

**THE CHINESE INFORMAL LABOR MARKET AND  
THE *HUKOU* SYSTEM: ITS ORIGIN,  
IMPLEMENTATION, AND SOCIAL CONSEQUENCES  
FOR MIGRATING RURAL WOMEN**

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## ABSTRACT

The well-being of female rural migrants in China needs to be understood in their unique socio-cultural and institutional context. The four factors undermining the formal occupational attainment of female workers, who migrate from rural areas to urban cities, are: the Household Registration System (also known as the *Hukou* System), the phenomenon of the floating population, the patriarchal customs, and the constraints of human capital. In this paper, I argue that the Chinese government has implemented the *Hukou* System in an attempt to control the influx of the rural population into urban areas. However, it worsens the living conditions of migrating rural women. Its gender-discriminatory effect not only restricts labor mobility, preventing them from establishing themselves legally in the urban formal market, but also forcing them to take illegal jobs under unfavorable working conditions. The vicious cycle of constant discrimination presents them with obstacles to improving their lifestyle. I conclude that the creation of non-agriculture jobs in nearby rural communities would alleviate the overwhelming burden of migration and its social problems by diverting the uni-directional flow of (female) migrants to other rural areas.

## I: AN OVERVIEW OF THE CHINESE LABOR MARKET

The creation of the national labor market remains as one of the most fundamental institutional changes in the People's Republic of China (PRC). It has provided an abundant and stable supply of three classes of laborers: cheap, unskilled workers; low-skilled laborers; skilled laborers and professionals. Similar to the production of goods, service industry, and capital formation in other countries, the Chinese labor market has heavily been distorted and regulated by political and social forces.

This paper focuses on the *Hukou* System (household registration) as a Beijing designed and supported emergency resolution to effectively mitigate the massive underemployment of the floating population at a time of “comprehensive dislocations” caused by this advancing market economy (Lee Ming-Kwan, 2000). Nevertheless, the sociopolitical impact of this system on the national labor market has a positive correlation with unemployment rates. As urban unemployment rises, the number of floating and restless laborers grows, increasing the social inequality between male and female rural migrants. Whereas rural men benefit from migrating to urban areas by acquiring novel employments, which offer more regular working hours than the ones they held “at home,” rural women appear to be in a lower working status because they participate in the informal sector characterized by occupational segregation. As a socioeconomic by-product of having insufficient formal, legalized jobs in the urban sector, migrating rural females have occupied the large informal sector. This indicates a strong occupational discrepancy between rural and urban workers and between rural men and women.

I observe that rural migrating women become displaced to unfavorable working conditions and maintain less desirable work schedules in contrast to their male counterparts. In this way, migrant women face more dire consequences than migrating men. This point is illustrated by the development of a well-being function that shows the effects of material welfare as well as the health impact from the different types of work schedules. On this well-being function, I show the mechanisms by which the *Hukou* System seems to exacerbate gender inequality. It is not my position to judge whether having a job

in the informal sector means being better off financially than not having a job at all. Instead, this paper serves to generate a non-conforming perspective from which to exam the female migrants' welfare and their compulsory participation in urban informal activity in order to maintain a minimal standard of living.

## II: CHINESE LABOR AND THE MAKING OF A MARKET

Since ancient times, a traditional family-based labor market dominated allocation patterns. It had been challenged only in the nineteenth century by an increasing presence of foreign enterprises, and had always been characterized by a high degree of informality, that relied heavily on kinship and friendship. The nationalization of Chinese industry in 1956 progressively reduced the number of Chinese private workers even more. As a consequence of prioritizing state industry over rural development, China assigned “paramount importance to full-employment policies as a criterion for the allocation of the work force: paid work was considered a general right, like food and housing, and policies fostered egalitarian access to it” (Tomba, 2002).

Before the anti-urban policies (aimed in particular at defending urban privileges) came into effect, the urban population witnessed a sharp increase. It was analogous to a deregulated labor allocation situation, similar to that experienced in the 1980s: “Urban administrative re-organization and strict control of migration flows were the solutions adopted at the end of the Great Leap Foward; deregulation and market development were part of the post-Cultural Revolution solutions” (Lee Ming-Kwan, 2000).

### **The New Era**

In the late 1990s, the PRC appears to exhibit a bifurcation of the labor market. First, primarily practiced by collective enterprises and township-village enterprises (TVEs), there exists a host of small community—township, district, village, city, or even large *danwei* (unit)—based local labor markets that have high community-based barriers and discrimination against outside job seekers (Rozell, Li, Shen,

Hughart, & Giles, 1999). The powerful distortions of the Chinese labor market are evident by the community-based local labor markets caused by strong political and social institutions and rationales in the PRC.

The latter bifurcation of the Chinese labor market has been a rapidly growing national labor market that features an enormous numbers of floating laborers, “a pro-employer sociopolitical environment and related policies, the coexistence of massive yet stabilized underemployment” (Parrish, Zhe, & Li, 1995; Rozelle, 1996). A study by Chinese scholars based on three econometric models concluded that there was 10-16% ‘irrational or useless employment’ in the Chinese agricultural sector in 1993 (Liang; Li, 1993). A five-year study by the Chinese Social Sciences Academy in 59 counties of 11 provinces revealed that as many as 220 million rural laborers had no meaningful work to do (Wei; Qiu, 1993). Urban underemployment also clearly exists. As a result, the massive existence of surplus labor is likely to continue in the PRC for years to come.

The instability of labor relations between the employers and the employees encouraged the increase in frictional unemployment. In conjunction with the preservation of administrative barriers, this instability produced a phenomenon where migrant rural workers, particularly the rural female workers, became displaced in the Chinese institution.

### **III: THE EMERGENCE OF THE HUKOU SYSTEM AS A REMEDY TO CONTROL POPULATION**

#### **The Hukou System**

The origins of the *Hukou* System lie embedded in the *baojia* system of “population registration and mutual surveillance perfected over millennia” (Cheng, 1994). Equally important was the direct influence of the Soviet system in creating a social order that could be mobilized in the service of socialist developmental priorities. According to Michael Dutton: “The hierarchical systems founded on and built

around the family register linked the order of the family to the order of the state” (Dutton, 1999). This system gave more importance to the city, led to a regulation of population movement between rural and urban areas, and transferred decision-making powers to the work unit. It emerged as a critical state response to dilemmas inherent in China’s development strategy of high population density, labor surplus, and capital shortage in the rural sector.

