

ROUTLEDGE CONTEMPORARY
CHINA SERIES

CHINA'S CHANGING WORKPLACE

This book explores the diversity and dynamism of China's workplaces and the wider labour market experiences of its workforce. Drawing on the authors' extensive recent research, it considers how change is affecting a variety of issues and types of workplaces. These include: the continuing spread of market-oriented human resource management across public and private sector organisations; greater employment rights for workers; local diversity in regulatory control alongside the governmental priority of a 'harmonious society'; persistent shortages of skilled labour co-existing with vast underemployment among the unskilled; uneven access to education and training across regions; and changes in union behaviour and influence.

Unlike other studies – which tend to assume changes to management, work and employment are relatively uniform across modernizing parts of the economy – this book conveys the rich variety among contemporary China's local labour markets by looking at them, and the institutions that influence them, from the bottom up. It focuses on other under-explored but emerging phenomena such as family-owned firms, the role of private services businesses, and the emergence of employer associations.

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Edited by Peter Sheldon,
Sunghoon Kim, Yiqiong Li and
Malcolm Warner

CHINA'S CHANGING
WORKPLACE



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Dynamism, diversity and disparity

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Contents

<i>List of figures</i>	xii
<i>List of tables</i>	xiii
<i>Notes on contributors</i>	xv
<i>Preface</i>	xvii
<i>List of abbreviations</i>	xix
 Introduction	 1
PETER SHELDON, SUNGHOON KIM, YIQIONG LI AND MALCOLM WARNER	
 PART I	
Putting change in context	19
 1 Transition to a socialist market economy: factor markets, management and human resources in China	 21
MALCOLM WARNER AND GRACE LEE	
 2 Chinese business systems and the challenges of transition	 34
GORDON REDDING AND MICHAEL A. WITT	
 3 Changing legislative and institutional arrangements facing China's workplace	 51
HANS HENDRISCHKE	
 PART II	
Emerging dynamics in labour markets	69
 4 Change and continuity in China's urban workforce: recent trends	 71
BEIBEI TANG	

5 Local labour markets	93
YIQIONG LI, PETER SHELDON AND DAVID MORGAN	
6 Education, training and skills	111
YIQIONG LI, PETER SHELDON AND JIAN-MIN SUN	
7 Skill shortages: where labour supply problems meet employee poaching	129
YIQIONG LI AND PETER SHELDON	
8 Remaking China's working class: <i>gongren</i> and <i>nongmingong</i>	144
LUIGI TOMBA	
PART III	
China's changing workplace: emerging divergence	161
9 Human resource management and employment relations in state-owned enterprises	163
SHUMING ZHAO AND WANSI CHEN	
10 Foreign-invested firms and their human resource management: beyond the early transition period	180
SUNGHOON KIM AND SUNWOOK CHUNG	
11 People management practices in family firms	201
YOUNGOK KIM, XIAOBEI LI AND FEI YI GAO	
12 HRM and employment in the service industry	220
BING BAI AND JIAN-MIN SUN	
PART IV	
Change, divergence and disparity: some consequences	239
13 Institutional conditions for organizing decent work in global production networks	241
STEPHEN FRENKEL AND JÖRG SYDOW	
14 Labour market disparities and inequalities	259
FANG LEE COOKE	

15 Chinese trade unions in transition: a three-level analysis	277
MINGWEI LIU, CHUNYUN LI AND SUNGHOON KIM	
16 Employer coordination and employer associations	301
CHANG-HEE LEE, PETER SHELDON AND YIQIONG LI	
<i>Appendix: Timeline of major political and economic events</i>	321
<i>Glossary</i>	323
<i>Index</i>	324

9.2	View of income gaps (%)	170
9.3	Communication possibilities between you and leaders (%)	170
9.4	Satisfaction with construction of the Party conduct and of an honest and clean company (%)	171
9.5	Satisfaction with harmony of your department (%)	171
9.6	Understanding of corporate culture (%)	172
9.7	Baote's turnover rates among college graduates, 1998–2007	174
10.1	The number of FIEs	182
10.2	Employment and wages	183
10.3	Major sources of foreign direct investment	184
10.4	Average monthly pay in FIEs by region and job classification	190
10.5	Regional disparity of FIEs' pay dispersion practices	192
10.6	Regional disparity of overtime practices	196
11.1	Key historical developments for the private sector in China	203
11.2	Distribution of response sample	209
12.1	The service industry: number of employees and percentage of total employment	221
12.2	The number of travel agencies, employees and tourist hotels	222
12.3	Number of employees in the health sector by position	225
12.4	Number of employees in the finance sector and its sub-sectors	226
12.5	Number of employees in the information transmission, computer services and software sector	227
12.6	Number of job announcements in the service industry in major cities from the three major online recruitment websites	229
13.1	Local supplier labour relations associated with quasi-obligational contracting in three focal firms	248
14.1	Forms of inequality and types of workers affected	263
14.2	Proportion (%) of female employees by selected ownership and sector and annual average wages for all employees in urban units (end of 1995 and 2008)	265
15.1	Selected indicators of the ACFTU: 1992–2008	280
16.1	Typology of employer associations in China	306

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Preface

As editors of this volume, we see two connected observations as major motivating factors in conceptualizing, planning and coordinating the outcome. First, while there have been some good treatments of the subject in recent years, there is no book that adequately covers a number of critical changes in China's workplaces and its workforce that have taken place over the last decade. For example, we have begun to see severe shortages of skilled labour, the rapid growth of family-owned businesses, the emergence of the services industry – including a large business services sector, changes to the ways that unions influence Chinese labour markets, informal disputes and even strikes and the emergence of employer associations. Moreover, until this book, there has been none that explicitly address these issues from a local labour market focus, as well as a national one. We feel that there is no book that sufficiently covers these new developments systematically and comprehensively as they affect work, employment relations and the management of people in China.

