

# SOMM: Labour Mobility and Migration in 3 Chinese Cities

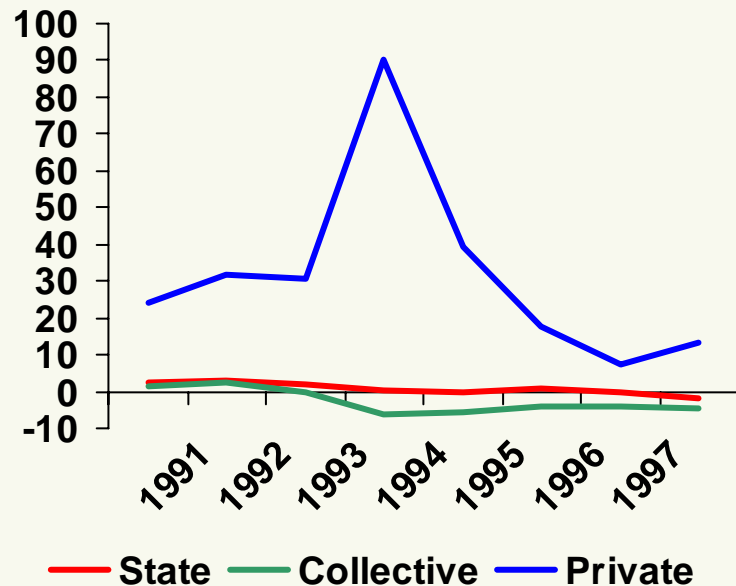
中國科技促進農展研究中心

A cooperation between  
NRCSTD, Beijing and  
Fafo, Oslo



## Context: Economic Reforms and the Labour Market

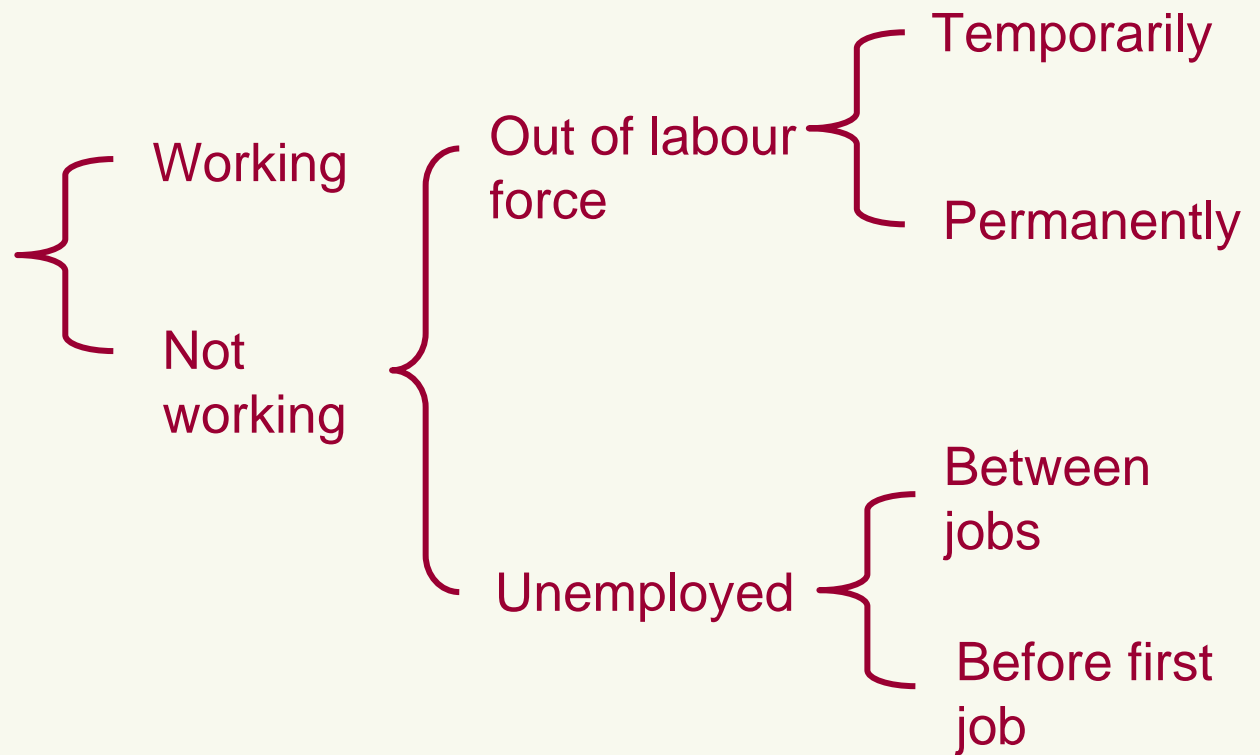
### Annual employment growth by ownership (%)



