

**Informal Employment, Poverty and Growth in China and India
Technical Workshop and
International Advisory Committee Meeting
CASS, Beijing, 1-2 September, 2010**

**Institute of Population and Labor Economics, CASS, Beijing,
Institute of Rural Management, Anand,
Institute for Human Development, New Delhi, and
University of Oxford**

**With the support of International Development Research Center and
Multi-donor Trust Fund on Labor Markets, Job Creation and Economic Growth (World Bank
Social Protection Division)**

NOTES ON DISCUSSIONS AND DECISIONS AT MEETING

The meeting was attended by

China Team: Du Yang, Wu Yaowu, Meiyang Wang, Qu Xiaobo

India Team: Jeemol Unni, Rajendra Prasad Mangain, Nitala S. Sastry

International Advisors: Sarah Cook, Albert Park, John Giles, R. Nagaraj, Joann Vanek and
Ralf Hussmanns,

National Bureau of Statistics, China: Hu Yang

Invitees: Richard Freeman, Ren Mu, Mary Gallagher

Alakh Sharma, India Team; Even Due, IDRC; Martha Chen and James Heintz, WIEGO
were unable to attend due to personal reasons

Day 1: Introduction

The meeting began with Du Yang welcoming the participants to the international advisory meeting. Sarah Cook gave a brief introduction to the genesis of the project with an early proposal writing Workshop in Harvard in 2006, a first version of the proposal to IDRC which had a much larger canvas with more themes and a number of institutions involved. This project began in September 2009.

Jeemol Unni gave an overview of the process followed in the project over the year. It began with a Research Design Workshop in CASS, Beijing in August 2009. In this Workshop we discussed the draft questionnaire and included the necessary questions to identify workers in the informal sector and in informal employment.

Du Yang presented the progress of the project at CASS project. The NBS was involved in the sampling design and the collection of data. A lot of time was spent on cleaning the data and some preliminary analysis has been done.

Session 1: The nature of informality

The main discussion was on how to define informal sector and informal employment using the data collected by the China and India Teams. Wu Yaowu discussed the various questions in the China Survey and how he had used it to define workers in the informal sector and informal employment. There was a lot of discussion on how best to define informal sector and the categories used to identify the enterprise of work. There was also concern that informal employment was defined without considering social protection benefits provided by the employer.

Rajendra Prasad presented the definitions of informal sector and informal employment and how the workers were identified as in these categories using the city data collected. There was some discussion on the definition of informal employment and how persons in various statuses of informal employment, employer and own account were identified as informal employment. Cross classification of employment status with the type of enterprise in which they were employed was necessary to identify informal employment.

Session 2: Social protection

John Giles discussed the questions on social protection in the China questionnaire and the discussion revolved around of what would be appropriate to use to identify informal workers. There was a view that the question on social insurance should be cross classified with the type of contract before deciding whether the person was in formal or informal employment. The issue needs further clarification.

Who demands social protection is an important issue to consider. The urban resident insurance is a voluntary plan and can be used to understand demand for social protection. There could be variation by cities in the urban resident insurance.

Access to employer based and voluntary social protection could be different among the migrant and non-migrant workers. One can study this as bi-variate descriptions: by cities, formal-informal employment, migrant-non-migrant. Or a probit/logit regression on decision to enroll in social protection. Some determinants of social protection could be type of work, type of contract, age, family structure, knowledge, proxy by education, benefits of the program, related to risks, occupational health.

Du Yang made a presentation on measurement of poverty and inequality. There was variation across cities, suggestions of decline in inequality in informal sector and increase in formal sector. Could suggest the hypothesis that informal employment could have an inequality reducing role.

The issue of addressing links between poverty and informality was discussed. One

cannot draw a simple causal relation between informality and poverty. But at least it would be useful to look at patterns in poverty among informal workers and different status categories within informal employment. In general, it has been observed that casual workers (daily wage workers) are more likely to belong to households below the poverty line. What is the risk of poverty related to informality?

