

Chapter 8

Informal Employment at an Older Age in China: Why Your First Job Matters



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Abstract Using the data of individuals approaching retirement age from the China Health and Retirement Longitudinal Study (CHARLS), this chapter explores factors associated with informal employment at older age in China. We found that males, individuals with more education, or those with urban residency have a lower chance of being in informal employment at an older age. We further examined career path dependency by investigating the link between a worker's first job and the status of their employment at a later stage in life. Our findings show that older workers whose first job was in the state sector were the least likely to work informally at an older age. In contrast, individuals who were self-employed in their first job had 22.69% higher chance ending their working life with informal employment at older age than those who started in state sector. Results indicate that employment opportunities among older workers are segmented by, and depend on, institutional arrangements. The difficulties in breaking up the structural barriers in employment suggest that disadvantages at an early stage of life are likely to be exacerbated at an older age, which further enlarges the inequalities among older people. This raises serious challenges for policy makers as how to ensure those who have been in precarious employment have access to basic social security after they retire.

Keywords Informal employment · Older workers · Ageing population · China

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8.1 Introduction

Informal employment, also known as non-standard, atypical, flexible, alternative, irregular, and precarious employment, is defined as workers who lack formal labour contracts, receive few or no social insurance benefits, and are often not protected by labour laws (International Labour Organization (ILO) 2020). Older workers with informal employment are especially vulnerable as lacking access to social protection means work is their only option to survive. (OECD and ILO 2019). A key feature of the rapid economic development of China is the deregulation of the labour market and the dramatic growth of informal employment (Cooke 2011; Wang et al. 2016). While the precise number is difficult to obtain, previous studies estimated that informal employment accounts for around 45% of urban employment (Zhang et al. 2015), and over 60% of the total workforce in China (Zhou 2012). While the informal economy contributes substantially to China's employment and economic growth and has arguably lifted many out of poverty through providing employment opportunities for those who were unable to enter the formal sector (Cai and Wang 2004; Hu and Zhao 2006), the lack of protection of those with informal employment has long been an issue. Workers who are employed informally do not receive the basic social security mandated by the government, and some even do not get paid for their work. Many of those who entered the labour market through informal employment in the early 1980s have reached, or are approaching, their retirement age and may face the reality of losing their main source of income.

Despite growing literature on informal employment in China (see for example, Meng 2000; Park and Cai 2011; Huang 2009; Cooke 2011; Kuruvilla et al. 2011; Park et al. 2012; Chen and Hamori 2013; Liang et al. 2016; Wang et al. 2016, 2021), limited attention has been paid to older workers. This is in sharp contrast to rich literature in developed countries regarding late career instability and inequality (e.g. Blossfeld et al. 2006; Gesthuizen and Wolbers 2011; Hofäcker 2010; Blossfeld et al. 2011; Grenier et al. 2020). With the exception of Giles (2009), older informal workers have been a topic largely untouched by the current literature in China. This paucity of literature is unjustifiable given that China is currently experiencing a radical demographic shift: the population is ageing and the labour force is contracting. Such a shift calls for a better understanding of older workers, particularly older workers without access to social protection through their employment. This chapter attempts to fill this gap by focusing exclusively on older workers aged 45 and 60 (before the official mandatory retirement age) in urban China.

Our work contributes to the current literature on informal employment through the following channels. First, this study draws on a status maintenance model, and combines a labour market segmentation perspective and a life course perspective to hypothesise on cumulative advantages/disadvantages at a later life stage. Second, we generate empirical evidence through our analysis of the 2018 national baseline survey data of the China Health and Retirement Longitudinal Study (CHARLS). Our findings contribute to the social stratification literature by revealing the role of

institutional and structural factors on the probability of older workers engaging in informal employment in urban China (socioeconomic status attainment and maintenance). Third, it contributes to discussions of age and the labour market, and life course and social inequality, by examining the links between segmented labour markets and the heterogeneity among older workers in the context of rapid demographic change and population ageing in China. Finally, findings in this study can help to formulate evidence-based social policy aiming to reduce social inequalities in the older population, which is likely to become more important due to China's rapidly ageing population. This chapter is structured as follows: Section Two provides the theoretical framework and hypothesis development. The third section outlines the data and methodology. The fourth section presents the empirical results, and the chapter concludes with discussions, policy implications and research limitations.

