusted:

- A limit was set for the height of private houses: No houses should be built over three storeys. The average construction floor space should be under 40 square metres per person.
- The 80 square metres of land permitted for building inside the courtyard should be the projected area of the largest part of the building on the ground (Shenzhen Municipal Government, 1986).

The aim of this regulation was to protect the space between buildings and discourage buildings of excessive size. It came at a time when the city was seeing the large-scale arrival of migrants from other regions. Villagers living near to the city centre or major development projects were beginning to rent their spare rooms out to migrants. The rental income was then invested (with cash compensation for the loss of agricultural land from the government) to extend family houses. Extra rooms were added to original buildings or put on top of older buildings. Some richer families rebuilt their houses into multi-storey buildings. This regulation aimed to slow down village house building and give a stronger sense of government control. It had the opposite effect, however. Villagers saw this as their last chance to occupy land and build houses. Unauthorized building activities ran out of control in many villages in the following years.

When more villages became affected by the urban expansion, and private property letting became a main economic activity in villages located outside the SEZ, the municipal government adjusted the standard village residential land allowance again in 1993:

- The standard size of a new yard was reduced from 150–100 square metres per household;
- The permitted housing construction floor space was also capped. Each household was allowed to build up to 480 square metres of construction floor space (irrespective of the size of the household) (Shenzhen Municipal Government, 1993).

These policies did not slow down housing development in urban villages either. From the middle of the 1990s onward, most households in urban villages were able to rebuild their houses. New houses were constructed with modern materials such as steel, concrete and



**Figure 3** Post-1990 family-built housing in urban villages

bricks. Households tried every trick to maximize building areas on their land. The reduced plot size pushed up the construction density and building height.

When the government realized that village house building was running out of control, it tried to reinforce the regulation by suspending approval for house building applications in the mid-1990s. As a result, unauthorized house building occurred on an unprecedented scale. All new buildings were over the legal size and height limit (see Figure 3). Most buildings constructed during the late 1980s and early 1990s were under 5 storeys. From the late 1990s, 80% of new buildings were between 6 and 9 storeys, 5% over 10 storeys and some even reached 20 storeys (Shenzhen City Urban Village Redevelopment Planning Working Group, 2004). Each family built detached houses to avoid direct contact with neighbouring buildings and to maintain some individual characteristics. In order to maximize the volume of floor space, very narrow gaps were left between buildings. This practice resulted in extremely high density and the so-called ‘kiss building’ (people in different buildings can kiss each other through their windows). The main purpose of these buildings also shifted from family use to renting.

The ineffectiveness of government regulations was only part of the reason for the large-scale housing development in urban villages. The loss of crop land and income forced the village residents to find other ways of living. Theoretically speaking, they could find jobs or set up businesses in the city. However, most farmers had only a primary or middle school education and had difficulties in finding suitable jobs. Villagers therefore turned their attention to land- and property-related businesses. The demand for cheaper housing from incoming migrants provided them with an excellent opportunity.

In 2001, the government issued a policy to legalize the unauthorized housing inside urban villages. The key points of the policy included:

- No penalty would be imposed on households with only one building of less than 4 floors and 480 square metres of construction floor space.
- For households with one building over 4 storeys and 480 square metres of construction floor space, penalties would be applied as follows: from 481-600 square metres (on the 5<sup>th</sup> to 7<sup>th</sup> floors), the penalty would be between 20 and 50 yuan per square metre of floor space; for the part over 600 square metres (on the 8<sup>th</sup> floor or above), the penalty would increase to 50–100 yuan per square metre.

- No penalty would be imposed on households with more than one building, if the extra buildings had been approved by the authority in the past. But the household would be required to pay the public land use fee for the extra building(s). If the extra buildings were not approved by the authority, the household would have to pay a penalty of 50–100 yuan per square metre of construction floor space in these buildings on top of the land use fee.
- Households owning one building were exempt from paying the urban land use fee; households with more than one building were required to pay 75% of the standard land use fee for the extra buildings (Shenzhen Municipal People's Congress, 2001).

After paying the relevant penalties and fees, village households could register their property with the housing authority and claim their property ownership certificates. At the same time, they were required to sign the contract for using public land with the government. This process brought to an end the collective ownership of land inside urban villages. Village households received official recognition for their initially unauthorized buildings; in return they lost the traditional freehold collective land ownership. According to national regulations, the normal legal term for urban housing land is 70 years and the government reserves the right to charge a fee at the date of renewal or even withdraw land from further lease.

