

How Feasible is China's Path of "Land for Social Security"?*

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Abstract: The purpose of this paper is to offer political advice and decision making for the reform and development of a social security system for land-lost peasants. At present, some research results and policy designs lack clear plans, which still simply regard the social security system as a supporting policy for land expropriation and separate the relationship between land system, land expropriation, and social security. Based on that, firstly, this paper analyzes the possibility of the system by introducing the successful practice of "Land for Social Security" in China. Secondly, it rethinks hazards and secret worries behind the system from the core views of "compensation or security" and "for social security or transfer the land". Third, from the perspective of land rent, the article explores how to make "Land for Social Security" more feasible. Finally, based on the dual nature of land, the article puts forward relevant policy suggestions. The conclusion is that to improve the social security measures for land-lost peasants, it is

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important to establish a compound social security system adapting to its own features based on the condition of confirming the special land property rights of both collective and individual.

Keywords: land expropriation compensation balance urban and rural development compound social security

Introduction

With the fast rate of urbanization in China, problems regarding compensation and settlement of land-lost peasants have become prominent issues in recent decades. Property law has specified the relative rules and principles of land expropriation compensation¹, that is “to provide land-lost peasants with specific institutional guarantees, and to secure their long-term livelihood”. This is going to become the fundamental consensus of scholars, exporters and all decision-making departments, and be the prevalent policy practice of various kinds of “land for security” in the whole country. However, in general, research mainly reflect the emergency of political needs and social stability, but those are lacking in overall planning about the long-acting mechanic construction of the system itself; a lot of policy designs also just pay attention to the allocation problem of land expropriation compensation itself, tending to simply regard social security system as a supporting

¹ This law requires: “expropriating all the collective land should pay land compensation, settlement allowance, land attachment and the compensation of young crops, and fully arrange the social security payment of land-requisitioned peasants in order to insure the livelihood of land-requisitioned peasants and protect their legal rights. Expropriation unities, personal house and other real estate should be given compensation of removal and protect the legal rights of expropriation person; the people who expropriate personal house should be insured with the living condition of requisitioned people.” Meanwhile, actually aiming at the behavior of occupying compensation, Property Law requires: “Any unity or individual is not allowed to embezzle, divert, privately divide, lap, default expropriation payment.”

policy of land expropriation and land management policy, but when considering the some basic problems of land rights of peasants, land expropriation, security settlement and the relationship among them, academic circles are still lacking a deep and systematic research and discussion. From this point, this paper will have some new review and analysis about land expropriation compensation and social security construction of land-lost peasants in order to obtain decisions of promoting the future policy under urbanization.

The Policy Practice of "Land for Social Security" and "Land for Identity"

"Land for Social Security"

With the increasing serious problems of livelihood security among land-lost peasants, the national social security system continuously intervenes regarding adaptation to the reform of land expropriation and resettlement compensation system. The original department of labor and social security has published two documents: "Instructions about Accomplishing the Career Training and Social Security Works of Land-Lost Peasants" in April 2006 and "Notice about Well Solving Some Problems of Social Security of Land-Lost Peasants" in April, 2007. With publishing of these two documents, the targets, sources of funding and treatments of social security of land-lost peasants, have not only obtained national attention, but also obtained some measures in specific policies, like that the social security fund will not be approved to use in land expropriation without being put into practice, same areas have the same prices and expropriation after security. Besides, the major changes of resettlement compensation include: firstly, breaking the upper limit of the standard of resettlement compensation², which has brought

² Article 12 of the department of labor and social security's "instruction" requires: "while the sum of land compensation and settlement allowance

the market element³; land-requisitioned peasants have been allowed to participate in and share the land value-added income⁴; big adjustment in guiding principles of the settlement of land-requisitioned peasants⁵; the social security problem has been put forward in the first time⁶;

reach the legal upper limit, it is still not enough to maintain the original living condition of land-requisitioned peasants, then the local government could provide allowance on the basis of paid use of state land.”

³ The State Council requires the comprehensive land value in the constituted areas of each province should consider the type of land, output, land location, farmland class, per capita cultivated land number, land supply-demand relationship, the development level of the local economy and the lowest living and security condition of the urban residents.

⁴ According to article 13 of the department of labor and social security’s instruction, “Peasants are able to become shareholders of projects that have constant returns by applying their construction land use rights that have been legislated”. Article 7 of the instruction of the Ministry of Territories also pointed out, “For long-term stably earning project-use land, if peasants household have intention of having negotiation with units that took the land, local rural economic organization has the right to discuss with the units about purchasing a share of the project by using the capital collected from land compensation or by directly evaluating legislated construction land use rights in terms of shares. Rural group economic organizations and peasant households will be able to receive their benefits based on preferred shares.

⁵ The department of labor and social security’s instruction has also indicated “It should be started from promoting jobs for rural inhabitants, settling responsibilities of land-requisitioned peasants’ jobs placement and then to enhancing necessary training plus with the development of program for a further promotion of land-requisitioned peasants job growth.

⁶ The department of labor and social security’s instruction requires adopting multiple ways to preserve the basic living and long-term livelihood of land-requisitioned peasants. “For those who are already qualified for minimum living ensuring standard for urban residents, they are entitled to enjoy the benefit correlatively. Districts that have already carried out urban medical assistance system have to bring those who are under urban medical

meanwhile, the source of fund needed by the social security of land-requisitioned peasants has been clarified⁷. In fact, in the past years before the publishing of the central policy, with a thriving economy and fast urbanization, some regions are apparently feeling great pressure from social contradictions produced in the land expropriation, and beginning to try the settlement ways of social security, as the political method of leaving the land for social security. "Land for Social Security" is aimed at changing the traditional methods of land expropriation compensation and settlement grants, with guaranteeing a certain fund as social security payment from the collective land expropriation compensation and the income return from the land right of local government, and bringing the land-requisitioned peasants into the social security system of current urban employees (or establish an independent one by imitating this system), ensuring land-requisitioned peasants obtain the social security treatment commitment, which is similar to the retired enterprise workers. As a policy idea about the multicultural-construction settlement methods of land-requisitioned peasants, it has changed the situation, where the settlement methods and

assistance conditions into the scope of medical assistance. Conditioned districts are allowed to let peasants entering into the extent of pension, medical, unemployment and other social insurance application scale, in order to fix basic living issues by implementing current social security system.

