

# “Not Rural but Not Urban”: Community Governance in China’s Urban Villages\*

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## Abstract

China’s urbanization has created a large number of urban villages which, although they have been transferred to urban administration, have maintained their collective economies. Using a comparative perspective, this article investigates how villagers, the village collectives and the urban administration organize community governance in three urban villages on the fringes of the cities of Guangzhou, Wuhan and Shenyang. The findings suggest that successful village collective shareholding companies play a leading role in community governance by providing villagers with economic and social welfare, subsidizing community administration services, and mobilizing residents. The comparative analysis also shows that village shareholding companies employ different mechanisms based on the varied histories of their village collective economies, the ability of the village collectives to mobilize resources, and the degree to which the village collectives are engaged in the grassroots administrative structure. The article argues that the “not rural but not urban” governance mode of the urban villages illustrates China’s fragmented urbanization planning. At the same time, it illuminates the dynamics of state–society relations during China’s urbanization and how landless villagers and village collectives respond to urban transformation by adopting different strategies to preserve their individual and collective interests.

**Keywords:** community governance; urban villages; urbanization; collective shareholding companies; *shequ*

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Within an institutionalized rural–urban dichotomy, studies of grassroots governance in China usually divide their research foci between two separate administrative systems. In Chinese villages, the village collective economy serves as the backbone of the socio-economic well-being of the villagers. It is deeply embedded in village governance, which involves extensive responsibilities associated with the management of land rights and control over major productive assets.<sup>1</sup>

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<sup>1</sup> Benewick, Tong and Howell 2004; Alpermann 2009.

Governance in urban residential communities (*shequ* 社区) is currently separated from the residents' economic activities and focuses on administering local affairs.<sup>2</sup> However, China's urbanization over the past two decades has produced a different system of grassroots governance in urban villages.

The term “urban villages” as used in this article refers to those villages which have been granted urban administrative status during urbanization but which have still maintained their village collective economy organizations. In the past two decades, the Chinese government has expanded urbanization through the conversion of rural land for use in urban industry and commercial projects.<sup>3</sup> Unlike urban land, which is owned by the state, rural land is collectively owned, and its conversion to urban land can only be achieved through land expropriation by the local government.<sup>4</sup> Nationwide, land expropriations in the rural regions surrounding cities have resulted in nearly 88 million villagers being made landless.<sup>5</sup> Local governments have used the promise of urban household registration status, and its accompanying privileges, as a powerful bargaining tool when urging villagers to accept land expropriation deals, and in most cases, land expropriation has gone hand-in-hand with the transfer of villagers' household registration (*hukou* 户口) status from rural to urban. By 2012, these landless villagers made up nearly 30 per cent of China's urban population.<sup>6</sup> In addition to urban *hukou* status, the newly urban population is introduced to an urban governance system in which grassroots-level governance is conducted by urban residential communities (*shequ*) rather than the traditional village committees (*cunweihui* 村委会).

However, urban villages differ considerably from other urban residential communities because of the continuing existence of village collective economies which, for the most part, are managed by village shareholding companies. As is well known, local governments often provide inadequate compensation when expropriating rural land on the outskirts of China's expanding cities, which leads to protest action by dispossessed farmers. However, occasionally, a village manages to maintain a level of autonomy by keeping part of its land and is adequately compensated for the remainder. This is particularly the case in those villages located on the urban fringes, where land resources are often centralized when the villages are incorporated into urban areas. The village leaders convert the village's collective landholdings, along with the land expropriation compensation funds given by the city government, into a village shareholding company, which then offers shares to the villagers. The shareholding company then invests in property on behalf of the villagers, and rents out portions of collective land and buildings to the local city government and investors for industrial projects.<sup>7</sup>

2 Bray 2006; Shieh and Friedmann 2008; Heberer and Göbel 2011; Read 2012.

3 Lin, George C.S. 2009; Hsing 2010.

4 Ho and Lin 2004; Gu and Wu 2010.

5 Sargeson 2013, 1068.

6 *Blue Book of Cities in China* 2013.

7 Chan, Madsen and Unger 2009; Hsing 2010, 122–151; Tomba 2012; Chung and Unger 2013.

As a result, the urbanization of those villages has produced a new type of urban residential community made up of former farmers who, although they fall under the administration of urban governance, still maintain their village shareholding companies to pursue collective benefits. During my fieldwork, I frequently heard the locals describe urban villages as “not rural but not urban” (*cun bu cun, ju bu ju* 村不村, 居不居). This “not rural but not urban” status reveals a gap between the villagers’ official urban administrative status and their actual socio-economic well-being after land expropriation. To date, studies across different disciplines have examined this gap as the outcome of bottom-up institutional reforms,<sup>8</sup> rural–urban integration,<sup>9</sup> the continuity of rural people’s lived experiences,<sup>10</sup> and the legacy of previous collective economic activities.<sup>11</sup> Those studies have well illustrated the coexistence of disruptions and continuities of rural economic, social and political heritages under China’s urbanization. Taking a further step, this study explores what impacts those disruptions and continuities have had on governance dynamics at the urban grassroots.