Second, we have become increasingly aware that the existing literature largely remains attached to a dominant narrative that focuses on China's transition, since the late 1970s, from a centrally-controlled state-owned and largely egalitarian economy of a poor country to one which has embraced capitalism, welcomed foreign investors, and through this achieved enormous success in economic development. Although this traditional framework may still have some value for tracing the historical roots of current events, it appears to be losing its explanatory power to account for the emerging institutional dynamism, regional disparity and sectoral diversity marking the Chinese workplace. Thus we need new, credible conceptual frameworks that may better guide future research.

We therefore organized the book to address most current features of China's changing workplace with fresh theoretical lenses. This concern has shaped our choice of authors to work with us, some of them long-standing eminent experts in the field, others starting to make a name for themselves through innovative research. We thank them all for their goodwill, generosity of spirit and commitment to the project and their tolerance of our deadlines and interventions. From our side, it has been a most rewarding set of collaborations.

In briefing our collaborators, we wanted to combine a strong thematic structure and a focus on current developments with the latitude to chapter authors to develop their own approaches. We hope therefore that the reader finds this volume more

4 Change and continuity in China's urban workforce

Recent trends

Beibei Tang

Introduction

China's economic reforms over the past three decades have facilitated the fastest economic growth in the world. In the process, they have transformed China's labour market from a 'redistributive' state socialist system, under which goods were allocated primarily by government officials ('redistributors') according to plans, to a market or an 'economy with market allocation'. These changes have influenced many aspects of China's workforce, the structure of its economic interests, employees' well-being and lifestyles and their labour mobility patterns.

This chapter provides an overview of these changes – as well as of continuities – in terms of employment, reward systems and employees' life chances. Largely based on analysis of published statistical information and other secondary materials, it shows that China's workforce has been experiencing a transition due to the emergence of multiple forms of ownership, a diversification of industrial sectors, and a differentiation in the labour market that is characterized by more unequal access to the mobilization of resources. Following changes in labour market structure, urban employees have also been experiencing changes in their everyday life. Paradoxically perhaps, those now employed in the public sector appear to be better-off than others, in terms of remuneration and opportunities for upward labour market mobility.

The data used here come mainly from the *China Labour Statistical Yearbooks* of 2002 to 2009. They illustrate national-level trends – for urban populations and labour markets – in economic and employment growth, changes in ownership and industries, as well as income distribution across different types of employment. The chapter then provides data disaggregated around national-level categories: industrial sector, ownership category and occupational categories. These allow comparison of the evolution of employees' life chances in terms of their living standards, working conditions, their occupational attainment and mobility. This allows for a more detailed portrayal of the enormous dynamism discussed in chapters 1 and 2 as well as some of the macro-level patterns of diversity explored in later chapters. In order to explain those broad trends and to complement the survey data, I also make reference to Chinese and English-language scholarship on these themes. In order to identify some spatial dimensions of this dynamism, diversity and disparity, the following chapter will further develop this approach by shifting our focus from the national to the regional, then provincial and finally the local levels.

China's workforce since reform

Overview

China's workforce changes are based on the boom of Chinese economy since reform. Figure 4.1 provides a snapshot of Chinese economy development trends from 1980 to 2008. GDP showed a continuous acceleration with 3 to 15 per cent annual increases until the first half of the 1990s. Since 1995, the GDP growth has been relatively stable, staying around 10 per cent. The fast-growing GDP over the three decades has been accompanied by bigger jumps in money wage and consumer prices. The money wage growth has stayed around 14 per cent since 1984, with its peak of 20 to 30 per cent annual growth in the mid 1990s. The consumer price has experienced an unstable and relatively slower growth of 5 to 20 per cent annual increase in most of years. Similar to money wage and consumer price growth, the increase of real wages fluctuated before 2000, but was followed by a more stable annual growth of around 12 per cent since then. From 2000 onwards, the real wage increase gradually catches up with the rising money wage, while consumer price experiences a lower growth speed than the GDP growth and wage growth.

China's consistent annual high speed GDP growth since the 1980s has been due mainly to growth in the manufacturing and service sectors. Figure 4.2 shows the percentage changes to the overall composition of GDP since 1985. As relative contributors to GDP, tertiary industry has been growing steadily – from about 28 to 40 per cent of GDP – at the expense of agriculture, now contributing some 11 per cent but compared to 28 per cent in 1985. With a gradual fluctuation over the two decades, secondary industry's proportion of contribution – about

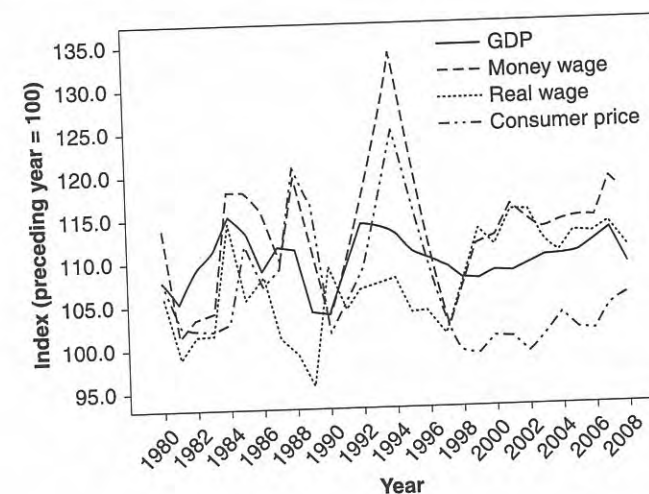


Figure 4.1 Growth of GDP, wage and consumer price 1980–2008.

Source: China Labour Statistical Yearbook 2009, p. 5.

