



# Reprint of “An ‘unceasing war’ on land development on the urban fringe of Beijing: A case study of gated informal housing communities”<sup>☆</sup>

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## ABSTRACT

The existing literature about informal development in China's cities is dominated by studies of conventional informal housing in *urban villages*, while a new type of informal housing, gated informal housing communities, has rarely been studied. The paper aims to contribute to the existing literature by discussing why and how these gated informal housing communities were developed, looking at the case of Beijing. The results of the analysis show that institutional discrimination against rural areas with respect to land use rights, revenue redistribution, policymaking procedures and the *hukou*-related social welfare system the major drivers of development of informal communities. In particular, informal development is influenced by the ways land value is captured by, compensated for and allocated to the state government rather than rural villagers in the process of its transfer from rural to urban land. For future policy, more institutional innovation or reform is imperative in order to adequately deal with the emergence of gated informal housing communities. Institutionally inclusive land and housing policies, rather than intense top-down control, are needed in China.

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## 1. Introduction

In the field of urban planning, ‘urban informality’ refers to modes of human settlement and trade or exchange that occur outside formal legal structures and processes. Urban informality has become a key issue in urban planning theory and practice (McFarlane, 2012; Porter, 2011). Not only is there a growing recognition that the informal housing and other sectors have negative effects on the local environment, but also that they have a significant impact on local economic and social development. In particular, these informal sectors usually have a strong relationship to the daily lives of the disadvantaged, such as migrants and low-income earners. In addition, urban informality is irreconcilable with mainstream planning theory. It is a form of illegal or unplanned urbanization which needs to be mitigated according to rational planning doctrine and planning laws.

Informal housing and related property rights have increasingly attracted the attention of planners and politicians. ‘Informal housing’ refers to houses developed on squatted land or houses that have insecure land tenure, do not comply with building regulations, or have

inappropriate infrastructure (Jimenez, 1985). Informal housing represents a large portion of the housing market in developing countries (The United Nations, 2004; UN-Habitat, 2003) and has been widely studied (Brueckner & Selod, 2009; Roy & Alsayyad, 2004; Smith & Scarpaci, 2010; Wu, Zhang, & Webster, 2013). Informal housing also has a significant effect in the European region. A recent report by UNECE (2009) stated that the informal housing problem is significant in almost half of the UNECE Member States (including the US), and affects the lives of over 50 million people.

In China, the amount of informal housing has been growing rapidly, especially since the 2000s. It has been reported that the floor area of informal housing increased by 7.6 billion m<sup>2</sup> during the period 1995 to 2010 (CICURC, 2011), equivalent to 8% of the total floor area of housing in cities and towns during the same period. In particular, informal housing is thriving in China's large cities. For example, in Beijing, where strict controls over informal housing have been implemented, a total floor area of 4 million m<sup>2</sup> of informal housing was developed during the period 2006 to 2010. In the private rental market, informal housing accounts for an even higher share.

Many researchers have conducted studies on informal housing development in China (Wu et al., 2013; Zheng, Long, Fan, & Gu, 2009; Zhu, 2002). However, this paper will further contribute to the existing literature in two ways. Firstly, the existing literature about informal development in China's cities is dominated by conventional informal housing in *urban villages*. However, a new type of informal housing, gated informal housing communities, has been rarely studied. Since the 2000s, a large number of gated informal housing communities

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have been developed on the urban fringe, even though many countermeasures have been introduced by the central and municipal governments. These new informal housing communities usually cover a large area and consist of high-quality buildings and living environment. The appearance of this new kind of informal housing reveals the growing tension between state control and village development activities in the rural areas. In order to fill this research gap, we conducted an in-depth analysis of gated informal housing communities in Beijing. These newly developed gated informal communities could provide fresh input concerning the unceasing conflict over land development on the urban fringe of Beijing and other cities in China.

Secondly, many researchers have claimed that the existing dual land tenure system is a primary factor causing informal development in China (Deng & Huang, 2004; Ho, 2005; Tian, 2008; Wang, Wang, & WU, 2009; Zhang, Zhao, & Tian, 2003; Zhu, 2004). However, this may not be the complete truth. The existing dual land tenure system has been present in China since the 1960s. As such, why has informal housing grown so rapidly only in recent years? This suggests that the existing dual land tenure system may be a precondition rather than a direct factor, or at least not the only factor, in the emergence of informal housing. There are other factors influencing the development informal housing.

We argue that institutional discrimination could be a major factor behind the increase in informal housing development, especially with respect to gated informal housing communities. It is believed that institutional discrimination against disadvantaged groups plays an important role in creating informal housing in developing countries (De Soto, 1989; UN-Habitat, 2003). However, this is often neglected by researchers studying the newly emerging gated informal communities in China. In this paper, several major forms of institutional discrimination against rural areas will be discussed, including: discrimination between urban and rural areas which is enabled by the *hukou* system; the unfair distribution of incremental value from farmland development between farmers and governments; and the imbalance in fiscal rights and responsibilities for local development between the central and local governments. The key research question in our study is how these forms of institutional discrimination affect the formation of gated informal communities. The findings and conclusions of this paper will bring our existing knowledge of informal development in China up to date.