This article argues first that China’s urbanization has produced a “not rural but not urban” governance space. Owing to the coexistence of village shareholding companies and urban administrative status, this governance space is situated between the common practices of grassroots governance in the cities and the countryside. Since the 2000s, urban residential communities have replaced the former socialist work units as the basic unit of urban governance, and the governance in urban residential communities has become separated from the residents’ work lives. Residents’ committees (*juweihui* 居委会), the lowest level body in the administrative hierarchy of a city, administer neighbourhood affairs with staff hired by local government. But, they are not involved in local economic activities. Through residents’ committees, the state aims to develop more localized, efficient and autonomous forms of governance, while simultaneously reinforcing public support.<sup>12</sup> However, residents’ committees are not the sole actors carrying out community governance in the newly urban villages. Instead, village shareholding companies are incorporated into the community governance structures and involved in the implementation of community governance tasks. From this aspect, urban villages maintain an essential feature of village governance which is closely associated with residents’ economic activities and collective property ownership. Focusing on these unique features, this article illustrates a new governance mechanism in which civil organizations (i.e. village shareholding companies) play a significant and influential role in managing and coordinating governance tasks in urban communities.

Second, and more importantly, this article demonstrates that there are significant differences within this government space across different locales. Those

8 Po 2008; Po 2011.

9 Zeuthen and Griffiths 2011.

10 Kipnis 2013.

11 Chung 2013.

12 Jeffreys and Sigley 2011, 16.

differences lie in the degree to which village shareholding companies engage in and impact on community governance in relation to the deviation from standard urban governance practices. My fieldwork findings suggest that a complex group of factors have contributed to this phenomenon. Those factors include the timing and experiences of urbanization in specific places, the size of the collective assets held by the villages at the time of land expropriation, how land is expropriated according to the different local urbanization policies, the way the village collective economy evolved along with the urbanization process, and different models of regional development. To illustrate those essential mechanisms, this study adopts a comparative approach which goes beyond the existing studies' dominant focuses on the Zhujiang 珠江 (Pearl River) Delta region.<sup>13</sup> Paying particular attention to various local practices, this study aims to be the first cross-regional comparison of urban villages and their village shareholding companies.

More specifically, my research covers three case studies of geographically separated urban villages: Flora village, which is situated on the outskirts of Guangzhou city; Riverside village in Wuhan; and Sugarcane village in Shenyang, the capital of Liaoning province in north-east China.<sup>14</sup> The three villages have each undergone a process of urbanization typical for their immediate region. During four field trips taken between 2011 and 2013, I spent two to three months in each locality. During this time, I lived on the urban fringes where the villages are located and visited each on multiple occasions in order to talk to residents, to observe their everyday lives and to witness the operations of the village shareholding companies. In each village, I conducted 20 to 25 interviews with the three main groups of informants: the villagers, the village shareholding company management, and the community administrative staff. In addition, I interviewed local officials in each locality about the local policy design for urban villages. In the sections that follow, I introduce the urbanization experiences of the three villages, then describe the impact of those experiences on governance structures. I continue by explaining how specific community governance tasks are carried out in the three urban villages, in terms of implementing welfare programmes, organizing community services and activities, and mobilizing residents. To conclude, I discuss the implications and prospects of village shareholding companies in urban villages and their potential role in urban grassroots governance.

## The Urbanization of Rural China

As part of China's ongoing process of urbanization, the three case-study villages all had land expropriated for industrial and commercial uses and for local municipality residential housing projects (see [Table 1](#)). Industrial projects underpinned the urbanization of Flora village in Guangzhou. In 1996, the construction of T-Highway brought to the village the first large sum of land expropriation

13 See, e.g., Chan, Madsen and Unger 2009; Hsing 2010, 122–151; Tomba 2012; Chung and Unger 2013.

14 Pseudonyms are used.

Table 1: **Urbanization Experiences of the Three Villages**

	<b>Flora village</b>	<b>Riverside village</b>	<b>Sugarcane village</b>
Location	Guangzhou	Wuhan	Shenyang
Population	3,000	500	2,700
Economic development before urbanization	Village industrial zone	Collective fish farming	Individual businesses
Local government urbanization projects	Industrialization	Real estate	Real estate
Time period of land expropriation	1997–2002	1997–2005	1992–2012
Year village shareholding system established	1997	2005	2007
Year of administrative transition	2002	2005	1994–2007
Collective land remaining	30%	10%	5%
Villagers' residence	Villagers' house sites	Urban residential communities	Urban residential communities
Composition of shareholding company board	Former village cadres	Former village cadres	Former village cadres
Composition of RC staff	Former village cadres	Former village cadres and local villagers	Urban residents hired by local government
Overlap between RC staff and shareholding company board members	None	Party secretary of the RC and shareholding company	None

Source:

Author.

compensation. The governing village committee invested these funds in the first industrial zone in the village. In the following year, when the local government began to expropriate land from Flora village, the village committee set up a collective property company directly under its leadership to manage land contracts and real estate rentals. The collective property company later evolved into a shareholding company by distributing shares to the villagers. By 2002, about 70 per cent of the village's cultivated land (*gengdi* 耕地) had been expropriated for local industrial zones, and in the same year, all Flora villagers were granted urban household registration.

The 3,000 Flora villagers have kept their house sites (*zhaijidi* 宅基地), and the Flora village shareholding company continues to manage the village's own industrial zone, which hosts three medium-sized factories and nearly 20 small workshops. The development of industry has attracted more than 2,000 migrant workers and this has led to a high demand in the rental market and for local services. In addition to building extra rooms on to their house sites for renting out, the villagers also supplement their incomes by renting property from the Flora village shareholding company to run restaurants, hairdressers, grocery stores and internet cafes, and some of them hire migrant workers to staff those.