⁷ Notification by the department of labor and social security in 2007 stated that compensation for land-requisitioned peasants will be settled and collected from settlement allowance that local government approved to increase. Additionally, compensation could also be taken from land compensation fee. For exceeding portion of the compensation, it can be paid by income from state-owned land utilization via government accordingly. Regional people's government are permitted to take out a section of land leasing income to cover some land-requisitioned peasants' social security allowance expenses, eventually and steadily setting up a permanent mechanism for land-requisitioned peasants' living allowance.

fund resources are single, and paid attention to reflecting the assets peculiarity of land. Thus, it becomes popular among most areas in recent years. Till now, many regions, including Beijing, Chengdu, Chongqing, Guangdong, Qingdao, Xi'an, Tianjin, Zhejiang, Jiangsu and Shanghai, have been trying to solve the social security of land-requisitioned peasant in various ways, such as "Binging into Urban Security", "Binging into Rural Security", "Independent Establishment", "Carrying Out the Fundamental Life Security" and "Establishing Town Security."

Experience of Jiaxing

In early 1993, Jiaxing, a city located in Zhejiang province, first employed the practice of land expropriation system reform in the urban area, and published "The Land Expropriation Dispersion of Personnel in Jiaxing Urban Area" in 1998. The basic content of this policy is "land for social security", which means land-lost peasants would join the social pension security system and receive a monthly pension after land expropriation. In order to guarantee the prospective of the policy, Jiaxing also has made some supporting measures, such as the employment support and training of land-lost peasants.⁸ In 2003, Zhejiang Province established a social security system for land-lost peasants—"Instruction About Establishing the Fundamental Living Security System for Land-Lost Peasants" and "Notice about Expediting the Establishment of Fundamental Living System for Land-Lost Peasants", which officially introduced "land for social security" to the whole province. In early 2008, Jiaxing was listed as one of the *development of the urban and rural comprehensive reform pilot areas*. In August 2008, Jiaxing encouraged its residents with lands to carry out a project called "*Two-for-Two*", promoting vast stretches of circulation of rural contracted management

⁸ Yu, Jiang, Yanmin, Zhao: "The Security Mode Comparison of Land-lost Peasants", "The journal of Party School of Sichuan Province Committee of CCP", 2005(12).

rights and transferring of farmers to the city. Particular methods were to exchange landless resident endowment insurance with the rural contracted management right, and to exchange urban housing index with homestead. In order to solve the employment problem of a large number of a new non-agricultural population, Jiaxing published "Implementation Opinions to Promote the Equal Employment between Urban Area and Rural Area Further", which includes people giving up rural contracted management rights voluntarily into the objects enjoying the employment policy. The "Jiaxing Mode" can be simply summarized as "three unities" and "one respectively". The "three unities" are that the government unifies the implementation of land expropriation, unifies the compensation policy, and unifies the management of transferring from rural to non-rural and pension security; meanwhile "one respectively" is to settle respectively for different ages objects.⁹

Experience of Shanghai

In October of 2003, the Shanghai Labor and Social Security Department published "The Interim Measure of Social Security in the Small Towns of Shanghai", which marked Shanghai as the first city in China to establish a small-town social security. "Town Security" is a new kind of synthesized and basic social security system in Shanghai's social security system. This social welfare system is an organic combination of basic social security and supplemental security. Meanwhile, this system can be generally summarized as "25%+X": "25%" means the overall part of basic security. Currently, the major part of the basic security insurance system includes pension, medical treatment, unemployment, fertility and employment injury insurance. These parts are based on monthly average wages of all workers in the city and paid monthly at a ratio of 25% (the

⁹ Shifei, Zhang, Jun, Tang: "Land for Social Security: the only Way of Solving the Problem of Land-requisitioned Peasants", "Red Flag Manuscript", 2004(8).

pension part accounted for 17%); X is the personal account of the supplemental insurance, which is encouraged by the government but optional for entities or individuals. Moreover, the city also set up a special policy for the “Town Security” of the land-requisitioned persons, which means all newborn labors for land expropriation are automatically planning to be added into Town Security mode. The land expropriation entities should pay land expropriation labor for no less than 15-year basic pension and medical insurance for each time, and when the land expropriation labor reach the mandatory retirement age, according to the policy, they can enjoy the relevant pension and medical insurance treatment. Meanwhile, the entities should also pay some supplementary social insurance, which includes supplementary pension, supplementary medical insurance (3 percent points are compulsory), and no less than 24-month living allowance. Up to the data till the end of 2006, as many as 947,100 land-lost peasants have already participated in “Town Security” mode.¹⁰ In addition, since April 1st of 2012, the health care top line of serious illnesses of “Town Security” is enhanced from 46.8 thousand to 280 thousand. And 80 percent of the medical treatment fee above the top line will be covered by “Town Security”, which lightens the burden of the insured of “Town Security.”

Experience of Chengdu

In 2003, following the political practice of the social security settlement for land-lost peasants, Chengdu classified peasants who wanted to transfer from rural areas to urban areas since 1991 into the group who would have land expropriation, and the group who had already had the land expropriation. Following the “Land for Social Security, Return Premium for Social Security, Government Payment

¹⁰ Chun, Ding, Moudong, Su: “The Practice and Thinking of the Social Security Construction for Land-lost Peasants—the Analysis of Social Security System in Shanghai Small Towns”, “World Economic Update”, 2006(20).

