

Prospects and Difficulties of Informal Employment in China Under the Enormous Wave of World Urbanization

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Abstract

Worldwide urbanization is a phenomenon and trend of urban development worldwide. In the context of accelerated global urbanization, China's urbanization rate has risen from 19.39% in 1980 to 67% in 2024. Informal employment promotes urbanization and absorption. The labor force plays a key role, but it is faced with issues such as the protection of rights and interests. This paper aims to explore its prospects and dilemmas. Data statistics, model analysis, and case studies were used. The innovation point is related to sociopolitical issues from the perspective of social reproduction, combined with the analysis of informal urbanization and the crowding out effect. The discussion shows that through improving the law, optimizing policies, balancing macroscopic influences, and considering the flexibility and protection of rights and interests, informal employment needs to achieve benign interactions between the individual and society and the economy.

Keywords

informal employment, urbanization, employment prospects, labor security, crowding out effect

1. Introduction

1.1 Research Background

Global urbanization is a phenomenon in which cities develop around the world. The world is undergoing an urbanization process, and a new urban era has arrived. It is conceivable that the global urbanization level will reach 70% in the next 40 years. Sustainable urban development is among the most severe challenges facing human society in the 21st century. As an increasing number of people settle in cities, cities will face the greatest challenges worldwide. To address these challenges, the whole world needs concerted efforts and sincere cooperation (Baidu Baike, n.d.-a).

In developed countries, after more than 200 years of development since the 19th and 20th centuries, the urbanization rate in most countries has already reached 70% or above. The urbanization process is coming to an end, and the primary challenges they now face include suburbanization and the disorderly sprawl of cities. Unlike the urban problems in developed countries, the urbanization of developing countries mostly started after the end of World War II. Take China as an example, as the world's second-largest economy and the largest developing country, China's urbanization has gradually developed since the reform and opening up and at a relatively rapid speed. The urbanization rate has risen from 19.39% in 1980 to 67% in 2024. This is undoubtedly an important achievement of China's progress over the past 40 years. China's rapid urbanization has provided numerous jobs for more than 1.4 billion Chinese people and contributed to the stability of society.

It has made a significant contribution to increasing people's well-being and people's livelihood. However, many problems have also been revealed. As shown in (Figure 1) and (Figure 2).

Figure 1: Urbanization rates of major countries worldwide, 1950–2020

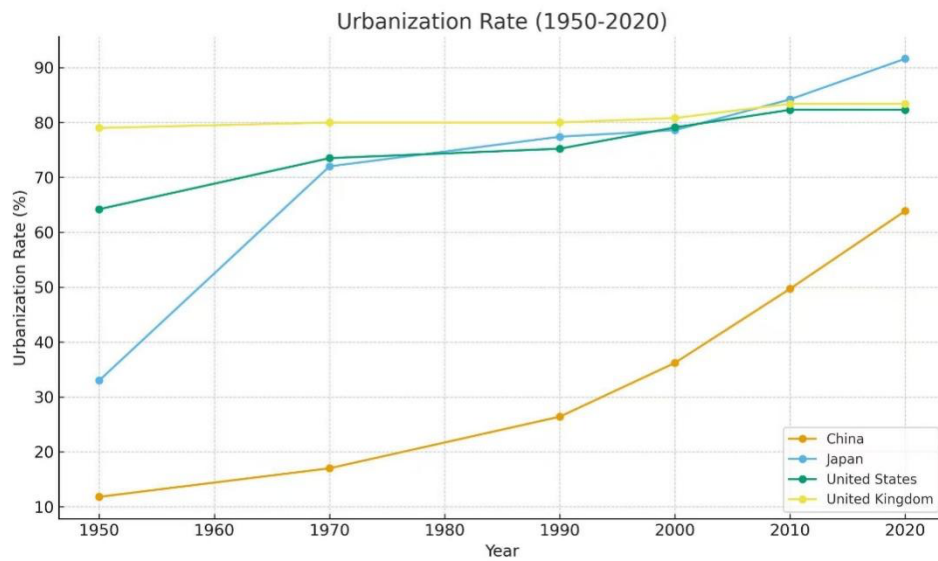
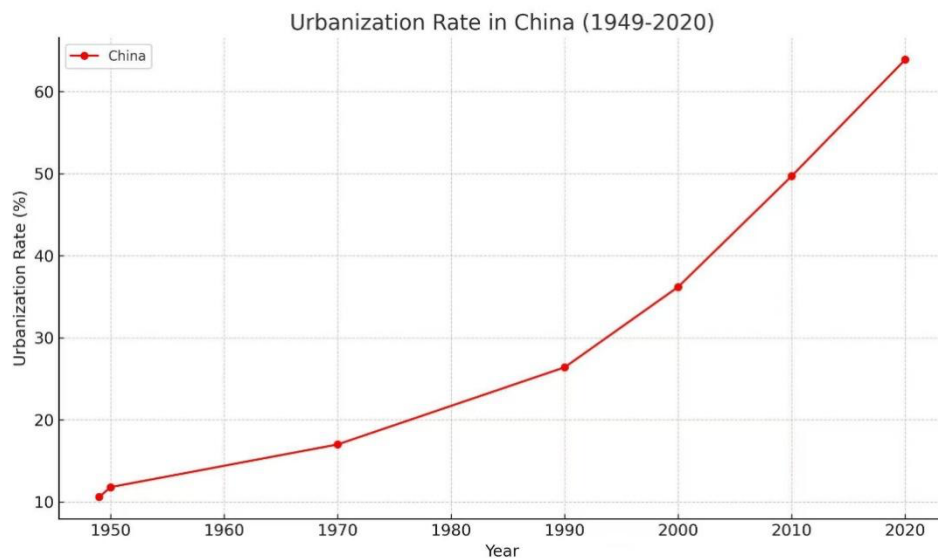