In contrast, Riverside village in Wuhan built up considerable collective wealth through innovative economic activities, starting in the early 1980s. Instead of the popular local practice of leasing cultivated land to individual households, the village committee contracted a large area of fish-farming ponds belonging to ten households in one lease. The fish-farming business brought the villagers a much better economic return than other local rural businesses. At the end of the 1980s, the village established its own welfare scheme. Although the collective welfare was not distributed in the form of individual shares, Riverside villagers received a pension, which at the time was normally exclusive to urban employees, as well as nine-year sponsorship for all the students in the village. In accordance with its city government's commercial and residential real estate development plan, the village experienced land expropriation between 1997 and 2005.

Unlike its counterpart in the Zhujiang Delta, Riverside village has followed the national trend in recent years in that the expropriation of village collective land has extended from cultivated land to the villagers' house sites.<sup>15</sup> By 2005, 90 per cent of the village's cultivated land had been expropriated, as well as all house sites belonging to the villagers. In exchange, the 500 Riverside villagers were granted urban household registration in 2005 and were relocated to newly built urban housing estates. In the same year, Riverside village established a shareholding company to manage the compensation funds from land expropriation and to continue their investment in their retained land and buildings. Since the village has retained very limited land and the villagers' relocation precluded the possibility of rental income, the Riverside village shareholding company gradually extended its economic activities to the real estate and service industries. For example, the shareholding company has trained villagers to be security guards, cleaners and gardeners, and provides professional security and cleaning services for office buildings and for functions such as high-end international conferences and exhibitions in the district.

Before economic reform, Sugarcane village in Shenyang had suffered poverty under the leadership of its former production teams.<sup>16</sup> In 1985, Sugarcane village adopted family farming under the household responsibility system, and gradually villagers started to improve their living standards.<sup>17</sup> In addition to farming work, villagers took advantage of their geographical location on the urban periphery. They purchased small trucks to transport farming materials, and the transport business soon became the major source of villagers' income. By the mid-1990s, almost every household had a truck, and Sugarcane village had become the wealthiest village in the area. The land expropriation in Sugarcane village lasted two decades from 1992. The village committee invested the initial round of

15 Li et al. 2011.

16 A production team was the basic accounting and agricultural production unit in China from the early 1960s to the early 1980s.

17 The household responsibility system was adopted throughout China in the early 1980s. Under this system, rural households are responsible for cultivating the land independently and for their own profits and losses.

compensation funds in commercial projects which failed. Since then, the villagers have been more inclined to build extra rental houses individually. By 2006, each household in the village owned at least three houses, but the village collective economy did not prosper. Sugarcane villagers' economic well-being today is much more dependent on the income and compensation from individual villagers' multiple house sites than on collective welfare through the village collective economy. By 2012, after two decades of land expropriation, Sugarcane village was only left with about 100 *mu* 亩 of the original 2,000 *mu* of cultivated land. As in Riverside village, the 2,700 Sugarcane villagers who lost their house sites were moved into new high-rise apartment buildings, along with the residents of other former villages.

The different urbanization experiences of the three villages illustrate the complicated processes of urbanization across different regions in the country. The regional differences have intertwined with the time periods and the timing of the launch of their shareholding companies. Moreover, the pace of urban expansion, the intensity of farmland expropriation and the strength of different village shareholding companies in northern, central and southern China vary greatly. Those variations have significantly influenced governance structures and mechanisms in the urban villages.

### Village Shareholding Companies under Urban Administration

In line with land expropriation, city governments in the three locales carried out a top-down process of administrative transition, the so-called “transforming villages to (urban residential) communities” (*cun zhuan ju* 村转居).<sup>18</sup> The administrative transition arbitrarily switched villagers' rural household registrations to urban ones, and in turn, replaced the governing village committees with residents' committees, which serve as the agents of municipal government at the urban grassroots levels. As one Riverside villager put it: “I went to bed [before the change of the village's administrative status] as a farmer (*nongmin* 农民). But I woke up with an urban *hukou*, and as a shareholder. I was two different types of people before and after 12 o'clock that night!”<sup>19</sup> With their new urban household registration, in principle, the villagers are able to access the urban employment and welfare system but, at the same time, must abide by urban administrative policies, such as the one-child policy. The “transforming villages to communities” process took place overnight, but has had to accommodate the continuation of village shareholding companies in the three urban villages.

As summarized in Table 1, prior to the administrative transition, Flora village already had a well-established village shareholding company. The shareholding company started distributing shares to the villagers in around 1997. Those who

18 For more discussion on the administrative transition, see Cao and Wang 2010; Huang and Jiang 2011; Xu 2012.

19 Interview with villager, Riverside village, 7 August 2011.

were older than 16 at the time received one extra share for each additional year of age above 16, with 28 shares per person as the upper limit. For those who had not reached 16, every three years of age brought them one share. The share distribution came to an end between 2000 and 2002, when the administrative transition took place and was accompanied by a “share freeze” (*gufen guhua* 股份固化) requested by the local government. The “share freeze” banned any further share distributions to newly born children or to existing shareholders as they grew older, but villagers were entitled to inherit their parents’ shares. In 2002, Flora villagers carried their shares over to their urban household registration.