8.2 Background and Hypothesis Development

8.2.1 Background

China's economic reform in 1978 has fundamentally transformed both rural and urban labour markets. The rapid expansion of the private sector and the concomitant decline of the state sector since the late 1990s substantially altered the nature of the Chinese labour market, which has resulted a surge of informal employment in urban China. Such a change may have a profound impact on older workers' life chances.

Taking advantage of China's rapid economic growth in the last four decades, the private sector has expanded rapidly with the marketisation reform, and its dominance was underscored with the privatisation of numerous state-owned enterprises (SOEs) in the 1990s. Along with the rapid expansion of the private sector came the exponential growth of informal employment. One of the main consequences of the state sector reform was the privatisation or closure of SOEs, and the subsequent loss of formal jobs with guaranteed lifetime social protection, or so-called "iron rice bowl". Older workers were hit hard in this reform which led to a decline in the employment of urban older workers (Meng 2012). Some urban older workers withdrew completely from the labour force due to the "discouraged worker effect" (Meng 2012; Giles et al. 2006), and others re-entered the labour market through informal employment. The major source of informal workers is migrant workers from rural areas. Initially, they were barred from moving to the urban area due to the restrictions of the household registration (*hukou*) system. Market reform has created opportunities for them to work in the city, but usually in an informal capacity. It will be interesting to find out whether those who took informal employment when they entered the job market will be able to improve their status later in their life stage.

8.2.2 *Labour Market Segmentation and the Dual Labour Market*

Labour market segmentation theory originated primarily from the labour economics field in the United States in the 1960s. It focuses mainly on the internal labour market within an organisation. Doeringer (1967) conceptualised it as “an administrative unit within which the market functions of pricing, allocating, and often training are performed. It is governed by a set of institutional rules, which delineate the boundaries of the internal market and determine its internal structure” (p. 207). Conceptually, there are relatively clear and stable career ladders in the internal labour market: employees are expected to be promoted to jobs with higher pay and a higher status once certain criteria are met, career progression is not influenced by the determinants of the external labour market, salaries and individual promotion depend on seniority, especially firm-specific experience (Piore 1978).

Doeringer and Piore (1971) later extended labour market segmentation theory and developed the dual labour market theory, with an additional distinction between primary and secondary labour market segmentation which showed that “a primary labour market offers relatively higher-paying, stable employment, with good working conditions, chances of advancement and equitable administration of work rules; and a secondary labour market is less attractive in all of these respects” (Piore 1969, p. 102). In contrast to the primary labour market, the secondary labour market has two types of employment: unskilled jobs and temporary work in the informal labour market is part of the first type, which has no links between employment and internal labour markets (Doeringer and Piore 1971). The other includes jobs on the “fringe” areas of large companies which have employment relationships with the internal labour market, but one’s entrance and exit are not attached to the work rules of the internal labour market, and career advancement chances are very limited, with low salary levels (Blossfeld and Mayer 1988).

The concepts of a dual labour markets (or sectors) have now gone beyond the boundary of an internal market. As Marshall (1998) explains, the primary labour market is “commonly understood to mean people with secure jobs and good conditions of work in public-sector employment, the large corporations, and highly unionised industries; while the secondary labour-market is understood to cover small employers, non-unionised sectors of the economy, and highly fragmented and competitive industries such as retailing, where jobs are less secure and conditions of work and pay generally poorest” (p. 1).

