
Poverty and Employment Informality in Urban China

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India-China Workshop , New Delhi April 22-23, 2011

The Question

- While the overall poverty in China is decreasing over time, urban poverty is not.
- With market reforms, employment in urban China is more diversified and informalized.
- Is there any linkage between poverty and employment informality?

This Study

- Examines the means and components of consumption and income by household migration status;
- Analyzes household profiles related to poverty;
- Studies poverty and employment informality at the individual level.

Consumption and Income

	Consumption			Income		
		Local	Migrant		Local	Migrant
	All	Households	Households	All	Households	Households
All	1799.11	1819.53	1697.99	2047.62	1939.72	2581.97
Shanghai	1359.37	1287.14	1831.07	2281.05	2216.21	2704.54
Wuhan	1146.2	1151.23	1095.63	1814.02	1842.58	1526.98
Shenyang	960.45	934.97	1250.3	1422.39	1401.99	1654.51
Fuzhou	1706.5	1645.72	1919.91	1783.64	1728.88	1975.89
Xi'an	993.92	979.65	1220.35	1472.92	1470.91	1504.86
Guangzhou	4308.15	6021.19	1757.79	2694.45	2447.97	3061.42
Observations	7909	4272	3637	7909	4272	3637

Consumption Poverty and Income Poverty

	Consumption Poverty			Income Poverty		
	All	Local Households	Migrant Households	All	Local Households	Migrant Households
<i>Panel A: Poverty Rate by Government Poverty Line</i>						
All	3.01	3.23	1.94	3.34	3.36	3.26
Shanghai	2.04	2.11	1.65	2.45	2.36	3.07
Wuhan	6.92	6.99	6.23	3.85	4.22	0.21
Shenyang	5.87	6.14	2.77	5.81	5.61	8.07
Fuzhou	0.78	0.73	0.96	5.31	5.38	5.07
Xi'an	2.43	2.49	1.51	1.63	1.43	4.79
Guangzhou	1.66	1.67	1.64	3.28	3.75	2.57

Consumption Components

	<u>Locals</u>	<u>Migrants</u>
Total monthly consumption per capita	1819.53	1697.99
__ Food (including dining out)	494.68	514.55
__ Transportation	79.16	113.66
__ Postal service and telecommunication	66.9	96.75
__ Clothes	90.89	110.59
__ Entertainment	24.64	35
__ House rental	22.3	332.14
__ Mortgage	38.61	57.46
__ Utility (not including heating)	81.17	85.4
__ Domestic worker	17.89	5.41
__ Other goods and services	43.32	55.13
__ Insurance	19.99	25.93
__ Trainings	1.69	2.17
__ Vocations and travels	28.41	19.43
__ Heating	7.81	1.27
__ Durable goods	24.32	13.61
__ Housing down payment, renovation and decoration	61.36	95.05
__ Transfer out to relatives and friends (not including parents, children and spouse)	36.61	30.22
__ Education expenditure of non-resident children	19.8	52.58
__ Education expenditure of resident children	65.46	51.63
__ Social benefits in kind	594.49	N/A
Observations	4272	3637

Income Components

	Locals	Migrants
Monthly income per capita	1939.72	2581.97
__ Labor income	1092.47	2426.32
__ Pension income	635.78	0
__ Transfer in from relatives and friends (not including parents, children and spouse)	10.04	7.24
__ House Rental income	16.3	9.71
__ Other rental income	2.35	10.2
__ Income from owning stocks, funds and bonds	91.04	55.43
__ Interest income	12.52	8.53
__ Other income	9.11	0
__ Transfer income from children	35.03	15.35
__ Transfer income from parents	33.76	49.2
__ Minimum income guarantee	0.75	N/A
__ Other transfer income from government	0.58	N/A
Observations	4272	3637

Informal Employment vs. Formal Employment

- The definition of informal/formal employment involves two steps:
 - Employers are categorized into two groups: informal sectors vs. formal sectors (8 or more employees)
 - Wage employment are stratified into two types: informal wage employment vs. formal wage employment (if covered by employer sponsored social security benefits)
- Formal employment = formal wage employment + self-employed in formal sector