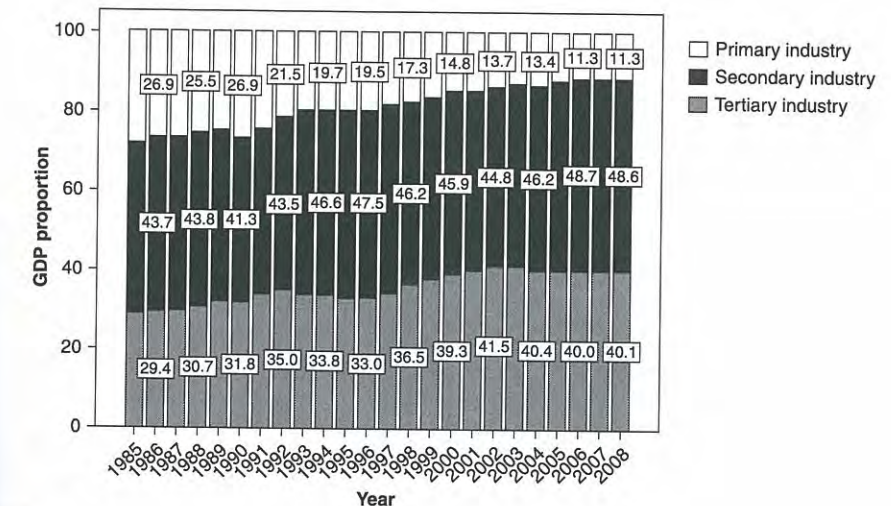


Figure 4.2 Gross domestic product composition 1985–2008.

Source: China Labour Statistical Yearbook 2009, p. 4.

48 per cent – is now slightly (6 per cent) higher than it was in 1985. This is not an unexpected picture for a rapidly diversifying and modernizing economy, one which already had extensive heartlands of heavy and light manufacturing, and one that has undergone a shift from operating through central planning to reliance on market impulses.

There have been similar changes to the composition of employment. The 1980s reform era brought new work opportunities to the Chinese labour force. The overall share of national employment relative to total population rose from 41 per cent in 1978 to 58 per cent in 2008 (NBS 2009: 6–7). As Figure 4.3 indicates, agricultural employment's share of total employment dropped by nearly 30 percentage points over the three decades, while the relative contributions of secondary and tertiary industry increased by around 10 and 21 percentage points respectively. Tertiary industry employment growth accelerated particularly in the first half of the 1990s and 2000s, as a result of large numbers of urban lay-offs and rural migrant workers changing their employment tracks. Despite continuing declines in its contribution to total urban employment, the most recent figures show that about 40 per cent of the national workforce is still registered as employed in primary industry.

Official data on unemployment in China are hardly indicative of the real number of people out of work or underemployed, and they generally only include registered urban populations. Nonetheless, they provide indications of broad trends and fluctuations in urban employment. Figure 4.4 shows the increase of urban unemployment in the past three decades. There were increasing employment opportunities at the beginning of the reform – unemployment dropped about 10 per cent from 1980 to 1984. However, since 1984, when there was a sudden jump of 14 per cent,

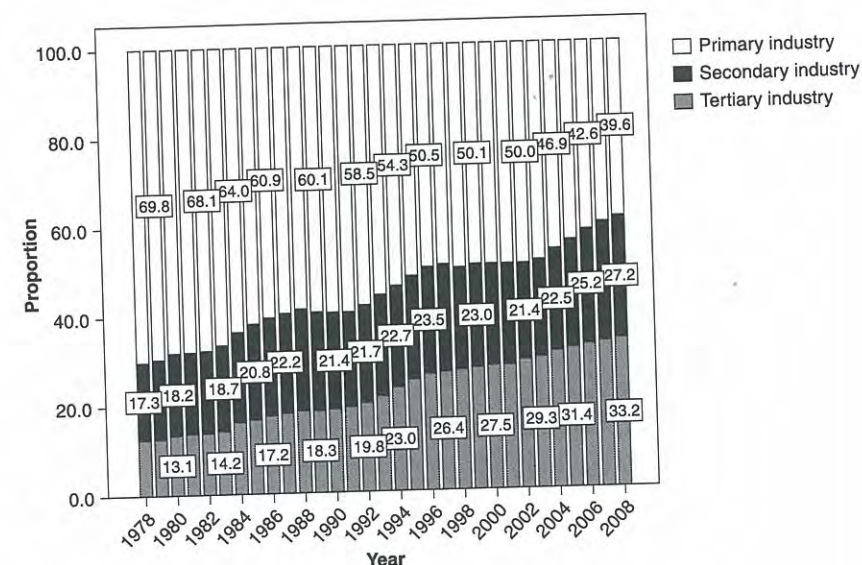


Figure 4.3 National employment composition 1978–2008.

Source: China Labour Statistical Yearbook 2009, pp. 6–7.

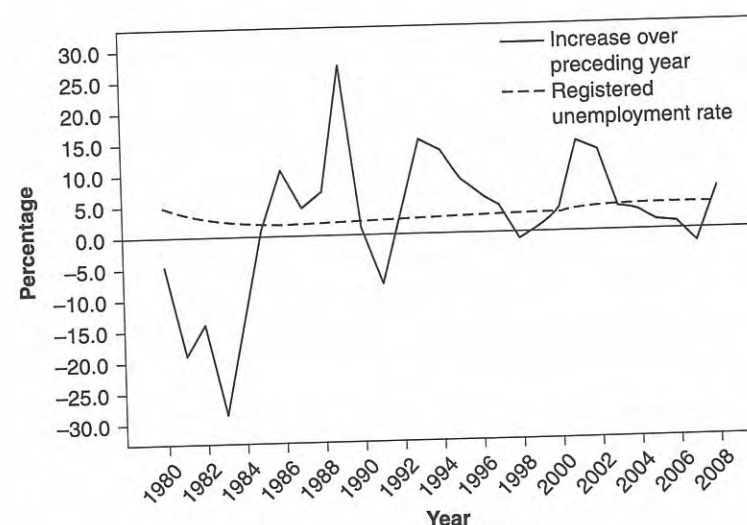


Figure 4.4 Urban registered unemployment 1980–2008.