While the segmentation theories discussed above originated from observation on western labour markets, especially the United States (Deakin 2013), the insight that a country’s labour market institutions may account for the segmented labour market is applicable to other nations. China’s labour markets are comparatively newly developed, evolving over the past forty years, from a nascent labour market to a mature one (Warner 2011). Unlike in developed economies, the segmentation of the Chinese labour market mainly results from state institutions (institutional arrangements). That is, institutional segmentation is the main characteristic that dictates

segmentation in the Chinese labour market (Li and Wan 2014). Additionally, segmentation in the Chinese labour market is more complicated, and comes in a variety of forms, and the two most influential institutions for the labour market are the household registration system and the ownership of organisations.

Household registration, or *hukou* in Chinese, was set up in the early 1950s to limit the mobility of residents and allocate resources under the planned economy. Institutional segmentation associated with the *hukou* system in China has played a pervasive and persisting role in determining social stratification in contemporary China (Xie et al. 2009). It created the urban-rural segmentation which divides the overall Chinese labour market into two separate markets with the urban labour market being primary and more prestige, and the rural labour market being the secondary labour market (Li and Wan 2014). *Hukou* creates a significant barrier for mobility, making it difficult for rural residents to enter the urban labour market.

Additionally, segmentation through ownership has existed between the state sector (represented by the public sector and SOEs) and the market sector (represented by private enterprises). Accordingly, Song (2013) posited a three-sector segmented labour market model (SOE, private and agriculture). Notably, such institutional segmentation has long been associated with the *hukou* system in China, which has played a pervasive and persistent role in determining social stratification in contemporary China, particularly in urban China (Xie et al. 2009).

Prior to the 1980s, under a state socialist command economy, the Chinese economy operated under a system of public ownership. The public, or the formal, sector predominated, while the private or informal, sector was virtual non-existent in China. Economic activities were heavily controlled by the State. All rural workers were organised into people's communes, and most urban workers held a formal and lifelong job with the same employer in the formal sector, such as in state-owned organisations. Dual labour market segmentation was reinforced by the *hukou* system, limiting mobility between rural and urban areas and safeguarding the rural-urban divide. Subsequently, employees in the urban labour market have enjoyed significantly higher salaries and welfare benefits (Zhou et al. 1997). Economic reform since the late 1970s saw the private sector come out of the shadows and gradually overtake the state sector to become the main source of employment (Lardy 2014).

Song (2013) proposed a three-sector segmented labour market model (State, private and agricultural), with formal employment mainly in the first sector. Since formal employment remains attractive due to the benefits and protection associated with it, urban *hukou* residents are given priority. *Hukou* is usually used as a screening mechanism to bar rural job seekers. Since the majority of formal jobs are located in urban areas, rural *hukou* creates a significant barrier to formal employment. Therefore, we have,

Hypothesis 1: Older workers with a rural hukou are more likely to work informally in later life than their counterparts with an urban hukou.

Human capital, however, can pave the way to break into the segmentation of the labour market. According to human capital theory (Becker 1964), education level is

an important determinant of a person's employability and earning power. Lower education attainment has often been cited as one of the disadvantages in the labour market, and OCED and ILO (2019) found that the average proportion of workers with tertiary education stood at 7% in 2016 in the general labour market, compared with 34% in the formal economy. Further, they reported that education levels among informal workers varies significantly worldwide, with the proportion being as high as 26% in the Americas and as low as 5% in Asia. Considering the lack of universal social security coverage in China, the benefits attached to formal employment are substantial and attractive. Individuals with more human capital will attempt to move to formal employment and will have higher chance of doing so. Therefore, we have the following hypothesis:

Hypothesis 2: Older workers with higher levels of education are less likely to be informally employed.

8.2.3 “Cumulative Dis/advantage” Theory

“Cumulative dis/advantage” theory explains how influences of early disadvantages and advantages cumulate over the life course (Crystal et al. 1992; Elder 1995). Workers will naturally have different working experience when they work in the primary or secondary labour market. Individuals working in the secondary market are more likely to possess fewer skills and be less educated, and thus have less opportunity for improvement. Consequently, there is a high probability of quitting, lateness and absenteeism. Some are confined in the secondary market (Mayer and Carroll 1987), which could lead to more cumulative disadvantages of already disadvantaged groups during the life course (Blossfeld and Mayer 1988). It is possible that older workers with disadvantages in their previous working history could be limited in their later employment and economic well-being. As Elder (1995) found, with cumulative advantage (or disadvantage), earlier life experience will subsequently lead to advantageous or vulnerable outcomes.