- 1950s and 1960s: near 100 % state control of the economy.
- 1978: start-up of de-collectivisation of agriculture.
- 1980s: Opening up for foreign and private capital in selected cities.
- 1990s: Large-scale restructuring of state-owned enterprises
  - ⌘ **State sector is shrinking**
  - ⌘ **Private sector the only job-creator**

## Dimensions of Labour Mobility

- Organizational;
- Occupational;
- Geographical;
- Employment status:



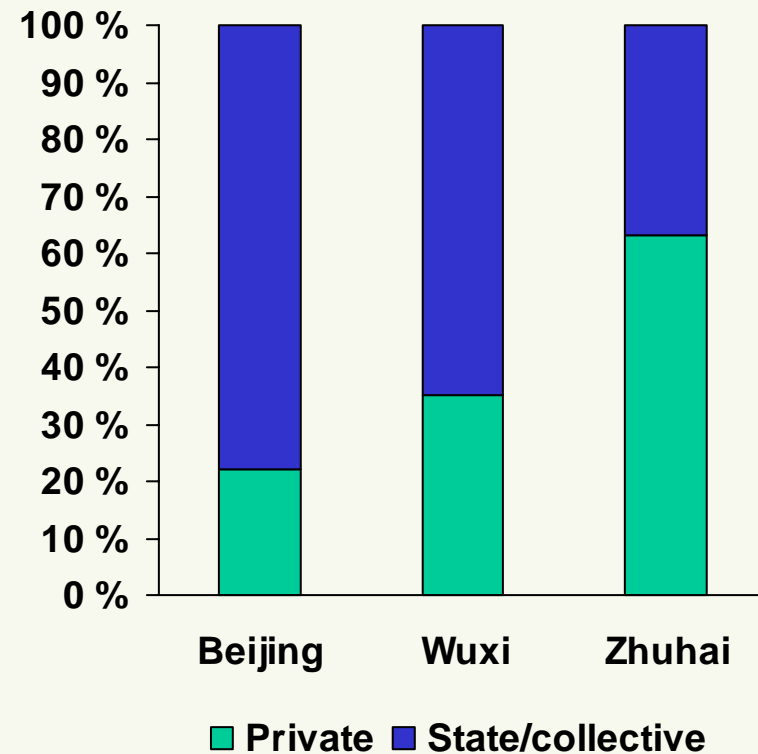
## SOMM Project Aim: Evaluate Effects of Reforms on Labour Market and Mobility

1. Are the reforms working as intended?
  - To what extent has the market taken over as labour mediator?
  - Has labour mobility increased?
  - Has labour moved to where it is more productive?
2. Are there negative side effects?
  - Are there holes in the welfare system?
  - How do employers behave in the socialist market economy?
  - Are there groups do not benefit from the general increase in living standards?
3. Can side effects be avoided or alleviated?
  - Through labour laws/rights?
  - Through insurance or safety nets?
  - Through stimulation of economic activity

SOMM methodology: Sample survey of 7500 households  
 “Case-study” of 3 cities with different policy mix



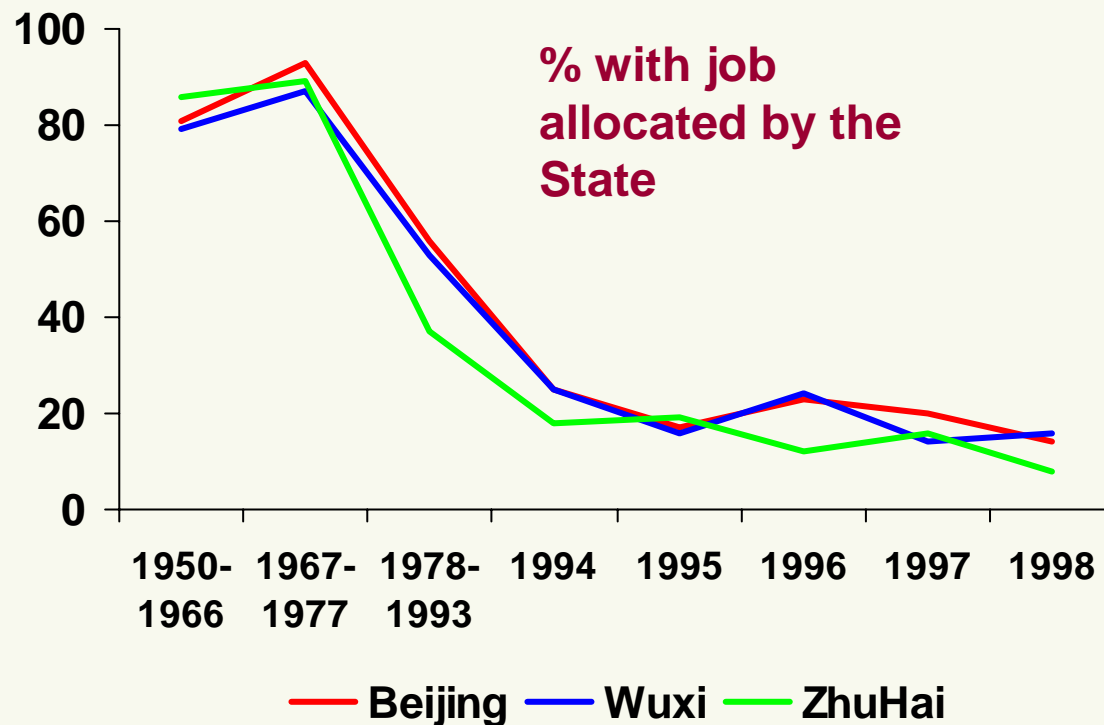
Ownership (% of employed)





