

Research on the Current Situation and Prospects of Informal Employment in China

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Abstract. As a result of the high unemployment rate and the demand for cheap products and services in developing countries, informal employment is the buffer layer between employment and unemployment. In many developing countries, informal employment has become more and more important, absorbing a large amount of labor force like a huge sponge. This paper makes a statistical analysis of the conic curve of informal employment in China and puts forward some policy suggestions.

1. Introduction

The definition of informal employment originates from the definition of "informal sector". The International Labor Organization defined the informal sector as "a low income, unstructured production service units with minimal scale that exists in developing countries". At present, many experts are doing research on the number and distribution of informal employment in China, but there are no convincing official statistics. According to the survey of Chinese scholar Yao in 2006, informal employment in China has already accounted for about 51% of the total employment in cities and towns. Among those engaged in informal employment, 52.7% are men and 47.3% are women. The age of these employees is mainly 26-40 years old, 70% of these employees are transferred from the countryside. They are generally low in education, so most of them are engaged in services and construction. In addition, due to the number of college graduates is huge every year, and the employment opportunities provided by the society are very limited, so a large number of fresh graduates choose the informal employment [1]. In addition, Hu estimated in 2004 that informal employment accounted for 58.69% of urban employment [2]. In 2012, Xue and Gao used national census data to calculate that informal employment accounted for 58.85% of urban employment in China in 2005. In 2016, the Chinese scholar Huang, Xue and Zhang believed that the employment of informal employment was 50.7% of urban employment.

China's economy is in a critical period of transformation, a large number of the rural surplus labor force is turning to cities to make a living. The employment situation is so severe that it is necessary to study the role of informal employment in China. Williams argued that informal employment was conventionally viewed as residual, marginal and sweatshop-like work that impaired urban economic development and social cohesion. Examining the multiple types of informal employment conducted on an own-account basis, more positive impacts emerge of this sphere as the key seedbed for enterprise development and principal mechanism for delivering community self-help [3]. Zhao believed that the development of informal employment provided a platform for employees to improve their skills quickly and in practice, thus saving the employment cost of informal workers [4]. Xue, Gao and Guo thought to regulate the labor market, eliminating job discriminations and legislating the informal employment should be considered as alternative means of reducing inequality in China [5].

2. The status quo of informal employment development in China

2.1 Specific data

This article assumes that practitioners in state-owned units, urban collective-owned units, cooperative units, limited liability corporations, share-holding corporations, units with funds from Hong Kong, Macao & Taiwan and foreign-funded units belong to urban formal employment. The difference between the total number of urban employed persons and the number of formal employed persons is the number of informal employed persons in urban areas, including self-employed individuals, private enterprises and those not included in the statistics department. In this paper, the number of urban informal employment in China from 1978 to 2016 was calculated based on the statistics related to China statistical yearbook. The figures are shown in Table 1 below.

Table 1. The number and composition of informal employment in urban areas in China (1978-2016).

Year	Urban employed employment (By ten thousand persons)			Urban informal employment (By ten thousand persons)			Year	Urban employed employment (By ten thousand persons)			Urban informal employment (By ten thousand persons)		
	Total number	Formal employment	Informal employment	Private individuals	Uncounted part	Total number		Formal employment	Informal employment	Private individuals	Uncounted part		
1978	9514	9499	15	15	0	1998	21616	12686	8930	3223	5698		
1979	9999	9967	32	32	0	1999	22412	12109	10303	3467	6837		
1980	10525	10444	81	81	0	2000	23151	11585	11566	3404	8162		
1981	11053	10940	113	113	0	2001	24123	11123	13000	3658	9342		
1982	11295	11281	14	14	0	2002	25159	10870	14289	4267	10022		
1983	11746	11515	231	231	0	2003	26230	10809	15421	4922	10499		
1984	12229	11890	339	339	0	2004	27293	10937	16356	5515	10841		
1985	12808	12358	450	450	0	2005	28389	11225	17164	6236	10928		
1986	13293	12810	483	483	0	2006	29630	11485	18145	6967	11178		
1987	13783	13213	570	569	1	2007	30953	11801	19152	7891	11261		
1988	14267	13605	662	659	3	2008	32103	11972	20131	8733	11398		
1989	14390	13739	651	648	3	2009	33322	12324	20998	9789	11209		
1990	17041	14057	2984	671	2313	2010	34687	12767	21920	10538	11382		
1991	17465	14506	2959	760	2199	2011	35914	14094	21820	12139	9681		
1992	17861	14787	3074	838	2236	2012	37102	14861	22241	13200	9041		
1993	18262	14831	3431	1116	2315	2013	38240	17817	20423	14384	6039		
1994	18653	15249	3404	1557	1847	2014	39310	17995	21315	16866	4449		
1995	19040	15291	3749	2045	1704	2015	40410	17778	22632	18980	3652		
1996	19922	15212	4710	2329	2381	2016	41428	17598	23830	20710	3120		
1997	20781	15019	5762	2669	3093								

2.2 Problems existing in China's informal employment relationship

Generally speaking, although China has introduced some preferential policies, it still lacks a sound and favorable policy environment to open small enterprises and engage in individual operation. For example, small, micro-sized enterprises and individual businesses are difficult to obtain preferential tax policy, and the rent of large and medium-sized cities is too high, so small-scale and micro-sized enterprises can hardly afford it. Secondly, at present, China's labor law and system are obviously not adapted to the development of flexible and diversified employment forms, such as the current monthly minimum wage and the provisions of the time of work. The income of informal workers is uncertain and unstable, and their economic capacity is low. So they need flexible insurance which has low rate. At the same time, driven by interests, many small enterprises have tried their best to avoid paying social insurance for their employees which is also the reason why there is hardly no social insurance for those who are employed in these enterprises.