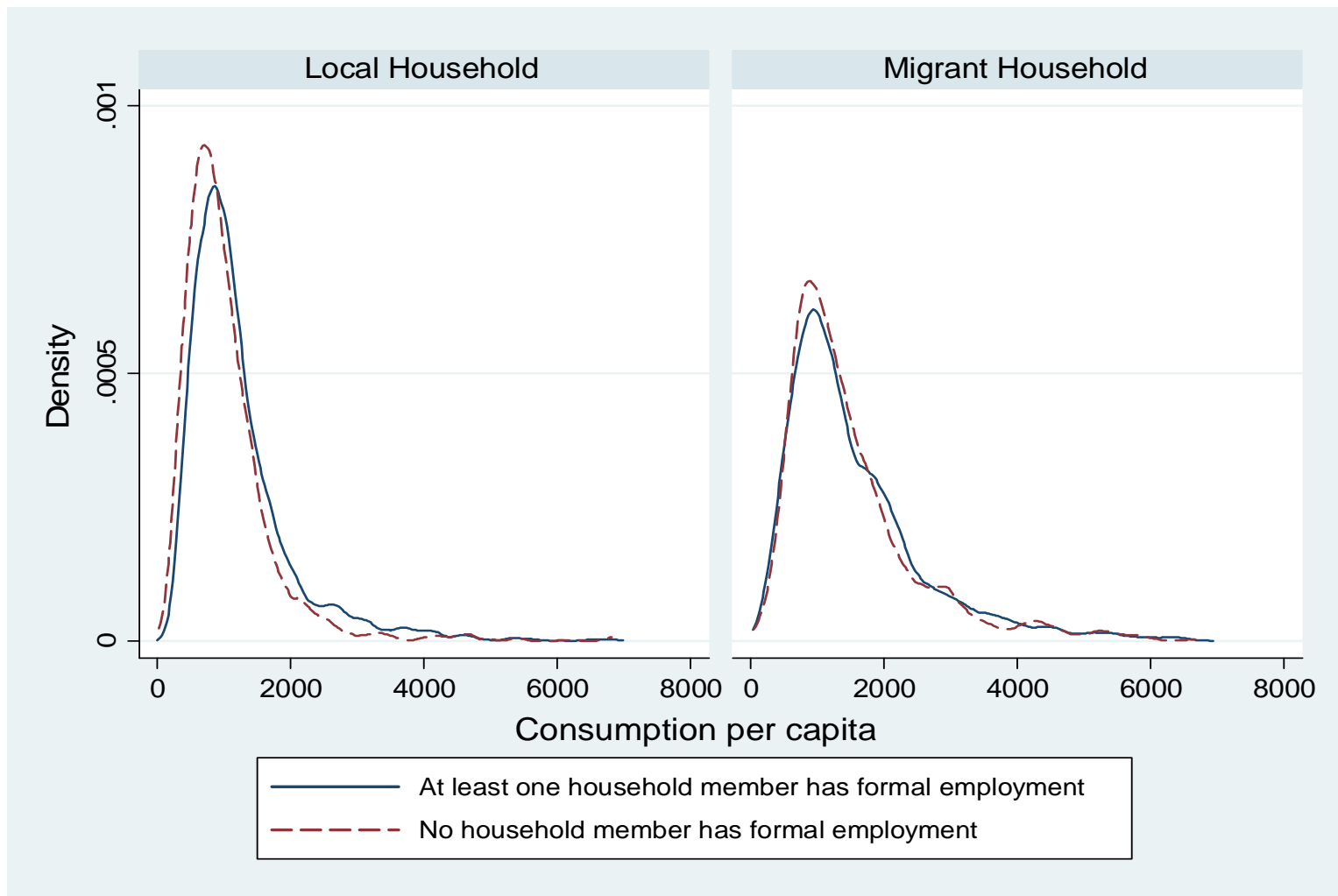
Informal Employment vs. Formal Employment (con't)

