

Comment on
**Employment and Inequality
Outcomes in China**

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April 8, 2009

General Comments

- As usually, if one wants to learn the new development on Chinese labor market, CASS is always the best bet;
- Very comprehensive and informative;
- Discuss newest labor market issues in China

Specific Comments

- Informality
 - Definition: have a labor contract
 - What happened when the new labor contract law enacted?
 - International comparable and workable definition
- Lewisian turning point:
 - Further questions:
 - Elasticity of labor supply in China, esp. rural population and migrants;
 - *Hukou* System

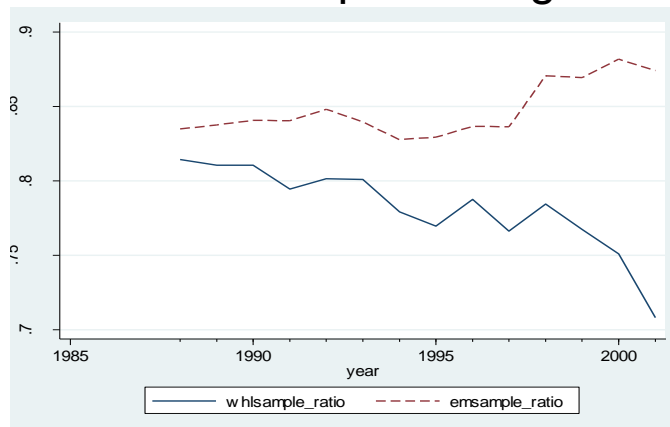
Specific Comments

- New labor institutional arrangements:
 - Labor contract law, minimum wage, social security on labor supply
 - Welfare system: help to reduce inequality, but
 - Welfare dependence
 - Intergenerational transmission of welfare attitude
 - Welfare or Workfare?
- More research needed

Some Additional Results

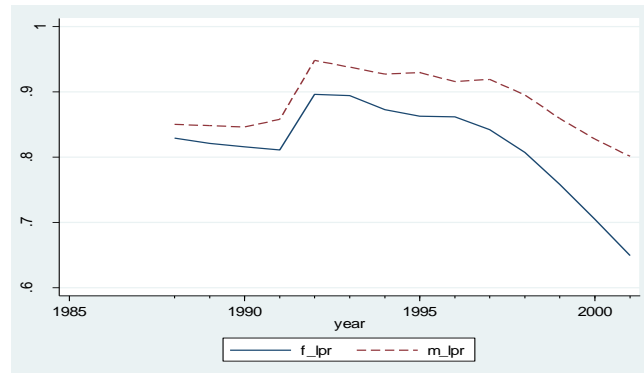
- Gender Gaps: Ge (2007) and Margaret Maurer-Fazio et al (2008):
- Earnings Inequality and Earnings Instability: Zhao (2007)
- Urban-Rural Disparities: Qu and Zhao (2008)
- China-India Comparison: Bargain, Bhaumik, Chakrabarty and Zhao (2008)

Gender Gap: Earnings



The gender gap on earnings is decreasing for employed sample; but increasing for the whole work force sample

Gender Gap: Labor Force Participation



Labor force participation rates are decreasing for both male and female over time; however, female participation rate is decreasing faster.