Source: China Labour Statistical Yearbook 2009, p. 163.

unemployment increased in most years, with the biggest increase of 27 per cent in 1989 when large numbers of SOEs were undergoing structural reform through redundancies. Since 1990, unemployment has continued its increasing trend, with registered official rates of urban unemployment reaching 4 per cent in recent years.

Undoubtedly, these data do not reflect the actual unemployment levels in Chinese cities, especially among those who experienced the most dramatic consequences of the restructuring of state-owned industrial plants during the second half of the 1990s. These effects were most marked in the north-east provinces, a theme that Chapter 8 explores in detail. As well, despite a labour market that increasingly requires high skills, university graduates have recently also become potential unemployment casualties, as the expansion of higher education apparently exceeds labour market demand (Bai 2006). A 2009 survey shows that university graduates constitute nearly 10 per cent of the unemployed in the job market and those with higher educational achievements face a more challenging situation (Li and Chen 2009). Chapter 6 returns to this phenomenon.

Ownerships and sectors

Since the late 1980s, with more ownership forms permitted, all forms of private and mixed property have become more widespread and protected. The number of employees registered as belonging to the urban workforce increased from 94.99 million in 1978 to 115.15 million in 2008, having reached a peak of 149.08 million in 1995 (NBS 2009: 24). We need to note that the official statistics generally only include registered urban labour, but excluded the groups who are not officially registered, such as large numbers of rural migrant workers and urban residents working in informal sectors.

Figure 4.5 summarizes the composition of the urban workforce by different types of ownership: state-owned units; collectively owned units; and other ownership units – normally including private, foreign-invested and joint-ownership enterprises and firms. The proportion of employees working for state-owned units remained stable at around 70 per cent from 1985 to 2000, but from 2000, the pace of decline has increased to reach about 53 per cent of the urban workforce in 2008.

While state-owned units were continually retrenching employees, 'other ownership units' were employing larger shares of labour supply. By 2008, they employed about 41 per cent of the urban workforce, an enormous increase given that they employed only 0.4 per cent by 1985 and that their share grew slowly during the 1980s. In 1994, their share was still only 5 per cent, followed by a jump to 13.2 per cent in 1998. Growth has been particularly rapid during the last decade with a 28 per cent increase.

Despite this growth of different forms of ownership, urban residents are, nonetheless, still more likely than rural residents to be employed in the public sector, or 'within the system' (*tizhi nei*). These are powerful indicators of the greater access to opportunities available through urban residence. Traditionally, significant differences have existed not only between the public and the private sectors

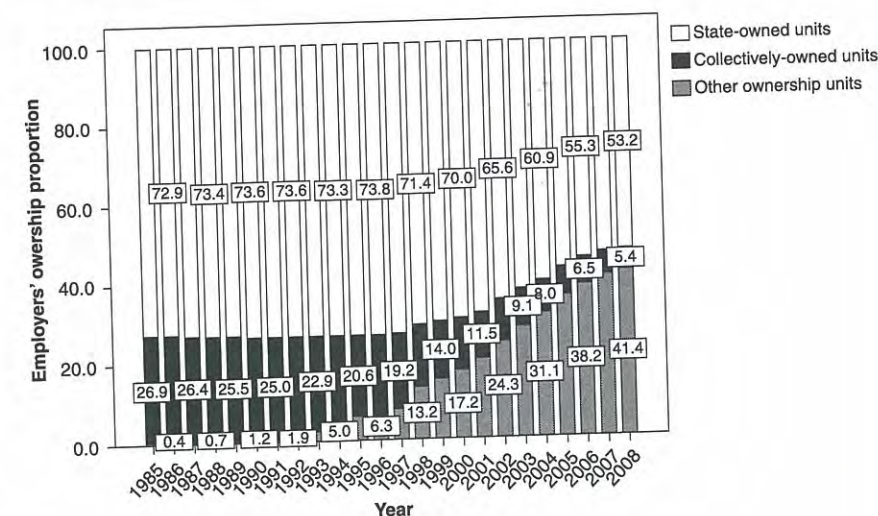


Figure 4.5 Employers' ownership composition 1985–2008.
Source: China Labour Statistical Yearbook 2009, p. 24.

but, as chapters 1 and 2 explain, also between the state-owned and the collectively owned sectors (Wang 2008). As Figure 4.5 indicates, the share of urban employment in collectively owned units gradually declined from 26 per cent in 1985 to only 5 per cent by 2008 as the urban-based collective economy has suffered progressive abandonment in favour of other forms of ownership deemed more appropriate for competition in global and domestic markets. This shows that, while the reform of state-owned enterprises led to their consolidation, a dramatic increase in efficiency, and a newfound ability to take advantage of both public investment and market opportunities, collectively owned units gradually lost their edge in the urban economy.

With the development of a market economy, demand for labour in sectors that are close to the market economy has also increased. Over time, opportunities to escape manual work increased, and there has been rapid growth in both private sector employment and in service occupations. Figure 4.6 reports changes of the numbers of employees in selected industrial sectors between 1985 and 2008. Agricultural sectors continuously lost their employees, falling from 7.7 million in 1985 to 3.6 million in 2008. As the largest employment sector, manufacturing has absorbed 8 million more employees since 1985, rising to 54 million in 1995. However, since then, manufacturing has taken 16 million fewer employees until the early 2000s. There has been a gradual increase since 2004, but the total number of employees by 2008 reached 33 million – about 30 per cent less than its peak during 1985 to 1995.

