

Assessing the Social Impacts of Urban Village Renewal on Inequality: A Case Study of Shenzhen

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Abstract: China's rapid urbanization has led to an increase in the number of urban villages, which have become an important but problematic part of cities. While these areas provide affordable housing for low-income people, they are often characterized by inadequate infrastructure, overcrowding, and inadequate social services. The significance of this study lies in its focus on the social impacts of urban village renewal, especially the impact of these projects on inequality. This study adopts a mixed method approach, including qualitative case studies, quantitative analysis, and policy analysis, with Shenzhen as the main case study. The study shows that while urban village reconstruction projects have brought potential benefits such as improved infrastructure and improved living standards, they have also caused problems such as displacement and increased living costs, thereby exacerbating social inequality. The conclusions drawn from this study emphasize the need for more equitable and inclusive urban village renewal policies. This study recommends policies and interventions that prioritize the needs of local marginalized groups to ensure that the benefits of urban village reconstruction are more widely shared. Moreover, the improvement of current policies is required. This study discusses the problems of urban village renewal and provides solutions for the formulation of more balanced and equitable urban development policies in the future.

Keywords: Inequality, Urban villages, Social Impacts.

1. Introduction

Urban villages, also known as "Chengzhongcun" in China, are unique places that exist within rapidly urbanizing areas. It is caused by the rapid urbanization in some areas of China, characterized by large-scale rural-urban migration and radial expansion of urban built-up areas. The rural areas around the cities are gradually surrounded by high-rise buildings in the cities and become "villages in the city", that is urban villages. These villages are normally undeveloped, containing a high-density population and inadequate public service compared to surrounding urban areas. As China continues to urbanize, the existence and evolution of these urban villages provide both opportunities and challenges.

Urban villages provide relatively affordable housing for low-income individuals such as rural migrants. However, the unplanned and unregulated nature of these areas often causes problems such as poor living conditions, poor infrastructure, and significant social inequalities. As time has passed, urban villages have raised increasing attention. As a result, urban village reconstruction, aimed at transforming these areas into better places, has become the number one goal of urban village

development strategies. For example, in Longgang province in Shenzhen, all 499 urban villages had been reconstructed completely in 2021 [1].

The reconstruction of urban villages is truly an imperative way to further develop urban villages, but it is also a double-edged sword. On the one hand, the reconstruction of urban villages brings significant advantages, such as a higher standard of living for residents due to an increase in infrastructure level, and more business opportunities due to more attractive spared land. On the other hand, it may also lead to some social issues, especially causing equality issues. For instance, the displacement of original local residents and the higher cost of living, are some of the most significant problems caused by the reconstruction [2].

Nowadays, extensive research on the pros and cons of urban villages, but relatively few studies have focused on the inequality issues brought by the reconstruction. As a result, this essay aims to fill in the blank in this area. This essay will explore the inequality problem associated with urban village reconstruction by analyzing the economic and social impacts of this renewal action using case studies and examples from previous research in urban villages, and further discussing solutions to reduce the inequality problem.

The research will conduct research on urban villages in Shenzhen through qualitative and qualitative analysis, analyzing case studies and studies to test and examine the impacts of urban village renewal on urban village inequality. The final goal of the essay is to fully explore the inequality issue of the reconstruction of urban villages and contribute to finding methods and policies that not only maintain sustainable infrastructure and economic growth but also promote social equity.

2. Impact of Urban Village Renewal

2.1. Background of Urban Village Renewal

Urban villages are a phenomenon that emerged in the process of urbanization. The expansion of cities has incorporated the rural areas around the cities into the urban planning scope.

Urban village reconstruction refers to the comprehensive reconstruction and redevelopment of urban villages according to the regional social and economic development plan and the overall urban plan and in accordance with the requirements of urbanization. With the continuous expansion of the scale of urban villages and the increasing prominence of social management problems caused by urban villages, large and medium-sized cities such as Beijing, Shanghai, Guangzhou, Xi'an, and Taiyuan have successively launched urban village reconstruction.

2.2. Potential Benefits of Urban Village Renewal

Urban village renewal and reconstruction projects provide several benefits in different aspects. First of all, it improves the living conditions of urban villages through the completion of urban public service functions and, the provision of better housing and basic facilities. Secondly, these projects can also boost the local economy by attracting investment into urban villages. This is mainly because the improvement in different aspects of the urban villages reconnects them with the rest of the city, and the reconstruction transforms collective land into state-owned land, making the use of these lands easier. Hence, through the renewal of urban villages, both the residents and the local economy as a whole can be improved [3].

