**Shi Li and Hiroshi Sato, *Jingji zhuanxing de daijia*
(Unemployment, Inequality, and Poverty in Urban
China)**

Beijing, China Financial Economics Publishing House, 2004, 4+413 p.

Ying Chu Ng

Édition électronique

URL : <http://journals.openedition.org/chinaperspectives/1040>

DOI : 10.4000/chinaperspectives.1040

ISSN : 1996-4617

Éditeur

Centre d'étude français sur la Chine contemporaine

Édition imprimée

Date de publication : 1 juillet 2006

ISSN : 2070-3449

Référence électronique

Ying Chu Ng, « Shi Li and Hiroshi Sato, *Jingji zhuanxing de daijia* (Unemployment, Inequality, and Poverty in Urban China) », *China Perspectives* [En ligne], 66 | July- August 2006, mis en ligne le 01 juin 2007, consulté le 22 septembre 2020. URL : <http://journals.openedition.org/chinaperspectives/1040> ; DOI : <https://doi.org/10.4000/chinaperspectives.1040>

Ce document a été généré automatiquement le 22 septembre 2020.

© All rights reserved

Shi Li and Hiroshi Sato, *Jingji zhuanxing de daijia* (Unemployment, Inequality, and Poverty in Urban China)

Beijing, China Financial Economics Publishing House, 2004, 4+413 p.

Ying Chu Ng

- 1 This book¹ provides a wide range of discussion topics associated with the economic transition in urban China. The contributions of 13 scholars, both local and overseas, highlight various important issues faced by the Chinese economy during its latter course of economic transformation. The book can be catalogued into four major sections. It begins with a discussion of poverty in urban China followed by four essays dealing with unemployment issues. The third main component addresses issues related to worker compensation, earnings inequality and labour mobility. Essays about the contribution of human capital and social capital in the urban labour market form the last section.
- 2 Before any empirical testing on urban poverty, the first chapter by Jingbei Hu lays out the theoretical arguments for urban poverty relevant to the case of China in the post reform period. The rigorous discussion highlights the Chinese characteristics as compared to the experiences of other developing countries. Based on the foundation of Hu's discussion, Jinjun Shi and Zhong Wei analyse the inter-relationship among unemployment, poverty and income inequality using the 1988, 1995 and 1999 Urban Household Income Survey (UHS). In this second chapter, Shi and Wei begin with re-estimation of the unemployment rate. The estimation of the poverty rate and income inequality by types of household pictures the role unemployment has played in causing poverty and income inequality.
- 3 More in-depth discussion on the relationship between unemployment and poverty is provided in two chapters, one by Shi Li, and another by Shi Li and John Knight. Li defines the poverty line and describes the poverty structure for six provinces using the

1999 UHIS, and demonstrates that the employment status of an individual was a key determinant in affecting the likelihood of an individual falling into poverty. Adopting a Logistic model and applying the 1999 data, Li and Knight examine the various factors in influencing the likelihood of falling into three types of poverty, namely permanent, temporary, and selective poverty. With a focus on the latter two, Li and Knight attempt to see how the consumption behaviour of individuals influences falling into poverty.

- 4 During the process of transformation, a unique form of unemployment emerged in urban China. Some workers, particularly those working for the state-owned enterprises, were laid-off, *xiagang*, but were still paid a part of their pre-laid-off earnings. Chapters four to eight concentrate on an analysis of these workers in urban China. To begin with, Appleton *et al.* identify the kinds of workers mostly likely to be *xiagang* workers using the 1999 UHIS. Adopting the Prentice-Gloeckler semi-parametric model, they also examine the duration of unemployment of these workers. After presentation of the theoretical model on re-employment for the unemployed, John Knight and Shi Li (Chapter 6) describe the re-employment of the *xiagang* workers over the period of 1994-1999. Based on the computed duration of unemployment, the effect of the time of unemployment on the earnings of the re-employed is addressed.
- 5 Hiroshi Sato presents a different view, analysing unemployment and re-employment. He argues that three types of social capital (human capital, political capital and networking capital) interplay in determining the earnings of the workers and unemployment probability. Analyses were done for the full sample, and for samples by age group, education level, and membership (or not) of the Communist Party (CP), using the 1999 UHIS data. The last chapter, by Xin Meng, looks at the unemployed. Similar to the estimation model used by Li and Knight in an earlier chapter, Meng focuses on the types of consumption behaviour of the households. The permanent income hypothesis is tested.
- 6 The second chapter contributed by Meng addresses income inequality. Using the 1988, 1995 and 1999 UHIS, nine measures of income inequality persistently show that income inequality in China widened since the economic reforms. The three cross-sectional estimations identify family background as the key factor in causing income inequality in 1988, while the key factor turned out to be regional effect and economic reform for 1995 and 1999, respectively. The overtime decomposition of the Gini co-efficient suggests that the increase in income inequality between 1988 and 1995 was due to enterprise ownership. Between 1995 and 1998, the unemployment status of an individual and working for loss-making enterprises were the primary sources of increasing income inequality.
- 7 The chapter by John Knight and Shi Li is probably the first piece of work concerning the financial situation of the enterprises and its effect on workers' wages using national data sets. Co-authoring with Shi Li, Yaohui Zhao presents an in-depth examination of the period 1988-1999 and the likelihood at that time of workers receiving in-kind payments. The study provides a clear picture of why in-kind payments declined over time. With the help of two additional household surveys, John Knight and Linda Yueh address the labour mobility of urban workers and rural workers with temporarily residence in cities. The analytical issues include the probability of job changes, the number of job changes (voluntary and involuntary in nature), and the wages of workers given the likelihood of mobility.

- 8 The last four chapters of the book focus on the role of human capital and social capital in the labour market. John Knight and Linda Yueh use CP membership as a proxy for social capital, and found a positive effect of CP membership on workers' wages. Linda Yueh further argues that females invested less in social capital as compared to their male counterparts. Based on his earlier chapter's discussion on the three types of capital, Hiroshi Sato examines the mobility probability of both urban and rural workers, using the 1999 UHIS and the temporary work survey conducted in Yunnan in 1997. The chapter also focuses on the effect on earnings of the three types of capital, and his analysis is further enriched by a discussion of the results of case studies of five Japanese enterprises. The book ends with a presentation of the rate of return to education for 1994 and 1999. Consistent with the literature, returns to education increased as the levels of education increased, although returns over time declined for all levels of education (Li and Ding).
- 9 In summary, the 16 essays make for a broader understanding of the functioning of the Chinese urban labour market and poverty issues in urban China. Against a rigorous analytical framework and estimation techniques, the questions concerned are properly addressed and tested. The long time-span of the data has made it possible to illustrate well the changes in the urban labour market and certain social issues, thus helping to deepen understanding of the effects of the economic reforms on the well-being of workers in urban China. Readers wanting a thorough understanding of the labour issues related to urban China will certainly appreciate this book.
-

NOTES

1. Also available in English: *Unemployment, Inequality and Poverty in Urban China*, New York, Routledge, 2006, 336 p.