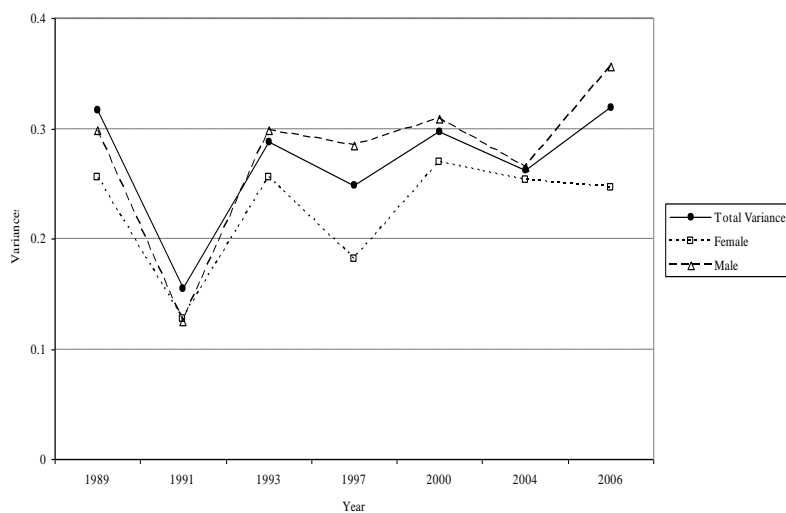
Gender Gaps

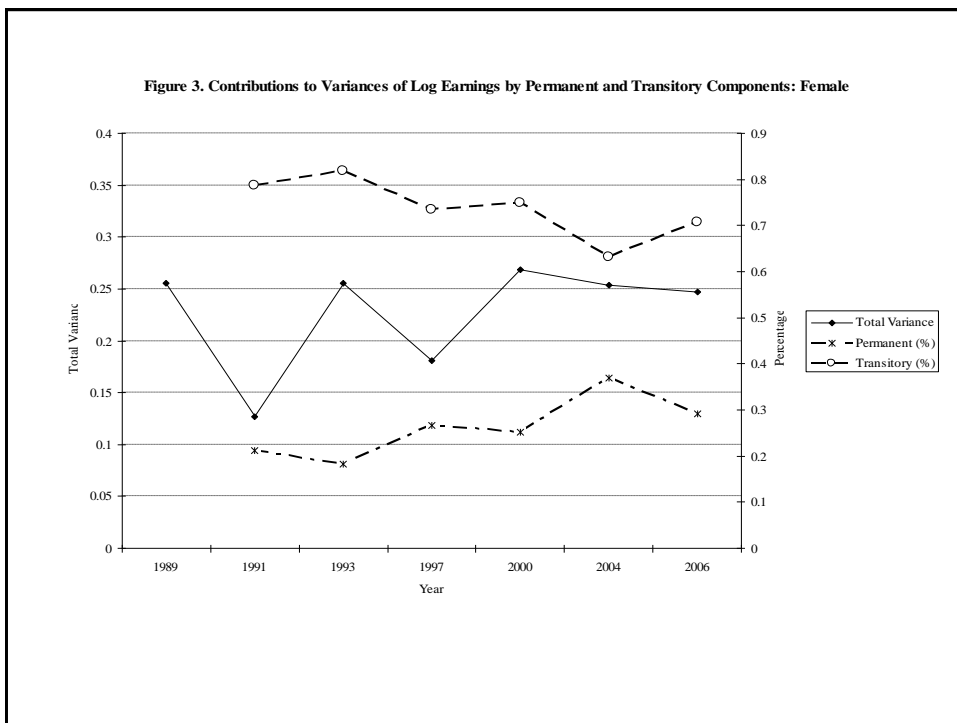
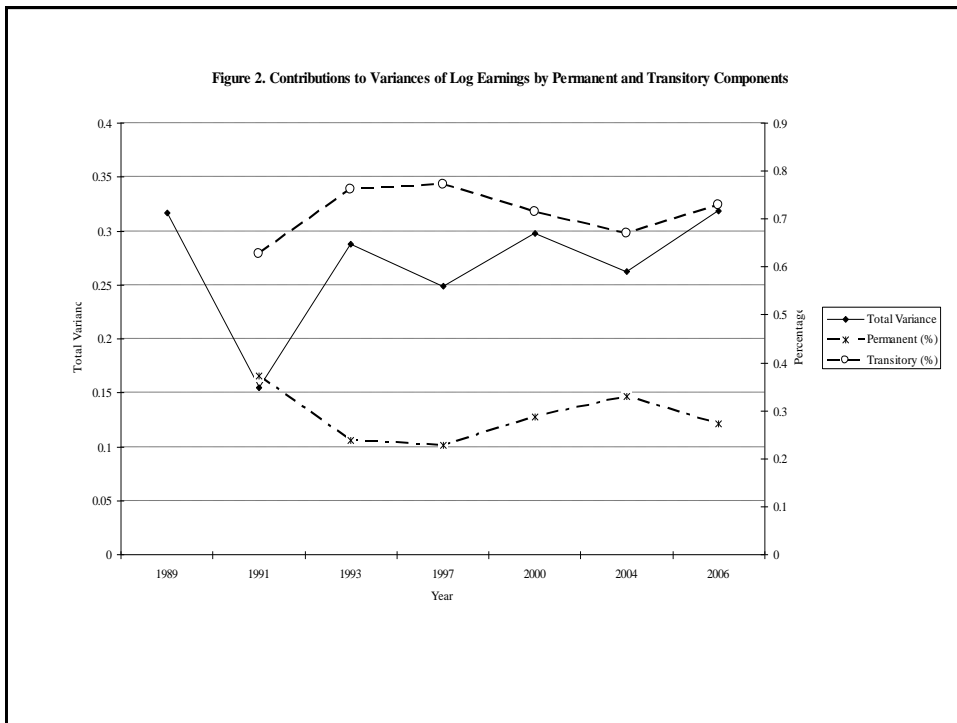
- The shrinking of gender gap in employed sample does not reflect the diminishing of labor market discrimination.
- The gender discrimination has been shifting from paying discrimination to hiring discrimination.
 - Mass layoff – often targeted at low-skilled women
 - Positive selection on female labor force participation