Allowance", the land-requisitioned peasants have already been added into the urban social security system and enjoy the urban employment pension and medical insurance treatment after paying the required social security based on different ages and different land expropriation time by the peasants themselves. As for the peasants after 2004, the city made a new payment requirement according to social insurance payment and enjoyment of Chengdu workers. The new requirement was to mainly encourage the people, who were at labor age, to seek jobs, establish social security in layers, and meanwhile guarantee the people, who were over labor age, basic living conditions and meet their basic medical needs. This system was a general integrated security mode that depended on the current urban workers' social security conditions. In this system, the pension was regarded as a principle, and medical treatment, unemployment and housing were regarded as assistance.¹¹

Experience of Chongqing

Chongqing had once published the policy, "Government+Insurance+Peasants", which was practiced by business and insurance companies. After elections, the Business and Insurance Company gave the land compensation and settlement compensation (full or half) to peasants who voluntarily participated in licensed insurance companies' programs to manage the savings-type pension. The relevant insurance companies would provide retired people with living compensation and some interest margin allowance. This kind of insurance is able to provide every land-lost peasants monthly "fixed income" when they became old (60 years old for men, 55 years old for women) to guarantee their basic living expenses. Under the constraint conditions, such as capital shortage, its core value is to reasonably borrow the power and resources

¹¹ Yu, Jiang, Yanmin, Zhao: "The Social Security Mode Comparison of Land-lost Peasants", "The Journal of Party School of Sichuan Province Committee of CCP", 2005(12).

from market organizations to relieve social contradictions, offer various securities, and make it possible to get rid of the low-efficient public institutions and weak information platform. However, it has patent defects in some aspects, such as scope, coverage and guarantee level of security project. Although the land-lost peasants are able to take advantages of all the compensation to purchase commercial pension, they will only have at most 2205 CNY for pension in every year, which means only 183.75 CNY per month. This rate is apparently too low.¹² In February of 2008, Chongqing reformed the pension system of land-lost peasants. Old land-lost peasants, who had participated in a savings - type pension, could choose whether to participate in the basic endowment insurance voluntarily; meanwhile the new land-lost peasants were included in the basic endowment insurance unified. After this, Chongqing will not carry out a savings-type pension any more.¹³

Experience of Nanhai

Nanhai provides compensation and social security payment by land “shares”. The land shares settlement represented by Nanhai of Guangdong is a kind of settlement method, which works on the condition of assisting regarding land collective ownership and personal land management contract power, and uses land contracts to manage the rights of peasants and collective land ownership respectively, which share with the companies or economic entities. Those companies and utilities invested and organized by some land expropriation subjects, such as nation-owned

¹² Shiyu, Qing: “The Survey about Social Security System of Land-lost Peasant with the Participation of Commercial Insurance”, “Insurance Studies”, 2005(9). Xiangyu, Tan, Shiyu, Qing, Guochang, Fan: “The Mode Choose and Location of Commercial Insurance in Rural Social Security System”, “China Insurance”, 2007(8).

¹³ Ping, Li, Lingmei, Chen: “Model Research for ‘Land for Social Security’” of Land-lost Peasants in Chongqing—Based on Survey and Research of Chongqing High-tech Zone”, “Industrial and Science Tribune”, 2008(12)

companies or enterprises, and to acquire "land shareholding"¹⁴. The main method of it is to firstly have "three zones" planning—to classify land into farmland protection areas, economy development areas and commercial housing areas, and making a better use of land resources; to have collective property, land, fishpond and land contract right discounted and shared; and to make the distribution of dividends according to the given ratio and establish some organizations and institutions like board of directors and board of supervisors to management them¹⁵. The experience of Nanhai has once been identified by the competent authorities. In 2004, Ministry of Land and Resources published the "instruction about perfecting land expropriation compensation and settlement system", and it points out: "the land-requisitioned rural collective economic organizations can have negotiation with land-user entities, can share the land expropriation compensation settlement fund, or share the approved construction land rights, so rural collective economic organizations and peasant households can gain income by the preference shares throughout the contract. Of course, this kind of "land share and companization" also has to face many challenges like legal barriers, risks of business failure and weak rural finance. Thus, whether it could make "share without losing land" or not is the key to success.

¹⁴ Liping, Zhang, Zhangbao, Zhong: "Pooling of Land as Shares: the Effective Way for Protecting the Value of Land-lost Peasants", "Statistics and Decision", 2007(5).

¹⁵ Bingcai, Tan: "The Joint Stock Cooperative System of the New Countryside: the Enlightenment of Rural Joint Stock System Reform", "Nanfang Daily", May 28th, 2003.

Experience of Lingshui

Lingshui Li People Autonomous County of Hainan Province follows the principle called “farmers’ autonomy”, trying boldly the new model of autonomous land demolition by letting farmers set up a joint-stock company, which mobilizes the enthusiasm of farmers. Dadun village is a typical case. The village committee sets up a company, whose ownership belongs to all of the villagers. The county government pays compensation to the company. Meanwhile, the company takes in charge of the land demolition and related compensations. Meanwhile, the company will get the business chance to develop and construct, such as planting seeding, land consolidation and developing environmental friendly bricks. Through this way, villagers share the business chance to develop and construct which promotes collective economy and solves long-term livelihood problems of land-lost peasants.