As usual, this policy led to another wave of illegal house building in urban villages. The penalties imposed on illegally constructed buildings and floor space were so small in comparison to the average commercial housing price in the city (6,300 yuan per square metre in 2001), that they served as an encouragement to more illegal house building. This policy was discussed and passed by the Municipal Government in October 2001 with the implementation date set for March 2002. This gave another time window for families to catch up in house building.

A 2004 report found that housing in urban villages occupied a total land area of 9,204 hectares. The total number of privately owned dwellings had reached 307,000; 44% of these were constructed after 1999. The total construction floor space had reached 105.4 million square metres, nearly half of which was built after 1999. The average size of construction floor space in these buildings was 343 square metres. Inside the SEZ, it had reached 532 square metres (Shenzhen City Urban Village Redevelopment Planning Working Group, 2004).

In Futian district, the 15 urban villages occupy 390 hectares of land, about 5% of the total district administrative area, but they house 572,100 migrants, in addition to the 19,300 original village residents (1,515 persons per hectare) (China Academy of Urban Planning and Design, Shenzhen Branch, 2004). Table 1 shows the scale of rental housing in some villages in Futian. Some households own more than one building. The average construction floor space per building is 910 square metres, well over the limit set by the government (480 square metres). The average floor space per person (including migrants) comes down to 11.5 square metres in the villages, less than half of the overall

**Table 1** Residential buildings and floor space in some urban villages

Villages	No. of original households	No. of original residents	No. of privately owned buildings	Total construction floor space (1,000 m <sup>2</sup> )	No. of migrant tenants	Migrants (tenants) per original household
Xiameilin	572	1,376	716	769.6	61,811	108
Shangmeilin	241	651	400	395.0	41,384	171
Xianshan	514	1,319	684	544.8	28,000	55
Shangshan	497	1,068	966	1,017.8	75,000	151

**Source:** China Academy of Urban Planning and Design Shenzhen Branch (2004)

average in the city (The Editorial Committee for Shenzhen Real Estate Yearbook, 2005). On average, each household provides rental housing for 88 migrants.

### Commercial and industrial development in urban villages

There are, for the most part, two types of land inside urban villages: individual-family-controlled residential land (as discussed in the previous section) and collectively managed land for streets, public facilities, village (neighbourhood) offices, commercial premises and industrial workshops and factories. Privately controlled residential areas also provide commercial space for small and traditional shops along the main streets. In rebuilding their houses, local residents made the ground floor suitable for shops or offices. As village streets are very narrow, the ground floors are too noisy and insecure for living quarters. They do, however, offer good business opportunities. Initially, the shops and restaurants were run by the owners themselves. When rental income increased and these owners became richer, these business spaces were rented out to migrants. The shops normally sell clothes, everyday necessities and food. Their prices are cheaper than those in larger and well-established department stores or supermarkets. In less busy streets, the ground floors are often used for specialized product and service shops, such as electronics, furniture, DIY tools and 'feet-washing' or massage salons. Most villages also maintain one or two street markets, where local residents can find fresh vegetables, meat, poultry and fish.

The commercial and business opportunities offered by urban villages have changed over time. During the early stages of village transition, shops, restaurants and offices were used mainly by local residents and migrants. Products and services targeted the relatively poor population. When villages became more commercially established and were surrounded by formal built-up areas; shops, restaurants and businesses were upgraded. More expensive clothes and goods could be found in shops; restaurants became larger and posher; businesses changed from offering very simple services (such as long-distance phone calls) to more sophisticated activities such as selling mobile phones and property management. This maturing and upgrading of commercial activity is also related to the locations of urban villages. Commercial activities are simple and low key in suburban villages and more complex in centrally located ones.

Some arable or spare land was left to villages by the municipal government when agricultural land was taken over for development. This collectively managed land served two main purposes: to enable villages to have proper infrastructure such as roads, open spaces, administrative offices; and to enable villages to maintain some collective economic activities and solve the unemployment problem created by the loss of agricultural land. Initially, the amount of land left to villages varied, to reflect historical land use and local circumstances.