3. Analysis and forecast of urban informal employment trend in China

By making a scatter diagram, we can visually observe the correlation between the proportion of urban informal employment in total urban employment and real GDP per capita from 1978 to 2016. In the analysis results, by selecting regression analysis in SPSS and comparing and analyzing the fitting effect of various regression models, the quadratic curve model was selected as the best model after considering the constraint conditions of F test and T test. The analysis results are as follows:

Table 2. Regression results

R	R Square	Adjusted R Square	Std. Error of the Estimate
.970	.942	.938	6.277

Table 3. Significance test

	Sum of Squares	df	Mean Square	F	Sig.
Regression	22869.735	2	11434.868	290.234	0.000
Residual	1418.358	36	39.399		
Total	24288.094	38			

Table 4. Regression coefficient test

Coefficients	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
Real GDP per capita	0.029	0.002	2.876	18.12	0
Real GDP per capita ** 2	-2.66E-06	0	-2.142	-13.497	0
(Constant)	-12.416	2.245		-5.531	0

As can be seen from the above table, the trend equation of urban informal employment proportion obtained by statistical analysis is:

$$\hat{Y} = -2.66 \cdot 10^{-6} \cdot X^2 + 0.029 \cdot X - 12.416 \tag{1}$$

In the equation, X represents the real GDP per capita and \hat{Y} represents the fitting values of the proportion of urban informal employment. The model is a quadratic function of parabolic shape, in which the coefficient of the quadratic term is negative, indicating that the parabolic opening is downward. It shows that the proportion of informal employment increases to its peak with the growth of GDP per capita and then keeps decreasing.

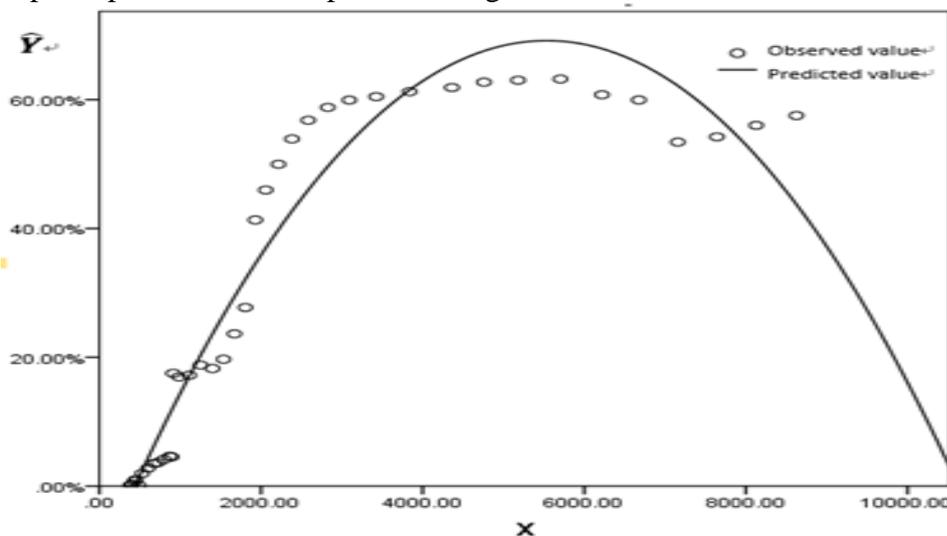


Fig. 1. Regression curves and trend predictors of urban informal employment in China.

4. Measures to promote the development of informal employment

Along with economic transformation, the government should gradually change its role to an environmental builder, market supervisor and service provider. The government should adjust the labor relations of informal employment, improve laws and regulations, carry out special management, coordinate relations with various departments and avoid multiple management. From the aspect of social security, it is necessary to adopt a more flexible scheme consisting of two parts: compulsory entry and free choice. The government should also deal with the mandatory principle of social insurance and allow informal employees to have a choice of voluntary participation.

In addition to this, Premier proposed mass entrepreneurship and innovation in the summer Davos Forum in 2004 in order to create a better policy environment for college students to start their own business. However, at present, China's higher education has the problem of emphasizing theoretical learning too much and neglecting the cultivation of practical ability. This has become an important reason for a lack of the ability to practice and innovate of college graduates, which seriously affects their employment and entrepreneurship. The government should provide college students with tax incentives, financing services and other entrepreneurial services and policy preferences in order to encourage and support more graduates to choose informal employment voluntarily.

5. Summary

Informal employment is a profound and complex research field. There are so many phenomena that different from the traditional employment indicating the future trend of employment in the context of economic liberalization and globalization in this field. This paper analyzes the current situation, problems and causes in the development of informal employment in China, and puts forward corresponding solutions. Informal employment is very important to China's development and has made outstanding contributions. However, we must face the fact that it is not realistic for a developing country with a large population to provide social security and social welfare benefits to the informal workers completely by the government. This requires a concerted effort and coordination of governments, individuals and societies to provide protection for this segment of the population.

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