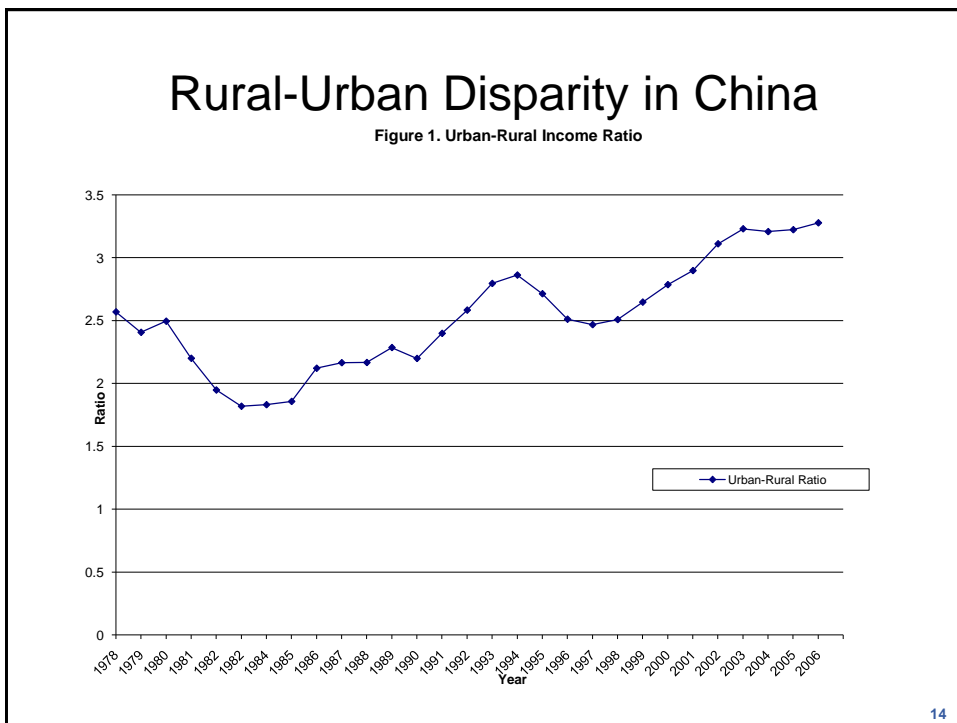
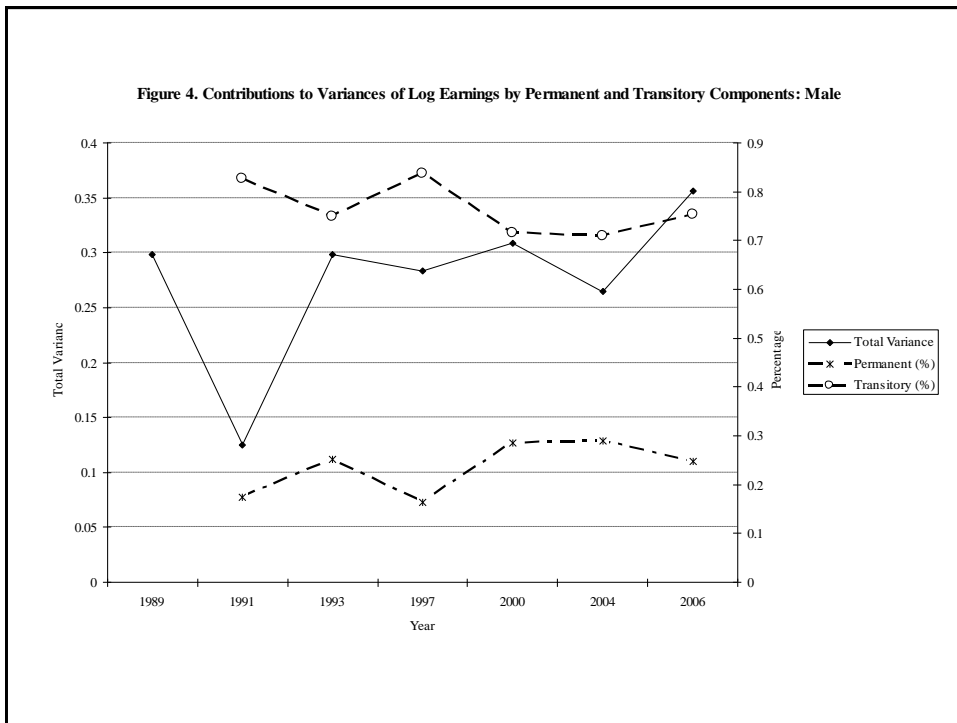
Earnings Inequality and Earnings Instability in Urban China