Employer Type	Sector	Type of Employment			
		Self Employment		Wage Employment	
		Own account worker	Family Employer	Formal wage employment	Informal wage employment
Private enterprises with less than 7 employees	Informal sector				
Employer's households					
Land contractor					
Others					
Government , non-profit institutions and organizations	Formal sector				
State/Collective owned or controlled enterprises					
Foreign owned or controlled enterprises					
Private enterprises with 8 or more employees					

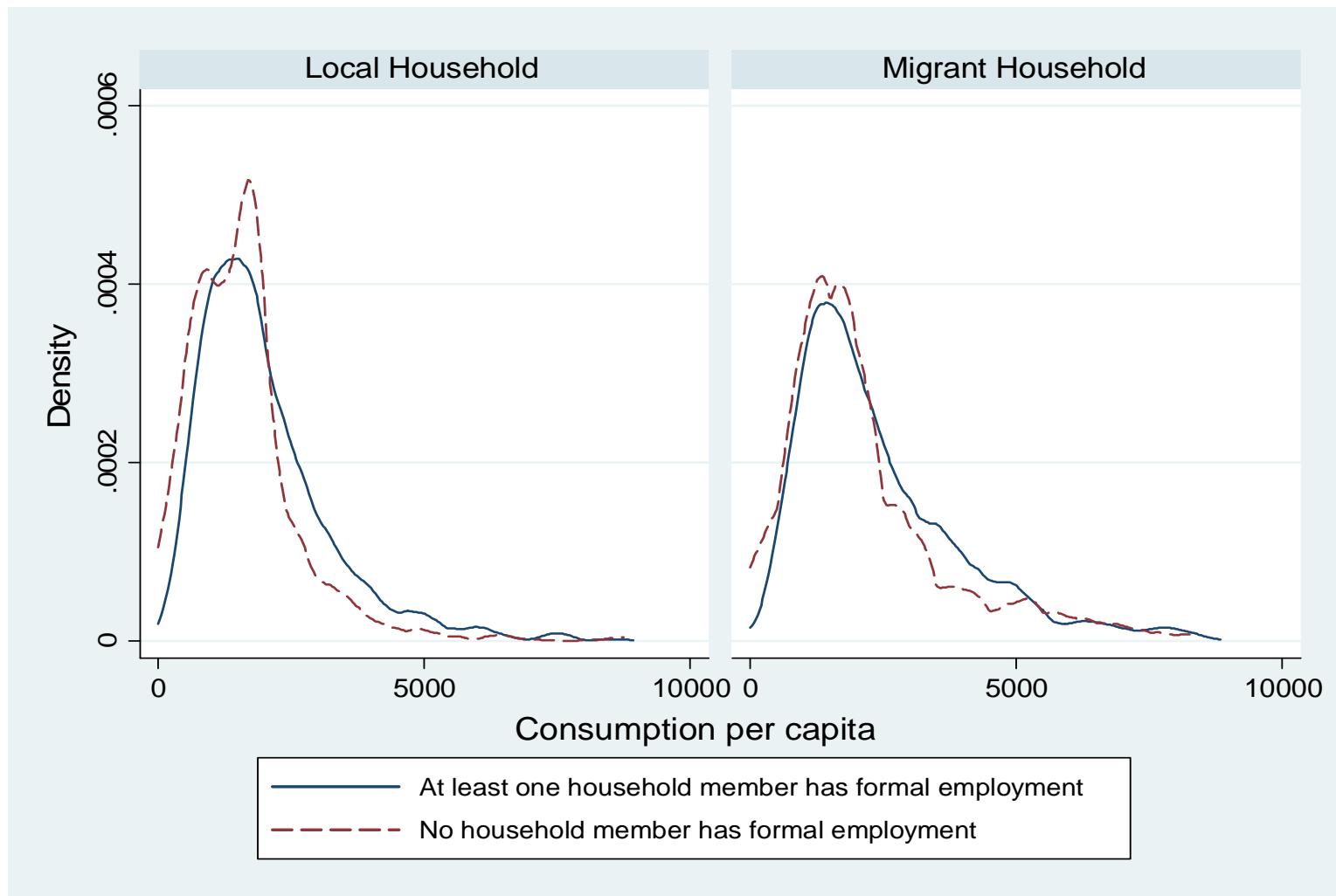
Labor Supply and Employment by Poor and Non-poor Households