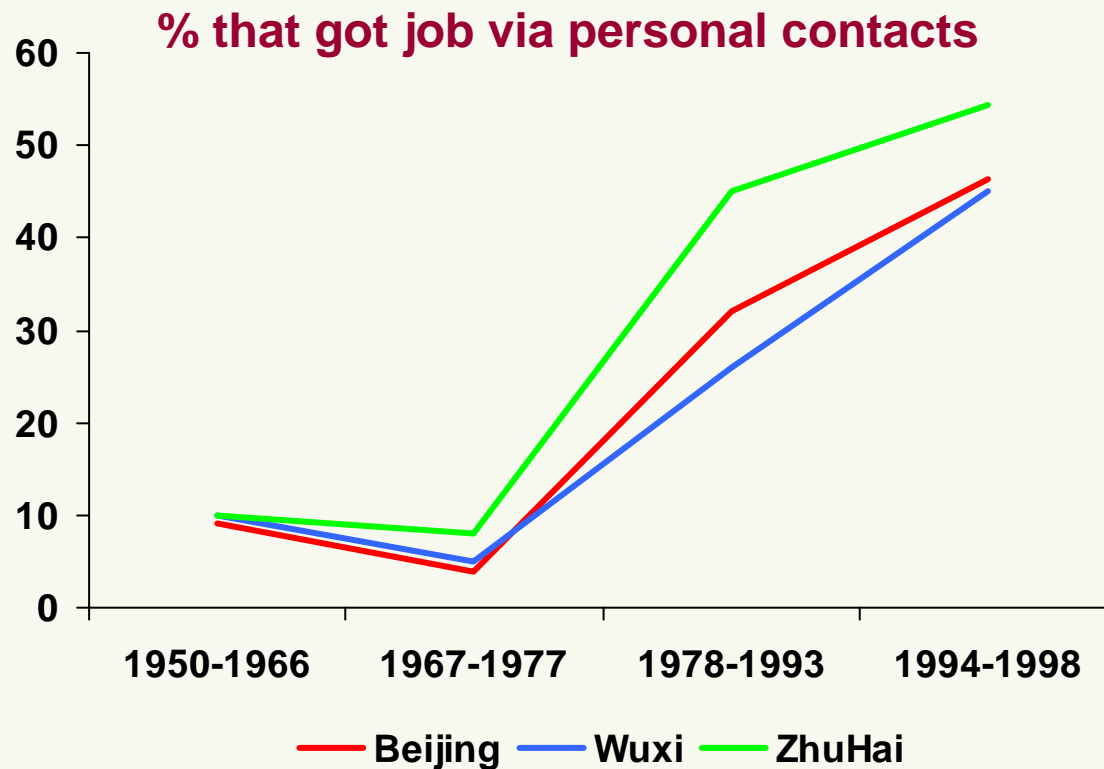
# An Emerging Labour Market?

## Role of the State in labour allocation is dramatically reduced



- During the Cultural Revolution the State allocated 90 % of jobs
- In 1998 this was down to 10-15%
- Independent of the scope of reform in each city

## Informal labour market mechanisms have taken over



- **Personal contacts provide the main entrance to the labour market**
- **Labour offices, job ads and other formal labour market institutions mediate 20 % of jobs.**

## Labour market regulations not consistently enforced

- In 1994, the *Labor Law* was passed in response to the market reforms.
- Work hours:
  - State-owned work-units implemented law: 60 % in state units work 40-44 hours per week.
  - Most private enterprises did not implement the law: in private units, 1/3 workers in Wuxi and more than half of workers in Zhuhai work more than 55 hours per week.
- Work contracts:
  - Most common in state enterprises and joint-ventures and foreign enterprises.
  - Workers in the state owned enterprises are 3-9 times more likely to have contracts than in private enterprises.

