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Analyzing the wage inequality for rural-urban migrants in China, 2002-2007

By Zhaopeng Qu and Zhong Zhao

Accounting for those unaccounted for

Since 1988, rural-to-urban migration has become an important social and economic phenomenon in China. Along with the rapid economic growth and urbanization, an increasing share of the country's rural population has joined this internal movement or exodus, seeking for better life prospects in China's booming cities.

Despite its importance, however, this particular group of population (rural-urban migrants) is almost invisible in most Chinese official statistics. One must agree that, in the absence of information regarding approximately 140 million migrants, any assessment of inequality within China's population remains incomplete.

Key findings

From the analysis of their newly built dataset, the researchers found that, between 2002 and 2007:

- Wage inequality among migrants has decreased significantly where it has increased among urban natives.
- Those migrants identified as earning relatively higher wages (i.e. high-wage migrants) have experienced slower wage growth than middle- and low-wage migrants.
 - Indeed, the researchers' analysis implies that some institutional barriers tend to disfavor the migrants closer to the top end of the wage distribution.
 - For the middle- and low-wage migrants, changes in their whole wage distribution are mainly driven by the change in returns to their characteristics, i.e. education and experience.

Conclusions

Overall, following an in-depth assessment of their research results and related implications, the researchers conclude that there is no real cause for celebration regarding the decreasing wage inequality among migrants between 2002 and 2007. Such an improvement, in fact, results largely from the presence of a "glass ceiling", which limits access for migrants to more highly paid job positions, thus keeping the bulk of these migrant workers within the same (and a smaller) wage bracket.

Although both the general public and government of China tend to view rises in inequality negatively, one is forced to admit that the factors behind the state of inequality are much more complex than they appear.

With support from PEP, a team of Chinese researchers set out to identify and study the levels and changes in wage inequality among Chinese rural-urban migrants, from 2002 to 2007. They managed to build a unique dataset that allowed them to document and analyze changing in wage inequality among both migrants and urban natives in this specific period.



Policy recommendations

The Chinese government continues to promote the curbing of ever-increasing inequality as one of its major goals in the pursuit and building of a "harmonious society".

However the situation may not improve, and even possibly worsen, if it delays in achieving a **fundamental reform of the Household Registration (Hukou) System and its internal migration policy**.

Without such reform, the existing institutional barriers will continue preventing the free mobility of labour within China, and to be a main source of discriminatory practice in urban China labour market.

A unified labour market (with standard regulations) can not only improve the efficiency of labour at the current time period, but could also change the incentive for long-term human capital accumulation, and thus benefit Chinese society in the long run.