A similar trend characterized the formal construction sector with steady increases until 1993, at which point employment levels had almost doubled. After

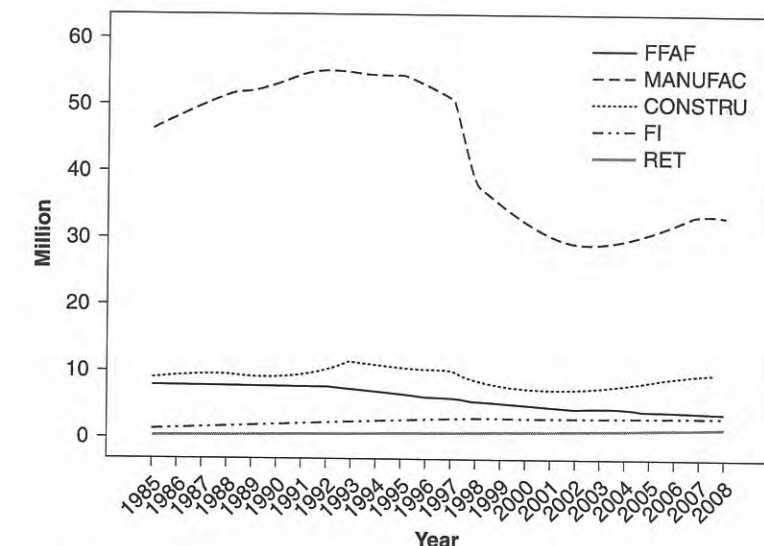


Figure 4.6 Numbers of employment by sectors 1985–2008.
Source: China Labour Statistical Yearbook 2009, p. 25, pp. 29–31.

Note: FFAF: Farming, Forestry, Animal Husbandry and Fishery; MANUFAC: Manufacturing; CONSTRU: Construction; FI: Finance and Insurance; RET: Real Estate Trade

that, there was a gradual decline until 2004. On the other hand, new sectors, such as Finance and Insurance and Real Estate, have increasingly absorbed some of the more skilled and experienced urban workforce. Their employment levels were about three to four times higher by 2008. Although their absolute numbers are less than other sectors, the rapid and continuous growth of market-economy-related sectors shows the reshaping process of the Chinese labour market.

These changes resulted not only from the development of a market economy, but also state policies to increase employment and consumption opportunities (Tomba 2004). Changes in the rate of growth of non-agricultural employment and of ownership composition are at the basis of the structural changes in the labour market (Naughton 1999: 41). Besides the macro trends I have presented above, the shift away from capital-intensive heavy industry and towards labour-intensive and export-oriented light industry since the 1980s has had substantial consequences for the composition of the workforce, its working conditions, remuneration and characteristics, as I will show in the following sections.

Wages

Wages are an important indicator of power and resource re-allocation in the labour market. As a shift away from socialist redistribution (low-salary, high-welfare)

during the reform era, employees have been increasingly rewarded in cash. If we compare average wages across different ownership types, however, the results suggest that, while state-owned units provided marginally lower average wages than 'other ownership units' for many years in the early reform era, they are now the employers with the highest capacity to redistribute economic resources to their employees. Perhaps this is related to the removal of vast numbers of the least profitable units in that sector, which produced the general decline in their share of employment mentioned above. It also probably reflects the growing economic power and profitability of some of the largest remaining SOEs.

As indicated in Figure 4.7, the nominal average wage of urban employees has increased tremendously since reform from 1,148 Yuan to 29,229 Yuan, but at different rates in different types of units. State-owned units raised their annual wage from 1,213 Yuan in 1985 to 31,005 Yuan in 2008, a 30-fold increase. Both 'collectively owned units' and 'other ownership units' experienced a fast-paced increase over two decades, their average nominal wages rising to 18,338 Yuan and 28,378 Yuan, respectively, about 20 times higher than in 1985. Compared to non-public sector units, state-owned units are the only group with wages higher than the national average all the time. 'Other ownership units' was the highest wage group until 2000. From 2000 onwards, they gradually lost their competitive wage advantage to state-owned units, with their wage level closely following the national average. There are not only now fewer employees in collectively owned enterprises, they are also the worst paid among urban residents. By 2008, their

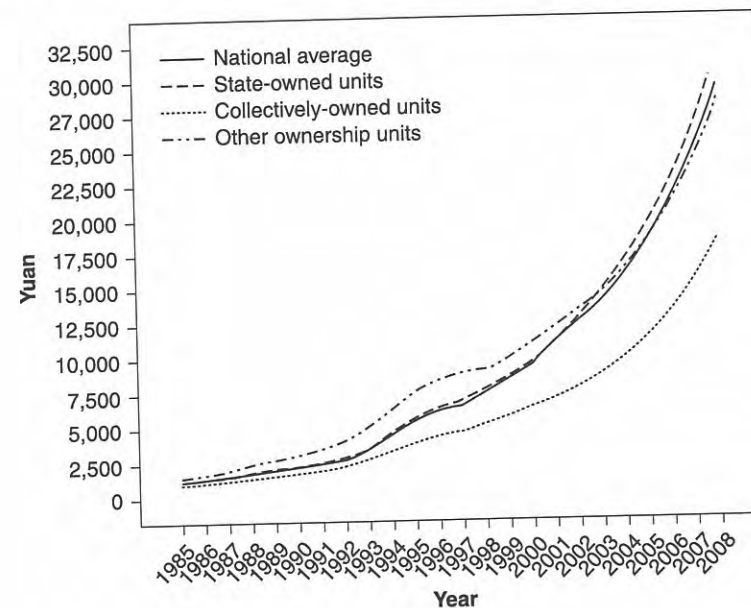


Figure 4.7 Average wage by employers' ownership 1985–2008.