Due to the government’s efforts to reiterate the plethora of freedoms and rights for its people after the establishment of the People’s Republic in September 1949, a great influx of rural migrants came to the cities to look for better working opportunities. This exponential growth of rural population into the cities caused numerous social problems. Urban unemployment rose and overall welfare of the urban citizens declined. In response, the state began to take vigorous steps to address and offer a rationale of “maintaining social order, protecting citizens’ rights and interests and serving socialist construction” (Cheng, 1994).

### **The Implementation Stage**

The Household Registration Regulations of 1958 strictly enforces that every Chinese citizen to be registered as a member of a *hukou*, a household, with the police authority at birth (Huang, 2001). It contributed institutionally to the maintenance of a typical dual economy, which continues to the present time. The categorization (urban or rural), location, or work unit affiliation are documented and verified to be on the person’s permanent *hukou* record. For example, in the case of a husband and wife living and working in two different cities—in a city and village or in two different villages—a separate *hukou* is required for each. Usually the children register with their mother’s *hukou* rather than the birthplace, reinforcing the family responsibility on the mother’s shoulders (Huang, 2001). Hence, women tend to become burdened with the added responsibility of taking care of the children while maintaining a standard of living, if the husband happens to register under a separate *hukou*.

Urban residents are entitled to subsidized grain rations and other goods, work allocation by labor



bureau, housing, social insurance, health care, and cultural and urban amenities provided at state expense. One can clearly make a reference to the close linkage between the urban household status and the state's rationing system of vital goods and services. As a result, the *hukou* registration not only provides the principal basis for establishing identity, citizenship and proof of official status, it is essential for every aspect of daily life. "Without registration, one cannot establish eligibility for food, clothing, shelter, obtain employment, go to school, marry or enlist in the army," (Cheng, 1994).

### **The Relaxation Period**

Consequently, the *Hukou* System served as a means to control mobility and prevent rural leakage into urban society. This restored farm incentives and raised the output of agriculture by forcing rural population to remain in the rural areas. Although agricultural diversification and the growth of rural industries yielded more jobs for the peasants, the pressure of absorbing vast quantities of surplus rural workers remained high. At the same time, stopping peasants from responding to the urban attractions was no longer effective. Thus in 1983, the state allowed rural households, without changing their residence, to take up jobs in market towns. In 1984, peasants were officially permitted to work or do business in cities and towns provided they could raise their own funds, arrange their own food rations and find a place to live (Dutton, 1999). Even though peasants retained their rural status, setting up a new home in cities is no longer banned. Once such artificial barriers were removed, the floodgates of urban migration stood wide open.

However due to limited public resources and infrastructures, the migrants had slowly become a public burden to agencies such as the state transportation departments. Handling passengers many times beyond the normal capacity, these urban transportation facilities became inconvenient and inefficient; cities were filled with over-packed buses and exacerbated traffic congestion. Besides transportation problems, migrants (including tourists and visitors) consumed massive amounts of goods and services, creating tons of extra waste materials. Other equally daunting problems included challenges to policies

on employment, housing, law and order, family planning and relief.

### **The Re-regulation of the Hukou System**

After realizing that the relaxation of the *Hukou* System failed to satisfy their original intentions, the Chinese government then attempted to fix their mistakes by re-regulating and re-tightening the residency policies on migrants. The first step to cope with the migrant population was to introduce a system of registration for temporary residents. In July 1985, the Ministry of Public Security announced a set of temporary regulations (Wong, 1994). Visitors for three days or more would be required to notify the local police. All citizens over the age of sixteen would have to apply for personal identification cards, which empowered the police to make personal checks when necessary.

Once the reforms started, the regulations began to intensify by imposing rules relating to all sorts of issues ranging from labor to family planning. In 1989, the central government prompted the provincial governments for an immediate migrant evacuation (Chang, 1994). Enterprises that violated the requirements faced penalties. In the worst scenario, private owners could have their business license revoked by the Bureau of Commerce (Wong, 1994).

### **Current Situation**

Though the *Hukou* rules have been relaxed somewhat since the early 1990's, there is still a large labor surplus in the countryside, which has resulted in the current situation of rural-urban migration. The *Hukou* System still greatly affects labor opportunities, immobilizing labor. It prevents rural leakage into urban society, as migrants are often viewed as a public burden, overcrowding the cities, and stretching transportation, food supplies, and utilities beyond capacity. Furthermore, the increasing migration also puts pressure on employment and housing.

The most relevant changes in the *Hukou* System have been the adoption of two special types of residential registration to allow increased yet controlled labor mobility. The first is the so-called *zanjuzheng* (temporary residential permit). The other is the so-called 'blue-stamp *hukou*' or 'blue card'

(Chang, 1994). These two special types of legal residence require the holder to pay a one-time and then an annual registration fee, have a valid local job, and be reviewed annually. The difference is that the blue card (or stamp) *hukou* requires the sponsoring employer to be a major enterprise (in *Shenzhen*, the government set one blue *hukou* sponsorship per RMB 1 million investment or RMB 100,000 annual tax payment) (Wong, 1999).

Consequently, rural migrants affect the Chinese labor market in a number of ways, depending largely on the skills they supply to the market. Overall the supply of labor is increased, and the returns to urban labor are bid down through the substitution effect in labor demand. Any net migration also produces a scale effect on the demand for urban workers that at least partly offsets the impact on relative wages. Compounded with the *Hukou* system, the excess migration labor population imposes tremendous social burdens on the urbanized cities and lowers well-being on the migrant themselves. The system continues to differentiate opportunity structures for the entire population on the basis of position within a clearly defined, if once again partially permeable, spatial hierarchy.