In China, the state sector remains attractive, with job security and generous employee benefits. Workers initially from the state-owned sector may have “comparative advantages of trained capacity, structural location, and available resources make for successive increments of advantage” (Merton 1988, p. 606). Workers from other sector, especially those who started as self-employed or in the agricultural sector, are outsiders to the formal employment system. Additionally, such a system could easily lead outsiders, such as agricultural workers, to be “entrapped in low-skill and low-pay jobs characterised by chronic employment insecurity and instability” (Zhou 2012). This concurs with the views of Henretta and Campbell (1976), and Hardy (1991) that job-related characteristics at younger ages may continue to determine relative heterogeneity in work patterns and economic outcomes at older ages. Based on the previous discussion, we propose the following hypothesis:

Hypothesis 3: Older workers are more likely to be informally employed if their first job is in non-state sector.

8.3 Methodology

8.3.1 Data Source and Sample

This study used CHARLS data – a biennial survey carried out by the China Centre for Economic Research at Peking University, China. CHARLS aims to collect a nationally representative sample of the residents of China aged 45 and older, with no upper age limit. The survey currently has four waves. The baseline national wave of CHARLS was fielded in 2011 and contains data on about 10,000 households and 17,500 individuals in 150 counties/districts and 450 villages/residents' committees. The second, third, and fourth waves of CHARLS were launched in 2013, 2015, and 2018. This survey covers a wide range of topics for multidisciplinary analyses. The current study uses data from the fourth wave, with some social demographic variables such as gender, age, education and marital status derived from the baseline survey. Since the formal retirement age in China is 60 for males and 55 for females, we selected male participants aged from 45 to 60 ($n = 4210$) and female participants aged from 45 to 55 ($n = 3430$). Only 796 participants reported their current job types in 2018, so the final sample featured 544 male and 252 female participants who have complete information.

8.3.2 Variables

Dependent Variable

Informal employment. This study follows criteria by Park et al. (2012)¹. We use two criteria to capture employment informality: formal labour contract and social security benefits. The CHARLS survey has a question asking the respondent whether he/she has signed a formal labour contract with their employers. Respondents were also asked whether they received social security benefits (e.g. pensions and health care insurance) from their employers. If a respondent answered “no” to both of the questions above, they fell into the category of informal employment. In other words, respondents who were employed without signing a formal job contract and without being paid social security benefits were considered to be informally employed. The self-employed were also treated as informal workers.

¹No formal labour contract and no social security benefits.

Independent Variable

Work organisation type of first job. Participants were asked about the type of the organisation they worked for in their first job. There were six types listed. Government or institutions (*shi ye danwei*, such as schools, universities and hospitals) were coded as “state sector”. NGOs or companies were categorised as “non-state sector”. Participants who worked in individual firms or households, including domestic helpers, were categorised as “self-employed & house worker”.

Control Variables

We also included several control variables that might be associated with the probability of being informal workers in later life. Sociodemographic variables included gender (1 = male, 0 = female), age in years, age squared, and education level, which we classified into three levels: those who are illiterate or have only completed primary school or lower were treated as no or little education (1), those who have completed junior and senior high school were coded as 2 and the rest was coded as high education (3), which included vocational school, college/associate degree and above. *Hukou* (household registration) was measured as a dummy variable with 1 for urban *hukou*, 0 for rural *hukou*). Marital status was coded as a dummy variable (1 = married or cohabitant, 0 = being single/ divorce/separated). First job starting year (1 = after 1986, 0 = before 1986), having schooling children (1 = Yes, 0 = No) were also included. Health was measured by the respondent’s self-reported health status in 2018. Participants had five response options: very good, good, fair, poor, and very poor. We coded it as a dummy variable (1 = good health, if very good, good or fair was reported; 0 = poor health if poor or very poor was reported).