Source: China Labour Statistical Yearbook 2009, p. 61.

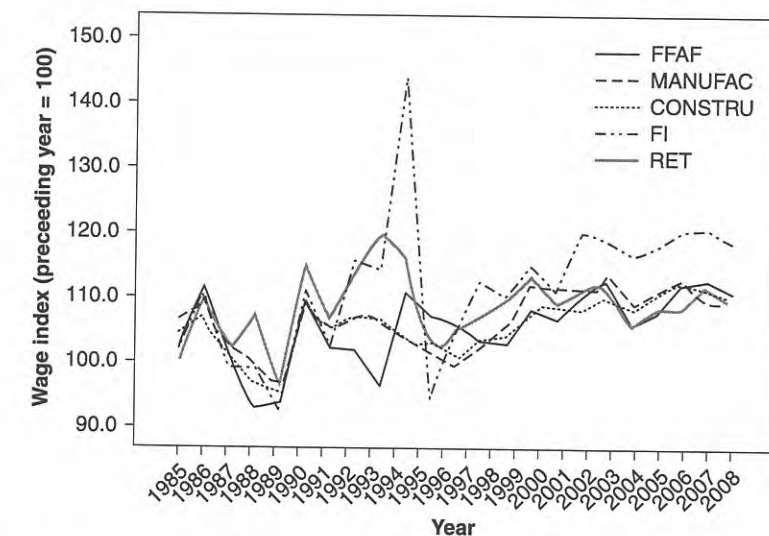


Figure 4.8 Growth of average wage by sectors 1985–2008.

Source: China Labour Statistical Yearbook 2009, p. 64, pp. 74–6.

Note: FFAF: Farming, Forestry, Animal Husbandry and Fishery; MANUFAC: Manufacturing; CONSTRU: Construction; FI: Finance and Insurance; RET: Real Estate Trade.

wage was about 40 per cent lower than state-owned units. Comparison of average wage levels by industry sectors also reveals a new hierarchy in the labour market. As Figure 4.8 suggests, similar to their growing trend in employment numbers, wages in sectors such as Finance and Insurance (31 times) and Real Estate (28 times), grow much faster than manufacturing and construction sectors. Agricultural sectors experienced the slowest wage increase over the years.

Bonuses

Wages are not the only indicator of the ability of a sector or an industry to redistribute resources. Bonuses and non-monetary rewards can also make a big difference to employees' well-being. The use of bonuses picked up rapidly after the beginning of reforms. For example, Bian and Logan (1996) found that base salaries as a percentage of a worker's total income dropped from 95 per cent in 1978 to less than 50 per cent in 1993. By then, bonuses had already become the principal component of employees' total earnings. While the government continued to largely regulate base salaries, the ability to generate bonuses and to reward employees varied considerably from one employer to another. Therefore, by the early 1990s, variations in bonuses (as well as in-kind benefits) became a principal source of inter-organizational and within-organizational inequality (Zhao 1993;

Sun *et al.* 1994). Post-reform work organizations, particularly enterprises and firms, have generated income inequality among urban employees through distributions of bonuses, because employees of profitable enterprises or firms could receive higher bonuses which normally exceed the gap between their basic salaries (Wu 2002; Chan and Unger 2009).

Workers and staff have become increasingly dependent upon their employers distributing extra income, openly or under the table (Bai and Xie 2010). Xie and Wu (2008) argue that the employer's financial situation, its profitability in particular, is one of the most important determinants of earnings – including regular wages, bonuses and subsidies – in urban China today. Because of these differential capacities to generate bonuses, income inequality across employing organizations remains pronounced. Substantial premiums for well-placed workers therefore are often not labour market-driven or productivity-based but rather an entitlement that flows from higher levels of firm profitability. As 'what one does' and 'where one works' matter greatly to employees' remuneration, the economic relationship between workers and their employers has become stronger (Tomba and Tang, forthcoming).

Working conditions

In addition to the average wage, one should also consider changes in other aspects of workers' well-being, such as working hours and access to welfare and insurance. Table 4.1 shows the average weekly working hours of different groups from 2003 to 2008. In general, the weekly working hours remain steady at around 45.5 hours, with about two hours' increase in 2005 and 2006. The younger generation's (aged under 45) weekly working hours normally exceed the national average by between one and three hours. Those aged between 45 and 59 tend to work a few hours less. Those above the age of 60 gradually work less and less: by 2008, workers in the 60–64 age group still work a hefty 37 hours per week and those aged over 65 work about 32 hours per week. The youngest age group (aged 16 to 19) work the longest hours in most of the years, normally two to four hours longer than the national average.

As to different occupational groups, managers tend to work longer than average hours, but it was Business Service Personnel who were the longest working hour group over the six years – they normally work five hours longer than the national average, and by 2008, they are the only group who work nearly 50 hours per week. Meanwhile, employees in Agriculture and Water Conservancy agencies tend to work fewer hours. Their weekly working hours dropped six hours over the years and they work under 40 hours per week by 2008. The gap between the longest and shortest working-hour groups expanded from about 7 to about 12 hours during the six years.

Those with lower educational attainment (senior high school and below) tend to work longer hours than college or higher education graduates. The exception is the least educated group, who gradually work the least; in 2008 their average working time was about 36 hours per week, eight hours less than the national average. Junior school graduates have the longest working hours, about 47 hours, one to two hours longer than the national average and five to seven hours longer than those with university degrees or higher education.