#### IV: MIGRATION AND FLOATING POPULATION

##### **Floating Population**

Migration takes many forms. The ‘floating population’ (*lindong renkou*) largely concentrated in urban areas, remains one of the most difficult groups to measure in China (Cheng and Selden, 1994). China’s increasing floating population is also relevant because it signifies a major loss of government authority over rural-urban migration during its transition to a market economy. Denying governmental benefits to the floating population has ironically resulted in the growing independence of such persons from state institutions, fostering the development of the informal sector.

##### **Economic Rationales Behind Migration**

The classic explanation of migration has always been that men and women move in reach of

economic opportunity in a free market. In simple terms, migration occurs only if the expected present value of earnings in the new job minus the costs of moving exceeds the present value of earnings in the current job, discounting the time variable where  $Z^1 > Z^0$ . In algebraic terms, the migrant worker's decision involves comparing with the assumption that the person will work until age 65.

$$Z^0 = \sum_{t=A}^{65} \frac{E^0}{(1+r)^{t-A}} \quad \text{to} \quad Z^1 = \sum_{t=A}^{65} \frac{E^1}{(1+r)^{t-A}} - C$$

Where A = worker's current age  
 r = rate of discount  
 t = a particular year  
 C = out-of-pocket costs of mobility

One is expected to leave places where incomes are low and job opportunities are scarce and move to places where incomes are higher or jobs more plentiful. Moreover, migration flows in the direction of higher income (or expected higher income). One would also expect a gradual decline in the geographic income differentials as a result of the migrating that initially gave rise to it. This follows from the influence of migration on the local labor supply. Out-migration causes a reduction in the labor supply and an increase in wages. On the other hand, areas experiencing in-migration enjoy an increase in the labor supply, which tends to hold wages down. The combined effect should be to reduce these inter-area differentials (Ehrenberg and Smith, 2000).

Moreover, it is also expected that capital migrates in the opposite direction from labor, and contributes further to the reduction of inter-area wage and income differentials. This expectation is based on marginal productivity analysis. Low per capita regional income usually results from (among other things) a scarcity of capital relative to labor. Because of a low capital to labor ratio, the average worker has relatively little capital to work with. The marginal product of labor is low, and wages, which depend on marginal productivity, will also be low. But it is a corollary proposition that when capital is scarce relative to labor, the marginal product of labor is low. Hence, the marginal product of capital, and the return to capital, will be high under the assumptions that it is a free market and there are no legal

constraints (Ehrenbery and Smith, 2000).

In China's case, economic motives obviously influence rural-urban migration decisions where there are gross disparities in (expected) income levels. The tremendous flow of immigrants to the urbanized cities such as Beijing and Shanghai from the rural/coastal regions is a conspicuous example. Each migrant has a possible stream of future earnings in the rural sector. They will earn a stream indicated by the profiles  $E^0$  if they remain where they are. If they move to their best alternative job or location, their earnings will follow the profile  $E^1$ . The costs of moving may include initially low wages in the new job or location and earnings foregone during additional spells of unemployment.

Even though many migrants and job-changers line up jobs before they move, and many others find new jobs through employed search, many do not. The possibility of unemployment in the potential destination enhances the degree of uncertainty. In China, due to imperfect information about more distant labor markets and transparency between potential employers and employees, many migrants rely solely on the media's broadcasting and/or orally passed information about job opportunities in the cities. Despite uncertainties in obtaining the expected wages, numerous rural migrants feel that where industrialization is greater, more job openings can be searched over. Based on the rational expectation model, rural migrants migrate, assuming that future expected wages would offset the costs of moving and frictional unemployment in the cities.

Economic theory predicts that the migration of labor, together with the reverse flow of capital, will bring the incomes of different areas into equal wages and rental rates. However, China provides an interesting counter-example. Disparity arises because the traditional theory is designed to deal with a system in equilibrium that is disturbed by a single shock. But most disequilibrium is not caused by single events. The traditional economic system in China serves state strategy that gives preference and priority to heavy industry. To the investors, this indicates an urban bias in investing. Under such a system, capital and labor are not allowed to migrate across sectors and regions in accordance with market signals.

It has paralyzed the movement of capital reverse flow, caused a distinct rural-urban regional disparity, and immobilized migrants in the cities where informal sector works are the only way to survival needs.

## **V: MIGRATION AND INFORMALIZATION OF THE URBAN ECONOMY**

Besides the common regulations of the state, the *hukou* results in the development of a Chinese national labor market in a unique environment that features a massive labor force. This environment restricts the “geographical and professional mobility” of the Chinese labor force and maintains an institutionalized rural-urban division (Flemming, 1990). Furthermore, it produces an informal market or quasi-market labor practices.

### **The Chinese Informal Sector**

As a result of the increased labor opportunities and restrictions on the redistributive role of the work-unit, labor relations have undergone a process of informalization. Informalization is seemed as a by-product under imperfect and largely deregulated market conditions, by non-recognized market actors (such as the rural migrants). While the rural migrants’ status and rights are denied by social and political rules, their existence and activities are necessary to the fulfillment of certain requirements of economic development (the supply of basic services and of cheap labor, for example).

The informal sector consists of the economic activity that takes place outside the formal economic transactions established by the national state and corporations. Meng (2001) explains that the informal sector, in both the Chinese rural and urban areas, is associated with low wage work, low barriers to entry, no formal, stable employer-employee relationship, and lack of supervision by authorities. Most of the activities are non-permanent and circumvent or otherwise elude government regulation, taxation, or observation. In the rural and urban sectors, informal activities are mostly comprised of the production and trade of marketable goods such as fruits, vegetables, meat, dairy products, and transport equipment, as well as construction activities. However, it certainly includes but is not limited to drug trafficking,

prostitution, gambling, “off-the-books” employment, and tax evasion (Sargenson, 1999, 147).

Additionally, because producers in the informal economy operate at a low level of productivity, their employees are subject to low and irregular incomes as well as little job security. This sector is termed "informal" because, for the most part, it is largely unregistered and unrecorded in official statistics studies, and producers find that they have little or no access to organized markets and credit institutions. The ILO resolution limits its definition of the informal sector to non-agricultural, market-oriented activities.