- Observe increasing of earnings inequality in China since 1979, both in urban and in rural areas
- Changes in Labor Market
 - Reform of the state-owned enterprises (SOEs)
 - Deregulation of urban labor market
 - Influx of rural migrants
 - Increase of Return to Education
 - Improvement of Education Level
 - Temporary or permanent shock?
- Earnings instability in urban China?
- The trend in the transitory variance of earnings

Figure 1. Total Variances of Log Earnings Adjusted for Age: 1989-2006





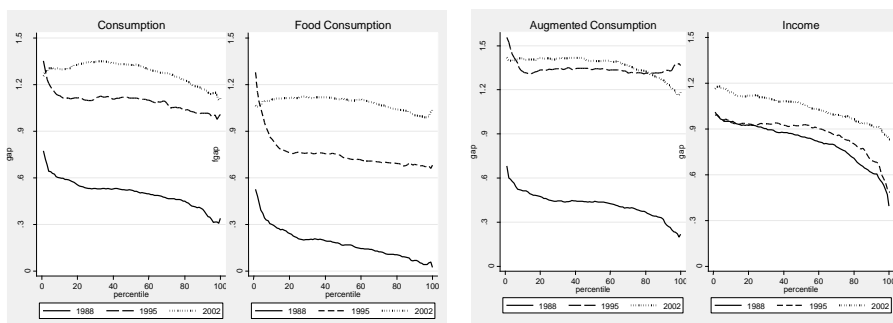


Rural-Urban Disparity in China

- Almost all previous studies focus on income inequality
 - Yearly income can be affected by temporary shock
 - Especially true in rural area
 - Permanent income is hard to measure
 - Consumption seems a better measurement of family welfare
- Almost all previous study focus on mean (average)
 - Heterogeneous: distribution matters

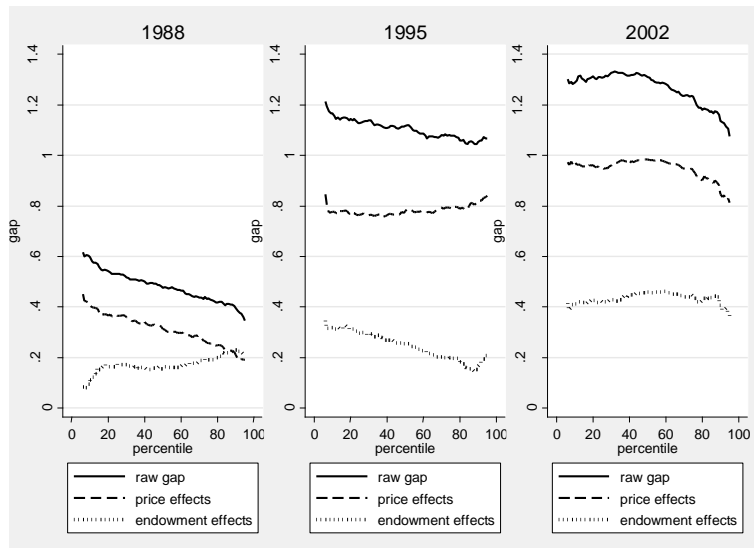
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Disparities at Quantiles