	All		Local Households		Migrant Households	
	Poor	Non-poor	Poor	Non-poor	Poor	Non-poor
Weekly hours worked per working age member	17.29	38.8	25.25	31.15	57.33	51.79
Hourly earnings per working age member	38.98	41.39	22.71	47.59	11.94	30.65
% of members employed	52.13	59.68	31.17	44.09	80.14	77.92
% of members self-employed	8.23	16.31	6.46	5.83	10.59	28.57
% of members as wage labor	38.17	41.75	23.38	37.77	57.94	46.4
__ % of members as formal wage labor	20.02	30.17	12.74	32.32	29.75	27.64
__ % of members as informal wage labor	18.15	11.58	10.64	5.45	28.19	18.76
% of members with informal employment	25.75	26.35	16	10.4	38.79	44.99
% of members with formal employment	20.18	31.64	13.02	33.17	29.75	29.86
	250	7659	143	4129	107	3530

Consumption Distribution by Household Member's Employment Type



Income Distribution by Household Member's Employment Type



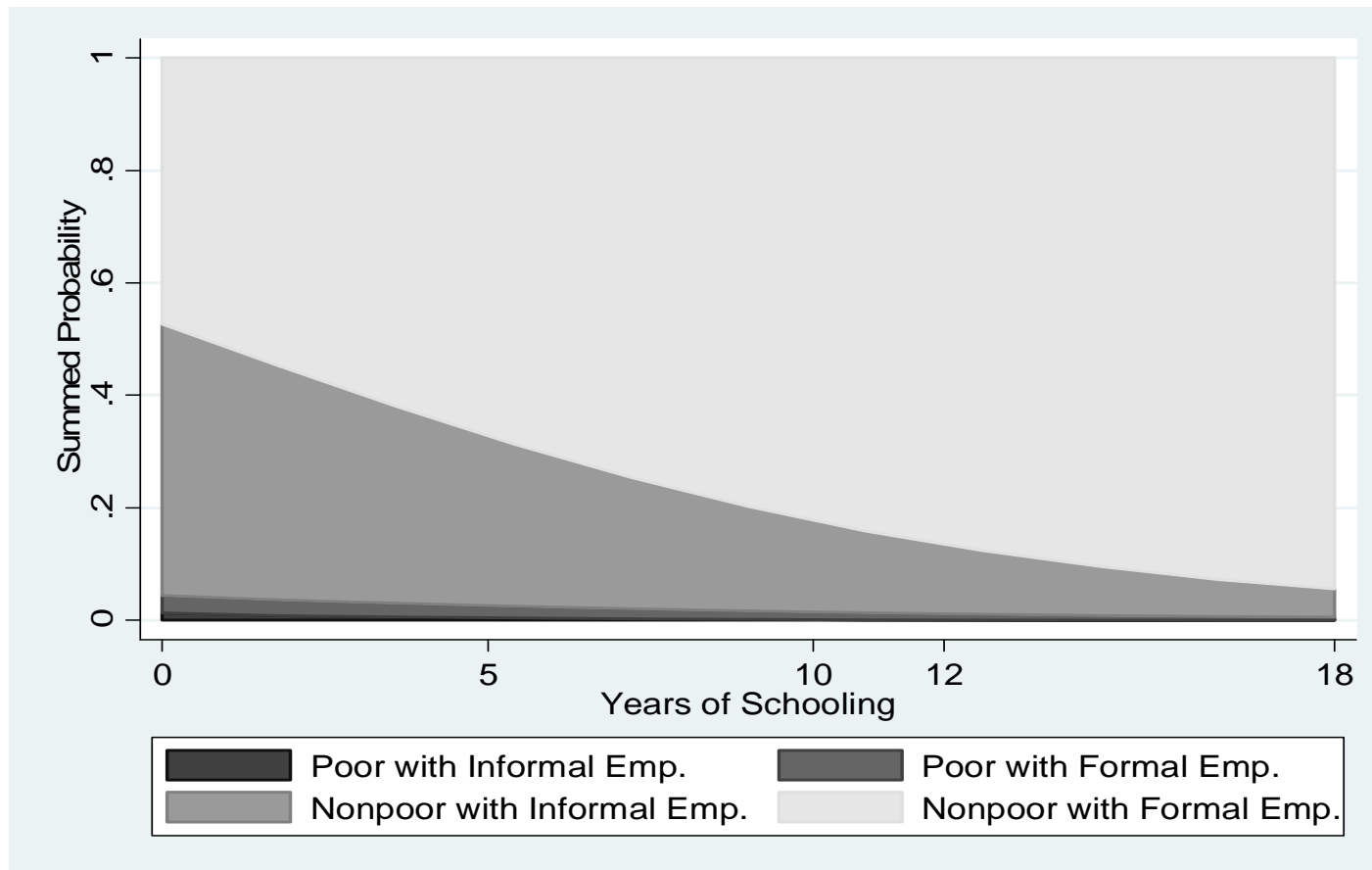
Estimation of Household Poverty

	Locals		Migrants	
	(1)	(2)	(3)	(4)
Household size	0.145*** (0.049)	0.146*** (0.050)	-0.015 (0.087)	-0.004 (0.004)
Children as % of household members	0.000 (0.003)	0.000 (0.003)	-0.001 (0.005)	-0.000 (0.000)
Elders as % of household members	-0.006*** (0.002)	-0.006*** (0.002)	0.006* (0.003)	0.000* (0.000)
Age of household head	0.006 (0.004)	0.006 (0.004)	-0.008 (0.006)	-0.001* (0.000)
Female household head	-0.006 (0.083)	-0.004 (0.083)	-0.177 (0.127)	-0.006 (0.005)
Household head's years of schooling	-0.066*** (0.010)	-0.066*** (0.010)	-0.090*** (0.012)	-0.004*** (0.001)
Unemployed as % of household members	0.008*** (0.003)	0.007*** (0.003)		
Self-employed as % of household members	-0.005* (0.003)		-0.012*** (0.004)	
Formal wage labors as % of household members	-0.014*** (0.002)		-0.002 (0.003)	
Informal wage labors as % of household members	0.002 (0.002)		0.001 (0.003)	
% of household members with informal employment		-0.002 (0.002)		-0.000 (0.000)
% of household members with formal employment		-0.014*** (0.002)		-0.000 (0.000)
City effects	Included	Included	Included	included
Observations	4,270	4,270	3,612	3,612