“Land for Identification”

It’s also worth noticing that some places carrying on “Taking the Test Rights” are accelerating the urbanization and applying this method to the common peasants, who have no land expropriation features too. That is to say, the method—“land for social security” has been widened from land-requisitioned peasants to almost all the local “qualified” peasants, and changed into conditional “land for identity”. For example, the Wenjiang District of Chengdu has been carrying on the political practice of “double quit”¹⁶. Under the situation that the ratio of transferring surplus rural labor to urban and non-rural production has already reached 86.7% and the ratio of urbanization is 46.6%, this district is exploring and

¹⁶ “Double quit” refers to some peasants in Wenjiang district, whose main income comes from non-agriculture production. When they are willing to quit land contracted management right and homestead use right, they can find houses in the city by themselves or live in concentrated residential areas according to the arrangement of the government.

establishing "double quit" social security for peasants. "Double quit" peasants can gain land allowance and settlement allowance just as land-requisitioned peasants. After moving into settlement houses, they can participate in social security and enjoy the social security allowance from the district finance department according to the "double quit" policy.

Another example is the "new household registration" in Chongqing. The city published "How to Use the Reform of Chongqing Household Registration about the Quilt of Rural Land" and this policy is aimed at the peasants, who voluntarily gave up their rural housing or homestead for transferring to urban residents. Thus, it has some specific rules about the quit and use of attachments of rural housing, homestead and in the right scope of homestead. Meanwhile it also proposes that "considering the people, who volunteer to quit contracted land, they will be given compensation according to the rest term in this contracted time and annual average flow earning standard", and "their contracted land will have a 3-year transitional period, and they could keep contracted land in this 3 years. During this period, the transfer peasants can make a decision whether to quit or not and the time to quit their contracted land according to their own intentions." On the basis of this reform, the transfer residents, who are going to quit rural housing and the use rights of homestead, will obtain 3 kinds of compensation: a disposable compensation according to what the contemporary land expropriation policy sets about rural house and attachments; a disposable compensation on the use right of homestead according to the policy of reference land fare; a disposable compensation on home-buy assistance according to the policy of reference land fare. Whereas, if transfer residents quit their contracted lands, they will be given some compensation according to the rest term in this turn of land contracted period and the average flow earning standard of the similar land. This plan is named as a policy of "three clothes for another five" by the local officials: as rural households bind the "three clothes"—homestead, forest ownership and contracted land; urban households bind "five clothes"—pension, medical treatment, education, housing and employment.

The Hidden Worries and Risks: Deep Thinking about “Land for Social Security”

It should be mentioned that if simply compared with the past disposable currency settlement, “Land for Social Security” has made some improvements: the material meaning of ‘land-requisitioned peasants’ identity transformation is that relevant transformation is also necessary while leeching on to the various additional rights of original identity, and peasants use their “long-term land use rights” for social security. So after making parts of the funding for land expropriation compensation as personal payment for joining the social security, it will be helpful to “guarantee the basic living conditions and lone-term livelihood of land-requisitioned peasants”. Therefore, some researchers have made some supporting conclusions towards this kind of magnification about “land for social security” and “land for identity” by using the method—“enjoy the pension on the condition of turning in land management rights”, which comes from some advancing industrialized countries like Germany, France and Japan, for these countries have used this method when operating the construction of rural social pension.¹⁷

However, at present, although there are research conclusions supporting it, we can’t ignore the worries and risks behind “Land for Social Security” and “Land for Identity”. There exists a directional choice in the policy implement. Once the idea appears to show deviation, the reform will be misguided. Therefore, it is necessary to discuss these questions.

“Compensation” or “Security”?

A number of field research results do not always support this kind of policy frame, especially for those places with a relatively bad land

¹⁷ Xiao, Yang: “Insurance Period of Modern Society(3)”, “China Finance Newspaper”, September 10th, 2009 (5).

location and small value premium amplitude after transferring. So what are the hidden worries and risks? The authors think, at least, some technical problems about "compensation" and "security" should be taken into consideration:

- (1) Are the non-rural employment and livelihood of land-requisitioned peasants sustainable? A survey aimed at 6 provinces including Guangdong shows that 29% of land-requisitioned peasants, near one third of the overall number, get local jobs. Among them, both Zhejiang and Anhui occupy more than one third. For example, Zhejiang is two fifths, and this is related to the thriving local private economy. Moreover, agriculture employment, especially in some areas, where the level of the industrialization is comparatively low, is the most major employment channel. From the following chart, we can see in the whole employment process, the number of people, who still work in agriculture field amount to 527 people, which occupy 32.6% of the overall population. This proportion is the highest among all the channels. Especially in some western areas, with fewer chances for non-rural employment, agriculture plays an important role in absorbing peasants to get jobs. In Jiangxi, this proportion is 40% and in Gansu it is 55.2%. This is related to the local level of the industrialization and the skill of the land-requisitioned peasants; after all, working in agricultural production, they can make use of their knowledge and skills. Finally, after losing land, a lot of land-requisitioned peasants find no job, and they occupy 15.6%. This proportion is far more than the urban unemployment rate, which means that land-requisitioned peasants face a very tough job market.

Chart 1. Employment comparison of land-requisitioned peasants in some provinces and cities (units: number of people/people, proportion/%)

area employment channel	Guangdong	Zhejiang	Jiangxi	Anhui	Gansu	Yunnan	Guangdong	Zhejiang	Jiangxi	Anhui	Gansu	Yunnan
	Number of people	proportion	Number of people	proportion	Number of people	proportion	Number of people	proportion	Number of people	proportion	Number of people	proportion
Expropriation settlement	5	1.6	16	10.1	1	0.4	4	1.4	4	1.5	9	2.5
Out as migrant workers	132	42.9	20	12.7	32	13.6	70	24.1	48	17.8	39	10.9
Agriculture management	100	32.5	10	6.3	94	40.0	66	22.8	149	55.2	108	30.2
Engage locally in second and third industry	45	14.6	63	39.9	81	34.5	100	34.5	67	24.8	114	31.8
unemployment	36	8.4	49	31.0	27	11.5	50	17.2	2	0.7	88	24.6
Total	308	100	158	100	235	100	290	100	270	100	358	100

Material resource: Sannong data website www.sannong.gov.cn

Comment: the number of people in chart is the number of labor in the land-requisitioned peasants (the per capita cultivated land area is under 0.3 mu), who are investigated in every city, and the number in the chart is collected and arranged from the survey data of rural team in every province.