## The trade unions play an important role in securing social security benefits for workers

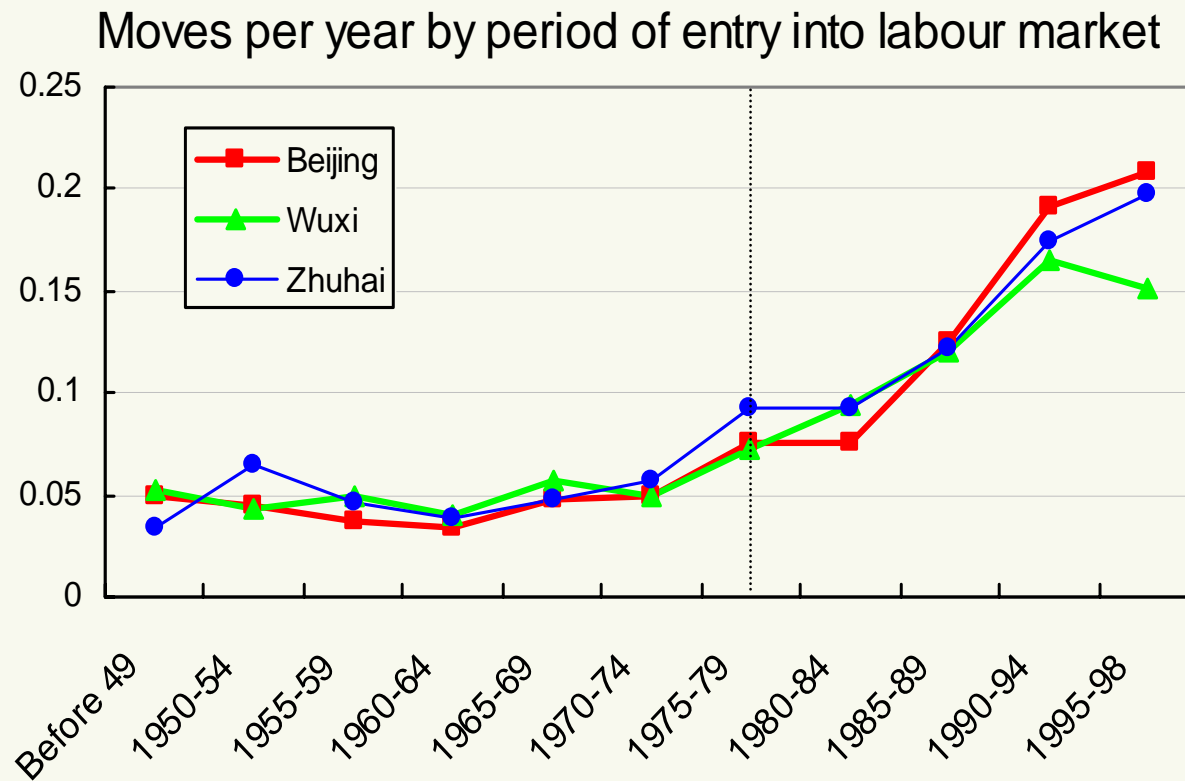
	Medical	Pension	Contract
<b>Trade Union</b>	++	++	+++
<b>Ownership</b>	+	+	
<b>Size of unit</b>	+		
<b>Age of unit</b>	+	+	+
<b>Unit Types</b>			-
<b>Years worked</b>	+	+	-
<b>Urban hukou</b>	+++	+++	++

The work units that have unions provide better welfare and more protection to workers.

But Hukou is still very important.

Result of Logistic Regression Analysis – the number of “+” or “-” signifies the strength of positive or negative effect on the probability of having benefit.

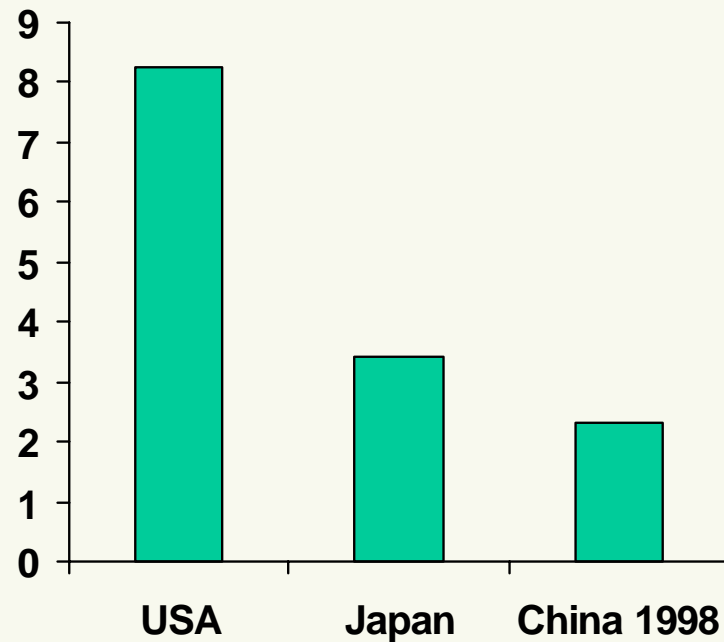
## People are changing jobs more often



- Current entrants to the labour market change jobs more often than the generations before them
- This is partly because new entrants change jobs often before settling down
- Early job change was not common in pre-reform China