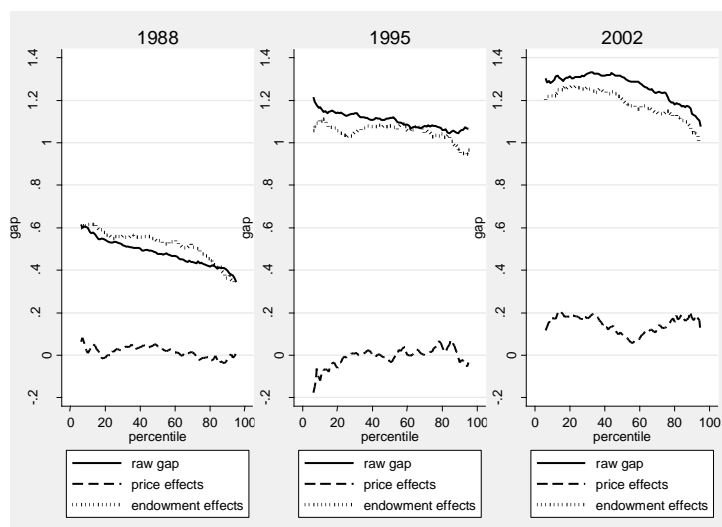
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Quantile Decomposition: Consumption



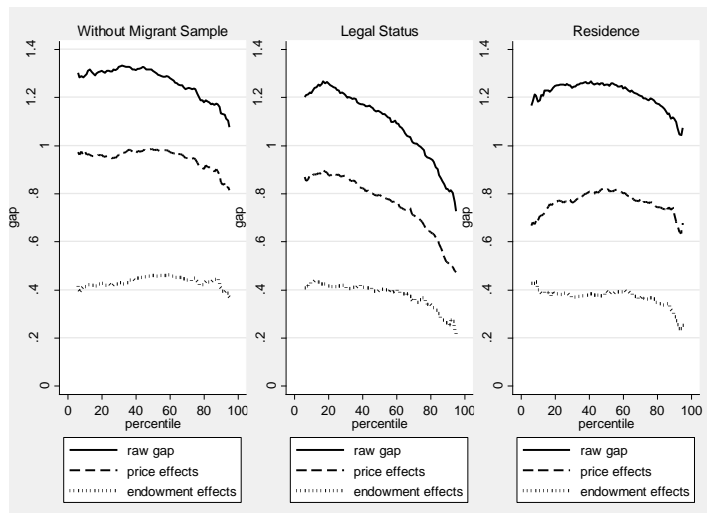
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Price and Endowment Effects of Education



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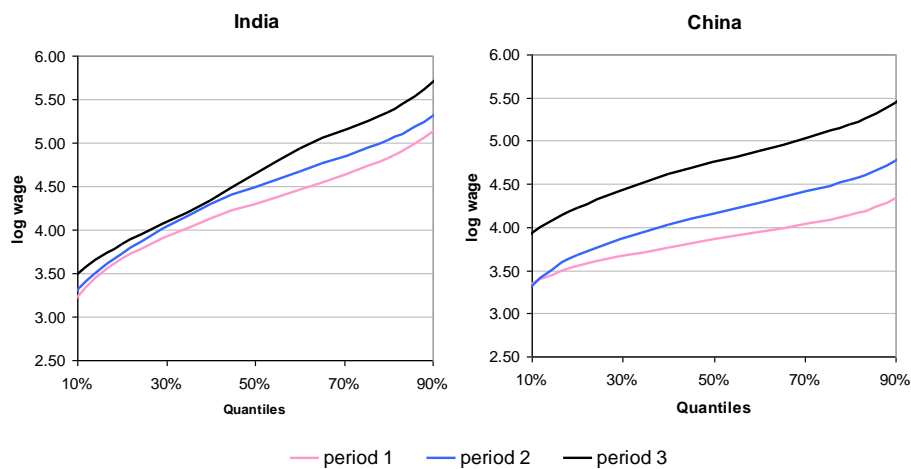
The Role of Migration



