

**Technical Workshop
Informal Employment, Poverty and Growth in India and China
Delhi, April 22-23, 2011**

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

With the support of International Development Research Center

The Technical Workshop was attended by the following persons:

China Team: Du Yang, Wu Yaowu, Qu Xiaobo, Lu Yang, Albert Park, Ren Mu, John Giles

India Team: Alakh N. Sharma, Jeemol Unni, Rajendra Prasad Mangain, Uma Rani, Nitala S. Sastry, Ravikiran Naik, Sudipa Sarkar, Diksha Arora, Dhruv Sood.

Advisors: R. Nagaraj, Ajit Ghose, Sheila Bhalla.

IDRC: Stephen Mc Gurk

Invitees: Sandip Sarkar

Professor Dipak Mazumdar and other national advisors, Prof. T.S Papola, Amitabh Kundu, Gerry Rodgers and TCA Anant, were unable to attend.

Day 1:

The meeting began with Jeemol Unni and Alakh Sharma welcoming the Chinese participants to India and all participants to the Technical Workshop.

Technical Session 1 was chaired by Ajit Ghose. The following papers were presented:

1. An overview paper on historical trajectories in China and India, transformation of the workforce and informality by R. Nagaraj
2. Definitions and descriptions of informality and structure of the labour force in India by Jeemol Unni and Ravikiran Naik
3. Measuring informal employment in Urban China by Wu Yaowu
4. A measure of vulnerability in transition labour market in Urban China by Du Yang and Qu Yue

There was intense discussion after the three papers were presented. The motivation of Nagaraj's overview paper, according to him, was to highlight the institutional and structural differences affecting labour market outcomes in India and China. It was pointed out that the nature and arguments in the paper needed to be rethought. More recent academic literature needed to be reviewed especially on the developments in China. The link between the policy route followed by the two countries and the empirical facts in the last 30 years needed more probing. The Chinese were intrigued by why India had such low employment in the formal sector and there was no satisfactory answer in the paper.

The papers on empirical analysis of the survey data collected for this project in India and China raised interesting questions on how informal sector and employment were defined. Both teams incorporated the ILO definitions in their estimations. Further, the papers discussed the size of the informal sector and informal employment if these definitions were varied to include other criteria, like paid leave and nature of contract. The discussion was around the issue of harmonizing the definitions for both countries. Du Yang's China paper also discussed the idea of developing an index of informality to assess who are more vulnerable in the labour market? A similar analysis will also be conducted for India. The other issue of interest was the size of the informal sector and employment among the migrant and local workers.

Technical Session 2 was chaired by Professor Sheila Bhalla. The following papers were presented.

1. Poverty and inequality and relationship to informality in India by Dipak Mazumdar was presented by Sandip Sarkar
2. Poverty and employment informality in China by Ren Mu

Dipak Mazumdar's paper was based on secondary data analysis. He raised the issue of the missing middle in Indian manufacturing, or the hollowing out of the medium sized enterprises. The growth in enterprises was mainly in the size group of 6-9 workers. His analysis, however, did not take into account the small enterprises of less than 6 workers and the own account workers. The analysis of the survey data will be done in the next version of the paper.

Ren Mu's presentation was based on the survey data in China. An interesting issue raised was with regard to the migrant and local workers. She found that while informality was higher among the migrant workers, local and migrant informal workers were equally poor or non-poor. This raises interesting issues about informality in urban China that need to be discussed.

Technical Sessions 3 was chaired by Professor Sheila Bhalla. The following papers were presented:

1. Returns to human capital investments and employment outcomes in India by Jeemol Unni and Sudipa Sarkar
2. Returns to education in formal and informal sector in China by Qu Xiaobo and Albert Park

An interesting observation was that the rate of return to education seemed to be similar in India and China. This is surprising considering the higher levels of education in China. It was pointed out that the reference category was different in the two papers, being higher (middle school) in the China paper. Unlike the China paper the India paper had not computed the hourly wage and this could explain the similarity. One suggestion was to compare the differences in rates of return to education in formal and informal sectors for the same level of education. Formal wages in India are not market determined and hence need to be accounted for in the explanations. Since China had survey data from 6 cities, they were able to find a significant positive relation between returns to education and the city share of informal workers. An

interaction between education and industry sector could also be used to test for differences in returns based on industry status.