Figure 2: Line graph of the development of China's urbanization rate for 1949 to 2020



Informal employment is an indispensable part of employment in contemporary China. It refers to employment arrangements where workers engage in de facto labor relationships without formal written contracts with employers, characterized by loose labor ties, poor working conditions, and inadequate social security coverage (Baidu Baike, n.d.-b). Informal employment is an important driving force of urbanization, and it is linked with other driving factors. It is not a trade-off relationship with formal employment but a characteristic of the stage of economic operation and economic development. Owing to China's large population and abundant labor resources, informal employment has broad prospects. Informal employment has natural advantages, such as working time and place, relative freedom, high flexibility, and a strong balance between the two. The entry threshold is low, and most informal employees do not have high requirements for skills and academic qualifications. This provides a development direction for people who have difficulty finding employment or people in the occupational transition period. The occupational choices are diverse and cover many occupations. Workers can choose their job responsibilities based on personal interests. In this broader context, research into the gradually emerging and thriving informal economy can provide valuable insights for improving people's livelihoods and promoting standardized employment practices.

1.2 Research Significance

First, the study of informal employment is related to the vital interests of the individual and has a guiding role in the economy and society. Informal employment has challenged, in an almost rebellious way, the usual way of urbanization that seems to have been presupposed in traditional Western theories. In short, informal employment is not only an economic issue of “good jobs and bad jobs” but also closely linked to sociopolitical issues such as citizenship, privatization, and urban–rural relations and thus an issue in the field of social reproduction (Jiang & Liu, 2023). Informal employment is also closely linked to informal urbanization. Informal urbanization is a form of urbanization characterized by its relationship with the urbanization process, government, and existing institutions, constituting a component of China's complex and multifaceted overall urbanization landscape. Exploring the relationship between the two can simultaneously promote their mutual equilibrium, jointly contributing to economic and social development. From the perspective of regional economic accessibility and developmental inertia:

From a theoretical point of view, the research scope of relevant economic disciplines and social disciplines will expand, and the understanding of employment will deepen, thereby promoting the theoretical innovation of disciplines such as labor relations. The labor relations Marx identified fall within the category of social relations of production. They define the economic interests between owners of the means of production and workers during the production of material goods. These relations are determined by the nature and state of ownership of the means of production and, to a certain extent, influence the distribution of products (Peng, 2011). Informal employment undoubtedly belongs to this category.

From a practical point of view, informal employment has provided many jobs to society, especially since the postpandemic era, and its importance is self-evident. Taking college students as an example, whether they are working during the winter and summer vacations or looking for work after graduation from university, the vacuum period formed during this period is essentially informal in nature. Informal employment has long been misunderstood by some people. In this paper, we hope that through our research, the public will have a new understanding of informal employment.

1.3 Structure and Research Methods of This Paper

Urbanization is an inevitable trend in the development of human civilization. Informal employment is created in the compatibility and collision between urban and rural areas. As a typical representative of China from a large agricultural country to a modern country, there are many informal workers in China. This paper starts from the research background. Starting with its significance, the necessity of current research on informal employment is briefly described. The core goal of this paper is to explore the way out of informal employment under urbanization, in the hope of providing some effective references for the issue of informal employment, thereby improving the livelihood of informal workers. With respect to the living environment, the current domestic research reflects the multifaceted and contemporary nature, with a focus mostly on the poverty issues of informal employment, informal employment, and the ecological environment in small and medium cities. We also analyze the prospects and plight of informal employment from an economic point of view and finally reach a conclusion. The full text used the literature research method, focusing on papers at home and abroad, including the writings of Marx, etc.; the survey method, starting with informal employment in China, investigated the situation of informal workers in different occupations in different cities and used comparative analysis. We use the analytical method to analyze informal employment by comparing different periods and different countries.