(2) Is it scientific to have land-requisitioned peasants pay by themselves?

In the long-term, the realistic situation of our country is for peasants to obtain social security from lands, surroundings, and families. But they are not like urban residents, who are added in the national construction social security system, which is aimed at urban enterprise labor. The government does not assume the most direct responsibilities in the social security of peasants but provide some exterior supplement like the land system. Strictly speaking, the two kinds of conditions cannot be compared, but have a huge status difference. If the peasants have already had some kind of social security before land expropriation, everyone can imagine the attraction and realistic meaning of this simple “land for social

security" policy for land-requisitioned peasants.¹⁸

- (3) Is the fund supplement mode economic? As the "consideration of losing", the "three payment" of land expropriation compensation is the legal compensation for land-requisitioned peasants, and whether it is high or low, it must completely belong to peasants (including the collective part). When the local government regards the transaction of property rights as support to lead peasants use the compensation (but not gained by labor works like urban enterprise workers) to build their own social insurance account, in fact, it crosses the labor income and transfers directly from "capital compensation" to "social security", and whether the function of original land production can continue and reset or not after land expropriation has no efficient respond from the realistic policy.¹⁹
- (4) Is the level of security enough? After losing the land (guaranteed material), the land-requisitioned peasants are greatly influenced by the non-rural employment. If the non-rural employment is out of luck, then family income will decrease. According to what Office for National Statistics rural team has inquired about the rural households with less than 0.3 mu per capita cultivated land area among 28 provinces and municipalities, in the 2942 households, 46% of the level of income in land-lost households have decreased, before land expropriation, the annual per capita average income is 2765 CNY, but after land expropriation, the income is 2739 yuan which nearly decreased 1%. Among them, 1265 households' annual per capita net income has increased, which occupy 43% of the overall households; 324 households hold the line and takes up 11%; 1353 households

¹⁸ Yifan, Yang: "The Land Expropriation Compensation and Social Security of Land-lost Peasants—the Establishment of Multi Social Security System for Land-lost Peasants", "Finance Economics", 2008(4).

¹⁹ Cuiying, Yang, Guozhu, Tuo: "Thinking About the Construction of Public Pension and Social Security for Land-lost Peasants", "the International Conference Proceedings on China 'Three Agriculture' Problem" (not published in public), 2004.

decrease and take up 46%.²⁰

As chart 1 shows, in the central and eastern areas, in the well-developing provinces and cities, the per capita net income of the land-requisitioned peasants has increased when compared with the period before losing land, but in the western provinces and cities, after land expropriation, per capita net income of the land-requisitioned peasants has decreased, like Gansu, Guangxi and Yunnan. (Chart 2) Therefore, except the above exterior phenotype loss in income and the no-sharing differential premium, the land-requisitioned peasants should have some compensation for losing their options for their future.

Chart 2. Comparison of per capita income financial balance of the land-requisitioned peasants before land expropriation and after land expropriation in some provinces and cities (unity: yuan, %)

area	Financial balance	Net income			Living expenditure			Net income		
		before	after	Rates of change	before	after	Rates of change	before	after	Rates of change
Guangdong		3402.53	3622.89	6.5	2662.20	2745.04	3.1	740.33	877.85	18.60
Shanghai		4753.00	4904.00	3.2	3863.00	4327.00	12.0	890.00	577.00	-35.20
Fujian		4166	3735	-10.4	3324	3365	1.3	842	370	-56.1
Tianjin		4326.00	4731.00	9.4	3022.00	3858.00	27.6	1304.00	873.00	-33.05
Hunan		2269.00	2514.00	10.8	1808.00	2075.00	14.8	461.00	439.00	-4.77
Jiangxi		2549.50	2409.00	-5.5	—	—	0.3	—	—	—
Anhui		1697.90	2207.20	30.0	1152.10	1495.10	29.7	545.80	712.10	30.46
Gansu		2139.30	2128.60	-0.5	1296.20	1356.30	4.64	843.10	772.30	-8.40
Guangxi		1918.83	1717.42	-10.5	1447.75	1410.30	-2.59	471.08	269.67	-42.75
Yunnan		1528.90	1131.00	-26.0	—	—	—	—	—	—

Material resource: Sannong data website www.sannong.gov.cn

Comment: the number of people in the chart is the number of labor

²⁰ Yifan, Yang: “The Land Expropriation Compensation and Social Security of Land-lost Peasants—the Establishment of Multi Social Security System for Land-lost Peasants”, “Finance Economics”, 2008(4).

in the land-requisitioned peasants (the per capita cultivated land area is under 0.3 mu), who are investigated in every city, and the number in the chart is collected and arranged from the survey data of rural team in every province.