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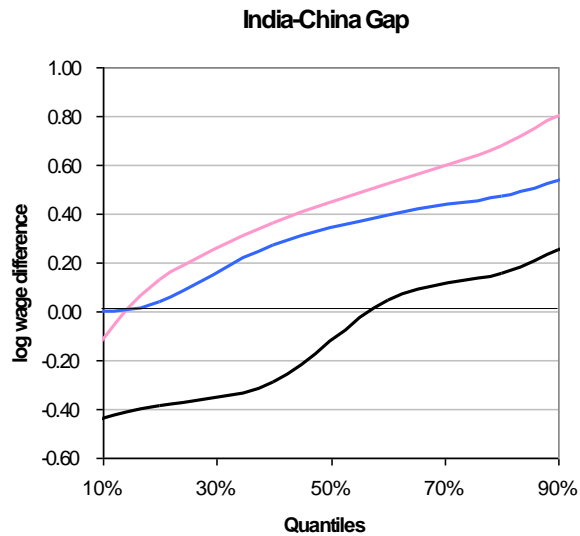
China-India Comparison: Wage Earners

- Log-wage distributions for wage earners: 1987 to 2004
- India starts with higher income for almost all wage groups, esp. at the top
- Recent increase benefits to top income in India
- China: catch up and growth shared more equally



Log-wage gap

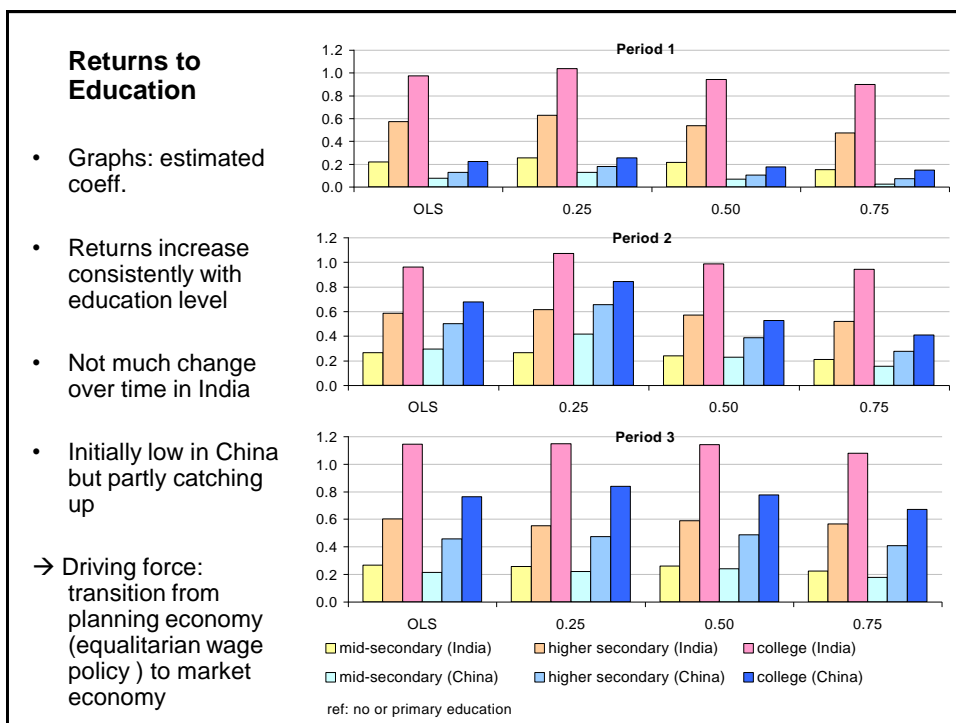
- Indian advantage in 80s and 90s
- Recent decrease in the Indian premium esp. for lower incomes
- Recent reversal of the gap



Education Endowments

Period	India			China		
	1	2	3	1	2	3
No or primary education	0.33	0.26	0.20	0.12	0.06	0.02
Middle secondary education	0.13	0.14	0.16	0.38	0.30	0.21
High secondary education	0.29	0.31	0.34	0.36	0.40	0.40
College	0.24	0.29	0.30	0.14	0.24	0.37

- Most workers have at least primary education in China / inequality in education between urban and rural sectors
- India: more university but also more primary / within-sector inequality
- Big improvement in college education in China at period 2 and esp. period 3 = political impulse to restructure higher education
 - ✓ university freshmen: from 1.8 m. in 1998 to 5.3 m. in 2005
- Supply more stable in India
 - ✓ 2.5 m college graduates in 2004



Thanks!

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