Juxiang Chi
PHD student, West Ukrainian National University

THE IMPACT OF LAND TRANSFER ON RURAL HOUSEHOLD INCOME IN CHINA

Rural land transfer (RLT) is a pivotal policy instrument in China's transition from poverty alleviation to comprehensive rural revitalization, with the sustainable growth of farmers' income at its core. This paper synthesizes recent empirical evidence to analyze the nuanced impact of RLT on the formation of rural household income. Moving beyond aggregate effects, it deconstructs income into its four constituent streams—operating, wage, property, and transfer income—and examines how RLT differentially affects transfer-in and transfer-out households across generations and regions. Findings reveal a complex, heterogeneous picture: RLT significantly boosts total income for transfer-out households primarily through wage and property gains, while its effect on transfer-in households is contingent on farm scale and age. Mechanisms include improved land productivity, labor reallocation, rent capitalization under the "Three Rights Separation" policy, and enhanced social security. The paper concludes with targeted policy recommendations for optimizing RLT to achieve common prosperity.

1. Introduction: Rural Revitalization and the Income Imperative

China's rural development paradigm has explicitly shifted from poverty reduction to comprehensive rural revitalization, with the sustainable growth of farmers' income identified as a central pillar for achieving "common prosperity" (Huang et al., 2020; Shi et al., 2024). The formation of farmers' income in China is inherently complex, comprising four primary components: operating income (from agricultural production), wage income (from migrant or local employment), property income, and transfer income. Amidst structural challenges in sustaining income growth, rural land transfer (RLT) has emerged as a critical policy tool to reconfigure land resources, promote moderate-scale operation, and unlock both agricultural and non-agricultural potential (Wang et al., 2022). The vast body of literature on RLT, while extensive, often focuses on aggregate income effects or specific dimensions like agricultural productivity. This paper aims to systematically synthesize recent findings to provide a holistic understanding of how RLT reshapes the very *formation mechanisms* of rural household income.

2. Literature Review and Mechanisms: Beyond Aggregate Effects

Existing research has established that RLT can enhance agricultural efficiency and total factor productivity. However, a critical gap lies in understanding the differentiated impact on income structure across different types of households. Recent studies have begun to unpack this heterogeneity. For instance, Zhang & Zhang (2023) distinguish between transfer-in and transfer-out households, finding that transfer-out behavior significantly promotes total household income by increasing wage and property income, while transfer-in primarily increases operating income but with no significant net effect on total income due to concurrent wage income decline. This underscores that RLT is not a monolithic intervention but a structural transformer of household economies.

The mechanisms are multifaceted. For transfer-out households, key pathways include: (1) direct rent income as property gains; (2) labor reallocation to higher-earning non-agricultural sectors; and (3) participation in improved social security systems linked to non-farm employment (Shi et al., 2024). For transfer-in households, the primary channel is scale-induced gains in operating income, though this can be offset by reduced wage opportunities and increased costs (Zhang & Zhang, 2023). Crucially, the institutional context, particularly the "Three Rights Separation" reform, plays a significant role. Zhang et al. (2024) demonstrate that this policy has significantly increased land rents through mechanisms of strengthening property rights, enhancing rural public goods investment, and capitalizing agricultural subsidies, directly boosting the property income stream for transfer-out households.

3. Research Objectives and Theoretical Framework

Building on these insights, this paper aims to address three interconnected questions: (1) How does RLT impact the total income of rural households, and does this differ by transfer direction? (2) Through what specific transmission mechanisms does RLT alter the structural composition of the four income streams? (3) What are the significant heterogeneous effects across farmer generations and regions? The theoretical framework posits that RLT acts as a catalyst that simultaneously affects income levels and income composition. It triggers a complex chain of responses: scale operation for transfer-in households, labor migration and rent extraction for transfer-out households, and institutional price adjustments (e.g., rent) mediated by policy reforms like "Three Rights Separation". This framework moves beyond viewing RLT as a simple "income booster" to analyzing it as a "structural reformer" of rural livelihoods.

4. Main Findings: A Synthesis of Empirical Evidence

Synthesizing findings from recent studies using data like the China Family Panel Studies (CFPS), several nuanced patterns emerge:

Directional Asymmetry: The income-increasing effect of RLT is highly asymmetric. It is robust and significant for transfer-out households, primarily driving gains in wage and property income. For transfer-in households, the effect is more complex, with operating income rising but total household income impact often insignificant due to offsetting wage losses (Zhang & Zhang, 2023; Yang & Zhou, 2022).