8.4 Results

Descriptive analysis and logistic regression model were conducted using Stata 15. T-tests and chi-squared tests were conducted to compare the differences between informal workers and formal workers. Multivariable logistic regression was employed to explore the relationship between work organisation type of first job and the probability of being informal workers in later life.

8.4.1 Descriptive Analysis

Table 8.1 presents characteristics of older formal and informal workers in the urban labour market in 2018. There were 653 (82.04%) participants doing informal work and 143 (17.96%) doing formal work in the sample. The work organisation types of first job were significantly different from informal and formal workers ($\chi^2 = 64.03$, $p < 0.001$). A majority of the participants were male (N = 544, 68.34%), aged at 54.52 (SD = 2.88), with low (N = 246, 33.17%) or middle (N = 275, 34.55%)

Table 8.1 Descriptive statistics

	Total (N = 796)	Informal work (N = 653; 82.04%)		Formal work (N = 143; 17.96%)		χ^2 or <i>t</i>	<i>p</i>
	M (SD)/%	N	M (SD)/%	N	M (SD)/%		
Type of first job						$\chi^2 = 64.03$	<0.001
State-sector	124 (15.58%)	69	10.57%	55	38.46%		
Non-state sector	133 (16.71%)	95	14.55%	38	26.57%		
Self-employed	71 (2.95%)	68	10.41%	3	2.10%		
Agricultural	432 (54.27%)	393	60.18%	39	27.27%		
other	36 (86.14%)	28	4.29%	8	5.59%		
Gender						$\chi^2 = 9.19$	0.002
Male	544 (68.34%)	431	66.00%	113	79.02%		
Female	252 (31.66%)	222	34.00%	30	20.98%		
Age	54.52 (2.88)	653	54.51 (2.90)	143	54.55 (2.80)	<i>t</i> = 0.14	0.890
Education						$\chi^2 = 80.24$	<0.001
Low education	264 (33.17%)	246	37.67%	18	12.59%		
Middle education	275 (34.55%)	230	35.22%	45	31.47%		
Senior middle education	168 (21.11%)	131	20.06%	37	25.87%		
High education	89 (11.18%)	46	7.04%	43	30.07%		
Hukou						$\chi^2 = 72.50$	<0.001
Urban	283 (35.87%)	188	29.06%	95	66.90%		
Rural	506 (65.04%)	459	70.94%	47	33.10%		
Marital status						$\chi^2 = 6.83$	0.009
Married	747 (93.84%)	606	92.80%	141	98.60%		
Unmarried	49 (5.65%)	47	7.20%	2	1.40%		
First job starting year						$\chi^2 = 3.48$	0.062
Before 1986	633 (83.51%)	530	84.66%	103	78.03%		
After 1986	125 (16.49%)	96	15.34%	29	21.97%		

(continued)

Table 8.1 (continued)

	Total (N = 796)	Informal work (N = 653; 82.04%)		Formal work (N = 143; 17.96%)		χ^2 or <i>t</i>	<i>p</i>
	M (SD)/%	N	M (SD)/%	N	M (SD)/%		
Have schooling children						$\chi^2 = 2.34$	0.126
Yes	50 (6.28%)	37	5.67%	13	9.09%		
No	746 (93.72%)	616	94.33%	130	90.91%		
Good health						$\chi^2 = 7.63$	0.006
Yes	649 (87.58%)	523	86.02%	126	94.74%		
No	92 (12.42%)	85	13.98%	7	5.26%		

Source: Authors' calculation based on data from CHARLS

education, having a rural *hukou* (N = 506, 65.04%), and married (N = 747, 93.84%). Only a few participants retired early (N = 3, 0.38%). Most of the participants started working before 1986 (N=633, 83.51%), did not have children in school (N = 746, 93.72%), and reported good health (N = 649, 87.58%).