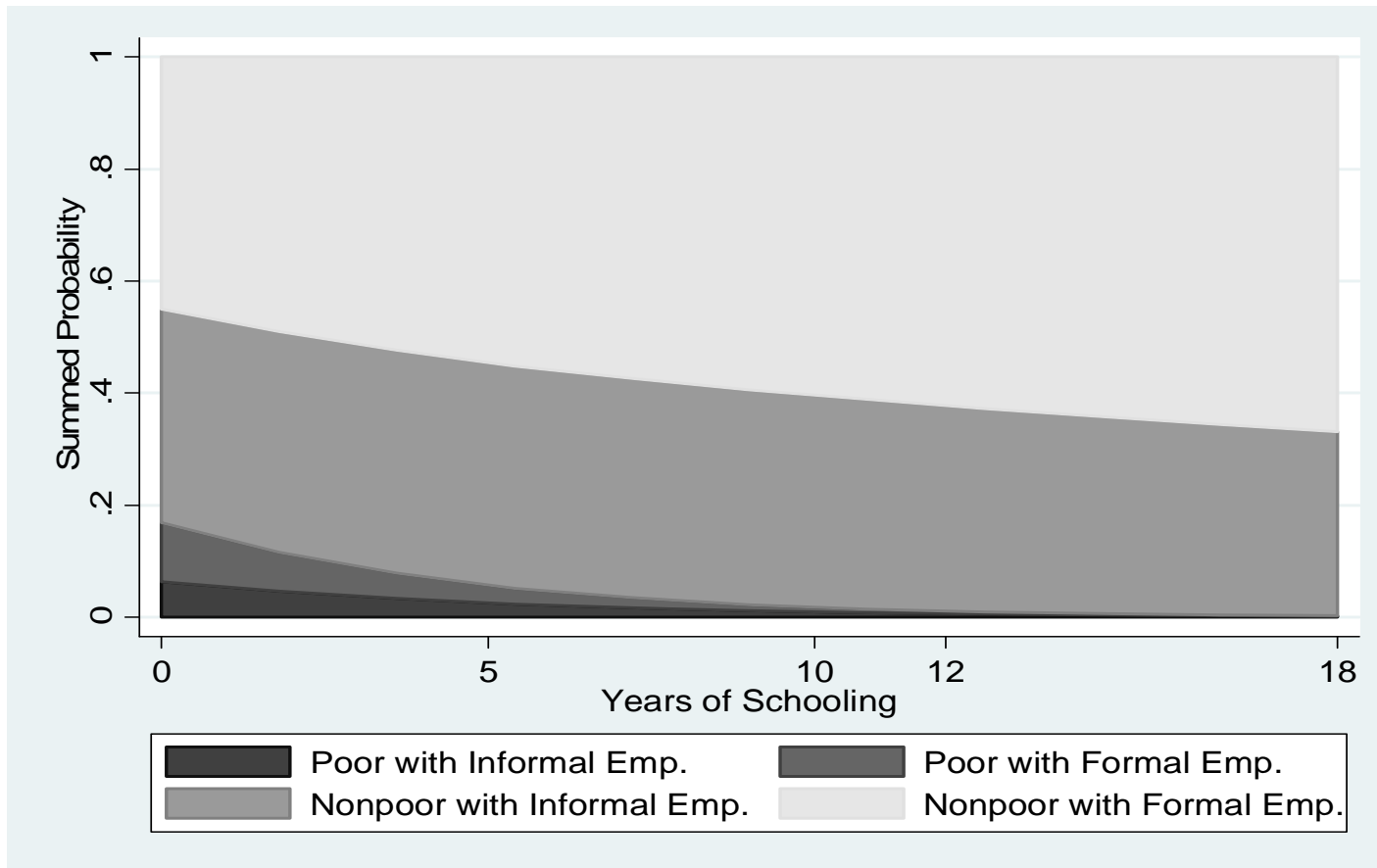
Factors Related to Individual Being in Poor Household and Their Employment Types

	Local Workers			Migrant Workers		
	Poor with informal employment	Poor with formal employment	Nonpoor with informal employment	Poor with informal employment	Poor with formal employment	Nonpoor with informal employment
Female	0.274 (0.237)	-0.302 (0.209)	0.224** (0.088)	-0.531 (0.335)	-0.239 (0.383)	0.224*** (0.074)
Age	-0.071*** (0.015)	-0.028** (0.012)	-0.071*** (0.007)	-0.010 (0.026)	-0.105*** (0.033)	-0.012* (0.007)
Years of schooling	-0.301*** (0.058)	-0.137** (0.067)	-0.164*** (0.018)	-0.220*** (0.059)	-0.279*** (0.048)	-0.030 (0.023)
Father's years of education	-0.111 (0.069)	-0.034 (0.055)	-0.040* (0.021)	-0.064 (0.058)	-0.131* (0.079)	-0.029* (0.015)
Mother's years of education	-0.065 (0.050)	-0.059 (0.048)	-0.029 (0.019)	-1.139* (0.617)	0.376 (0.727)	-0.080 (0.152)
City effects		included			included	
Observations		4589			2953	

Education Effects (Local Workers)



Education Effects (Migrant Workers)



Concluding Thoughts

- Comparing consumption and income between local residents and migrants is not straightforward; adjustments may have to be made.
- Formal employment is related to less poverty for local households, but it is not so for the migrant households.
- Lack of education may be a contributing factor to poverty and employment informality for the local residents.
- Lack of education may also be a contributing factor to poverty for the migrants, but it is not related to employment informality.
- Less educated migrants are more likely to be poor than less educated local workers.