(5) Could public finance provide sustainable support? If at this stage, the government fully implements the policy of "Land for Urban Identity", it will not only increase the pressure of population urbanization in the short term, but peasant workers can rely on their human capital and current urban social security and social assistance system to maintain their city lives if they lose their land security. According to what has been mentioned in the last chapter, only "pension", a city cover, requires a huge amount of money just in the operation level. Chongqing government stipulated previously that the rural older men could participate in endowment insurance of urban and rural citizens. People need pay 13,500 CNY one time until the age of 60 and get 170 CNY per month. Except for paying their own cost, the local finance will subsidize the pension fund 6,900 CNY. Based on the newly reformed Household registration policy, if a 60-year-old rural registered resident transfers to be an urban citizen, he needs a one-time payment about 34500 CNY. After that, he can receive the minimum pension, which is 500 CNY per month. According to the existing standard, when he is 70 years old, he can receive 60,000 CNY in total, and except the money paid by themselves, the allowance from the government is 2,500 CNY. By the end of 2008, there were 4.65 million people above 60 years old. If 60-year-old people make up one-tenth of the 10 million migrant workers, it means that there are 1 million old people over 60 years old, who will transfer. Thus, the investment that the finance endows in the pension system is incredibly enormous. When these people are 70, they can receive 25.5 billion in total. The number increases to 58.5 billion five years later. Some researchers estimated that based on the existing mode of reform, the pension fund gap in Chongqing would reach 186 billion CNY after 20 years²¹. Therefore, even from

the perspective of a government, it should maintain a prudent attitude towards “spoil into the city”.

Social Security or Land Transfer?

What is more important is that we should keep a definitely clear judgement towards the extensification tendency of this political thought. Through reviewing the evolutionary history of both the rural land system and the collection system, we can easily identify it and realize that, the transformation of both rural land system and collection system always fell far behind the changes of the social and economic conditions of the day, but the government also tried to make some adjustments in a larger scale to emancipate the productive forces so as to serve the social and economic development better. During the early days of the PRC's foundation, the government also emphasized the proper arrangement of the people who lose the land and left a rather flexible space for the farmland collection system connected with the private land ownership, after considering that it is necessary to strengthen the newly born political power and to recover the economic vitality, etc. In the planned economic period, under the influence from the Marx's national theory and relevant Lenin and Stalin thoughts, China laid down the general line for the transition period, then set up the Stalin Planed Economic System Model, which is based on the factors of production nationalization, in the frame of two classes of public ownership containing both national ownership and collective ownership. Whereas, as one subsystem of the whole economic system, the land ownership system and its land expropriation system regarded the national monopoly system as the basic logic, and laid down the land government monopoly system with ensuring the planned economy realizes the industrial land requirements. This meant that the government was able to

²¹ Leilei, Dai: “Social Security Experts: After 20 Years, Pension in Chongqing Will Have Gap or Reach 186 Billion”, “Law Weekend”, September 27th, 2010.

freely allocate the land resources with no payment, no time limit, and no exchanging. With China's economy transformation, the land using system reformation is practically the land using system reformation, which separates the land ownership and land use right respectively, but it still didn't completely surpass the fundamental framework of the Lenin and Stalin government monopoly system model belonging to planned economy. Furthermore, the allocation means it is just transforming the "no payment, no time limit, and no exchanging" land use way into the payable, time-limited, exchanging land use way, so as to constantly solve out the industrialization and urbanization land use requirement.

Adapted to those elements, the land expropriation compensation didn't regard the land-using right owned by the peasants as the reference basis, but adopted the recruitment arrangement and small amount of currency arrangement, both of which are characterized by the planned economic means. With the foundation and constant improvement of the market economy, the enterprise reformation began to move towards the modern enterprise system. What's more, the employment arrangement means of land-requisitioned peasants actually cannot be ensured in the original system, and it gradually tended to carry out the one-time currency arrangement in many areas. Henceforth, some rather powerful adjustments had been realized in reality, but they finally belonged to one kind of mending ways according to the planned economy thought, instead of jumping out of the limitations regulated by the System's "path dependence".

Local governments began to accept and realize the concept "city management"; most of the places stepped into the developing pathway of "use the urbanization to promote the marketization of the rural land elements, and use the marketization of the rural land elements to speed up the urbanization". In fact, the change from the land resources into capitals aimed at producing the production values through the flowing resources. This type of knowledge originated from the "market economy principle", but the present compensation didn't obey the rule that the value compensation of land use right should match after the land resource

attribution and agricultural lands changed into non-agricultural lands. From the practical angle, we can understand that it could be easier and more intuitive for the peasants to see the compensation's rationality via realizing compensation according to the specific agriculture management incomes, so as to reduce the prevention of land expropriation.

Whereas, this kind of acquaintance could not last for a long period. As the land-requisitioned peasant groups broadened their minds and spread the indirect relevant experience, they always found out that if the basic fact of "land expropriation with low price, and land transfer with high price" is followed, then their land expropriation compensation fees cannot support normal rural life expenses and social security costs, which led to the unstable phenomenon like the group petitioning. It can be also described like that: the land requisitioned peasant groups gradually realized the true market value of the land use right, which they had just abandoned, and then did the reasonable opposition. On the other hand, the local governments didn't regard this point as a serious problem in the beginning of carrying out the land expropriation, namely: the compensation fees formulated as the agriculture management income underestimates the actual economic values of lands for farmers, or in another saying, they ignored the peasant's social security function and basic living resources in the land using aspect and presented the due market value. Anyway, till the time went on and the contradiction gradually came out and became acute, the government just increased the land expropriation compensation fee standards for the land expropriation peasants, and advocated the policy thought of "the one who expropriates the land should ensure the land-requisitioned peasants' social security".

After all, the "land expropriation exchanges social security" policy put forward by the government was just supporting policies of the whole policy thought about by the land management and the macro-control that "keep the existing land system frame, intensify the administrative regulations, collect the land management limits, and realize controlling the land expropriation action". Actually, "land expropriation" and "exchange social security" could be regarded as the transfer of land

ownership and use right on the face of it. Anyhow, it is to attain the right of getting the constant economic interests during a certain period in the future. Although the "land expropriation exchanges social security" policy could effectively ease the land expropriation contradiction in the primary practicing period, it might also conceal the nature of land expropriation through the long term system "social security", and still transfer the stable contradiction into the next three and four decades or long-term. Indeed, it was only one change of the land expropriation compensation fee using way, instead of the change of calculating basis (principle).