8.4.2 Logistic Regression Model

Table 8.2 shows ORs with 95% confidence intervals (CIs) from logistic regressions. The participants who worked as self-employed (OR = 22.69, $p < 0.001$), and in agriculture (OR = 2.99, $p < 0.001$) as their first jobs were more likely to be informal workers in later life than those who worked in state-sector as their first jobs. Male participants were less likely to be informal workers in later life than female (OR = 0.38, $p < 0.001$). Participants with middle education (OR = 0.38, $p = 0.01$) or high education (OR = 0.30, $p = 0.01$) were less likely to be informal workers in later life than those with low education. Participants with an urban *hukou* were less likely to be informal workers in later life than those with a rural *hukou* (OR = 0.39, $p < 0.001$). Participants who reported good health were less likely to be informal workers in later life than those who reported poor health (OR = 0.33, $p = 0.03$).

8.5 Discussion and Conclusion

Along with China's rapid economic development over the past forty years, there has been a rise in informal employment. Informal employment has become the main type of employment since the late 1990s. Undeniably, informal employment plays a very important role in China's economic transition. It has facilitated the rapid expansion

Table 8.2 Determinants of being informal workers in later life in 2018 (N = 701)

	OR	p	95%CI
Type of first job (ref: State-sector)			
Non-state sector	1.51	0.21	0.80–2.85
Self-employed	22.69***	0.00	2.85–180.45
Agriculture	2.99***	0.00	1.43–6.22
Other	1.17	0.77	0.41–3.34
Male (ref: female)	0.38***	0.00	0.21–0.69
Age	0.52	0.55	0.06–4.54
Age ²	1.01	0.50	0.99–1.03
Education (ref: low education)			
Middle education	0.38***	0.01	0.19–0.76
Senior middle education	0.60	0.21	0.27–1.33
High education	0.31**	0.01	0.13–0.76
Urban Hukou (ref: rural Hukou)	0.39***	0.00	0.21–0.71
Marital (ref: unmarried)	0.29	0.11	0.06–1.30
Start year after 1986 (ref: before 1986)	1.10	0.80	0.54–2.26
Having schooling children	0.59	0.21	0.26–1.35
Good health (ref: poor health)	0.33**	0.03	0.12–0.90

Note. OR = odds ratio. Pseudo R² = 0.22

Data Source: CHARLS

of the private sector and has been a driving force for economic prosperity. The increase in the prevalence of nonstandard work arrangements, however, has also resulted in a shift towards more precarious work in China.

This chapter draws on labour market segmentation theory and the cumulative advantage/disadvantage theory and investigates how labour market segmentation influences older workers' employment opportunities in China's urban labour market. Our findings reveal that older workers originally from the state sector are the most likely to continue to be core formal workers in later life. In contrast, older workers originally from agricultural work face high risks of being entrapped into a peripheral workforce as precarious workers. Our analysis suggests that the segmented labour market is difficult to change and has created sustained disadvantage for those who did not manage to secure employment in their early years. Older workers whose first job was in the state sector were the least likely to work informally at an older age, which was followed by those who started their career in the non-state sector. Those who were self-employed or who worked in the agricultural sector when they were young were likely to end up in the same occupation in their later life. The precarious status is further reinforced by rural *hukou*, which attracts minimum social security and creates a significantly higher chance of workers being informally employed. The only way to break into the segmented labour market is education, which increases an individual's likelihood to engage in formal work at older age.

This study also indicates that a hierarchy of employment opportunities among older workers is an outcome of institutional arrangements beyond individual control.

These arrangements construct and maintain the structures and processes through which resources are allocated among social groups, where workers from the state sector are at the top, and agricultural workers are at the bottom. This supports the argument of Wang and Xie (2015) that structural factors in the economic sector shape individuals' life chances in China. Additionally, the results are consistent with the argument of the "cumulative advantage/disadvantage" theory that some influences of early advantages and disadvantages accumulate over the life course (e.g. Crystal et al. 1992; Elder 1995).