It is my opinion that the process of Chinese urban industrialization contributed to the emergence of informal economic players. Within the rural areas, even prior to the initiation of the *Hukou* System, a growing population in the countryside and a lack of formal sector jobs lead to the development of an informal sector. In order to sustain an adequate standard of living in the rural sector, the informal sector has become a solution for the Chinese rural people who lack the educational training and human capital necessary for the formal wage-paid jobs. The explosion of an informal sector, which is not only an urban phenomenon, grows in response to extend labor opportunities. The shadow economy competes with the official productive structure not only in marginal and simple production but also in major consumer sectors. In particular, unregistered workshops rely on the increasing availability of a cheap and unprotected work force and on expanding and concentrated urban markets, to produce small goods with relatively low technological content for a popular market.

In addition to competing with the formal sector, the informal sector contributes to the deterioration of working conditions in urban informal centers. Because the supply of laborers far exceeds the demand for laborers in the urban sector, wages in that sector decrease as part of the general market equilibrium. With a lowered expected wages in the urban formal sector due to both lower wages paid and higher unemployment, it forces the rural migrant females to seek other working opportunities that would sustain the same standard of living. Hence, numerous female migrants engage in informal labor activities.

In exchange for a relatively higher expected working wage than the expected urbanized formal wage, laborers often have to working in unfavorable environments, reducing their social welfare. Thus, one can argue that the informalization of the market contributes to the unrestrained exploitation of privately contracted rural female migrant wage labor. Furthermore, the informalization of the economy maintains an ‘informal population’ in the cities at the survival level. As demonstrated by the well-known cases of the formal-informal divide in the cities, commercial informal activities grow as a result of the reduced ability of the state to play its distributive role.

## **VI: GENDER HIERARCHY AND RELATIONS IN THE LABOR MARKET AND INFORMAL SECTOR: FROM THE PAST TO THE PRESENT**

Gender relations in rural China are the result of a complex blend of socially constructed norms and policies. Therefore, before examining state reforms and the impact of these reforms had on gender relations, it is necessary to put the contemporary period in the context of the history of gender relations in the twentieth-century China.

### **Confucian Ideals in Chinese Labor Market**

Gender divisions of labor in the rural economy were, and indeed continue to be, partly shaped by certain Confucian ideals and family structures. In particular, the notion that women are to serve and be subordinate to men and family was both expressed and partially enforced through the belief that ideally women should be confined to an ‘inside’ sphere of family and home. Thus, one of the words for wife—‘*neiren*’—literally meant ‘inside person’, and it was commonly claimed that ‘*nan zhu wai, nu zhu nei*’ (men rule outside, women rule inside, one of the Confucian ideals) (Ahern, 1975). According to Confucian ideals, ‘good’ women limited their interactions with people outside the family, especially men. In more literal terms, women’s movement was ideally restricted to within the bounds of the home.

The Confucian ideal of women being confined to the ‘inside’ sphere of family and home contributed to a division of labor such that domestic work was largely done by the women of the family,



or in households of the gentry, by female servants. Thus, peasant women not only cleaned the house, washed clothes, made and repaired clothes, prepared food and looked after young children, the sick, and the elderly. They also had to fetch water, collect firewood, tend domestic animals, and grow vegetables.

In general, it was considered that men should do more of the heavier work, while women performed the lighter tasks. However, there were considerable differences in the meanings attached to the terms 'heavy' and 'light' work, and the strictness with which work was differentiated. Hence, upon examining women's and men's work in early twentieth century rural China, gender division of labor was constructed and maintained in part through conceptual dichotomies, in particular between 'inside' and 'outside' spheres, and also between 'light' and 'heavy' work (Wolf, 1985). The patriarchal culture led to a low status for women at home and to gender discrimination in the labor market. Women had limited access to training and resources, and this weakened female migrants' competitiveness in the labor market and hindered their occupational attainment.

### **Gender Distinctions and the Market**

Within the informal sector, considerable gender distinctions exist. Migrant women in the informal sector are found to earn significantly less than men in terms of both wages and benefits in kind (Meng, 2001). The patriarchal family considers women to have less bargaining power than men. One result of this patriarchal norm is that women are less educated than men, especially in the rural areas (Bauer, Wang, 1992). In addition to the Confucian norm that women's ignorance is their virtue, the local marriage custom also contributes to women's low education level. Furthermore, the clear public-private labor division in the patriarchal family—men managing outside public affairs, while women stay in the domestic private sphere—confines women to family and thus limits their access to higher education and job training. With lower education and lower human capital, women are less competitive in the labor market and their opportunities for occupational mobility are limited.

In addition to women's low status in the household, women are also discriminated against in the

labor market, and marginalized in economic reforms. “Gender discrimination worsens as capitalist relations develop” (Bauer, Wang, 1992). Women are considered by managers (often male) to be less productive and more troublesome because of their maternity and family responsibilities. Additionally, they are often the last to be hired and the first to be laid off, except in a few gender-specific jobs such as handicraft work, textile work, assembly line work, and waitressing. Most employers in urban sectors are reluctant to hire women for long-term jobs and ‘male sex’ is often listed as one of the requirements in job descriptions.

By the late 1990s, the relationship between labor and employers has become clearly unfavorable to labor, especially the unskilled and low-skilled floating laborers from the rural areas. In the workplace, a leading characteristic of the China labor market has been the fact that the employers have a dominant position supported by, ironically, the socialist PRC government. The foreign direct investment employers and especially the native private employers have treated labor in a “pre-Keynsianism capitalist way” (Huang 2001). The CCP regime has been generally suppressing labor demands and even prohibiting the media from covering the rising labor disputes. In the very few cases of labor disputes reported, the government tended to adopt a pro-employer stance.