In 1993, when the two suburban districts were created out of the Bao'an County, the municipal government began to standardize land allocation for villages. Apart from land for family housing, each village was also allowed to maintain some land for collective purposes:

- For industrial and commercial uses: a maximum of 100 square metres of land per registered village resident (excluding migrants). This land should be used collectively by the village to set up industries and businesses and create job opportunities for villagers.
- For public facilities: 200 square metres of land per household (villages located outside the urban planning control areas could have 300 square metres per household) for roads, infrastructure, open space, culture, health, sanitation, sport and recreation and other public uses (Shenzhen Municipal Government, 1993).

Industry was, and still is, a very important economic sector in urban villages in Shenzhen. In the early 1980s when the Special Economic Zone was set up, the government did not know exactly how the zone should be developed. It was the local





**Figure 4** Industrial estate and workshops in Pinglang village

villages that started the industrialization process. Being next door to Hong Kong, most families in the area had overseas relatives in either Hong Kong or other countries in Southeast Asia. Local villages, drawing on their land and labour resources, set up industrial areas to attract overseas investment. These village industries began in the labour-intensive manufacturing and processing sector and were referred to as *sanlaiyibu* industries. Overseas companies provided machinery, equipment and investment to set up the factories. They also supplied materials, parts and sample products (*sanlai*) for the production and were responsible for the export of the finished products. The village offered land, buildings and labour for the production. The two sides complemented each other (*yibu*) and shared the income and tax/custom liabilities. This type of industrialization first emerged in Dongguan (a neighbouring town of Shenzhen) and gradually spread into other villages and towns in the Pearl River Delta region, and the source of investment expanded from Hong Kong to other countries.

Industrial development in Shenzhen is not limited to urban villages located inside the main built-up area. Almost all villages within the city's administrative boundary are involved to some degree. In every village, tens or even hundreds of factories can be found (Figure 4). The recent improvement of transportation and road systems made villages located in suburban areas more attractive to industry. Land in the suburban or rural areas is cheaper; housing costs for workers are also lower. Early manufacturing, labour-intensive and polluting industries located in urban villages near the central area of the city later moved out to rural and suburban areas.

The commercial housing price in Shenzhen has increased several-fold in the last few years, and real estate development has become a very profitable business. The shareholder companies in many centrally located villages switched their focus from industrial property supply to real estate development. They organized housing development on the collective land freed from industrial factories. Some villages also built modern shopping facilities and department stores on their land and successfully attracted large retail and financial businesses into these properties. These shopping centres not only meet the needs of the village residents, but also have large catchment areas. This process improves the village's economic base and leads to better integration with the surrounding areas.

## Politics of urban village development

Rapid urbanization and rural to urban migration are often seen as direct causes of the emergence of urban villages in China. There are, however, many other political, social and economic reasons. The urban and rural division of population and the difference

in urban and rural land ownership are two important factors which prevented villages from integrating with the surrounding planned urban areas. The rural–urban division in population put local rural residents at a disadvantage. Like rural migrants, they were excluded from urban economic and social welfare services. Urban expansion during the planned economy period was supported by job assignment for working-age villagers. This provided a quick way for rural people to adapt to urban life. This practice became impracticable from the mid-1980s because of the increase in the population involved and the development of the market economy. Most village residents had some basic education only, and the municipal government was reluctant to accept a large number of them as part of the urban population. Rural residents affected by the urban sprawl were largely left on their own to adapt to their new living environment.

The difference in land ownership in rural and urban areas is the other important factor. Land reform in the 1950s created two types of land ownership. In urban areas, land was nationalized. In rural areas, the very unequal private family land holdings were first adjusted to give poor families an equal share and, after several changes, collective land ownership was eventually established. All land under the village's control was owned collectively by the village, though families could be responsible for the cultivation of specific plots of land (F. Wu, 1999; 2002; 2004; Cartier, 2001; Zhu, 2004; 2005; Ho and Lin, 2003; 2004; Ding, 2004; Deng and Huang, 2004; Yeh, 2005). In areas of urbanization, provision was made for the municipal government to take over collectively owned land and pay the village some compensation. For crop land, this practice was less problematic, partly because collective land ownership had become very ambiguous. Government officials often treated collective land ownership as another form of public ownership. They expected farmers to support state developments by giving up their collective ownership in return for some compensation. Village residents believed that they had been living and working on the land for generations, and that collective ownership meant ownership collectively by themselves. Village leaders were caught in the middle. On the one hand they represented the villagers and their claims to their traditional rights over the land; on the other hand they were the lowest-level officials of the government and the Communist Party. With pressure from the government and sometimes bribes from property developers, they often made the decision in favour of developers.