## 2. Literature review: Informal housing and institutional discrimination

Informal housing is one of the typical aspects of urban informality. It refers to housing developed on squatted land, housing that has insecure land tenure or housing with quasi-legal land transfer. Such housing is usually built with no regard for 'formal' management procedures, such as following building regulations or providing appropriate infrastructure (The United Nations, 2004; UN-Habitat, 2003).

Institutional discrimination refers to the unjust and discriminatory treatment of a group of individuals by formal organizations such as governments and corporations, financial institutions, public institutions and other societal entities. Institutional discrimination is typically codified into the operating procedures, policies, laws or objectives of such institutions. It is widely believed that institutional discrimination against one group with respect to land ownership or land use rights and related benefits is one of the major reasons for the appearance of informal housing or squats (Brueckner, 2013; Friedman, Jimenez, & Mayo, 1988; Jimenez, 1984). A lack of property rights for low-income or underclass people is a key factor 'pushing' these people to develop informal housing in the Middle East, Latin American and South Asia (Alsayyad, 2004). The institutional barriers to the participation of disadvantaged groups in land use or development policymaking is another main factor 'pushing' people to 'spontaneously find' an informal way of meeting their essential needs (Webster & Lai, 2003).

In the case of China, there are several typical forms of institutional discrimination against rural areas. One is related to the land

development management system. Urban land and rural land are treated unequally in the land market, as rural land (farmland and farmers' housing lots) is not allowed to be directly transferred in the land market but must first be sold to the state government, which usually offers a much lower price than that of the market (Wang, Wang, & Wu, 2010). This is one of the major factors leading rural villages to develop rural land themselves. However, as a result of the institutional rules, the housing developed by villages on rural land is considered illegal.

The *hukou* system is another typical form of institutional discrimination against rural people. The *hukou* is a resident registration system. According to *hukou* policy, the population of the entire country was classified into two categories: people with urban *hukou* and people with rural *hukou*. In the pre-reform era, a household's *hukou* served as the basis for the allocation of many goods and services, such as basic foodstuffs, housing and jobs, as those with urban *hukou* consumed more goods and services than those with rural *hukou*. After the 1980s, the *hukou* system was relaxed to a certain extent. However, in most cities, rural migrants are still not allowed to enjoy local urban services, including access to schools, social housing and government-subsided housing. In Beijing, those who do not have local *hukou* are not even allowed to buy a house on the open market unless they have worked and paid social insurance and tax for five consecutive years. This is another factor creating informal housing in China's cities (Zhao, Lu, & Woltjer, 2009).

When it comes to the policy responses to such institutional discrimination, two different opinions are held by previous researchers. Many researchers argue that informal housing development should be led into the institutional arena and completely prevented through a legalization process (Martínez, 2014). However, others believe that squatting or informal housing development is not only a political activity but an economic activity because it provides economic and social benefits to squatters who are mostly marginalised in society (Pruijt, 2013). Therefore, it is not necessary to legalize squats or prohibit squatting completely, at least not to institutionalize informal housing development activities by subjecting them to a system of state legitimation. A sort of 'flexible institutionalization' which creates spaces for negotiation between the state and squatters is more suitable.

It has been argued that socioeconomic inequities will also stimulate the development of informal housing. Firstly, a land tenure system itself reflects social and economic inequalities, as the disadvantaged usually only have limited land use rights or no land use rights at all (Galiani & Schargrodsky, 2010; Peters, 2004; Russett, 1964). Secondly, most informal housing involves settlements for low-income earners (UN-Habitat, 2003). Thirdly, informal housing developed by the disadvantaged themselves or their organizations (e.g. rural villages in China) may actually help them improve their living conditions or promote local social development. Hernando De Soto has argued that: 'the informal economy (including informal housing) is the people's spontaneous and creative response to the state's incapacity to satisfy the basic needs of the impoverished masses' (De Soto, 1989, p.14). This means that the social needs and economic interests of disadvantaged people could be the primary drivers of urban informality, including informal housing, if their needs cannot be met otherwise.

## 3. Method

### 3.1. The context of the gated informal housing communities

We chose Beijing as a case study to explore the effects of institutional discrimination on the development of gated informal housing communities. There are two main reasons why we chose Beijing. Firstly, Beijing is the capital of China. As such, state policies that are designed to stop informal housing development should be strictly implemented in Beijing. However, gated informal housing communities are still being developed in the city. Our study of Beijing will clearly reveal the growing tension between state control and village development activities on the rural fringes of China's cities. Secondly, the number of gated informal housing

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