Unlike Flora village, where the shareholding system was instituted a few years earlier than the date the village gained “urban” status, Riverside village in Wuhan underwent land expropriation, relocation of the villagers’ residences and a change of administrative status, simultaneously, in 2005. The Riverside village shareholding company was established to help enable the original villagers to retain their substantial collective property and benefits after the administrative transition and residence relocation. In other words, Riverside village did not set up its shareholding system until the villagers were counted as urban residents. Since Riverside village started its shareholding system at the same time as it switched to the urban administrative system, its share allocation was implemented once and for all, in 2005. Thus, Riverside villagers became shareholders and urban residents at the same time.

The Sugarcane shareholding system in Shenyang tells a different story. Although many urban villages in Shenyang have initiated a shareholding system, Sugarcane village is the only one in its immediate area to have done so. In 2007, when, after two decades, the land expropriations and compensation payments to the village collective were close to an end, the Sugarcane village committee was transformed into the Sugarcane village collective economy organization committee, which would lead the village shareholding system. The most significant difference between this body and its counterparts in Wuhan and Guangzhou is that the one in Shenyang has few collective properties to manage. Thus, instead of continuing to generate collective income through new investments in properties, the Sugarcane village shareholding system was set up mainly to look after the unallocated compensation funds from land expropriations. The local government allocated compensation funds to the village collective rather than to individual villagers, and the collective received instalments from time to time during the long period of urbanization. It then passed most of the funds on to the village households as each instalment arrived. Villagers call this system a “transitional organization,” which will disappear when the last *mu* of their land gets expropriated and the entire compensation fund has been paid out to villagers.

Owing to the lack of collective investments, share allocations in Sugarcane village are open to people who have moved into the village after the establishment of the economy organization committee. If newcomers pay a certain substantial amount upfront to the village collective’s “public fund” (*gongyi jin* 公益金), they receive the same benefits as other villagers, including relocation compensation.

This is in stark contrast to both the Flora and Riverside shareholding companies, which have maintained a closed system exclusively for indigenous villagers. Both Flora and Riverside villages have retained a portion of their collective land, which is crucial for the continuous growth and development of their shareholding companies. In Flora village and Riverside village, the well-established village shareholding system and the value and income of its properties prior to the administrative transition gave the shareholding companies an influential position in the community's new governance structure.

In the guise of the shareholding companies, Flora village and Riverside village, albeit in different ways, extended the former village governance structure to the urban setting. Five former village officials formed the board of the Flora village shareholding company, the so-called "Economy Association." Two of the other core members of the old village committee became the director and Party secretary of the new residents' committee. The district government hired ten residents' committee staff from among the local villagers on two-year fixed-term contracts. The Economy Association operates in parallel to the newly-formed Flora residents' committee, and only looks after its shareholders. The residents' committee is in charge of the community's administrative affairs not only for the villagers but also for migrant worker residents. In a similar way, the former Party secretary of Riverside village became the chair of the board of the Riverside Development Shareholding Company; he is also the Party secretary of the newly-established Riverside residents' committee. Although instituted formally as the city government's agent, the residents' committee was not given any office space or facilities by the local government. The two shareholding companies then provide office space for the new residents' committees.

In Shenyang, a reverse path was chosen by introducing newly hired urban residents' committee staff members to replace the former village cadres. The Sugarcane village shareholding company has few collective assets under its control, and none of the old Sugarcane village committee members has been selected to serve on the new residents' committee. All of the positions on the new residents' committee in Sugarcane village, including that of Party secretary, are open to all urban residents. Through a public hiring process organized by the municipal government, the new Sugarcane residents' committee is composed of young, educated urban residents from different areas of the city. According to one municipal official, this was a deliberate arrangement to make sure that all new residents' committees would comply with the city's existing "community structure" scheme<sup>20</sup> and to ensure that members would operate according to the rules instead of using close village ties and personal relations (*guanxi* 关系).<sup>21</sup>

In all three villages, the shareholding companies consider themselves as investment managers or as representatives of the villagers rather than as government officials. They prefer to focus on their economic operations and to separate

20 Bray 2006.

21 Interview with municipal civil affairs bureau official, Shenyang, 23 July 2012.

themselves from governance duties. However, the village shareholding companies in all three villages, willingly or not, continue to look after the villagers, as well as local administration. Owing to the diversities in community governance structures and in the development of village shareholding companies under the urban administration, how the specific governance duties are carried out in the three urban villages also varies.

### Welfare Programmes in Urban Villages

One of the most prominent aspects of the community governance scheme in urban China today is that residents' committees are now tasked with administering social welfare programmes locally in the state's attempt to remedy the prior retreat of the socialist welfare state.<sup>22</sup> Pensions and medical insurance, the two most basic forms of social welfare in urban China, are usually drawn partly from state subsidies and partly from contributions from employers and employees. Urban residents apply for pension and medical insurance schemes through the residents' committees if they have not done so at their work units. Through their residents' committee, low-income urban residents can apply for the so-called Minimum Livelihood Guarantee (*dibao* 低保), which is subsidized by the local government. The residents' committees also provide assistance and support services to the elderly, the sick and the disabled in urban residential communities.

Compared to other urban residential communities, urban villages look after residents in special need of social welfare assistance. Consistent with the observations of other studies,<sup>23</sup> the majority of residents in the three urban villages have no formal employment and are not covered by urban social welfare programmes. Villagers have discovered that, since the 1990s, it has become increasingly difficult to find a job, even with an urban household registration. In particular, those who are in their 40s or older usually find themselves excluded from the urban job market because of their age, poor education and lack of skills. Most of them have given up on their efforts to look for urban jobs and they have become what is termed “three loss” villagers – villagers who have lost their land, jobs and incomes. When they were granted urban household registration, the villagers expected that they would receive the same welfare entitlements as urban residents. However, in the three urban villages I studied, it is the village shareholding companies that have been subsidizing and organizing the villagers' social welfare entitlements.