When the issue arises with respect to village residential land, the problem becomes much more complicated and contentious. Families who had been living on the land since long before the establishment of the Communist government (some still held the pre-communist property certificates) fought hard to protect their property from being 'taken over' by the government without very substantial compensation. Village leaders had their own interests to protect as well. They would not sacrifice their own dwelling places for the government and developers. The municipal government also found it difficult to make employment, housing and social care arrangements for these people. It (along with the developer) tended to avoid claiming village residential land unless it was absolutely necessary, especially when there was still crop land available in the area. In practice, when a village's productive land was taken over, in order to reduce the amount of compensation and avoid unnecessary disputes and protests, the municipal government allowed the villages to retain some non-residential land for future expansion or business/industrial uses. In their own interest and that of the village as a whole, village leaders could bargain hard with the government to retain as much land as possible. The government also hoped that village residents would use the spare land both for the renewal of old and poor houses, and to set up businesses to create jobs for themselves.

Rural *hukou* status gave the municipal government the excuse to exclude village residents from normal urban services. The strong residential land use rights in villages prevented developers and the municipal government from taking over residential land for development. The favourable locations of urban villages in fast-growing cities and

the huge increase in land values provided village communities with good economic and business opportunities and helped them to deal with the change from farming to urban life. This practice enabled the municipal government to avoid taking on responsibility for social, economic and infrastructural development in these villages. At the same time, it gave the municipal authority a very weak hand in managing land use. Traditionally, rural residents had the freedom to build and use their houses in any way they liked, and there were few planning and building regulations in villages. The government found it difficult to impose controls on family housing development inside the boundaries of villages, even though some of these villages were located deep within the urban built-up area. Policies and regulations (often as maximum standards) were issued to restrict village development, but there were no effective administrative organizations to implement them. The government had to rely on village leaders to practise these policies; but village leaders themselves had vested interests in the development process. In fact, in most cases the village leaders and their relatives often led the illegal house building. This is why when the municipal government tried to tighten up controls on village house building, the result was often more and larger-scale development.

At the early stage of village transformation, the municipal government's inexperience in managing collectively owned land often resulted in a planning vacuum in urban villages. The small number of villages involved and the income gap between urban and village residents at this stage also made municipal policymakers more sympathetic toward unplanned development inside urban villages. When more and more suburban villages become partly urbanized, and land- and property-related income inside these urban villages increased to a high level (higher than most civil servants' salaries in the city), official sympathy toward villagers faded away and stricter control measures were issued. This progression from no control to strong control might seem fair and logical if all the urban villages concerned were located in the inner-city area and had achieved the same level of development. Tight regulation and planning may be reasonable and desirable in themselves, but urban villages vary substantially (see also Figure 1). Villages located near the city centre have been part of the city for some time and have experienced many years of uncontrolled development. The economic and environmental linkages between them and the rest of the city are very complicated. Original residents in these villages have been making money from their properties for some time. The villagers and their leaders are more experienced in managing their affairs and in dealing with municipal authorities. They can often find ways to evade control policies. Villages located in suburban areas, which have a shorter exposure to the urbanization process and less experience in property-related development, are normally hit hardest by new control policies.

After about 20 years' development, different views with respect to urban villages have begun to emerge in China. Property developers and economists see urban villages as an inefficient and irregular use of valuable land resources and a distortion of the urban land and property market. Particularly after all fresh crop land has been developed in the region, property developers' eyes begin to focus on the residential and industrial land held by urban villagers. Most government officials and planners criticize urban villages for their relatively high crime rate, poor living environment and fire hazard. They are also concerned about the great pressure imposed by migrants on the urban infrastructure and employment. They view the informal development from a very negative perspective, and consider urban villages to be an embarrassment for the city. Their proposals aim to increase control on migrants and to redevelop urban villages. Original local villagers see the urban villages as their homes and the rental housing and business prospects as their lifeline in the modern city. They are more concerned about the returns on their investment in the buildings, and tend to resist any quick and large-scale redevelopment plans. Migrant workers — the main population group living in urban villages — see housing there as the only affordable option for them, even if living conditions are not always very satisfactory.