Table 4.1 Working hours among different social groups

Group	Year					
	2003	2004	2005	2006	2007	2008
Age						
16–19	48.4	48.7	51.8	49.9	48.1	45.8
20–24	46.2	46.4	49.4	48.4	46.9	45.6
25–29	45.7	45.9	48.6	48.1	46.5	45.7
30–34	45.7	45.9	48.6	48.4	46.9	46.0
35–39	45.7	46.0	48.4	48.3	46.7	45.9
40–44	45.1	45.3	47.7	47.7	46.1	45.4
45–49	44.9	44.7	46.9	46.5	45.2	44.5
50–54	44.5	44.5	45.9	45.2	43.9	43.3
55–59	44.2	44.0	44.8	43.9	41.8	41.0
60–64	42.7	43.0	42.9	41.8	38.4	37.3
65+	40.7	40.7		36.8	33.4	32.7
Occupation						
Unit Head	44.3	44.0	47.2	47.3	47.7	47.5
Professional Personnel	43.4	44.1	43.2	44.1	43.4	43.0
Clerk and Related Workers	41.8	42.4	44.4	44.4	43.8	43.5
Business Service Personnel	49.4	49.3	52.0	52.0	50.3	49.1
Agriculture Labor	44.2	42.9	43.0	41.9	38.2	37.7
Production and Related Workers	47.5	48.1	51.4	50.8	49.8	48.2
Others	46.7	46.8	48.9	48.4	46.7	46.8
Education						
Illiterate	44.9	44.8	44.4	41.5	37.3	36.4
Primary School	47.2	46.1	47.8	46.4	43.4	41.7
Junior School	47.4	47.4	50.0	49.3	47.3	46.1
Senior School	44.4	44.9	47.8	47.7	46.8	46.0
College	41.6	42.0	43.2	43.8	42.9	43.0
University	41.1	41.2	41.9	42.1	41.7	41.7
Graduate	41.4	42.2	41.3	42.2	41.4	41.1
Sector						
FFAF*	44.1	42.9	42.9	41.9	38.2	37.6
Manufacturing	46.4	46.9	51.1	50.4	49.4	47.9
Construction	48.4	48.0	51.6	51.3	49.7	48.2
WRT*	49.2	50.1	52.5	52.5	50.9	49.6
HCS*	50.1	49.1	53.9	54.4	52.1	50.7
RE*	42.2	42.4	45.8	45.8	45.7	44.9
POS*	47.5	47.0	52.3	52.1	50.2	49.0
PASO*	40.9	41.1	42.2	42.0	41.8	41.5
Average	45.4	45.5	47.8	47.3	45.5	44.6

Source: China Labour Statistical Yearbook 2009 (pp. 111–12)

Note:

* FFAF: Farming, Forestry, Animal Husbandry and Fishery

WRT: Wholesale and Retail Trade

HCS: Hotel and Catering Service

RE: Real Estate

POS: Personal and Other Services

PASO: Public Administration and Social Organizations

Employees in different sectors also experienced different levels of pressure to work more. Employees from Farming, Forestry, Animal Husbandry and the Fishing Sector appear to have reduced their working hours over the years, and by 2008 they are the only group whose weekly hours are under 40. Together with employees in Public Administration and Social Organizations, they are the only group working less than the national average. Meanwhile, there is a gradual increase of working hours of employees in the Manufacturing, Real Estate, Public Administration and Social Organizations. Employees in Wholesale and Retail, and Hotel and Catering Services have become the longest working group since 2003, spending more than 50 hours per week at their workplace.

The statistical information available on the urban registered population needs to be taken with a pinch of salt. Information on actual working hours in several industries that employ large numbers of rural migrants, or of workers who do not sign a labour contract (see also Chapters 4 and 10), are likely to reveal that many of the provisions on working times and working conditions set out in China's Labour Contract Law are far from being fully implemented (see Chapter 3).

Although gradually adapted to the rationale of the market, China's economy is still under the influence of state policy intervention. During the socialist period, as the urban economy was mainly a state-owned economy, employers 'took care' of their employees by providing comprehensive social welfare. As the earlier chapters have pointed out, employees now need to contribute, alongside their employers, to their insurance schemes (Davis 1989; Croll 1999). Figure 4.9 summarizes the general access to unemployment insurance, medical insurance and work injury

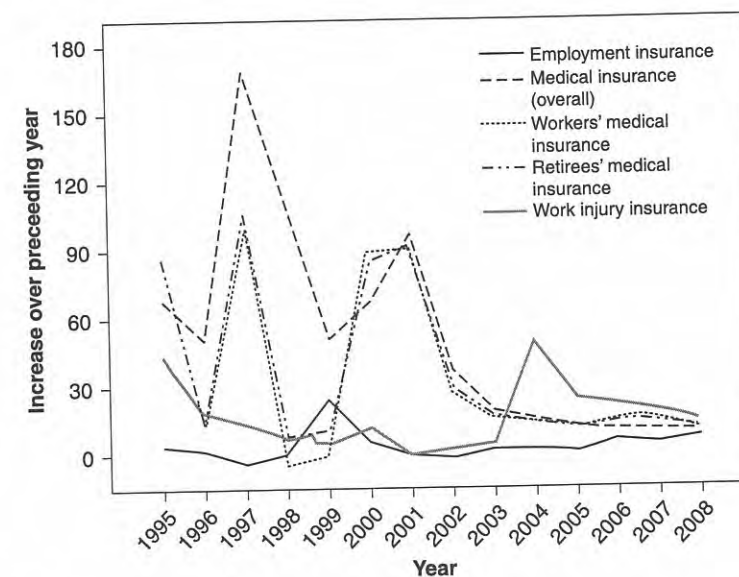


Figure 4.9 Insurance participation 1995–2008.