Differences exist among urban villages within the same city, as well as between different metropolises. Whether and to what extent a shareholding company can continuously generate collective income determines the shareholding company's role and ability to provide welfare to their villagers. Flora village retained around

22 Bray 2006, 537; Shieh and Friedmann 2008, 185.

23 Cao and Wang 2010; Huang and Jiang 2011; Xu 2012.

30 per cent of its land, which the shareholding companies rent out to local factories. The rental income has become the main source of Flora villagers' collective welfare provision. In 2011, every shareholder received 1,500 yuan on average, reaching an upper limit of about 7,000 yuan in annual dividends for older villagers, which amounted to 14,000 yuan for an older couple. The Flora village shareholding company also provides *dibao* for the elderly who can no longer make a living, and offers a monthly livelihood subsidy of 150 yuan to all villagers who have reached the age of 60. Although the annual bonus dividends have been modest, these formerly rural residents feel that they are better placed than ordinary urban residents for the first time since the establishment of household registration system in China. As one villager observed: "We used to think of becoming an urban resident with pride. Now, it is the other way round – the urban residents admire us. This is because we have share dividends and we have our collective properties that make money."<sup>24</sup>

In contrast to Flora village's shareholding company, which relies mainly on its non-expropriated collective properties in a highly industrialized region, the Riverside collective shareholding company had to adopt a different development trajectory owing to the low industrial growth in its locality. As discussed above, the company has developed real estate projects on land that it retained, and has entrepreneurially extended its business activities to other commercial endeavours. In 2011, the income from the security and cleaning services exceeded the rental income from the land and real estate owned by the company. In Riverside village, villagers received 750 yuan per share (up to 28 shares) in 2011. The Riverside village shareholding company covers up to 60 per cent of shareholders' medical insurance contributions.

In Shenyang, although Sugarcane villagers can apply for medical insurance through both the residents' committee and their shareholding company, the villagers all apply through the shareholding company because the company subsidizes 60 per cent of the cost. But, since Sugarcane village has almost no collective land left, the main source of the villagers' social welfare comes from the cash compensation for its land expropriation. The Sugarcane shareholding company distributes bonuses every year according to the amount of cash compensation it has received from the local government, normally just before the Chinese New Year. This will cease after the local government has paid compensation for the last *mu* of village land.

Helping unemployed residents to find work is another important constituent of welfare programmes in urban communities. Since urban villagers in general have fewer skills to offer on the urban job marketplace, a well-resourced village shareholding company can be essential to negotiating employment opportunities. In Flora village, the pressure on the village shareholding company to provide employment is relatively modest, since the villagers have managed to keep

24 Interview with villager, Flora village, 24 July 2013.

their house sites and so receive rental income from the migrant-worker tenants. Nonetheless, the Flora village shareholding company makes deals with investors to give priority to local villagers when filling vacancies in the new enterprises built on village land. These are usually low-skilled jobs, such as cleaners or gardeners.

In Riverside village, since the villagers have no rental income, the village shareholding company plays a more critical role in helping them find a job. The Riverside village shareholding company, with the help of local vocational schools, has provided vocational training to villagers to help them take on work as electricians and plumbers with local enterprises. More importantly, the shareholding company itself has hired locals who lack the skills required by the job market, especially women in their late 40s or 50s, to work as cleaners in the company and in the residential communities in the neighbourhood. One cleaning lady told me: “My salary isn’t high. I get less than 1,000 yuan a month and the job is tiring. But I’m happy to have this job, because it makes me feel I have something to do and I can still be useful.”<sup>25</sup> In contrast, Sugarcane village has few connections with investors since the city government has full control of land expropriation and local development plans. Neither does Sugarcane village have its own business to employ its villagers. As a result, the task of helping Sugarcane villagers to find urban employment rests mainly with the residents’ committee, as is the case in other urban residential communities.

In sum, the village shareholding system has had an enduring impact on the collective economic well-being of villagers under urban administration. While maintaining control of some of the village collective assets after the administrative transition, the shareholding companies of Flora village and Riverside village both play an essential role in determining the economic and social well-being of the villagers. With no remaining collective land or property, the shareholding system in Sugarcane village can only serve as a transitional organization to pursue compensation for villagers. By supporting the villagers’ socio-economic well-being after land expropriation and administrative transition, resource-rich and profitable shareholding companies play a leading role in welfare provision in urban villages. Villagers see themselves as “shareholders” (*gumin* 股民) rather than “urban residents” (*jumin* 居民). This is because exclusive membership of the village collective determines the welfare of the residents of the urban village communities. The involvement of village shareholding companies in grassroots administration has resulted in the shareholding companies being more than market firms; they also act in partnership with the local government (albeit involuntarily most of the time). Going beyond the welfare support for their own villagers, the three shareholding companies have all extended their participation in local governance to the provision of community services and activities.