There is a clear lack of labor protection and labor rights in the enterprises. Hence, Chinese laborers have a weak bargaining position versus the employers. Young and female workers are the most welcome labor for primarily assembly-line factories or other informalized work. Many managers frequently ask their female job applicants to be young (under 25), good looking, unmarried, and of a certain height (Shenzhen laodon shibao, 1995). Sick leave, growing older, getting married, and having children are usually reasons for being fired. The workers, in the words of some interviewed managers, have ‘no rights and no labor protection.’ An employer may even physically hold the *hukou* proof of his employees, in addition to some cash deposit, to prevent costly turnover. Job applications from other localities usually need to have local residents as ‘guarantors’ in order to be hired. To prevent the workers

from leaving the plant and ‘illegally staying’ in the locality, employers commonly sponsor their *zhanjuzhen* (temporary residential permit) only for three months at a time (Renmin Ribao, 1993). All these factors deeply weaken rural female employees’ bargaining power. Robert (2002) finds that migrant women crowd into informal sector jobs that allow them to accommodate household and childcare work that they continue to be responsible for. The significance of this occupational segregation comes about when one considers how migrant men’s and women’s welfare is affected by their roles in the informal sector.

## **VII: WOMEN AND THEIR WELL-BEING FROM PARTICIPATING IN THE INFORMAL SECTOR**

### **The Importance of Time Use in Welfare Calculations**

Specifically, it appears that as the *Hukou* System generates a large informal sector amongst rural-urban migrants, gender inequalities in well-being increased. Floro (1995) suggests that while traditional models of well-being account only for consumption of basic commodities such as food, shelter, healthcare, and education, an individual’s time use must also be considered. That is, how people spend their time has a significant impact on their welfare through effects on their physical, mental, and emotional health. For example, longer work days may cause a person to become tired or irritable, while engaging in overlapping/multi-tasking activities may result in severe anxiety and nervousness (Floro 1995).

Another aspect of time use that affects well-being is the type of time schedule that a person works. Of particular interest is the incidence of “nonstandard hours” work schedules. Such schedules occur outside of the “standard” work schedule during daytime hours (8am to 6pm) and weekdays, usually occurring early in the morning and/or late at night. These “nonstandard hours” also include weekend work schedules. Presser (1995) explains that these “nonstandard hours” schedules are usually set by employers and are often viewed as contrary to employees’ interests. Working late hours and weekends is

generally undesirable to most workers. Socially and emotionally, a nonstandard schedule is likely to put an individual's availability for family interaction and leisure time at odds with that of others, causing stress and isolation. Additionally, from a biological standpoint, studies show that the alteration of circadian rhythms among night workers and those on shift rotation often has negative physical and psychological effects, such as "sleep distributions, gastrointestinal disorders, and chronic malaise" (Presser 1995).

From these effects, then, it appears that a 'nonstandard hours' work schedule has a negative effect on welfare in comparison to the effects from more standard work schedules. It is easy to argue from a costs and benefits perspective that 'nonstandard hours' shift is a better efficient use of capital versus not using the capital. In other words, it would be more advantageous for women to obtain 'a' job rather than no job at all. However, when examined closely, it is of a faulty context. What this paper tried to accomplish is to bring forth the issue of economic capital exploitation on rural migrant women. Coupled with a highly structured *hukou* policy and embedded institutional ideologies, most often women are placed in a disadvantageous position in receiving occupational attainment. The informalization of the market perpetuates the gender inequalities and worsens the well-being of women who are in association with these types of works by subjugating them in 'nonstandardized work hours.'

### VIII: A WELL-BEING FUNCTION

A well-being function, based on Floro's model, is re-manipulated in the context of a Chinese labor market. It is presented as:

$$W = W(\beta_1 \text{winc}, \beta_2 \text{ben}, \beta_3 \text{nonwinc}, \beta_4 \text{hh}, \beta_5 \text{sched})$$

where	W	indicates the individual's level of well-being
	winc	is wage income
	ben	is social benefits from the government based on hukou status
	nonwinc	is non-wage income
	hh	is household production of goods and services
	sched	is the type of work schedule held by the individual

Wage income, social benefits, and non-wage income are included in the well-being function based on the market goods and services that such income and benefits can provide for the individual's welfare. Additionally, household production of goods and services is included. Here I am assuming a positive slope of well-being and the indicated variables  $\frac{dW}{dwinc} > 0$ ,

$\frac{dW}{dben} > 0$ ,  $\frac{dW}{dnonwinc} > 0$ ,  $\frac{dW}{dhh} > 0$ ; and diminishing marginal utility that as **winc**, **ben**,

**nonwinc**, and **hh** expand, each additional has a progressively smaller incremental effect on well-being  $\frac{d^2W}{dwinc^2} < 0$ ,  $\frac{d^2W}{dben^2} < 0$ ,  $\frac{d^2W}{dnonwinc^2} < 0$ ,  $\frac{d^2W}{dhh^2} < 0$ . Lastly, the type of work schedule that the individual has can be represented in estimation of the well-being function using dummy variables. Here, regular hours is presented by **schedu**=0. When **schedu**=1, an individual has irregular hours. I assume that  $\beta_5 < 0$ .

A wage gap between men and women exists both in rural and urban settings, indicating gender inequality in well-being. However, as rural-urban migration takes place, and the *Hukou* System forces migrants into the informal sector, it seems that this gender inequality increases as women and men adopt different work time schedules (see appendix 2: gender inequality graph for reference). As previously mentioned, while women and men in rural areas are permitted to hold formal sector jobs in their rural areas of residence, once they migrate to the urban areas, they often engage in informal sector jobs. Within this informal sector, there exists a great degree of occupational segregation in which women are found in many service jobs and home-based manufacturing activities. Such jobs may be more likely to involve a nonstandard work schedule than those held by migrant men in the informal sector.

Wilhelm (1994) captures an anecdote of a typical migrant woman's daily work schedule who participated in an informal textile factory:

“Chen's workday begins at 7:30 a.m., when she and 3,000 other young women lower their heads over sewing machines in an underground factory to stitch clothes for export.

She works four hours, breaks for 90 minutes, works four more hours, breaks for dinner, then works another four. When the factory's sales are brisk, she closes her day with a final three-hour shift that ends at 1:30 a.m., for a total workday of 15 hours. Chen gets two days off a month, and says she is usually too tired to do anything but lie on her bunk in the dormitory room which she shares with 13 other women from villages near her own—women who, like her, are glad just to have a job.”