2.3. Analyzing How Urban Village Renewal Projects Affect Socioeconomic Inequality

Despite the benefits brought by the urban village reconstruction, these projects also exacerbate social issues. One of the major aspects is the displacement of original residents. Due to the policy of China, the urban villages after reconstruction will transform from collective land to state-owned land,

meaning that those local residents who cannot afford the new housing will be asked to leave. However, even though the house prices of these urban villages are lower than normal urban house prices, it remains hard to afford for those low-income residents. As a result, this displacement disrupts original social networks and affects people's welfare [2].

In Guangzhou, the renewal of Xiaozhou Village was designed to preserve cultural heritage while modernizing the area. However, despite efforts to preserve the village's character, many of the original residents were forced to leave their homes due to rising living costs. This illustrates the challenge of balancing urban development with the preservation of community identity and affordable housing. The experiences of these urban villages illustrate the broader challenges facing urban village renewal in China. While these projects bring potential benefits such as improved infrastructure and economic development, they also exacerbate socioeconomic inequalities. Displacement of low-income residents, rising living costs, and inadequate resettlement compensation are common issues that need to be addressed [4].

Additionally, the commercialization of renewed urban villages can lead to gentrification, making these areas unaffordable for their original inhabitants. The influx of higher-income groups drives up property values and living costs, creating an environment that caters to wealthier residents and businesses. This process marginalizes the original low-income residents, contributing to a cycle of poverty and exclusion.

3. Analysis of Inequality Problems

3.1. The Cause of the Problem

The reasons for the inequality caused by urban village renovation projects are multifaceted. One of the main factors is that the purpose of these developments is generally profit-oriented. Developers, in cooperation with local governments, may prioritize economic gains over the well-being of existing residents by transforming these new state-owned lands. As a result, this focus on profit leads to the construction of high-priced homes and rents that are unaffordable to local low-income residents. In addition, the lack of humanistic urban planning has exacerbated social disparities. In the past, urban village renovation projects often ignored the needs of marginalized groups, such as migrant workers and elderly residents, who are vulnerable to social and other exclusion [5].

3.2. The Resettlement Issues

Resettlement is a major issue in urban village reconstruction. Before reconstruction, the government will nationalize the land, and the reconstruction usually involves demolishing the original buildings. This will displace some local residents who cannot afford new houses. These displaced people may be relocated to the edge of the urban village, and therefore cannot access basic services and employment opportunities brought by the reconstruction. Secondly, this geographical displacement not only destroys social networks but also imposes additional economic burdens on the affected population. For example, displaced residents may face higher commuting costs and commuting time.

The redevelopment of Baishizhou Village in Shenzhen is a prime example of these issues. Baishizhou is one of the largest urban villages in Shenzhen and was significantly remodeled in an effort to modernize the village. However, the project resulted in the displacement of thousands of residents, many of whom struggled to find affordable housing elsewhere. Compensation provided was often inadequate, and displaced families had limited options [6].

3.3. The Inequality Issue

The compensation provided to local urban village residents after reconstruction is usually not enough for them to buy housing in the rebuilt areas. This lack of funds forces many people to move to poorer communities, thus exacerbating the cycle of poverty. Therefore, the inequality of wealth between different residents will increase. The lack of affordable housing options in some rebuilt urban villages further exacerbates these problems.

One example is the redevelopment of Dafen Oil Painting Village, also in Shenzhen. While the project was designed to improve infrastructure and attract tourists, it also resulted in the displacement of local residents who could no longer afford rising rents. This displacement disrupted the community and forced many residents to relocate to lower-cost, less supportive environments. As a result, the inequality issue has been improved [7].

3.4. The Cost-of-Living Problem

The transformation of urban villages often results in a significant increase in the cost of living. One of the most direct effects is rising rents. As mentioned earlier, as these areas are redeveloped into modern urban spaces, real estate values soar, making it difficult for low-income residents to afford housing. Rising rents not only affect displaced residents but also put additional financial pressure on those who manage to stay in the area [8].

The cost-of-living problem is not limited to housing. The influx of high-income groups and commercial enterprises leads to higher prices for goods and services. Local shops and markets that once provided affordable options for the community are replaced by chain and more competitive retail stores and restaurants. This can marginalize low-income residents and make them further trapped by the economy.

To solve these issues, a more inclusive and equitable approach to urban planning is needed. Involving local communities in the planning process, ensuring adequate compensation and affordable housing options, and balancing economic development with social equity are key steps to achieving sustainable and just urban renewal. Only by addressing these inequalities can urban village renewal projects truly benefit all members of the community.