Meiyan Wang made a presentation on Dibao targeting and poverty reduction in the cities in China. The dibao program was started in 1993 in one city and universally established in 1999. On study the probability of getting dibao (probit model) with determinants as age structure of the household, education, proportion of working and non-working members, occupation and sector of employment.

It was suggested that one can compute the poverty rate before and after getting dibao, or the effect of dibao on household health. How does dibao link with informality?

The question of informality and poverty reduction due to access to poverty reduction programs was discussed. In India information was collected in the access to the Public Distribution Scheme (PDS), a program of providing cheap food grains and other essential commodities to the poor households through ration shops at lower prices. Whether it be possible to study the poverty reduction due to such targeted programs in the two countries using the city data was discussed.

A larger question of the differences in historical contexts within the two countries and differences in the causes of informality was discussed. Why the structure of employment in the two countries are the way they are and how have these structures changed historically overtime is an issue we need to address in an overview paper for the two countries.

At the end of the first day Richard Freeman made the following comments:

-The Indian questionnaire had a very valuable block on self employment, input use in enterprises, input costs and earnings. The India team members pointed out that the Indian Advisory Committee had suggested we use that block to analyse the heterogeneity in self employment in the cities.

-He pointed out that there was no question on whether the workers were members of unions in either country survey. That was a major loss.

-the French 1-2-3 Surveys in African and Latin American countries had interesting questions on where the households and enterprises made their purchases, in the formal or informal sector markets. Differences by various groups in the various countries was noted. The consumption and enterprise expenditure blocks in these surveys did not ask any such question.

Day 2

Session 3: Education and labor outcomes.

Qu Xiaobo made a presentation on Education and labor outcomes. He presented descriptive statistics on average school years, average working hours/day and average wage/hour for migrant/non-migrant workers by sex. A regression of Log hourly wage as a function of years of schooling, experience, experience square and city dummies was presented, where the returns to schooling were higher for men compared to women and non-migrants compared to migrants. Another regression with dummies for education level showed that returns increased as educational levels increased.

A separate regression analysis of hourly wages by graduating age-cohorts was presented: Before 1990, 1990-94, 1995-99, 2000-04 and >2005, for mean years of schooling and with dummies for education levels of 0-9 years, 9-12 years and > 12 years of schooling. The latter would allow for a non-linear impact of education on wage earnings by age cohorts.

Many issues were discussed, such as differences between returns to education of local and migrant workers. Assuming that the migrants and non-migrants may be engaged in different types of occupations, how to control for similarity of jobs when computing returns to education? The suggestions was to control for job characteristics, occupational classification could be used as a proxy.

Further differences between returns to education of workers in the formal and informal sector could be computed. Such differences in returns to jobs in the formal and informal sector could point to segmentation of the labour market.

Session 4: Job mobility and impact of crisis

Albert Park presented results on labour regulation, the new contract law of 2008, and the impact on firms from a recent firms survey. The perception of the firm owner/manager on how strictly the labour law was implemented was used to proxy for labour regulation. The framework used for this analysis could be considered for the households survey as well.

The analysis was based on data collected from 2000 manufacturing sector firms in late 2009 from 16(?) provinces/cities? The idea was to study the impact of trade shocks, mainly due to crisis, on employment in these firms. The dependent variable was defined as the change in production workers in the firm over four short periods, two periods before 2008 and two after 2008. The independent variables defined city-sector trade shocks using customs data for cities. City fixed effects and city-sector fixed effects models were estimated, various interaction variables were included.

Shocks in the firms were also defined by the perception of the employer/worker on whether enforcement of the Contract Labour law was strict or not very strict in the cities. One question that arose was: How does one separate out the impact of the trade shock of crisis and of contract law enforcement given that the periods of both coincided?

The discussion was around whether this framework can be used in the household survey: How did the workers perceive of enforcement of the Labour Law in their cities? Crisis shock could be estimated at city level from the city customs data. Did sub-groups of workers face differential impact of the crisis?

John Giles presented data on transition matrices from the current to middle and past jobs for Indonesia from an earlier paper. Transition matrices were also constructed for age cohorts to map cohort movement across jobs.