25 Interview with villager, Riverside village, 16 April 2012.

## Organization of Community Services and Activities

The need for community services and activities differs between those villages which maintain their original house sites and those in which the villagers have been relocated to modern urban residential compounds. Flora village has remained at its village site and, in addition, has accommodated a large number of migrant workers along with industrialization in the area. As a result, increasing work demands have been made upon the residents' committee and the local district government regarding infrastructure facilities and services in the neighbourhood. It is common for rural village governments to take responsibility for infrastructure and public facilities, such as road construction, street lighting and rubbish collection, since the resources can be secured from the village collective economy. However, in urban residential communities, the city government normally provides those facilities and services.

Initially, the Flora village shareholding company was required to subsidize administration expenses and community services for three years, after which the city government was supposed to take over. However, a decade later, the Flora village shareholding company today still spends about a quarter of its annual income on community infrastructure, policing and sanitation. In 2009, it spent a million yuan renovating facilities in the local primary school and community park. Since more than a third of the students in the neighbourhood schools come from migrant worker families and the park is open to the public, the shareholding company argued that those facilities should be the city government's responsibility and that the company should only be responsible for the interests of their shareholders.<sup>26</sup> But, despite its reluctance, the shareholding company has no other choice but to follow the government's "administrative commands" (*xingzheng mingling* 行政命令).

The large number of migrant workers has also resulted in security concerns in the village. The Flora village shareholding company has collaborated with the residents' committee to deal with these concerns. From the point of view of both the company and the residents' committee, migrant workers are welcome because they boost the local economy and the rental market. However, on the other hand, they feel migrant workers need to be "managed" (*guanli* 管理) for the sake of neighbourhood security.<sup>27</sup> In accordance with local policies, the residents' committee in Flora village has set up a "migrant management office" to deal with community affairs related to migrant worker residents. In addition, the Flora shareholding company has hired a team of security guards from among the young villagers to work in the community.

Riverside village and Sugarcane village have encountered new demands for community services and facilities associated with the relocation and resettlement of villagers. Their residential community no longer belongs to one village and

26 Interviews with shareholding company board members, Flora village, 28 July 2011.

27 Interviews with shareholding company board members and resident committee staff, Flora village, 15–19 August 2012.

now villagers share community space, infrastructure and facilities with landless farmers from smaller neighbouring villages who reside in the same housing complexes. Riverside shareholding company takes care of community affairs for both Riverside villagers and residents from other villages (although only Riverside villagers receive company dividends). For instance, at the time of relocation, the residents' original housing sites were expropriated but much of the farmland was scheduled for expropriation at a later stage, and some villagers continued farming after they had moved into their new apartments. Since their livestock and farm tools used to be kept at their housing sites, the Riverside shareholding company constructed temporary storage shelters within walking distance of the fields and also provided a team of security guards to work night-shifts at the storage shelters. In both Riverside and Sugarcane villages, the company currently provides street cleaning and security services for the new residential community and for the main road outside the community.

The village shareholding companies also support the work of residents' committees by subsidizing community leisure facilities and activities. In urban residential communities, residents' committees usually organize recreational activities, since keeping frequent contact and close relationships with residents is important for maintaining public support for residents' committees. However, many residents' committees receive insufficient funding from the local government. A recent survey in Hunan province suggested that nearly 80 per cent of residents' committee budgets in the urban villages were inadequate.<sup>28</sup> As a result, residents' committees in urban villages are highly dependent on the shareholding companies to fill the gaps in the budgets.

To promote residents' social interaction with people from other villages, Riverside shareholding company purchased two table tennis tables for the residents' committee. The residents' committee then organized daily table tennis tournaments so that residents could get to know each other by playing or watching the games. The region is associated with traditional dragon dancing, so the shareholding company also organizes community dragon dance teams composed of 23 residents from all seven villages. The social events and activities sponsored by the shareholding companies have helped the residents' committee to bring residents from different villages together. One member of staff from the residents' committee described the latter's dependence on the company as: “a residents' committee without [sponsorship from] a company is like a person without social security.”<sup>29</sup>

Sugarcane shareholding company has less direct involvement in community activities organized by the residents' committee. The residents' committee plays a leading role in organizing residents to participate in choirs or group dancing, or to play musical instruments with other residents, to which the shareholding company contributes nearly 60 per cent of the expenses. The village shareholding

28 Huang and Jiang 2011, 35.

29 Interview with resident committee staff, Riverside village, 18 August 2011.

company also subsidizes four to five big community events every year, including a day tour of the city for the elderly residents and celebration parties for Chinese New Year and National Day.

The residents' committees' dependence on the support of the shareholding companies has presented challenges to the city governments' aim to "keep village collectives under the leadership of their residents' committees."<sup>30</sup> As a major financial donor to the residents' committee, the Flora village shareholding company can ignore the committee's opinions regarding the development plans of the company or how it should spend its money. In Wuhan, the Riverside village shareholding company has even influenced some of the administrative decisions of the higher level street office, such as staff appointments and the nomination of the director of the residents' committee. And, particularly in relocated villages such as Riverside village and Sugarcane village, the support provided by the shareholding companies for community activities is seen as more desirable than community infrastructure, as the relationship between the residents' committee and the residents is crucial for one of the most important governance tasks in Chinese urban communities, the mobilization of residents.