4. Policy Analysis and Advice

4.1. Current Policies for the Problem

Shenzhen has proactively implemented policies to tackle the inequalities arising from urban village renewal. One policy is the "on actively and steadily promoting the reconstruction of urban villages to achieve high-quality development" published on March 7, 2024, targeting old villages [9]. This policy incentivizes developers to offer benefits and saves a portion of the redeveloped space to be allocated for affordable housing. The policy stipulates that a portion of the redevelopment space be reserved for the construction of affordable housing, which aims to alleviate the forced displacement of low-income residents. This approach not only curbs rising housing costs but also helps maintain the community structure of urban villages and ensures that original residents are not completely driven out of the community. However, the effectiveness of these policies depends largely on their implementation and enforcement. While the policy provides a platform for equitable development, the challenge lies in ensuring that developers abide by these provisions and that affordable housing is truly used by those who need it.

Moreover, On March 29, 2024, the "Regulations on Urban Village Renovation in Guangzhou" was reviewed and approved by the Guangdong Provincial People's Congress, becoming the first local regulation in the country specifically for urban village renovation [10]. The "Regulations on Urban

Village Renovation in Guangzhou" stipulates that before the demolition and new construction of urban village renovation projects are launched, more than two-thirds of the members of the rural collective economic organization and more than two-thirds of the villagers over the age of 18 in the village where the renovation project is located must agree. If more than half of the members of the rural collective economic organization whose land is expropriated have objections to the land acquisition compensation and resettlement plan, a meeting should be organized. This provision is designed to ensure that the voices of the local community are heard, and the redevelopment project will consider important aspects other than interest, providing a balance between economic development and the protection of residents' rights in urban villages.

4.2. The Effectiveness and Fairness of Current Policies

While these transformation policies have significantly improved infrastructure and living conditions in redeveloped urban villages, their effectiveness and fairness have been doubted. The policy has successfully attracted investment and stimulated economic growth, modernizing several urban villages. However, some people have criticized the implementation of the policy. Often, the compensation provided to displaced residents is insufficient to cover the actual relocation costs. In addition, the allocation of affordable housing often does not meet the needs of the original low-income residents, and the prices of many units are beyond their affordability.

4.3. Improvements to the Current Policy

To ensure the effectiveness and fairness of the current policy, several improvements can be proposed. First, strengthening community participation is essential. Actively involving residents in the planning and decision-making process can lead to more inclusive and equitable development plans [11]. Second, there is a need to re-evaluate compensation packages to better reflect the true costs of displacement. This includes not only monetary compensation but also the provision of suitable alternative housing options within the same community. Third, it is crucial to increase the allocation of truly affordable housing in redeveloped areas. Ensuring that these units are affordable to the original low-income residents through the implementation of price controls and the provision of rental subsidies can have a significant impact. Finally, providing displaced residents with comprehensive social services, such as health care, education, and employment opportunities, can help them adapt to their new environment and improve their overall well-being.

By implementing these policy recommendations, Shenzhen can address the inequality issues associated with urban village renewal more comprehensively. This can ensure that redevelopment projects are equitable and inclusive and will not only improve the lives of displaced residents but also contribute to the overall social and economic stability of the city.

5. Conclusion

In summary, this study explores the complex nature of urban village redevelopment, highlighting its potential benefits and significant challenges, particularly in terms of socioeconomic inequality. Through the analysis of specific cases such as Shenzhen and Guangzhou, it can be concluded that while urban village redevelopment can promote urban modernization and economic growth, it can also exacerbate social inequality if not managed well.

The significance of this study lies in its focus on the understudied issue of inequality caused by urban village redevelopment projects. By focusing on the experiences of displaced residents and the socioeconomic impacts of reconstruction, this study contributes to a more nuanced understanding of urbanization in rapidly developing regions such as China. The findings highlight the importance of humanistic and equitable policies in urban planning, especially ensuring that local residents, including

those most vulnerable to displacement and economic hardship, share in the benefits of urban village development.

However, this study is not without limitations. One of the main constraints is that the study focuses on a specific region within China, which may limit the applicability of the findings to other regions within China and internationally. In addition, while the study highlights the importance of community consent and equitable policy implementation, it does not delve into the improvement of the economic problems of existing displaced residents, which may be an area for future research.

Looking ahead, future research could extend this study to explore the long-term effects of urban village renewal on residents' lives and social mobility. Comparative studies across regions and countries could also help understand how various urban renewal approaches affect inequality in different contexts. In addition, studying the role of new policies in mitigating the negative effects of urban village renewal could provide new help for more sustainable urban development practices.

Ultimately, this study contributes to the broader discussion of urbanization and inequality, providing important recommendations and reflections for policymakers, urban village residents, and scholars interested in promoting more equitable cities.

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