## Nevertheless, labour mobility is still low

**China 1998: Workers have had 2.3 jobs on average**



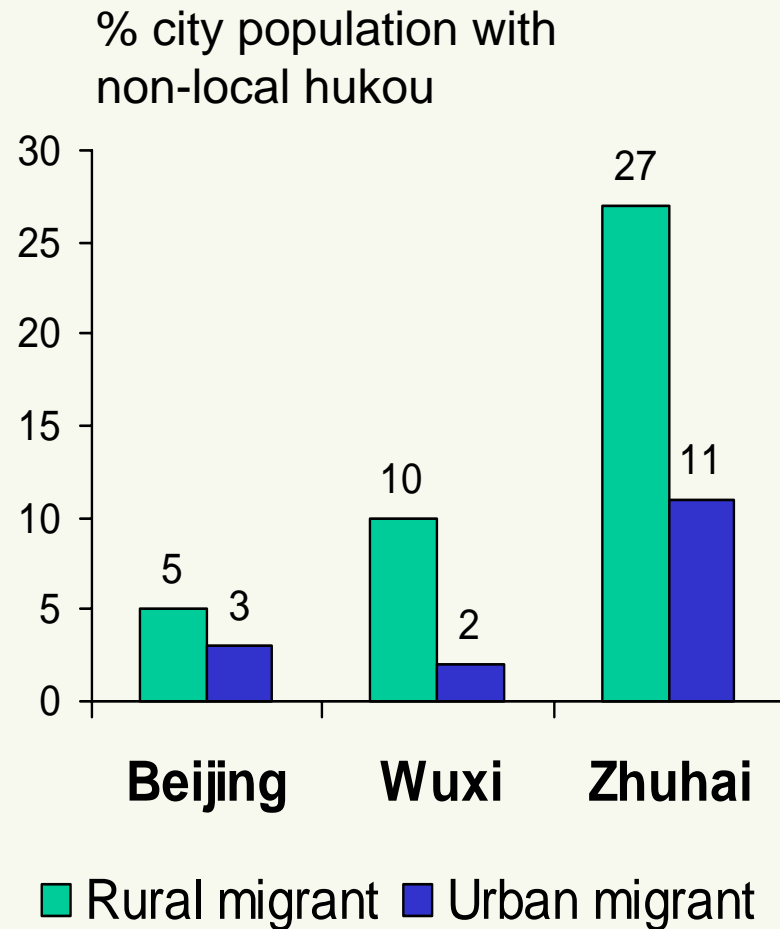
- 1 out of 3 are still in their first job
- 30 % claim job security as main priority regarding job preferences (40% say income)
- Education and training contribute to increased mobility
- Lowest mobility among State sector employees
- Private sector mainly recruits young people and migrants

Factors that influence people's decision to stay in a job...  
 ... even when they want to change

But the effect varies between cities

	Beijing	Wuxi	Zhuhai
Housing from work unit			+
Medical care	+	+	
State ownership		+	
Personnel file	+		
Cadre	+	+	
Urban hukou		-	-
Male	-	-	-
Education			-

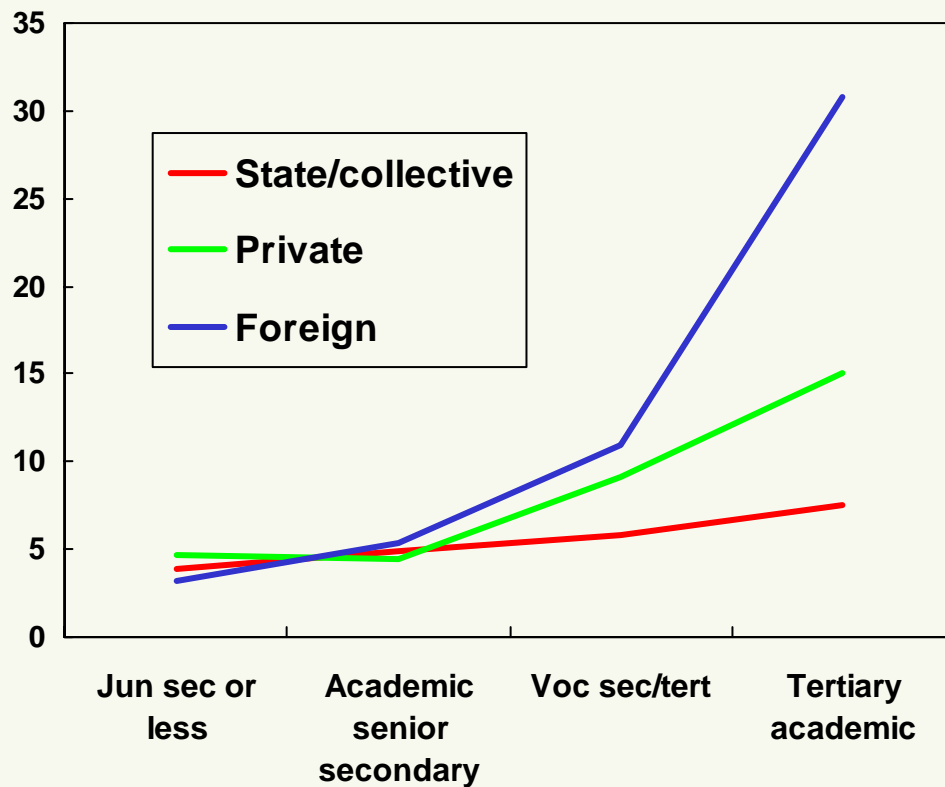
## Geographic mobility is an important part of labour mobility