### **Mobilization of Residents**

The key governance strategy of residents' committees, as argued by various scholars, is to monitor, report and mediate conflicts before they escalate to large-scale social unrest. This is done through the close personal relationships developed between the members of the residents' committee and residents.<sup>31</sup> As part of a broader observation, the re-organization of an urban neighbourhood space is likely to result in less social solidarity, less cohesion and more social conflict.<sup>32</sup> In urban villages, the specific urbanization process and its associated relocation and resettlement of villagers have resulted in various civil disputes. In those villages that retained residential and collective property, as in Flora village, disagreements over the measurement of land allocated to individual households cause the most common disputes between residents. In relocated villages, residents frequently quarrel over the occupation of communal space and littering. The village shareholding companies mediate most of these conflicts.

In Flora village and Riverside village, since the old village cadres are more or less involved in the new residents' committees, generally the shareholding companies mediate conflicts between the residents. When mediating disputes between residents and within families, the shareholding companies have a unique advantage – a rich local knowledge and dense social networks within the community, connected by blood ties (consanguinity) that are deeply rooted in the cultural and

30 Interview with street office officials, Guangzhou and Wuhan, 17 July 2011 and 9 August 2011.

31 Bray 2006, 541; Read 2012, 65; Lin, Wei-I, and Kuo 2013.

32 Forrest and Yip 2007, 50.

social traditions of Chinese rural society.<sup>33</sup> The company board members know the villagers well, and their past work experience as village cadres has incorporated strong power relations with them, largely owing to the village committee’s previous significant leading role in village economic life. Generally, villagers perceive the extension of their old village committee – the village shareholding companies – as the authority in the community rather than the new residents’ committees. During my conversations with villagers, the majority of them still used the term “village committee” to refer to their shareholding company. Moreover, the villagers also prefer to ask the shareholding company management board members to act as mediators in local conflicts, including disputes with family members or neighbours. Thus, it is the village shareholding companies, rather than the urban institutions, that play the central role in dispute resolution, the role previously played by village committees.<sup>34</sup>

In Sugarcane village, where none of the former village cadres was selected for the residents’ committee, the village shareholding company is less directly involved in conflict resolution in the community. The duties of “maintaining stability” (*weiwen* 维稳) require the residents’ committees to actively monitor and moderate any potential collective action or petitions before they reach higher level authorities or the media. This requires a good knowledge of the local situation and the ability to mobilize resident volunteers. Consequently, externally hired residents’ committee staff rely heavily on the shareholding company board members to be the “intermediate contacts” (*zhongjianren* 中间人) when they approach the residents. The residents’ committee staff are in frequent contact with the board members of the shareholding companies through telephone calls and home visits. In this respect, the company board members volunteer to facilitate the residents’ committee’s task of mediating citizen–state disputes.

As is common all over China during the urbanization process, Sugarcane villagers have frequently planned to petition higher level government offices regarding the city government’s improper handling of land expropriation or unfair compensation to the villagers. The Sugarcane residents’ committee always invites the village shareholding company to intervene in such cases. Then, through these key contacts (the shareholding company board members), the residents’ committee mobilizes well-respected elderly residents, the better-educated, and key figures in the lineage group to persuade the villagers to give up their petition plans. Unlike Flora and Riverside shareholding companies, Sugarcane shareholding company has neither the capacity nor the resources to stand up to the local government, and in fact tries to cooperate with the local government so that it receives its land compensation funds on time every year. Above all else, the village shareholding companies, being at the centre of the residents’ committees’ volunteer networks, perform the crucial task of political surveillance of the neighbourhood.

33 Fei 1998.

34 Read and Michelson 2008.

The role played by village shareholding companies in villagers' economic and community life has directly influenced the residents' political participation in the newly urban villages. The coexistence of rural and urban features in community governance is illustrated by two grassroots elections in the urban villages: residents elect the residents' committee (led by the local government), and the shareholders elect the management board of their shareholding company. While all the now-urban villagers have experienced and participated in village elections, they are indifferent to the residents' committee elections. In all three villages, when I asked about the residents' committee elections, villagers mostly responded with, "I don't care." They also rarely attend the resident representative meetings regarding community affairs organized by the residents' committee. Their indifference is partly owing to the insignificant impact the residents' committee has on the villagers' socio-economic well-being, and also down to the fact that the residents' committee elections are led – and quite often manipulated by – the local government. For villagers, the elections are formalistic and will make no difference to their everyday life.

However, the urban villagers show great enthusiasm when electing board members for their village shareholding company and when participating in decision making. In both Riverside and Flora villages, when the villagers received fewer bonus dividends than the previous year, they went to the shareholding company office and requested the company board to organize an all-shareholders meeting. At the meeting, villagers asked the board to explain why the company profits were lower than in the previous year, debated with each other about whether they should elect new board members, and discussed alternative solutions to the problem.

## **Conclusion and Further Discussion**

This article examines the mechanisms of governance in the newly urban residential communities emerging from China's urbanization. The case studies, from three different regions, centre on landless farmers who have maintained their village collective economy in the form of village shareholding companies. The involvement of the village shareholding companies in community governance under urban administration illustrates a new grassroots governance mechanism through which landless villagers and their village collectives experience and respond to their urban administrative status by adopting alternative strategies to preserve their individual and collective interests. On the one hand, the findings suggest that it is the heritage of the village collective economy that plays a significant role in organizing community life under urban administration, rather than residents' committee-led community governance, as is the common practice in urban residential communities. This demonstrates the resilience of established norms of collective ownership under China's urbanization, which endure to influence urban local governance. Given the local government's dependence on the village shareholding companies to provide welfare and community services and

to help maintain social stability, the local government is willing to defer to those norms by tolerating or even encouraging practices that leave urban villages with more collective power.