Generational Heterogeneity: The impact varies sharply by age cohort. Land transfer-in significantly increases operating income for middle-aged and elderly farmers but has no significant effect on young farmers. Land transfer-out increases property income across all generations but fails to increase wage income for elderly farmers, who face disadvantages in the labor market (Yang & Zhou, 2022).

Regional and Scale Variations: The benefits are more pronounced in regions with better land endowments, higher marketization levels (like eastern China), and for households with larger initial land scales (Shi et al., 2024). The “Three Rights Separation” policy’s rent-increasing effect is also stronger for transfers between smallholders and in major grain-producing areas (Zhang et al., 2024).

Beyond Income: Subjective Well-being: The impact on subjective welfare is not always positive. For middle-aged rural residents with strong “land attachment,” transferring out land can significantly reduce their life satisfaction due to loss of social role and security, even if income rises. Expanding social networks and internet use can mitigate this negative effect (Zhou et al., 2024).

5. Discussion and Policy Implications

The synthesized evidence reveals that while RLT is a powerful engine for rural income growth, its efficacy is contingent on household characteristics and local contexts. The policy implication is clear: a “one-size-fits-all” approach is inadequate. The findings highlight the importance of:

1).Differentiated Support: Policies must distinguish between supporting scale operators (transfer-in) and facilitating non-agricultural employment and property rights protection for transfer-out households.

2).Stabilizing Land Rent: While rising rents benefit transfer-out households, they can erode the profitability of transfer-in operators. Policy must balance rent formation mechanisms with safeguards for agricultural production (Zhang et al., 2024).

3).Strengthening Social Safety Nets: To alleviate the psychological and security concerns of transfer-out households, especially the middle-aged, policies should enhance rural social security (pensions, healthcare) and provide re-employment services (Zhou et al., 2024; Shi et al., 2024).

4).Promoting Multi-dimensional Welfare: Future evaluations of RLT should incorporate subjective well-being alongside income metrics, and leverage social networks and digital tools to ease transitions.

6. Conclusion

Rural land transfer in China exerts a profound but heterogeneous impact on household income formation. Its most significant and reliable effect lies in boosting the total income of transfer-out households through property and wage channels. For transfer-in households, the pathway to net income gain is narrower, dependent on achieving sufficient scale efficiency to overcome opportunity costs. The “Three Rights Separation” reform has amplified property income gains but also created new tensions.

Moving forward, optimizing RLT for rural revitalization and common prosperity requires nuanced, regionally tailored policies that support both sides of the transfer equation, address generational differences, and attend to the non-economic dimensions of farmer welfare. Future research should employ longer panel data to capture dynamic effects and further dissect the role of local institutional environments.

References:

1. *Huang, J., Rozelle, S., Zhu, X., Zhao, S., & Sheng, Y. (2020). Agricultural and rural development in China during the past four decades: an introduction. Australian Journal of Agricultural and Resource Economics, 64(1), 1-13.*
2. *Shi, J., Zhao, L., Kang, X., & Xue, F. (2024). Farmland transfer and farmers' common prosperity: Theoretical mechanism and empirical evidence. Journal of China Agricultural University, 29(9), 204-216.*
3. *Wang, J., Zhang, Y., & Guo, G. (2022). The evolution path and tracking of domestic rural land transfer research: Knowledge mapping analysis based on CSSCI journals. Chinese Journal of Agricultural Resources and Regional Planning, 43(10), 246-256.*
4. *Yang, D., & Zhou, L. (2022). Study on the impact of land transfer on farmers' household income: Analysis based on the perspective of intergenerational differences. Economic Research Guide, 12, 164-168.*
5. *Zhang, G., & Zhang, J. (2023). The impact of rural land transfer on farmers' income: Internal mechanism and empirical test. Economist, 2, 120-128.*
6. *Zhang, X., Peng, C., Zhang, K., & Xu, Q. (2024). How does the "Three Rights Separation" of farmland affect land rent? Analysis based on data from the national rural fixed observation points. World Economic Papers, 5.*
7. *Zhou, Z., Tan, L., Qu, L., Li, Y., & Chen, X. (2024). The impact of rural land transfer on the living satisfaction of middle-aged rural residents and the implications: A perspective of land attachment. Habitat International, 148, 103085.*