Further, this finding corroborates Nee's observations that human capital is important in the process of social stratification in contemporary China (Nee 1989, 1996). Last, the analysis of this study supports the results from Wang and Xie (2015) in that the post-1978 economic reform has not diminished the role of the state or old institutions. The state and old institutions continue to be powerful due to institutional inertia, and the dualistic labour market system that still exists in transitional China, and which segregates the state sector (internal labour market) from the non-state sector. Since the expansion of the non-state (private) sector, particularly the strong growth of the informal sector in the late 1990s, employment security has deteriorated. Since the expansion of the non-state (private) sector, particularly the strong growth of the informal sector in the late 1990s, employment security has deteriorated. Gallagher et al. (2011) postulated that the deterioration of employment security is due to the distinction between core formal workers and periphery informal workers.

On top of that, workers are distinguished into two groups by the *hukou* system: urban workers are treated as "insiders" with privileges and benefits, and rural workers as "outsiders" to the urban cities and are in the most disadvantaged position. Such institutional arrangements of segmentation reinforce the hierarchy of social status, along with China's institutional transition from a centrally planned economy to a market-based economy. With the state playing a lead role in control over the Chinese economy, and segmented labour market, state-enforced institutions and policies, could deepen the effect of the segmented labour market (Fan 2002; Wang and Xie 2015). For example, the introduction of the Labour Contract Law in 2008 was meant to provide more protection to the vulnerable workers, but lead to a much larger earning gap between workers with and without an employment contract (Schmillen 2022).

The rising inequalities between formal and informal employment pose an extra challenge for China, a country that is also facing rapid population ageing and a shrinking workforce. This is particularly evident among China's rural-urban migrant workers in the urban labour market, who are the backbone of the nation's manufacturing industry. As informal employment is associated with poverty and vulnerability, older workers who engage in this unregulated work are a concern for China from the perspective of both social justice and sustainable economic development. Limited protection of informal workers implies an exploitation of cheap labour under poor work conditions, which can damage individual well-being, motivation in the workplace and performance quality (Zhou 2012).

Against the backdrop of a rapidly ageing Chinese society and a declining labour force, inequalities and the inequitable treatment of certain groups of workers inevitably alienates these workers and causes them to drop out of the workforce earlier than they would otherwise. This will further lead to a decline in the productivity of the manufacturing and other industries in urban China and, subsequently hurt the national economy as a whole. The state needs to be aware of the consequences of institutional obstacles, particularly the “fragmented market” system with high advantages in the state sector and poor development in the private sector (Zhao 2012). Incorporating informal (older) workers into a more regulated labour market system would be one step. Providing them with fair terms of employment and an egalitarian working environment would be another (Zhou 2012), and providing support for skills-upgrading, particularly among older workers with low educational attainment, is another important step (Giles et al. 2012). Further, the *Hukou* system that results in the urban-rural divide and segregates urban from rural workers must be abolished, and a universal social safety net for all individuals regardless their residential location is also called for. Compliance on Labour Contract Law in the private sector needs to be enforced, and social insurance benefits such as pensions and medical insurance must be tied to employment, regardless of who the employer is. These actions will not only mitigate the negative effects of the ageing and declining workforce, but also facilitate the sound and sustainable economic development of China to promote a more inclusive society.

There are several limitations of this study. First, the data used in this study only contains older workers aged 45 and over in one year. Longitudinal data with individually complete employment histories will produce a more convincing story and reveal more nuances on how cumulative advantage/disadvantage has been built up over time, as inequality is a cumulative process over the life course rather than a static outcome (Jill 2001). Second, we only examined one variable related job mobility: first job. While China was a low-mobility labour market, job mobility has improved considerably in the last decade or so (Naughton 1997; Wang 2008, See also Xie et al. 2009). Longitudinal data will allow us to examine other determinants of job mobility (entry into formal and informal employment, unemployment and retirement) of workers later in their careers, as well as exploring the change of job mobility over time. Last, this study only investigated the determinants of informal employment without exploring the impact of informal employment on individual wellbeing. Further research can be carried out in these areas.

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