For the India study it was suggested that one should look at scatter diagrams for the relationship between education and earnings separately for the self employed and wage employed workers. And accordingly re-estimate the regressions for these groups to see the differences in returns. On returns to migrant workers, it was suggested that one should correlate this with the reason for migration. Migrants who arrived in urban areas with a job offer may have different characteristics and hence different returns. The issue of whether it is possible to estimate the waiting period for the migrants to obtain a job was discussed. In the China study it was shown that there was a high overlap in the density of log hourly wage for formal and informal workers except that formal wage were higher. A similar analysis could be conducted for India as well.

Technical Session 4 was chaired by Dr. N.S. Sastry. The following paper was presented:

1. Migration and Informality in India by Alakh Sharma and Dhruv Sood.

This paper led to an intense discussion on how migration is measured in the two countries in the secondary data. It was argued that the Indian data does not capture seasonal migration. The existing evidence showed a decline in migration in India and increasing migration in China. However, it was pointed out that the recent NSS data, 2007-08, showed that the rate of migration had increased.

In the survey data the definition of migrant is different in the two countries, being based on Hukou in China. It was suggested that a similar definition of number of years resident in the city, 1, 2, 3, 4, 5 and 10 should be used to estimate migration in both the India and China survey for a comparative picture. A harmonized definition of 5 and 10 years could be used for correlating other characteristics as is done in the other papers.

Day 2

Technical Session 5 was chaired by Professor R. Nagaraj. The following papers were presented:

1. Social Protection and poverty reduction in India by Alakh Sharma and Diksha Arora
2. Social Insurance coverage in Urban China by John Giles and Dewen Wang
3. Urban Dibao: Targeting and Effect by Lu Wang

The papers discussed the various social protection programmes in India and China. The nature of the programmes and the coverage are very different in the two countries. Both country papers presented information using the secondary data and also the survey data collected. The China paper made use of earlier rounds of the CULS data set to present changes in the coverage. The new schemes for rural pensions, resident pension and migrant pensions were highlighted, data for which are available only in the new survey data.

The Dibao programme is an interesting cash transfer scheme to cover for the deficit in income for persons in cities below the poverty line. The Dibao poverty line is defined differently in each city. The paper estimated a multinomial logit equation for targeting errors. It was suggested that variables such as monthly per capita income, value of assets of households and identification of formal and informal households should be included in the analysis.

Technical Session 6: The following papers were presented.

1. Job/employment mobility in India: Empirical evidence from field based survey by Uma Rani and Rajendra Prasad Mamgain
2. Labour mobility in Urban China: Evidence from CULS 2010 by John Giles and Qu Yue

The papers presented a preliminary analysis of the survey data. The India study found a mobility rate of 11.7 percent based on whether the job was different from the first one. The China study found a job mobility rate of 12.7 percent based on whether there was a change of job since 2006. The measurement of job mobility was different in the two papers. And given the long and differing period for respondents in India compared to the short reference period for China, the latter can be said to have a very high job mobility rate. Some comparable rate of job mobility can be devised for the two countries. The migrant workers were found to be more mobile in China.

A probit or tobit model of the determinants of job mobility was proposed for both countries. It was proposed to explore what are the barriers to mobility? Is work/job mobility different for workers in the formal and informal sector, self versus wage employed? Issues of segmentation in the labour market and the extent of spatial mobility in the countries could be explored.

Technical Session 7: One paper was presented.

1. Gender issues in work participation in China by Ren Mu

Labour market restructuring in China was adversely affecting women workers. This paper took a snapshot view of women's participation using the survey data of 2009-10. It explored labour force participation rates, employment types and job characteristics and the gender differential in employment informality, hours worked and hourly wages. Probit analysis of signing a labour contract or having social security coverage was explored.

The entire exercise was done separately for migrant and local workers and using women as a dummy variable. It was suggested that the descriptive analysis should be done for the entire sample, before splitting into migrant and local workers and the probit analysis should be conducted separately for the men and women samples to study comparable coefficients. Jeemol Unni will also do a similar analysis for the India survey data and a joint paper would be prepared.

Session 8 - Wrap-up Session: This session was chaired by Jeemol Unni.

In this session the teams discussed various ways of dissemination of the research and policy output of the project and the way forward.

General Issues

Among the general issues discussed a concern was of the variability of definitions used in the various papers in the two countries. It was suggested that all papers use the informal sector and informal employment definitions of the ILO for comparisons. If any variation from this was used it should be clearly stated. The first paper or an overview chapter should make clear the exact definitions followed in the papers.

