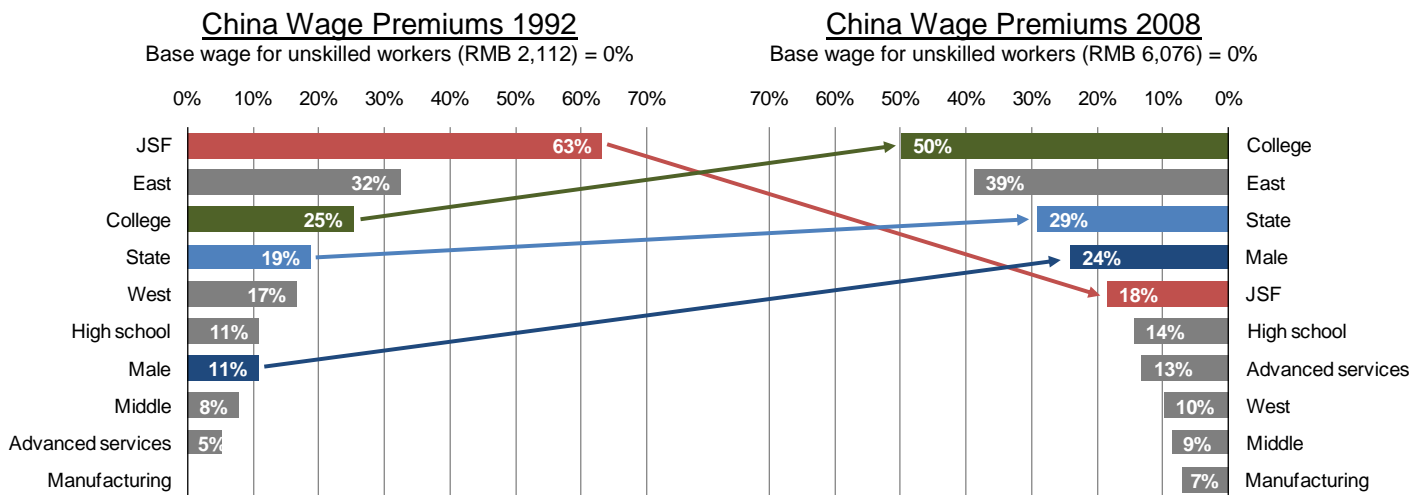




Shift in wage premium drivers reflects the maturing of China's labor market, possibly growing gender inequality in the workplace, and extensive wage reform within the state owned enterprise sector

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Source: National Bureau of Statistics of China: Annual Urban Household Survey, The Conference Board
 JSF = Joint venture, Stock holding and Foreign invested enterprises

The chart above shows how wage premium drivers for workers in China have changed from 1992 to 2008.

We calculate wage premiums by first establishing the annual base wage for an unskilled laborer working in the lowest wage sector and region. Hence, we define the base wage as the average annual wage for a female worker with middle school education or below, no experience, working in the basic service sector in a collective or private enterprise, and in the lowest-income Northeastern region. On top of this base wage, we can estimate wage premiums for having additional education, being a male, and working in different company ownership types, industries and regions.¹²

Wage premiums relative to basic, unskilled workers (the “base wage“) have changed significantly over the past 20 years. In 1992, the single largest wage premium driver was associated with working for JSF enterprises. JSF workers on average garnered 63 percent more earnings over workers employed by collectives or private enterprises. However, this premium shrank to just 18 percent by 2008.

In contrast, the wage premium for college graduates almost doubled over the period, rising from 25 percent to 50 percent above the base wage during the same period. Thus despite significant wage growth for unskilled workers in China, their relative income status has deteriorated over the past two decades.

State sector wage premiums have been steadily increasing and surpassed JSF wage premiums in 2004. By 2008, state sector workers earned 29 percent wage premiums over workers from collectives or private enterprises.

A more detailed analysis of China's long-term wage trends and changes in wage premiums will be provided in The Conference Board China Center's forthcoming research report “China's Long-term Wage Trends”.

¹ Data used in this publication are from the National Bureau of Statistic's (NBS) annual Urban Household Surveys (UHS), which collect data from urban households on basic demographic information, consumption expenditures and earnings. The wage premium estimates are based on the Working Paper by The Conference Board titled “Accounting for Rising Wages in China” by Suqin Ge and Dennis T. Yang.

² All wages are expressed in real terms in 2008 Yuan.