One can conclude, then, that women migrants working in the informal sector are likely to be working nonstandard hours.

Migrant men, on the other hand, usually work in a regular set of hours, as their informal sector jobs include construction, manufacturing, mining and stone cutting, work as loaders and porters, agricultural work, bricklaying, and carpentry (Huang, 2001). These jobs are less likely to occur at nonstandard times, and are more likely to occur during daylight hours and during the standard work week.

In looking at the well-being function, then, it appears that there is also some gender inequality when it comes to the effects of work schedules on welfare. Specifically, migrant women incur more adverse work schedules than men, lowering their well-being. As the workers migrate from the countryside to the urban areas, the *Hukou* rules force them to enter the informal sector, where women's lower wages are maintained. Occupational segregation and gender discrimination result in women obtaining informal sector jobs that involve nonstandard work hours. Thus, not only does a gender wage gap persist, but the *Hukou* System creates further gender inequality through differences in the types of work schedules adopted by migrating women and men, with women adopting the less desirable time schedules.

## **IX: AN ALTERNATIVE TO MIGRATION**

The process for gender equalization falls short due to shifting government policies, the *Hukou* System, human capital constraints, and a persistent patriarchal culture. As the market develops, the power of the state both as employer and advocate of women's rights erodes. This erosion of state protection leads to labor market discrimination against female rural workers in hiring and layoffs, job

placement, and wage determination in both state and nonstate sectors, lowering the economic status of women relative to men. Rising factory despotism in the private sector and informal work activities worsen the working conditions for rural women, who are kept in demanding activities with long irregular hours. Hence, rural-urban migration decisions reinforce existing patterns of discrimination.

With lower wages, migrant rural women's labor market prospects are more likely to be hurt by a move than are those of their husbands. This induces them to invest less in training, which in turn makes them more susceptible to earnings losses and disparaging welfare when the family moves to cities. I propose three policies to alleviate these problems. The first option focuses on the growth of market economies to create off-farm employment opportunities for rural women, narrowing the gender gap in household income contribution while enhancing women's status relative to men's. The second option is the removal of the *Hukou* System to restore rural-urban labor mobility, while the third option concentrates on state policies that would address the discriminatory behaviors. Option one is the most viable as it makes a modest yet effective change in creating work opportunities for migrating rural women. For the second and third option, however, the traditional gender division of labor and evolving political and economic institutions conceivably create uncertainties and unpredictable patterns for many women. Because of these factors, option one appears the best.

### **Non-agriculture Employment and Activities**

The future prosperity of rural people, especially women, does not rest on agriculture, but non-agriculture jobs specifically created for female workers, who can now engage in the informal sector. The transfer of agricultural laborers to TVEs and non-agriculture markets must occur, if the large differentials between urban and rural per capita consumption and income are to be reduced significantly. In recent years, the heavy subsidization of state-owned enterprises has permitted many employers to pay increasingly higher real wages while making losses or very low returns on capital (Lee Ming-Kwan, 2000). Thus, regardless of where the new non-agriculture jobs are located, it is essential that rural

education at the primary and secondary levels be brought up to the urban standard in its availability and quality. The educational system must be transformed to provide the same opportunities, at the same cost, to rural students (both men and women). If earnings are to be equalized, differences in schooling must be eliminated. In other words, rural people should be given the same access to the creation of human capital as urban people, hence giving the same job opportunities to rural women.

Several reasons exist for doubting whether the future development of TVEs or rural non-agriculture enterprises can depend on enterprises located in the villages (Lee Ming-Kwan, 2000). The first one is the small size of the enterprises (the average number of employees in all TVEs in 1998 was six workers); and the second is the market share size (Lee Ming-Kwan, 2000). Due to their small sizes, which prevent any type of specialization of workers and their skills, they are unable to achieve economies of scale and productivity improvement. In the cities, however, productive specialization occurs because firms have ready access to a wide range of services and products without experiencing any loss of productivity.

On the other hand, the TVEs located in villages exhibit other advantages. They may not prevail now or in the future, yet these advantages cannot be denied. First, non-agriculture jobs can take advantage of the low wage rate in rural areas, which are low even after considering differences in human capital between urban and rural workers due to the restraints on migration (Parrish, Zhe, & Li, 1995). Second, the formal industrial structure that consists primarily of state-owned enterprises is now efficient and no longer monopolized. Virtually every industrial sector has excess capacity, and prices in most sectors are set at the equilibrium price (Lee Ming-Kwan, 2000). Third, the majority of the TVEs are efficient and low-cost producers.

The alternative to the transfer of population from the villages to cities and towns would be for rural female workers to remain in the villages to work or commute to their jobs. If this is viable, the result will not only narrow income differentials, but also improve their quality of life and welfare. For



this to occur, villages must be made more attractive to live in and work. Finally, villages will require up-to-date infrastructures, such as all-weather roads, amenities, tap water, inside toilets, reliable and affordable electricity, etc., thereby lessening the burden placed on rural households (Lee Ming-Kwan, 2000).

The creation of new non-agriculture jobs requires an adjustment of the rural labor force. The combined effect of rural-urban migration and the *hukou* policy speeds up the development of an informal sector and worsens gender inequality. In order to gradually reduce the existing urban-rural income disparities, major political and economic reforms are necessary with millions of non-agriculture jobs providing new opportunities (See 2 for a visual relationship configuration). Moreover, a shift in urban development to rural industrialization and policies to decrease occupational segregation must also be incorporated into the national agenda.

## **X: CONCLUSION**

The Chinese informal sector serves as a buffer between the formal sector and unemployment, creating a zone of opportunities for those unable to acquire a formal market position (See appendix 1 for a visual relationship configuration). With the continuation of the increase in the labor force by the rural migrants and the imposition of the *Hukou* System, the informal sector will persist. These labor market distortions affect China's regional economic growth and cause disparities. This means that the proportion of women crowded in low-income jobs will also increase, and social and gender norms will eventually associate migrant women with the informal sector. This promulgation of female subjugation to and income-dependence on men affects their welfare. Furthermore, gender occupational segregation in the informal sector results in unequal treatment in occupational assignment, also negatively effecting to the rural female migrants' welfare.