On the other hand, community governance mechanisms differ according to three major factors: the quantity of collective properties and land controlled by the village shareholding companies; whether the residents retain their house sites or are relocated; and the power relationship between the village shareholding company and the residents' committee in each community. This suggests the diversity of institutional arrangements under China's urbanization. The diversity within the “not rural but not urban” governance space temporarily makes up for the inadequacies of the city governments' policy efforts. The incentive to achieve visible urbanization outcomes, such as in industrial and real estate development, and to increase the ratio of the urban population within a short period of time has led to shortfalls in the municipal governments' administrative capacities and to impositions on the village collectives. The transition to urban life has engendered a lot of enduring, hidden problems for many of the urban villagers. The involvement of village shareholding companies in community governance in urban villages, to a certain level, demonstrates that China's seemingly rigid administrative apparatus can accommodate some degree of flexibility in order to accelerate the nationwide urbanization campaign.

The involvement of village shareholding companies in urban grassroots administration has also led to uncertainties about the future of governance in such urban villages. How long will the village shareholding companies provide public welfare and services to the community? Will they retain their current multifaceted responsibilities, or will they shift away from their legacy of the village collective economy? At this stage, it is still too early to draw conclusions. However, the three villages' future development plans shed some light on the potential trajectories of the “not rural but not urban” governance mechanism.

The future of the Sugarcane collective, as has been noted, depends on when the last *mu* of land will be expropriated with compensation. Since the village collective will not have any property to control after that, its impact on the everyday lives of the Sugarcane villagers is likely to weaken over time. Because the community governance structure in Sugarcane village has excluded the village shareholding company, the urban residents' committee presumably will consolidate its leading role in community life. In Flora and Riverside villages, the prospects of the two village shareholding companies are different.

The Flora shareholding company is facing the challenge of “upgrading its industry” (*chanye shengji* 产业升级), which is an increasingly common problem for the industrial development of Zhujiang Delta region. The local economy, which is based on low-tech factories and small-scale workshops, is facing fierce market competition. Also, the new urban status of the shareholding company means that the company has to pay higher taxes. Moreover, owing to loopholes in regulations at the onset of industrialization, many villages in the area host highly polluting factories, of which the public has become increasingly aware.

To date, the shareholding company has decided to stop renewing contracts with the polluting workshops. But, the pressure is increasing from a competitive market and from villager shareholders who expect better economic returns every year. Faced with this situation, the Flora shareholding company is eager to withdraw from the services and financial support it is providing the community. According to its director, the company is more of a “charity organization” than an economic organization: “Not all our profits go to the shareholders. We should only be responsible to our shareholders, and the government should provide public services in the area.”<sup>35</sup>

In Wuhan, owing to the low industrial growth in the region, the Riverside shareholding company has focused on urban real estate projects instead. It has also extended its business activities to other commercial endeavours, such as providing professional security and cleaning services. In 2011, the income from the security and cleaning services exceeded the rental income from the land and real estate owned by the company. As a result, the Riverside village shareholding company is not averse to continuing to engage in community governance tasks. By doing so, the company manages to maintain a partnership with the local government, which brings the company the advantageous position of being part of the local commercial development projects. In 2012, the company received a government contract to build more housing in the area for other relocated villagers like themselves. The ambitious project covers 400,000 square metres of residential and commercial real estate.

In spite of the different development prospects of the two companies, they both face one common challenge: how to attract well-educated, younger villagers to lead the company. The current generation of company leaders have received little formal education and have had minimal experience of managing businesses under an urban administration. The village shareholding companies in urban villages need to be run by younger and better educated managers, and villagers still prefer “their own people” to organize community governance. However, in almost all the urban villages I visited, most of the younger generation – those who are in their 20s and 30s – view the shareholding companies as “village” enterprises; they prefer to have an “urban” job instead. Although the younger generation want to maintain their village collective identity in order to receive collective welfare, they have developed a much stronger “urban resident” identity than have their parents, who almost always continue to refer to themselves as “we peasants.” A few well-educated members of the younger generation choose to stay in the village, most often because they have obtained permanent official positions in the local district government office. But, only the most prosperous of the village shareholding companies, those that are evolving into competitive market actors and are expanding their economic activities beyond their collective properties, seem able to attract well-educated young villagers to work for them.

35 Interview with shareholding company board member, Flora village, 27 July 2013.

In this and other respects, the future development of the village collectives, and the extent to which they can serve as a bridge to the urban milieu, is at a crossroads.

**摘要:** 中国的城市化产生了大量的“村转居”社区。这些社区一方面属于城市行政管理，另一方面又保留着原有的村集体经济。本文对广州、武汉和沈阳三地“村转居”社区的管理模式进行了比较研究。其结果显示，成功的村集体股份公司通过向村民提供生活和社会保障，承担部分社区服务，和组织居民参与社区活动，从而在“村转居”社区治理中处于主导地位。由于当地集体经济的发展历程，其组织动员居民的能力以及参与社区管理的程度存在差异，三地的村集体股份公司表现出不同的“村转居”社区管理模式。本文揭示了“村转居”社区存在“村不村，居不居”的管理模式。这一方面是因为城市化进程缺乏全面系统的规划。另一方面也体现了在城市化过程中，失地农民与村集体经济采用多样化的方式来维护个人和村集体的利益，从而影响了社会与国家组织之间的互动。

**关键词:** 社区治理; 村转居社区; 城市化; 村集体股份公司; 社区

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