

The Relationship between Urban Informal Employment and Economic Development in China

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Abstract

China's urban informal employment scale has enlarged to become an important part in the workforce and it has important influence on China's economic development. In the paper, it will show a new calculation method of urban informal employment and the result of calculation. And this paper will estimate China's urban informal employment scale, analyze the relationship between China's urban informal employment scale and economic development though data analysis. From two aspects of advantages and disadvantages to consider China's urban informal employment, the author puts forward some relevant policy suggestions.

Keywords: urban informal, employment scale, economic development, employment

Today the urban informal employment is an important part of employment in china. In recent years, due to the gradual opening of flexible employment policy, informal employment scale has enlarged to become a huge numbers in the workforce. This paper will discuss the relationship between the development of China's urban informal employment and the economic development in recent years.

1. The Scale of Informal Employment of Chinese Town

On 90th international labor conference in 2002, there was an extensive discussion about "decent employment and informal economy" and informal economy was defined as "the workers or other economic unit whose economic

activities are not covered or not fully covered by the social institutional arrangement either in law or practice". According to the definition, informal employment groups in China can be understood as employment population different from formal employees in the labor time, labor contract, labor income, and so on.

Production units ^{a)} divided by the types of manufacturing ^{b)}	Work divided by employment status ^{c)}									
	Individual workers ^{d)}		Employers ^{e)}		Contributors to the family ^{f)}		Employees ^{g)}		Producer cooperatives members ^{h)}	
	Informal ⁱ⁾	Formal ^{j)}	Informal ^{k)}	Formal ^{l)}	Informal ^{m)}	Informal ⁿ⁾	Formal ^{o)}	Informal ^{p)}	Formal ^{q)}	
The formal sector ^{a)}					1 ^{a)}		2 ^{b)}			
The informal sector enterprise ^{b)}	3 ^{c)}		4 ^{d)}		5 ^{e)}		6 ^{f)}	7 ^{g)}	8 ^{h)}	
Family ^{b)}	9 ⁱ⁾						10 ^{j)}			

Fig. 1: The framework of International Labor Organization on the concept of informal employment.

Note: (1) "The informal sector enterprise a" refers to a private unincorporated enterprise or a enterprise registered in accordance with other specific regulations based on national legislation, whose employment scale falls short of the standard(generally for five to ten workers) set according to the national conditions. "Family b" is looked as a production unit. In the family people produce their own final product, subsistence farmers construct their private housing and they hire paid domestic workers, such as maids, gardeners, etc.

(2) Informal employment: squares 1 to 6 and 8 to 10; the informal sector employment: squares 3 to 8; informal employment outside of informal sector: squares 1, 2, 9 and 10.

Scholars in China have found out an approach used to estimate the formal employment scale according to the above definition. The differential calculation method, namely a way to seek the difference between the scale of employment and the scale of formal employment in cities and towns, is applied to China's urban informal employment estimating.

$$IE = E - E_s \quad (1)$$

In the above formula, IE is for the scale of informal employment, E is for total urban employment scale, Es is for certain urban formal employment scale. In the estimation process, it has used the annual data from China statistical yearbook, China labor statistical yearbook, CEINET and the sampling data of each year from the national NongDiaoDui. After processing and analyzing the data of 1978 to 2010, we can get the results as follows.

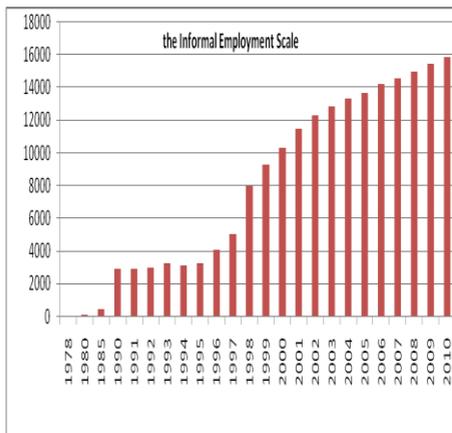


Fig. 2: China's urban informal employment scale

Source: The data of China statistical yearbook, China labor statistical yearbook, CEINET from 1978 to 2010. And this paper has amended the result according to the sampling survey data of national Nong Diao Dui every year.

According to figure 2, China's urban informal employment population was close to zero at the beginning of the Reform and Opening up in 1978, but it improved a leap in 1990 after the preliminary development. Especially in 1998, China's urban informal employment has increased exponentially. The scale of informal employment has entered a stable development stage since 1998.

2. The Relationship between Urban Informal Employment and Economic Development

According to the above, estimation of urban informal employment population scale, we can analyze the relationship between it and economic development. In order to correspond to the population variable, the data of per capita GDP is used to describe the economic development, which is from the data of per capita GDP published in China statistical yearbook from 1978 to 2011.

The data results of simple regression analysis, in which the per capita GDP is as the dependent variable and the informal employment scale is as variables, showed that a significant correlation between the scale of informal employment and per capita GDP. R^2 is 0.78, the variable coefficient is 1.32. The fitting data as follows.

In figure 3, the results shows that there is a correlation between China's per capita GDP and the scale of informal employment in cities and towns and the two variables associate with growth like that informal employment population will increase by 1.32 units per capita GDP. So that we could suggest that informal employment plays an important impellent role in the country's economic development.

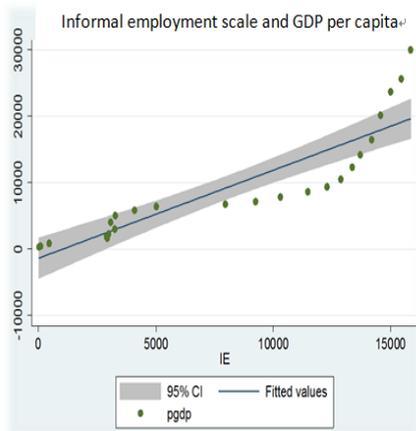


Fig. 3: The relationship between informal employment and per capita GDP
 Data sources: the data of China statistical yearbook, China labor statistical yearbook and CEINET from 1978 to 2010.

3. Conclusion and Significance

The statistical result shows that the scale of informal employment plays an important role in promoting China's GDP per capita and economic development. Because China is in an important period of dual economic transition and the development of the labor market is still a lack of stability compared with the developed countries, the informal employment has larger development space. Especially, since that the working conditions of the informal employment are simple and the forms of employment are flexible, the development of informal employment may become one of the main characteristics of employment development for a while to come.

In this background, two aspects of advantages and disadvantages should be taken into consideration when we analyze the informal employment. In the first place, informal employment has promoted economic de-

velopment, especially offering a wide range of jobs and making enormous contribution to employment management in the economic crisis of China. At the same time, we should pay attention to the certain irregularity existing in informal employment that makes the workers have no due rights in terms of job security.

Aimed at the status quo, the author puts forward the following suggestions: First, the government should strengthen the management of informal employment, provide and improve the corresponding labor security for informal workers. Second, the government should take advantage of the informal employment's flexibility to correctly guide the informal employment and enable it normal in the labor market while increasing more employment opportunities.

Due to the particularity of informal employment in cities and towns, it caused some controversy at the time of being accepted by China labor market. We should see the informal employment's positive effect on the economy development in China. On this basis, we should take correct use of the employment form to play a positive role in sequentially promoting China's economic development, strengthening the management of employment and opening labor markets as expected.

4. References

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