The creation of non-agriculture jobs in the nearby rural communities opens up employment opportunities and channels new entrants to the labor force away from the informal sector. Township and

village enterprises located in villages can create many of the new jobs. By encouraging the development of industrial enterprises and needed infrastructures in small cities and towns, they will permit many of the rural female workers to continue living in villages and commute to their jobs. This can greatly reduce the investment needed to accommodate the transfer of workers out of agriculture, if that transfer were to occur through migration from rural areas to cities. Hence, rural female migrants might experience fewer problems when they disregard the *hukou* residency and occupational segregation in informal sector work.

Removing institutionalized obstacles, such as the *Hukou* System and the persistent patriarchal ideology, will increase growth in lagging rural regions and help narrow the inequalities between rural and urban sectors and between men and women. In particular, this is crucial for rural-urban labor mobility. While the informal sector is viewed as a lesser alternative to the formal sector, the fact that informal sector activities contribute significantly to national production should not be ignored. Most individuals interact with some aspects of the informal sector on a daily basis. The greater problem here is the ignorance of the female contribution to the informal sector and the deterioration of their welfare due to a ‘nonstandard work schedule.’

In recent decades, economists have become increasingly interested in the often neglected informal sector, also referred to as the “invisible economy.” This oversight of the invisible economy by neoclassical economists has significant implications on the struggle for gender equality. Underestimating female contributions to a country’s economic resources perpetuates and maintains long-standing gender norms and social stereotypes that limit social perception of the value of women, as well as skewing the perception of the country’s economic resources.

Statements of national GDP for countries fail to recognize the contributions of the informal sector. Considering the high proportion of informal sector participants in developing states, including the informal sector, could significantly increase the economic standing of Third World countries. Even in developed nations, incorporating informal sector contributions in GDP can result in significant gains.

Since most informal sector participants are women, recognizing informal sector resources enables them to have more bargaining power. The recognition of female wages is the first step for women towards unionization, leading to increased wages and gender equality.

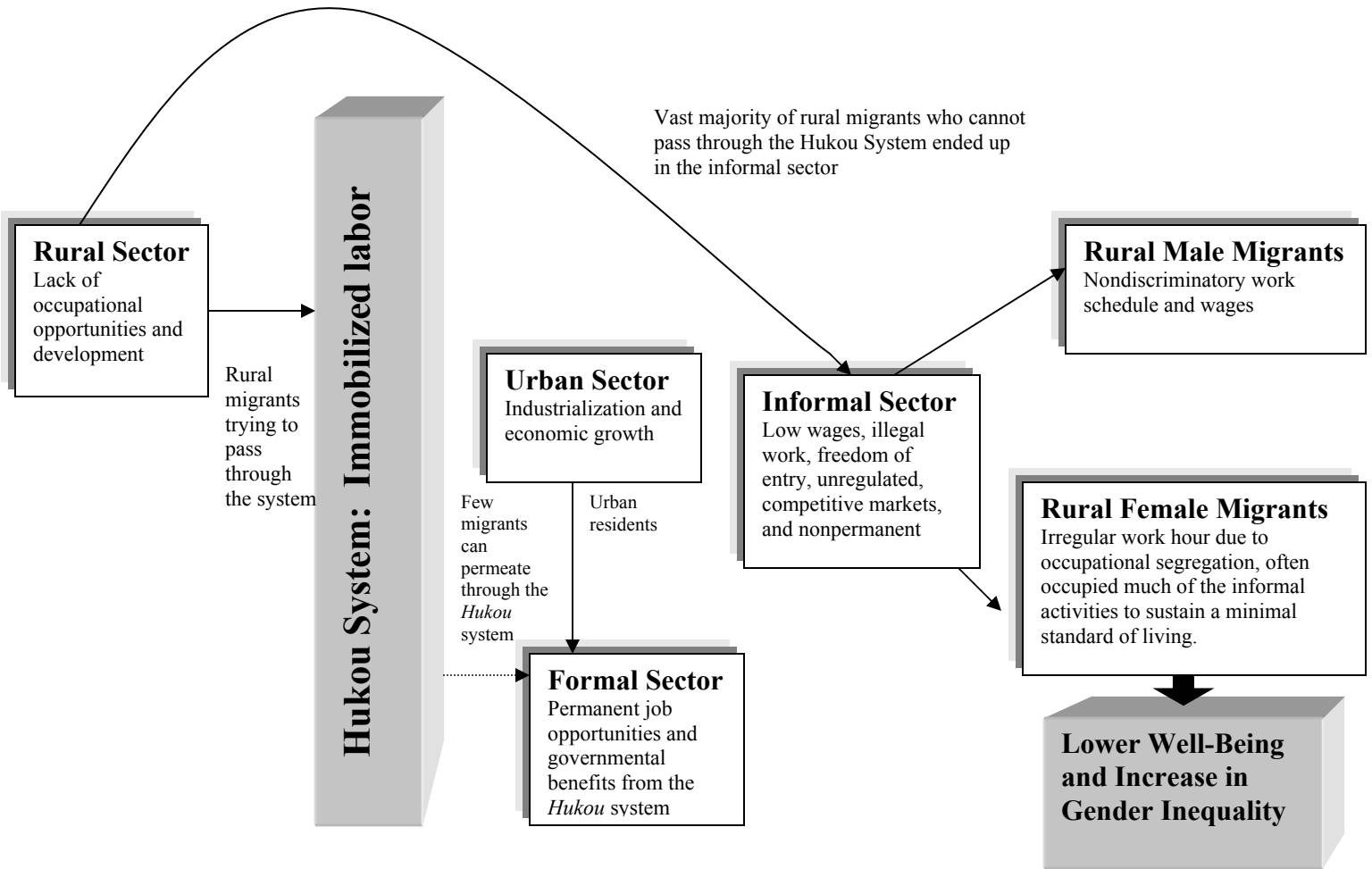
Discriminated against in most countries, women face challenges in the informal sector, as their work remains unrecognized and unappreciated—similar to their unpaid household production. There is immense labor input with high intensity and little reward. Analyzing the harmful effects of *hukou* and similar programs on informal sector participation rates of women will counteract the enforcement and propagation of gender inequalities. Serious scholarly work that assesses the impact of reforms on gender inequality must carefully identify a realm of research, utilize a well-defined set of indicators and measures, and rely on comparable and systematic data. Future adjustment policies should be structured to avoid sudden, large increases in informal sector work, thereby reducing the burden on women worldwide.