2. Domestic Research Progress

Domestic research on informal employment is advancing with time and is relatively comprehensive. From 2020, the main research focuses on human rights issues, the industries on which informal employment is dependent, artificial intelligence, and the digital economy. It is noted that informal employment is growing daily. At present, 2 billion people are engaged in informal employment worldwide, accounting for more than 60% of the global employed population. In recent years, the scale of informal employment in China has been increasing and cannot be ignored. Informal employment plays a strong positive role in rationally allocating labor resources, absorbing employment and alleviating employment pressure (He & Yang, 2025). The study mainly used statistics. For example, when informal employment plays a main role in developing countries, 2

billion people are currently engaged in informal employment worldwide, with 70% in Peru and Mexico and 70% in Brazil. was 43.2% (Zhang & Khor, 2024). In addition, several papers have introduced models to enhance persuasiveness, including the selection equation of individuals' employment type (whether to choose informal employment), the wage equation of informal workers, and the wage equation of formal workers (Wan & Liu, 2007). Three models are discussed. A variety of methods are comprehensively used to reveal the patterns between informal employment and urbanization.

3. Research Contents

3.1 Prerequisites for Development

This thesis focuses on its prospects and difficulties. First, informal employment is still a growing and developing industry. Today's urbanization is still the main trend worldwide, especially in developing countries. In the important stage of transformation, the gradual shift from labor-intensive industries to service-oriented and knowledge-based industries has also created many jobs.

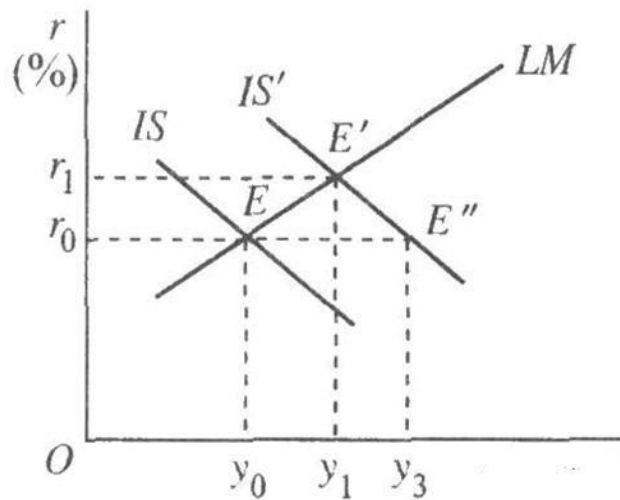
Some new positions are inherently temporary and not suitable for long-term employment. In addition, the continuous development of artificial intelligence and the digital economy, such as Didi, various food delivery platforms, and online shopping platforms, provides a continuous impetus for informal employment. Capital is innate profit-seeking (Wan & Liu, 2007). To reduce costs, enterprises may be more inclined to use temporary workers and outsourcing. China's informal employment has the distinctive characteristics of a large scale, with migrant workers and self-employed households as the main groups. China's urbanization is at the rapid development stage, which inevitably causes the disappearance of many traditional villages and leaves a large amount of idle labor in the countryside. They flooded into the cities and became the main group of informal workers. It has alleviated the problem of employment difficulties, accommodating thousands of laborers and borne the sorrows and joys of many families. Informal employment is the reservoir and spring under the influence of high-speed urbanization in China.

The concept of contemporary youth is also a driving factor. Young people increasingly aborate step-by-step work and complex interpersonal relationships, advocating freedom and enjoying the present moment and choosing to become informal workers. Notably, the number of college graduates in China is increasing every year. In 2025 alone, there will be 12.22 million graduates, and the formal sector obviously cannot absorb all the people. Flexible employment is important not only as a transitional plan but also as an emergency plan. distribution channel. Chinese government has repeatedly recognized and supported its development. Mass entrepreneurship and innovation encourage people to invest in this emerging industry.