The China Team expressed unhappiness with the overview paper on historical trajectories in China and India, transformation of the workforce and informality by R. Nagaraj. It was suggested that the history of China's institutional and structural developments should be written by the China Team and the name of Professor Cai Fang was suggested. Another suggestion was that each paper will also incorporate the bigger picture for the each country and present the historical, institutional and structural reasons or interpretation of the empirical findings of the paper. The project needs to address the issue of what drives informalisation of the labour market in the two countries?

Dissemination

Final International Seminar: The original plan was to hold the final international seminar in Delhi in September-October 2011. However, the China Team suggested that since CASS was holding an international seminar on the papers with the World Bank in Beijing in August-September 2011, it might be easier to hold the dissemination seminar of the IDRC project in Beijing for one day after the CASS event. This event will serve as a policy seminar as well and the NBS and policy makers in China will be invited to this event. This possibility will be explored by CASS and the implications for budget for both teams will have to be looked at. These papers will however be the final stand alone separate country papers (as discussed above).

The set of comparative papers, collaborative papers on each topic for India and China, should be presented at an international seminar in Delhi (see tentative suggestions below). This will serve as the policy seminar in India and the relevant CSO officers and policy makers in India will be invited to this event. A further suggestion, coming originally from IDRC, was to hold a Panel discussion on India China's Informal Employment at the Annual Conference of the Indian Society of Labour Economics in Udaipur, India during December 17-19, 2011. The policy seminar in Delhi can then be held on December 15 or 16th, 2011 ahead of the Conference. This might require some additional funding from IDRC.

The plan now is to hold two policy seminars, separately in Beijing, China in August-September 2011 and in Delhi, India in December 2011. While the China Seminar will consist of stand-alone

country papers, the India seminar will consist of the collaborative-comparative papers for the two countries. Based on these latter set of India-China papers a Panel Discussion will be held at the Indian Society of Labour Economics Annual Conference in Udaipur in December 2011.

Project Output

Various suggestions for the dissemination of the output of the project were discussed.

Special issue of an international journal: Given the importance of the theme, it was thought that the best option would be to consider a special issue of an international journal. The idea was to present the comparative collaborative papers on each topic for India and China in such a journal. Of course, this would depend on the quality of the papers. The journals that were considered were The Journal of Comparative Economics, World Development, Journal of Development Studies and Development and Change, with preference for the first two. The suggestion was that Albert Park and John Giles will explore the possibility in due course.

Book volume: The possibility of bringing out all the individual country papers of the project in a book was discussed. Alakh Sharma offered to explore the possibility with Oxford University Press, Delhi.

Policy Brief: A short document on the policy options arising from the comparative study of India and China will be written on completion of all the papers. This will be prepared in collaboration between the country team leaders. This can also be used as a chapter in the book volume.

Working Papers: A set of working papers dedicated to the project could be brought out by CASS, IRMA or IHD. Each of the authors could bring out the papers in their individual institutional working paper series as well.

Date of final submission of papers

The final versions of the individual country papers should be ready by the beginning of August 2011 for dissemination at the International Seminar in Beijing in August-September 2011.

The final versions of the comparative collaborative papers should be ready by the end of November for dissemination in India during December 15-19, 2011.

No cost extension of project till December 2011

Given the dates of the policy seminars the teams will request a no-cost extension of the IDRC project till the end of December 2011.

Topics for Collaborative India China papers

In order to get the teams to start thinking of collaborative papers the teams discussed the possible topics and authors. These authors are encouraged to be in contact with each other to facilitate the writing of the collaborative papers. The suggested papers are as follows.

1. Meaning of informality and labour market outcomes: Jeemol Unni, Du Yang and Wu Yaowu.
2. Returns to education in formal and informal sectors: Jeemol Unni and Albert Park.
3. Social protection and poverty reduction: Alakh Sharma, John Giles and Lu Yang.
4. Job mobility in the labour market: Uma Rani, Rajendra Mamgain, John Giles and Qu Yue.
5. Gender issues in work participation: Ren Mu and Jeemol Unni
6. Poverty, inequality and employment informality): Dipak Mazumdar and Ren Mu.
Tentative and based on discussion with Dipak Mazumdar who was unable to attend the Workshop.

The Workshop ended with a vote of thanks by Jeemol Unni. She thanked the China Team for coming and for the very interesting discussions generated at the Workshop, the India Team and Advisors particularly those who took time off to be with us through out, IHD for locally organizing the workshop, staff present and those working in the background and staff at IRMA for their continuous support. Professor Du Yang and other China Team members were very gracious in thanking the India Team and IHD for the wonderful arrangements and hospitality shown.