## Urban villages as an important stage of urbanization

Traditional villages in the Shenzhen area have changed from agricultural communities into small special economic enterprise and business zones under the process of urbanization. They have played a very important role in China's reform and urbanization and have changed the simple rural-urban division of Chinese society and diversified the social, economic and spatial composition of the country. They serve as a special and important transitional stage in the urbanization process and provide the space and time for rural people (both local and migrants) to adapt to the new way of life in the rapidly urbanizing regions. Table 2 summarizes the main characteristics of urban villages at different stages of transition.

The development and transformation process undergone by villages in South China has changed conventional perceptions of urbanization. Modern offices, commercial buildings, housing estates and other associated infrastructure can quickly turn a large area of fresh agricultural land into built environment for occupation by the middle classes and wealthy people. The integration of traditional rural settlements and low-income people into contemporary urban life, however, is a slower process and can involve several stages. The combination and dynamic interface of these two different processes explain the complex phenomenon of fast urbanization in most Asian developing countries (see Figure 5).

The relatively slow process of village urbanization is also a function of the natural way that rural populations learn about and adapt to urban life. Villagers under threat from urban sprawl undergo stress resulting from dramatic life changes. They have to *learn* new skills in order to make a living without crop production. In fact, local villagers have to start from simple jobs and commercial activities such as renting spare rooms, running a small shop, or taking up an insecure and low-paid job in the city. When they have learnt some skills and accumulated some savings, they then embark on larger-scale business initiatives such as building larger houses for renting or setting up other businesses. For the village leaders and managers, the learning and adaptation process is also very important. No one can acquire the knowledge of an industrial or commercial real estate manager overnight, and learning is especially difficult for poorly educated farmers who only know how to manage crop production according to the seasons. The progressive stages of village transformation provide village leaders the time and resources to learn the new management and negotiation skills required by the modern urban economy. It is also true that most villages have gone through a cycle of change — from initial crop land losses, to creating small-scale industrial workshops around the village, subsequent industrial expansion and decline, then a switch to commercial and real-estate management and social and economic service provision.

## Conclusion

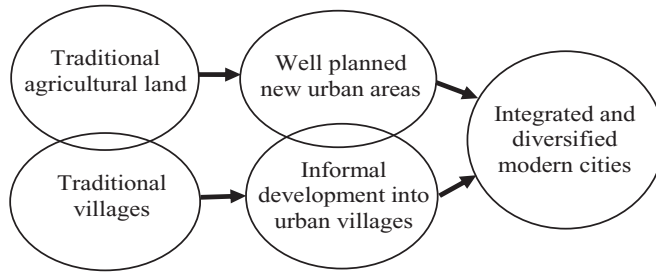
Housing, industrial and commercial developments in urban villages have solved two major problems of urbanization in China. First, they provide a way of life for the local villagers. Incomes and jobs created by these developments are essential for the survival of the traditional village population. Second, they provide cheap accommodation for millions of migrant workers who form the main labour force in the urbanization process. Because of their flexible size and relatively low standard, the rent for these properties is affordable not only to lowly paid rural migrants; most university graduates arriving in the cities also rely on urban villages for housing. In many other rapidly urbanizing regions, urban sprawl often results in the destruction of traditional villages and dispersal of the original residents. One of the most important contributions of the Chinese urban villages is the protection and preservation of traditional communities.

In Shenzhen, and in the whole Pearl River Delta region, the importance of urban villages is demonstrated by the extraordinary scale of land use, the huge number of houses built during a very short period, and the millions of migrant workers living in