The basic concept of system optimization: start from land rent

Land rent is one of the main concepts of both classic political economics and Marx economics. Specifically in classic political economics, salary and profits and land rent are three types of incomes in the national economy. From this, three major classes in the capitalist society appear, including workers, capitalists and land owners; anyhow, according to the classic definition of Marx, "the land rent is the special economic presentation of land ownership," thus, the land rent can be regarded as the economic interests which the land owners attain through providing the existing market with the land. The classic political economics and Marx Economics arrive at an agreement towards the effect of the land rent, but disagree with each other and even acutely oppose themselves while acknowledging the nature, origin and arrangement of land rent.

In order to be valuable, every object needs to be the product of labor, which can be exchanged. Because the natural land doesn't receive the humans' exploitation and labor, it has neither value nor the currency price based on that kind of value. Whereas, the land has its own special using value; for instance, in a certain condition, it can constantly provide humans with the products and labor service, namely, producing the land rent. Therefore, the land price in the natural state is actually not the

monetary expression of the non-land product values, but a certain amount of cost the man has land use right while humans are transferring the land use right. Actually, the transfer of land can be regarded as the transfer of land use right on the face of it; anyhow, it is to attain the right of getting the constant economic interests during a certain period in the future. Thus, the land price ought to be the currency bringing the equal land rent, namely, the capitalization of land rent. Accordingly, the land expropriation compensation and security ought to present its capitalized price and the confirmation and replacement of the land value. Whereas, in the present time, concerned about the basic problem of land expropriation compensation, many theories containing the modern mainstream western economics studies rarely explain the land rent problems. Due to China's special land property rights system, we can not simply use the conclusion, which the classic economists and Marx make in the basis of capitalist private ownership, but are able to make a direct influence on our optimizing the land expropriation compensation & social security policy through strengthening the concept "land rent".

We should see that presently peasants majorly rely on the land and non-agricultural labor to make their living and search for development; especially since practicing the household contract system, it seems that the peasants have attained the "permanent" contractual right of land and the ownership of partial capital goods; despite of a little land rent and taxes, they work independently and manage freely with owning the land use right, which obviously shows the feature of peasant production. As the laws including the *Property Law* come out, the peasants' of contractual right of land has gradually changed from the pure "creditor's rights" into "real rights" and takes a part of the land ownership; besides, it can even be regarded as the complete ownership right in the actual conditions because of its long persistence. Anyway, this kind of special use right structure can neither be equal to the real land ownership, nor realize the permanent inheritance, but it is absolutely reasonable to recognize it as the "special financial right" which is almost similar to the dominium, and regard it as the "property" the peasants practically

owned. Thus, the policy should concentrate on the basis of land ownership capitalization and the land value allocation in the land expropriation compensation.

To be specific, firstly, we should definitely acknowledge the "property" feature of "the contracting right of land", and add appropriate forms of systematic security to fulfill the short-term requirement and long-term interests, and gradually ensure the separation of labor & labor element capitals in the long-term interaction between rural and urban areas; secondly, the reasonable compensation and subsequent security actually mean that it is necessary to plan, adjust and improve land expropriation problems for another time, including compensation items, standards, distribution use and etc.; that's to say, it ought to consider internalizing the "living and development requirements", belonging to the peasants, who lost the land, into the compensation and security policies. Land-lost peasant social security system plan should be combined with China's special land expropriation compensation system, and it is necessary to make clear the "compensation + security" feature of land expropriation compensation fees; it is supposed to improve the land expropriation compensation standard as much as possible, and to highly value the relationship between the internal structure of land expropriation compensation fees and land function, and to carry out the possible distribution way for the land-lost peasants to get the direct interests in the land expropriation compensation fees while reducing their responsible security system costs. Only in this way, we can find and confirm the appropriate model choice and practical strategy for the reasonable peasant social security system.

Policy Suggestions

In reality, there are series of particularity, the relevant function diversity and external system conditions in China's rural land. Especially both the loss of the land expropriation market mechanism and the finitude of the government finance in this aspect decide that it is much

harder to provide land-lost peasants with the reasonable compensation and constant security compared to other countries which have faced the same historical period. The next step should focus on the following aspects: firstly, it is to ensure the long-term livelihood of land-requisitioned peasants through forcibly increasing the legal compensation level; secondly, it is to consider the rural land system reformation and peasants' social security right as a whole, and define the boundary of "security" and "compensation", and to adjust the internal distribution of land expropriation compensation fees; thirdly, it is to recognize the property nature of peasant contracting right of land as the premise condition, and to try putting the business project land ownership into Employee Stock Ownership Plan or circulation, and to expand the source channel of the constant security capital; fourthly, it is to set up the complex society security policy frame adapted to the particular features and flexibility of land-lost peasants, which can normally operate and match with the present urban employees social insurance, migrant peasant-worker social insurance and the new rural area social insurance and etc.

Land has double attributes called resources and assets. In regards to land reform policy of developing countries, the government should balance two goals: one is to boost growth; the other is to eliminate poverty. How to boost growth? Government should regard lands as limited economic and social resources, which are increasingly scarce, allocate land according to the market way to stimulate farmers to invest continuously and maintain the balance of the urban and rural land, and promote the common development of agricultural sector and non-agricultural sector. How to eliminate poverty? Government should distribute an economic bonus led by economic growth balancedly among the different interest groups.

As far as the way of "Land for Social Security", it can really speed up the land circulation and concentrate land to be scale management, which helps realize the goal to boost growth. However, there is uncertainty about whether it can achieve the goal to eliminate poverty.

