Labour Market Informality and Economic Transition: Employment Regulation and Adjustment to Economic Crisis in China
China is the world’s largest developing country, largest transition country, and second largest economy.

China’s labor market has undergone rapid informalization (by 2005, >50% of urban workers were employed informally).

China has witnessed a dramatic increase in rural-urban migration (137 million in 2007).


Chinese workers, especially migrants, were strongly affected by large export fall caused by the global economic crisis (20 million migrants lost jobs).
Research Questions

1. What were the nature and magnitude of negative economic shocks associated with the economic crisis, and which types of workers were most adversely affected (especially formal versus informal)?
2. What were the responses to employment shocks, and how did they differ for informal and formal sector workers? Which workers found new jobs or additional jobs, which migrant workers returned home, which workers were able to access government social assistance or social insurance programs, which workers received private assistance from relatives and friends, and which workers cut back on their expenditures?
3. What is the extent of firm compliance with labor regulations and what are the determinants of firm compliance? Are firms suffering from negative economic shocks less likely to comply with labor regulations?
4. How has enforcement of labor regulations affected employment, wages and benefits, and working conditions of formal and informal sector workers?
Policy Relevance of Research

- Can inform government’s assessment of policy responses to the crisis (e.g., assistance targeting)
- Can help government better understand the prevalence of different types of informal employment, and target programs or enforcement efforts accordingly
- Can influence debates over benefits and costs of the new Labor Contract Law, and inform adjustments to the Law
Research Team

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**Household Survey:** Conduct a third round of the China Urban Labour Survey (CULS) in 6 large cities (rounds 1 and 2 completed in 2001 and 2005). Survey all individuals in 500 local resident households and 500 migrant households in each city.

**Firm Survey:** Conduct a survey of 2000+ firms in 8 provinces (working with Peoples Bank of China).

**Matched Worker Survey:** For subset of 600 firms, survey 8 workers in each firm (4800 total workers)

**Secondary Data Sources:** Rural household panel survey (Ministry of Agriculture), 2000 census, 2005 mini-census.

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# Impacts of Crisis on Workers
(Pilot Surveys in Shenyang (SY) and Shenzhen (SZ), March 2009)

<table>
<thead>
<tr>
<th></th>
<th>Local workers</th>
<th>Migrant workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All SY SZ All SY SZ</td>
<td></td>
</tr>
<tr>
<td>Monthly income 8/2008 (RMB)</td>
<td>5915 1331 9254</td>
<td>3155 2085 4398</td>
</tr>
<tr>
<td>Monthly income 3/2009 (RMB)</td>
<td>5458 1327 8468</td>
<td>2926 1923 4090</td>
</tr>
<tr>
<td>Change in monthly income (%)</td>
<td>-7.72 -0.31 -8.50</td>
<td>-7.27 -7.77 -7.00</td>
</tr>
</tbody>
</table>

% reporting following changes since August 2008:

<table>
<thead>
<tr>
<th></th>
<th>Local workers</th>
<th>Migrant workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced working days per week</td>
<td>5.1 0.0 8.4</td>
<td>8.5 2.6 14.5</td>
</tr>
<tr>
<td>Reduced regular working hours</td>
<td>3.2 0.0 5.6</td>
<td>6.6 5.1 8.2</td>
</tr>
<tr>
<td>Reduced overtime hours</td>
<td>11.2 2.2 17.7</td>
<td>5.7 3.3 8.1</td>
</tr>
<tr>
<td>Reduced income</td>
<td>30.7 5.6 47.0</td>
<td>35.5 33.3 37.7</td>
</tr>
<tr>
<td>Work unit laid off workers?</td>
<td>22.7 1.9 36.3</td>
<td>24.3 6.3 39.5</td>
</tr>
<tr>
<td>Work unit received subsidy?</td>
<td>0.0 0.0 0.0</td>
<td>5.4 0.0 11.1</td>
</tr>
<tr>
<td>Work unit reduced output?</td>
<td>25.2 3.9 38.8</td>
<td>37.2 20.3 52.1</td>
</tr>
</tbody>
</table>

Source: Pilot household surveys of 199 households conducted in March 2009 in Shenyang (SY) and Shenzhen (SZ). Notes: mean monthly incomes restricted to sample working in both periods.
### Impact of Labor Law on Firms
(Survey of 2058 firms in Dec 2009)

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the Labor Contract Law made it more difficult to hire and fire workers?</td>
<td>Yes</td>
<td>33.8</td>
</tr>
<tr>
<td>Has your firm reduced hiring because of the Labor Contract Law?</td>
<td>Yes</td>
<td>17.2</td>
</tr>
<tr>
<td>Has your firm reduced firings because of the Labor Contract Law?</td>
<td>Yes</td>
<td>31.6</td>
</tr>
<tr>
<td>How has the Labor Contract Law affected your firm’s labor costs?</td>
<td>Significant increase Some increase No impact</td>
<td>13.4 61.8 24.8</td>
</tr>
</tbody>
</table>
Data collection
- Worker Surveys (nearly completed in 5 of 6 cities, November 2009 to January 2010)
- Firm Survey (completed, December 2009)
- Matched Worker Survey (planned for summer 2010)

Planning
- Major analysis planning meeting just completed in Beijing (January 2010)
- Preliminary results all research questions to be presented at the IZA conference in South Africa in May 2010
- Beijing workshop planned for summer 2010
- Analytical and policy papers to be completed by end of 2010
- Final report to be completed by May 2011, major conference to be held in Beijing, final results also to be reported at IZA Conference 2011