**Table 2** Features of urban villages at different development stages

Social and Economic Activities and Functions in Village	Three Stages of Rural to Urban Transition		
	Initial Transition at Suburban or Interface Locations	Becoming Urban Villages in Inner-city Areas	Toward Full Integration
Agricultural land and production	Begin to lose crop land to urban development	Most crop land has been transferred to the government for urban uses	Agricultural activities ended
Housing	Traditional style; begin to see small-scale improvement	On-site redevelopment becomes very common; some villages carry out large-scale planned redevelopment/relocation	Most traditional houses have been replaced with family-built high-density and high-rise buildings
Industry	Small-scale processing industry emerges; employs mainly village residents.	Large-scale industrial estates emerge in the manufacturing and processing sectors; employ mainly migrant workers	Labour-intensive and polluting manufacturing industries decline; industrial land made available for business and real estate development
Commercial activities	Small family-run shops using spare rooms along main street	Specialized shops begin to concentrate in some streets and villages, e.g. 'electronic city', 'building material city'; open markets emerge to serve nearby communities	Modern shopping centres replace industrial land use; village economic and commercial activities begin to integrate with, and have an impact on, surrounding areas
Migrant workers	Arrive in small numbers to fill gaps in the local labour market	Become the main labour force in the ever expanding industrial and construction sectors	Migrant population becomes more complex and dynamic, with a decline in blue-collar industrial workers and an increase in service sector workers (e.g. graduates)
Village administration	Traditional style, small team; mainly manage agricultural production	Shift toward industrial estate and rent management and infrastructure provision	Begin to integrate with the formal urban system; focus on real estate development and environmental and social management
Historical and cultural facilities	Few low-key and simple structures, such as village gate and temples	Preserved and becoming the focal points in villages	Rebuilt or extended and become important symbols of identity for the village community

them. Urban villages also provide cheap spaces and facilities for small businesses and industries. Many of the so-called world factories are actually located in these villages, either inside cities or in suburban areas (Yeh and Li, 1999; Lin, 2001; Xu and Yeh, 2005). Indeed, fast and flexible economic growth relies on these less regulated, informally



**Figure 5** Two track urbanization processes in rapidly urbanizing regions

developed properties. Without these urban villages, there would be no economic miracles in the region. Urban villages also diversified the new urban culture and social structure. The rich built environment, historical heritage, cultural diversity and irregular landscape created by these villagers serve as interesting alternatives to the homogenous concrete, steel and glass images of the modern city.

Looking at urban villages from these angles, their gradual transition from rural to urban should not be seen as backwardness or a cause of problems for the modern city. It represents a major advance in terms of economic and social development that meets the basic needs of local people, particularly poor and low-income residents. The unplanned, sometimes chaotic, physical environment in these villages is the result of an important step in urbanization. It signifies the great creativity of the rural population in their adaptation to modern life and points to a very different theoretical paradigm of urbanization and urban planning.

Chinese urban villages share many features with the shanty towns found in other developing countries. Overcrowding, high density and low quality accommodation, poor infrastructure provision, social and environmental problems and high crime rates can be observed in both cases. Urban villages in South China, however, also show many different characteristics from slum areas in other developing countries. Housing in urban villages is developed by local farmers on their own residential land and rented out to migrant workers. It provides basic amenities including water, electricity supply, toilets and a sewage system. There is no land invasion and the shelters provided are relatively better quality than those found in slums or shanty towns. The experiences of urban villages in China can be useful to policymakers in other fast urbanizing regions. Simultaneous suburban village development can be an effective way to avoid the emergence of large-scale slums during rapid urbanization.

The value of urban villages should thus be recognized, and new initiatives to redevelop them should be given careful consideration. Many dynamic and vibrant world cities have a very complex social, economic and land-use structure that provides widely diversified opportunities to many different social and economic groups. While the middle class is expanding very fast in Chinese cities, there will always be a poor working class in cities. The unsatisfactory living environment in urban villages must be weighed against the purchasing power of the population living there. Gradual improvement and upgrading supported by public resources aimed at helping the urban poor should be welcomed. The authorities, however, should think twice about the hasty and heavy-handed elimination of urban villages, because it will lead to more problems and will remove the cheap housing, small private businesses and flexible job opportunities on which the city's poor depend.

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## Résumé

*L'habitat informel et les aménagements commerciaux et industriels dans les villages dits urbains constituent des caractéristiques essentielles de la récente urbanisation chinoise. Cet article examine le développement des villages urbains dans l'une des villes les plus dynamiques: Shenzhen. L'article revient d'abord sur les processus d'urbanisation et de migration dans la région et sur l'émergence des villages urbains. Il s'attache ensuite à l'habitat informel, ainsi qu'aux aménagements commerciaux et industriels, dans ces villages. La politique d'urbanisation des villages est analysée, mettant en évidence le lien important entre migration et aménagement informel des villages. L'étude souligne que les villages urbains fournissent des logements accessibles financièrement et des emplois à la population à faible revenu pendant la phase rapide d'urbanisation, et insiste sur les précautions à prendre vis-à-vis d'un réaménagement précipité et à grande échelle de ces villages. La conclusion met en avant combien le développement des villages urbains est important dans le processus d'urbanisation.*