First, essentially "land" and "social security" should not be contracted together by exchange. Contracted lands and homestead are legislative property rights, while it is a basic responsibility of government to provide social security. It is reasonable for peasants to own contracted land, homestead and enjoy social security at the same time. Therefore, the so-called "Land for Social Security" is unreasonable at root and there is a deviation in system design, whose essence is an unfair dealing. The benefit that peasants can get from land has run away a lot because of government intervention. But, due to the reality that the level of social security of peasants is low all over the country, many regions regard "Land for Social Security" as expedient. The author thinks that there is need for "Land for Social Security" to exist in short term. While in the long term, with the level of social security in rural areas improving, it should fade out the social security system gradually. Meanwhile, land-lost peasants who transfer into the city because of "Land for Social Security" lack competitiveness in the employment market. What's more, there exists an obstacle between rural social security system and urban social security system to link up, which leads to peasants being unable to intergrade themselves into city life. As a result, their survival condition is very bad affecting the overall quality of urbanization. If peasants return to country, they also can't support their life for landless. In conclusion, there is some boundedness for "Land for Social Security".

Besides, the sustainability of "Land for Social Security" is questionable. On the one hand, its essence is land finance, whose aim is to get land interests. Local governments are able to obtain land benefits and accept a large number of land-lost peasants at first, while subsequently the government will face the dilemma that no land can be sold and bear the heavy finance burden of land-lost peasants. On the other hand, a lot of land-lost peasants crowded into city, once infrastructure development and economic speed cannot keep pace, the city will overload population supply. Thus, in long term, social stability will also call into question.

Based on the necessity to exist in short term and boundedness in

long term of “Land for Social Security”, the authors think that the first question after land acquisition is how to set up a living-security (or land-lost peasant income security) account for every land-lost peasant. For instance, it is possible to set up a “national land-lost peasant security fund”, and to affirm the land-lost peasant personal saving plan, and to provide the land-lost peasants with the retirement saving or special pension which enjoys the tax preference in a contractual way. Anyway, compared to the urban social insurance plan, this plan is more flexible in operation, cheaper in cost and more convenient in the service; considering that the youth groups of the land-lost peasants may join in the migrant worker team, we can see this plan is also beneficial to the system linking, which avoids that the social insurance interests are hard to transfer. On the other side, it can be also designed to match the “basic pension” model of new agricultural insurance. This account must get rid of the policy thought of “land exchanges social security”, and simultaneously ensure that the land-lost peasants are allowed to take the rather low self-burden ratio in this account’s total raised capital, and that the payment fund never comes out of the three compensation and settlement fees, and that annuitization land transfer interests bear the payment responsibility.

At the same time, based on the understanding of the capital attribution of the land ownership, we can refer to the concept “capital construction”²² from Professor Michael Sherradden from the University of Washington, which states that it should set up a particular account supporting the long-term development. This type of account is also a mandatory personal account of every land-lost peasant who owns the capital property right, which is majorly used to fulfill the long-term development of the land-lost peasants, especially their employment

²² “Capital construction” means that the government should lead and help the poor man to accumulate capitals and do the investment instead of directly adding their income and consuming contents in a simple way. More details refer to the references.

supports and medical requirements. For example, this is to allow people to use this capital to "leverage" more money in order to encourage them to deposit money and make plans for the future. Of course, it is more important to use this account to support the employment training expense of the land-lost peasants, and to encourage the peasants to start business through the small low-interest loan way so that they can realize their own employment ability by using or improving their present skills.

For those land-lost peasants without the market employment ability, we should consider the experience of poverty alleviation through development, and offer them with a certain extent of skill training, then allow them to join in some employment projects like "Food for Work" and "Public Construction" items, so that they can get engaged in the working projects with lower requirements. What's more, this account also needs to promise that the land-lost peasants are allowed to go to the targeted qualified hospitals to obtain medical care programs if necessary, which is supposed to combine with the City medical treatment salvage of serious illness allowing the land-lost peasants to participate in²³ (?? don't understand); all the above means are to provide a certain extension of promised solutions towards the peasants' medical problems. The healthy land-lost peasants with stable employment should enjoy the account fund rights accumulated according to the actual conditions, and are allowed to choose the one-time drawing way or changing it into the annuity products after they reach a certain age, so as to strengthen their security extent in the old stage. It is also possible to allow the land-lost peasants to draw out a certain proportion of capital of the account while meeting with the large risk.

²³ With the identity change of "peasant into non-peasant", the land-lost peasants can completely match with the conditions regulations of participating insurance that "in the pilot areas, all the primary and middle school students, teenagers & children and other non-employed urban residents who have not been covered into the urban employee basic medical insurance system extent, and they can also fit into the planned practicing in the launched urban resident basic medical insurance pilot area working project".

As to the capital source required in this account, it is the first step to put the land expropriation compensation fees, resettlement fees, young corps and land attachments compensation fees in parts or as a whole into the account. Secondly, in the capital adjustment, despite of the normal appreciation, the local governments should make the dynamic index adjustment (this index should be majorly concerned about the GDP increasing rate, urban employee average wage earning growth rate, land market price index, the price system of commodities and other optional linkage indexes) towards the account capital for a certain period. Anyhow, it is supposed to share the great achievement of the national economy and society development.

It is necessary to value the positive influence, which the market means like the business insurance make on this account capital operating. In fact, the land-lost peasants can choose to use the account capital to purchase the complete varieties of insurance and security provided by the business insurance company; or according to the principle “more insurance with more security, less insurance with less security”, they can connect their own security extent to the paid insurance amount, so as to attain higher-level and more diversified security service; or they can relegate their account capital to the market subjects containing the insurance company to do the professional operating in order to realize preserving and increasing their account capitals during the particular period without employment pressure or medical risks. However, the government doesn’t need to present the direct responsibility in the financial aspect like the previous account any longer, but act as the role of supervisor in most situations to regulate the action of market subjects including the business company; therefore, this way can ensure the land-lost peasants’ legal interests.

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