- Not blind migration: many people have found a job in advance
- Migrants work longer hours than locals
- And earn less than locals
- 50 % of migrants are women
- Migrant women face more discrimination and harassment than men
- Still: migrants perceive life in the city as better than in the countryside
- Not only peasants: Urban-urban migration increasingly significant

## The battle for talent: New career paths reward human capital, but the old paths do not

### Wage per hour in Beijing



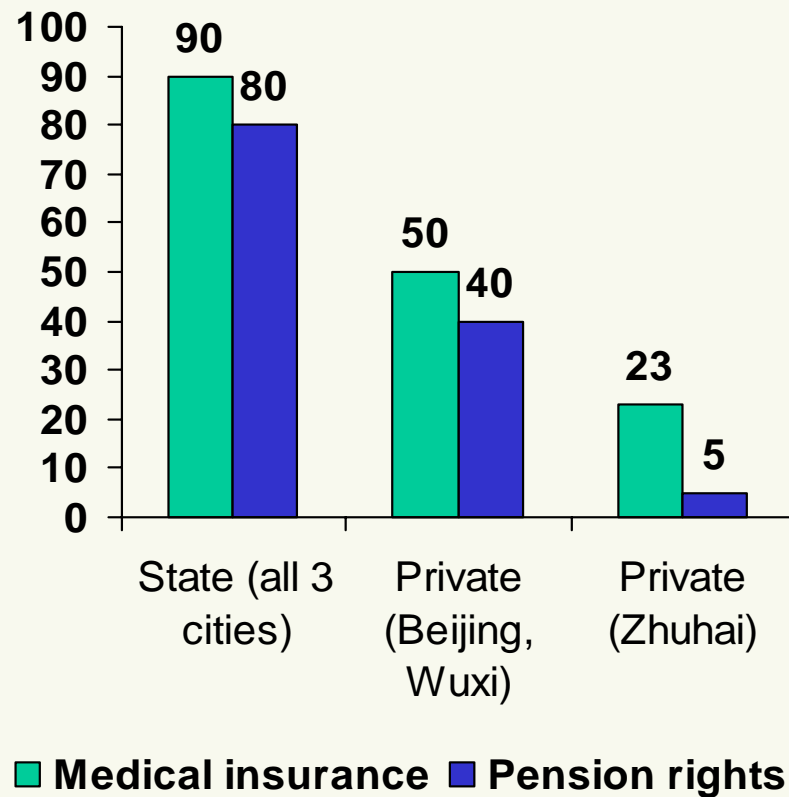
- Education has replaced CCP membership as most important road to occupational achievements.
- Government administration is the highest paying in Zhuhai.
- But in Beijing private companies pay well.
- Returns to education are still comparatively low.
- Gender discrimination persists



**Are there any  
negative social  
consequences of  
the reforms?**

## Higher income, but job security, insurance and welfare are deteriorating

### % of employees with insurance



- Reforms have led to higher wages and improved living standards for most, but...
- Poor working conditions for unskilled workers in foreign-owned companies in Zhuhai
- Half work more than 55 hours per week
- Short-term or no contracts.
- Dramatic increase in the number of people without safety net in case of sickness or old age