3.2 Development Issues

In the *Dialectics of Nature*, Engels mentioned, "The development caused by the contradiction or the negation of the negation—the spiral form of development." The rapid development of urbanization inevitably presents some difficulties. First, the current social comparison has reached a consensus. Importantly, the rights and interests of workers cannot be fully protected. The crowding-out effect should not be ignored. If the government uses only administrative means to increase the minimum wage of employees, enterprises, especially micro, small and medium-sized enterprises, will carry out large-scale wagering to reduce costs. Through permanent layoffs, further reductions in workers' protections and benefits, or the extension of working hours, workers will be brought into a more unstable state. In addition, a reduction in private investment will reduce the market for informal employment and intensify competition. There is even vicious competition. The impact of the crowding out effect on employment is shown in Figure (3).

Figure 3: Impact of the Crowding Out Effect on employment



3.3 Causes of the Problem

Informal employment is partly due to the over-exploitation of working conditions that prompt workers to transfer in, the contradictions between low wages, wage arrears, overworking quotas, a strict factory system and family responsibilities. “Sanhe Dashen” as the theme of daily work completion in China In microcosm, they scoffed at the factory system, fought against commoditization, and declared that they would protect their surplus value. This reflected the desire of the workers to seek freedom and a better life, but the daily end-of-the-day workers were not the fundamental solution to the problem. In fact, in the daily end-of-day workers, the competition among workers, the cooperation between day-to-day workers and intermediaries, and in the process of unknowingly creating a labor force commoditization system, a harsh living environment, and poor living habits are all the tragedies of the people at the bottom under the ever-changing cities, and this is a clear manifestation of the plight. Simple deportation and supervision are not enough to make many “sanhe gods” disappear. The plight and solutions of informal workers require the joint efforts of the whole society. Finally, informal employment has long been associated with words in society, such as not doing proper jobs and being unstable, with a low sense of social identity. To solve the plight of informal workers, the state and society should not only solve the problem from the material and economic points of view but also pay attention to their spiritual and civilized lives. Their occupational dignity should receive attention. The following table (Table 1) indicates the work and living difficulties of migrant workers, an important theme of informal employment (Wan & Liu, 2007).

Table 1: Living conditions of migrant workers in the Pearl River Delta and the Yangtze River Delta

Indicator	Pearl River Delta	Yangtze River Delta
Sample Size	512	512
Daily Average Working Hours	9.9	9
Monthly Average Wage (RMB)	926	1192
Wage Arrears Rate (%)	22.5	12.5
Average Arrears Duration (months)	2	1.1
Restricted Meal Time (%)	51.4	52.9
Beaten by Managers (%)	2	0.6
Searched (%)	8.7	3
Suspected of Theft (%)	5.3	2.2
Detained (%)	1.8	1.2
Not Allowed to Drink Water (%)	4.1	1
Not Allowed to Use Toilet (%)	3.9	0.6
Rights Infringement Rate (%)	26	17.6
Complaint Rate (%)	24.8	16.7
Feeling Exhausted (Avg. Score)	1.97	1.74
Feeling Uncertain about Future (Avg. Score)	1.7	1.65
Feeling Life is Hard (Avg. Score)	1.73	1.73

3.4 Solutions

To solve the security issue of the informal employment group, we need to focus on their real needs and coordinate efforts from the three aspects of individual support, system improvement, and social identity. First, the voices of the informal workers should be listened to, and the urgent needs of the informal workers should be precisely located in terms of income stability, social security, and the protection of rights and interests, as the starting point of policy implementation; second, the safeguarding role of the law should be strengthened, and the employment-related laws and regulations, reform of the adaptable clauses, optimize the working environment, and ensure the implementation of basic rights such as salary payment, rest and vacation; at the same time, special protection policies should be introduced for disadvantaged groups, the signing process of employment contracts should be standardized, and the “overlord clause” should be explicitly prohibited, etc., to reduce the risk of damage to rights and interests from the source; finally, we must rely on the guidance of social public opinion to increase public awareness of informal employment, enhance the sense of identity of practitioners, and simultaneously establish convenient reporting and supervision channels to combat employment discrimination and the infringement of rights and interests. Other behaviors are accepted and addressed in a timely manner to effectively safeguard the professional dignity and legitimate the rights and interests of informal employees.

4. Conclusion

This thesis starts with the background significance of informal employment, discusses the necessity of studying informal employment from theory and practice, discusses its prospects and highlights the predicament from data and facts. Informal employment is an important aspect of China’s economic transformation. The unavoidable form of employment in the recent period, especially in the current era, has exposed its vulnerability under the institutional framework. Solving this problem is not only related to the livelihoods of hundreds of millions of practitioners but also through improving legal protection, optimizing policy support, and balancing the influence of macroeconomic policies; this form of employment can retain the advantage of flexibility while providing stable rights and interests for practitioners, eventually achieving a benign interaction between individual development and socioeconomic progress.

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Conflicts of Interest

The authors declare no conflict of interest.

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