Jeemol Unni and Rajendra discussed ideas coming out of the India city survey. It is possible to map job/work changes by

Job Mobility:

Status in employment: casual to regular; self-employed to regular; regular to casual;

Occupational status: manual to clerical jobs, clerical to administration;

Industry status: food industry to repair services, manufacturing to trade;

Formal-informal mobility: Formal to informal status or vice-versa.

Income Mobility: Change in earnings from previous to current job/work.

John Giles added a new dimension of mobility from out of education to work transitions. The hypothesis could be that in poorer households the transition come school to job would be faster and they may enter the informal sector.

Among older persons: shift from first to last job or even previous to current job could be during any early year.

Among younger persons: previous to current job would be in the recent past.

Suggestions: We look at cases of changes in job over the past three years or five years.

Could we construct shocks that could affect entry into the informal sector?

Word of caution from R. Nagaraj: How would one interpret a change from formal to informal sector work/job? This shift is not always bad. He gave examples of how skilled workers in manufacturing firms resigned their jobs to set up their own small manufacturing enterprises using skills acquired in the job with a sub-contract arrangement to supply certain parts to the mother firm.

We could think of different pathways in which skilled and unskilled workers moved jobs/work from formal to informal sector.

In China there were examples of how the educated workers asked employers not to provide social security benefits and instead give them a higher consolidated salary.

This could be a movement from formal to informal employment if social security is used as a criterion.

Session 5: Discussion on Collaboration

Time Frame and Final International Conference

The Teams discussed the tentative topics/themes and list of authors from the two teams. In the first round the authors will discuss with the partner team authors, but will prepare the first drafts separately for the two countries. The first drafts of papers should be ready by end-February, a small Workshop to share the results and discuss further more collaborative papers will be held in Delhi in end-February or early March, 2011. This will depend on the funding available with the China Team to fund travel of its members and India Team to provide local support.

The final International Conference on "Informal Employment, Poverty and Growth in China and India" will be held in Delhi during end-August or early September 2011. All the final papers will be presented and if possible joint authored papers between country teams will also be presented. The issues of how to disseminate the results and papers of the project, journal volumes and an edited book, will be discussed during the course of the second year of the project.

Topics/themes for comparative study of countries and possible authors from country teams:

Gender and migration status will be cross cutting themes in all the topics/themes discussed below.

1. Definitions and descriptions of informality and structure of the labour force.

India: Jeemol Unni and Rajendra Mamgain

China: Du Yang, Wu Yaowu and Albert Park

2. Poverty and inequality and relationship to informality: Description of why.

India: Ajit Ghose (tentative)

China: Du Yang and Ren Mu

3. Returns to human capital investments and employment outcomes:

participation in formal and informal sectors, determinants of wage earnings could point to segmentation between formal and informal sectors, migrant and non-migrant workers.

India: Jeemol Unni

China: Albert Park and to be decided.

4. Job/employment mobility

Transition from school to work, transitions from formal to informal, by age-cohorts and for most recent period.

India: T.S. Papola, Rajendra Prasad Mamgain

China: John Giles and to be decided.

5. Social Protection and poverty reduction by certain programs.

India: Alakh Sharma

China: John Giles for universal pension schemes

Meiyan Wang for dibao and poverty reduction.

Sarah Cook (tentative)

6. Overview paper on historical trajectories in China and India, transformation of the workforce and informality.

The need for paper to set the historical context and differences in trajectories of the two countries, including the discussion on surplus labour and Lewis's turning point were discussed at various stages during the meeting and in the Conference prior to the meeting.

R. Nagaraj will write on growth patterns and employment within the historical context for both India and China.

7. Besides these six papers: A separate paper on "Gender issues in women's work participation in India and China" given the major differences in cultures was proposed.

Ren Mu from the Chinese team could take major responsibility and Jeemol Unni could provide support from the India team. Sarah Cook would like to join the team for this paper as well.

The meeting ended with thanking the China Team and administration of CASS for providing such wonderful hospitality and taking care of all needs of participants.

8. New paper added in India: Migration: Alakh Sharma