## Laid-off workers and unemployed experience deteriorating welfare

Financial support from the Government or work unit

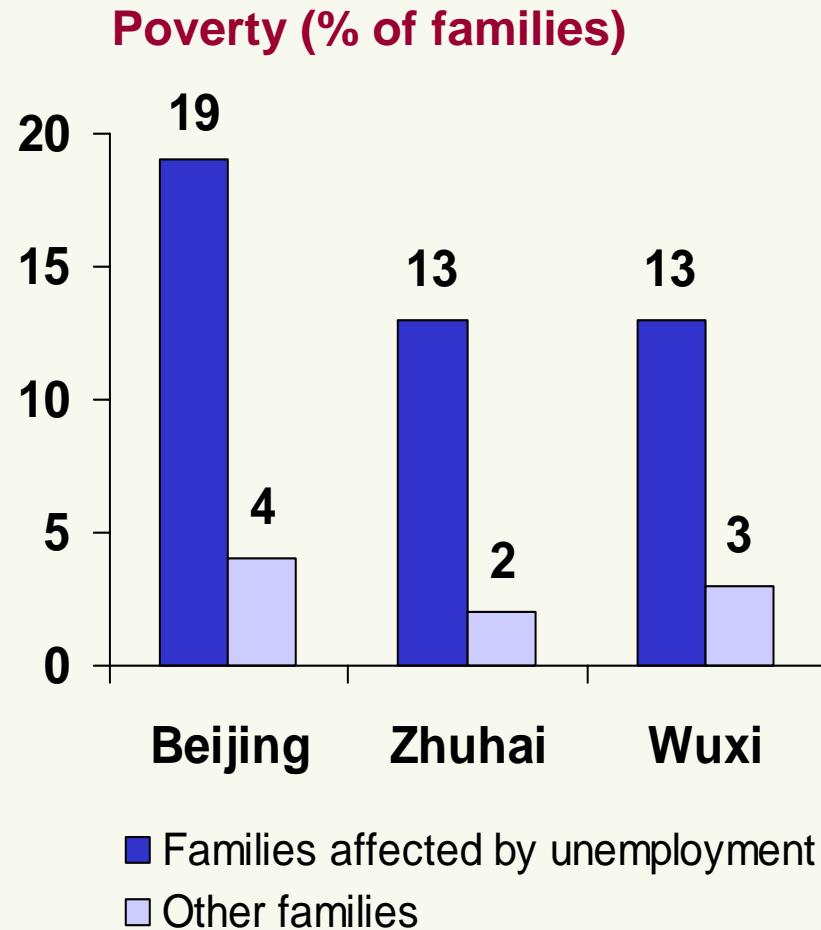
	Beijing	Wuxi	Zhuhai
Unemployed	217 (40%)	174 (36%)	432 (22%)
Laid-off	237 (73%)	202 (70%)	381 (54%)

Yuan per month for people receiving support (percent receiving)

PPPPP

- Unemployment averages about 12 % in the three cities
- Few get benefits from either government or former work unit
- Disadvantaged in the labour market competition: Education, age and attitudes
- 75-90% of laid-off workers want to re-enlist in their former work unit in order to keep benefits.

## Unemployment is a road to poverty



- Unemployment and lay-offs affect 25% of population directly
- 14% of the laid-off workers and 25% of unemployed workers have no other income earners in their families.
- Most are married (90% of laid off, 75% of unemployed)
- Many have children under 16 years (60% of the laid-off, 50% of the unemployed)

But some manage to use the system...

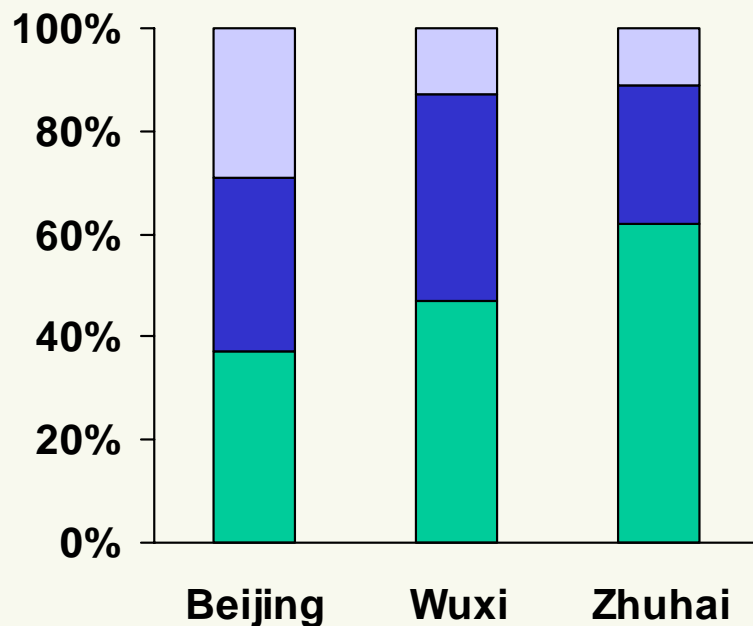
- 1/3 of laid-off workers are in “hidden” employment while collecting work unit benefits (*double institutional people*)
- Private sector benefits from state sector security