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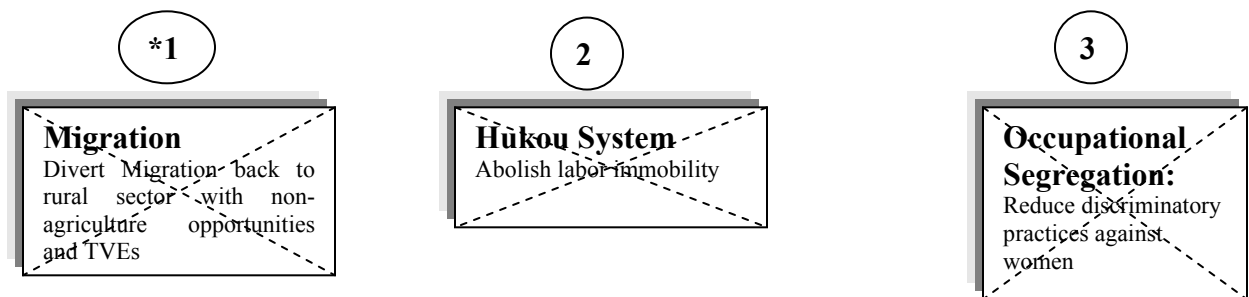
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### Appendix 1: The Relationship Flow Chart

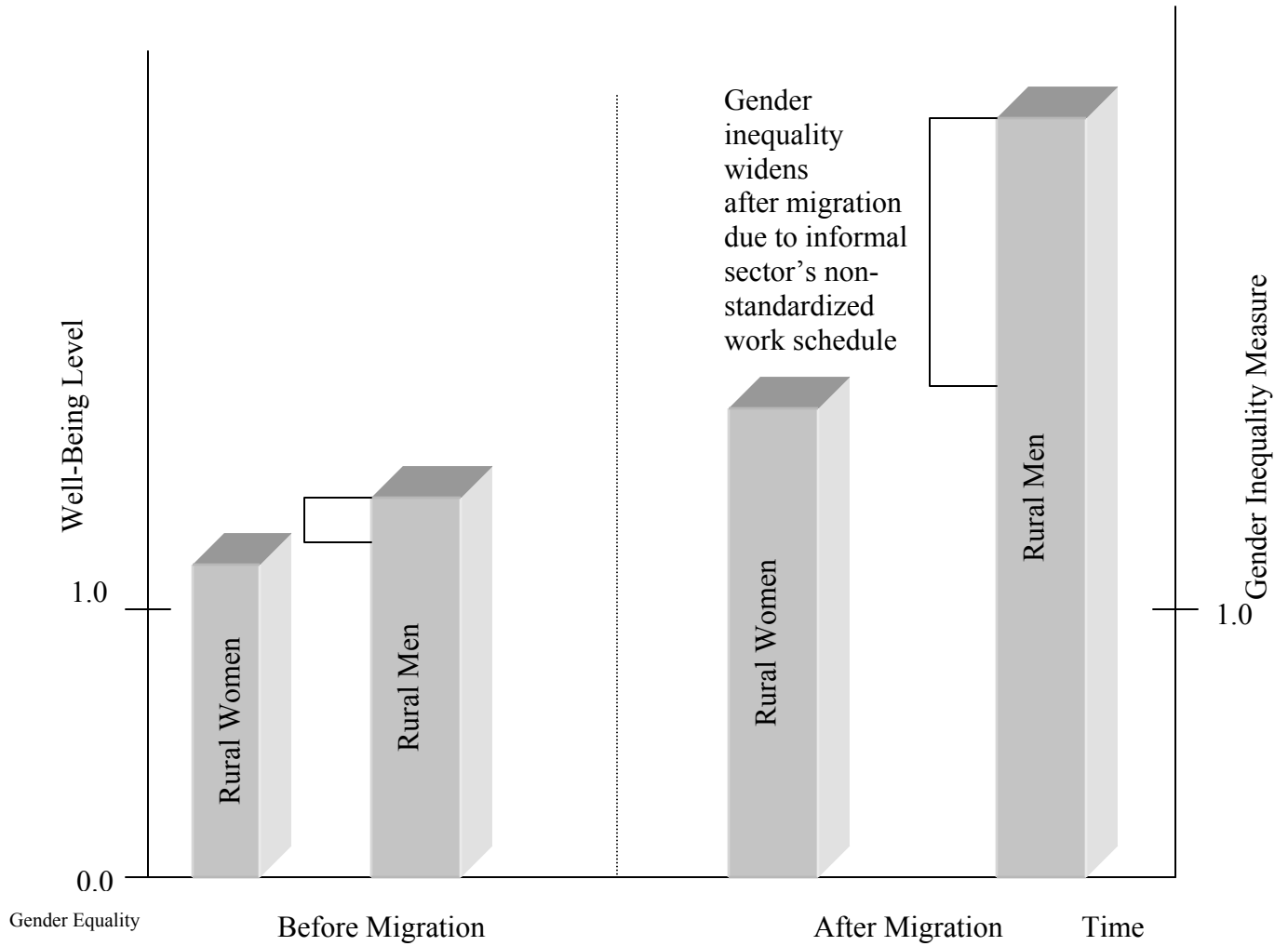


### 3 Policies Suggested to Improve Rural Women’s Well-being and to Narrow Gender Inequality:

with option one as the most optimal strategy



## Appendix 2: Predicted Gender Inequality Measurement



It is suggested that the Hukou System creates further gender inequality through differences in the types of work schedules adopted by migrating women and men, with women adopting the less desirable time schedules.

Key



Differences between men and women's well-being