## Urban inequality is rapidly increasing

- The inequality has increased in urban areas in China
  - 1988 Among the most equal areas in the world (Gini index 0.233)
  - 1995 Increased inequality (Gini index 0.286)
- Very high in the three cities in 1998
  - Beijing Gini index 0.328
  - Wuxi Gini index 0.332
  - Zhuhai Gini index 0.371

## Despite economic growth, poverty persists

Poverty profile  
(% of the poor in each city)

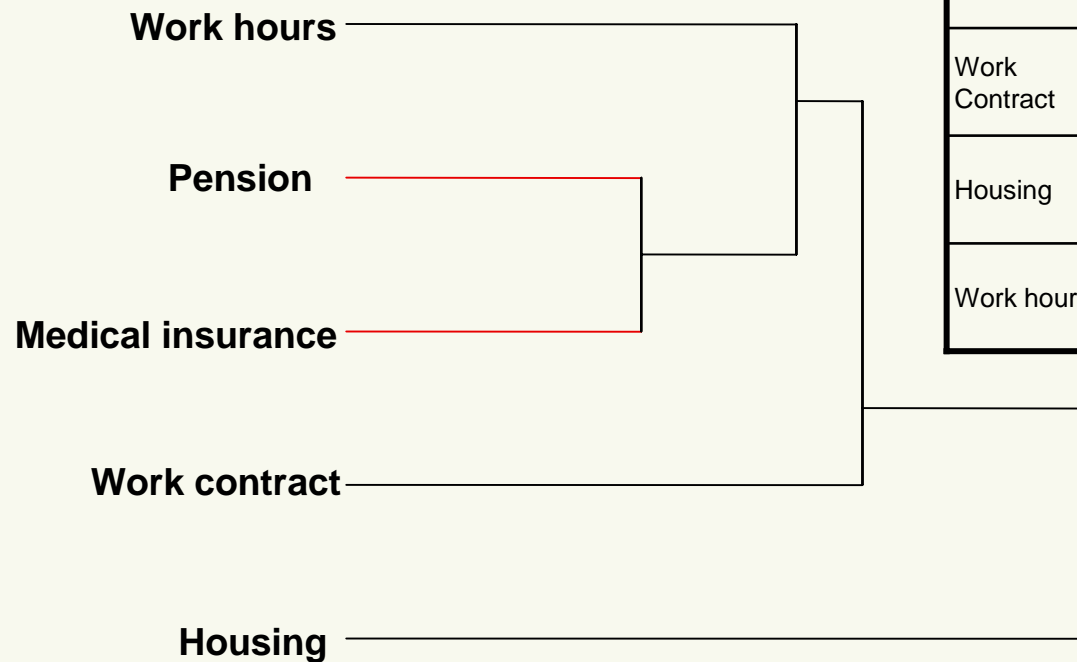


■ Rural Hukou ■ Unemployed ■ Others

- Poverty is at 9% in Beijing, 7% in Wuxi and 11% in Zhuhai.
- Unemployment and rural / urban gap account for 70-90 % of urban poverty.
- Increased support for the unemployed and better wages for migrants would eliminate most urban poverty
- The unemployed and local rural people are very dissatisfied, but migrants are relatively satisfied (at least during their first 5-10 years in the city).

## Social Security: A Neglected Source of Social Inequality

Having one benefit often means having several



	Medical Insurance	Pension	Work contract	Housing	Work hours
Medical Insurance	1.000				
Pension	.616	1.000			
Work Contract	.284	.328	1.000		
Housing	.026	.032	-.014	1.000	
Work hours	.387	.414	.191	-.039	1.000

Graph shows which benefits go most often together, table shows correlations

## Conclusion

- Generally the reforms are working as intended
  - Labour mobility increased and private sector expanding**but**
  - Mainly young and migrants enter private sector, not the laid-offs
  - State sector keeps many of its old characteristics
  - Workers in the private sector want to enter the state sector, especially in Zhuhai
  - Formal labour market institutions are not working well: May create productivity loss and inequality of opportunities
- There are negative side effects
  - Social safety net does not reach those who need it, targets urban people with stable jobs
  - Old, unemployed people are the “lost generation” of the reforms
  - Rural people in the cities may generate chronic poverty problems

## Policy recommendations I: Labour market

- Stimulate formal labour market mechanisms
- Enforce labour law: Protect workers' rights and end discrimination (especially against women and migrants)

## Policy recommendations II: Social security

- Universal system that is not tied to staying at a specific place of work
- Reform of state sector presupposes that private sector provides social security
- Direct income compensation or work programmes are necessary to improve the situation of some of the unemployed

## Policy recommendations III: Migration

- Give migrants rights similar to original inhabitants
- Improve services
- ... but this will possibly increase migration