Source: China Labour Statistical Yearbook 2009, pp. 486, 493 and 498.

insurance of urban employees. Participation in medical insurance experienced great growth, from 7 million participating in 1995 to 318 million in 2008 (NBS 2009: 486). Especially, the participation of retirees experienced at least a 50 per cent annual increase in the second half of the 1990s, which made them the highest increase group in social insurance participation. Compared to retirees' participation, the increase in the number of employees who contributed to unemployment insurance was much lower at the end of the 1990s. Since 2000, the increase of both groups tends to be in accordance with each other. After a gradual slow-down increase in the 1990s, work injury insurance has experienced a two-digit increase since 2004. Among social insurance participation, unemployment insurance participation experienced the slowest increase over the years.

Recent studies have revealed that welfare provision is no longer allocated by the state as a public good, but increasingly became associated with the degree of success of one's work organization (Wang 2008). Healthcare benefits have been increasingly linked to employment status, sector and type. As a result, those with higher wages are also likely to enjoy better health benefits (Gao and Riskin 2009: 35). It is worth noting that the national statistics presented above only include registered urban labours. Large numbers of urban laid-off workers and rural migrant workers do not participate in social insurance, due to the policy restrictions (favouring officially registered public sector employees), regional boundaries (limited to those with local urban household registration) and insufficient social security system (Wang and Gao 2008: 270–3).

Living standards

The direct impact of economic growth and of changing employment conditions on people's lives is revealed in general improvements to living standards among the wider urban population. Table 4.2 illustrates the changes of basic conditions for urban households in selected years since 1990. Among the most striking changes is that the average household size has declined from 3.5 in 1990 to 2.9 in 2008. Second, the nominal per capita annual income increased nearly 10 times from about 1,516 Yuan in 1990 to 17,067 Yuan in 2008, while the per capita annual consumption expenditure also increased about ninefold. Third, the percentage of expenditure on food, clothing and household facilities gradually declined. There were increases for housing, health care and medical services, transport and communications. As a testimony to China's substantial improvement in living standards, food consumption, which used to constitute more than half of the total expenditure, has declined by 18 percentage points since 1990 to about 37 per cent. It is still the largest component of family expenditure. Clothing and household facilities expenditure declined much less, about 3 to 4 per cent less over the years. The biggest expenditure increase was in transport and communication, which jumped from about 1 per cent in 1990 to 13 per cent in 2007. Education, cultural and recreation services remained relatively stable during the two decades, at about 11 to 13 per cent, despite the huge increase in available income and overall consumption.

Table 4.2 Basic conditions of urban households (selected years)

Household Situation	Year					
	1990	1995	2000	2006	2007	2008
Average household size (person)	3.5	3.2	3.1	3.0	2.9	2.9
Per capita annual income (Yuan)	1,516	4,279	6,295	12,719	14,908	17,067
Per capita annual consumption expenditure (Yuan)	1,278	3,537	4,998	8,696	9,997	11,242
Composition of per capita annual consumption expenditure (%)						
Food	54.3	50.1	39.4	35.8	36.3	37.9
Clothing	13.4	13.6	10.0	10.4	10.4	10.4
Residence	7.0	8.0	11.3	10.4	9.8	10.2
Household facilities	10.1	7.4	7.5	5.7	6.0	6.2
Health care and medical services	2.0	3.1	6.4	7.1	7.0	7.0
Transport and communication	1.2	5.2	8.5	13.2	13.6	12.6
Education, cultural and recreation services	11.1	9.4	13.4	13.8	13.3	12.1
Others	0.9	3.3	3.4	3.6	3.6	3.7

Source: China Labour Statistical Yearbook 2009 (p. 156)

Occupational attainment

Changes in the general employment structure affected employees' opportunities and positions in the labour market. The median age of China's workforce is now only 32 and it is expected to increase steadily to 40 in 2025. Individuals aged under 40 are found to be much more willing and able to adapt to major work changes than workers over that age (Naughton 1999: 43). And those between the ages of 25 and 44 are more needed in the job market than those aged under 25 or over 45 (Li and Chen 2009: 6–7).

The gender split is changing. The proportion of male employees in urban units dropped by about 9 per cent over four years to about 41 per cent in 2005, while there is a 6 per cent increase in male employees in the private sector. The increase in female employment is even bigger – nearly 8 per cent (NBS 2002: 54; 2003: 68; 2004: 74; 2005: 82).

Otis (2009) finds that forms of recruitment, training and promotion mobilize and produce distinct job hierarchies for men and for women, for the young and for the middle-aged. Gender essentialism that sorts men and women into different tasks illuminates labour segregation and gender divisions: male strength and youth become proxies for managerial competence; female youth and beauty for interactive competence and deference (Otis 2009: 68).

In the early stages of reform, economic growth depressed returns to education and work experience and did not affect the net differences between party members and non-members and between men and women. According to Xie and Hannum (1996) the overall inequality in earnings remained low and was only marginally

correlated with economic growth, largely due to the lack of an efficient labour market in urban China. As reform deepened, however, significant changes were recorded in the overall returns to education (Zhou 2000). Those who did not attend high school have less and less opportunity to get into urban units. By 2005, less than 5 per cent of the illiterate and semi-illiterate worked in urban units but about 22 per cent of junior high school graduates did so. Among the less educated, more and more of the illiterate and semi-illiterate ended up working in agricultural employment – about 56 per cent by 2005 (NBS 2005: 84).

Data from the *China Labour Statistical Yearbook 2002–2009* also suggest that those who finished primary school and junior high school were more likely to work in the private sector – 4 and 9 per cent, respectively. And women seem to be more likely (about 4 per cent) to take up private sector jobs than men with the same educational level. Among those who achieved higher levels of education, senior high school graduates also gradually lost their edge in terms of access to employment in urban units. By 2005, about 54 per cent of them worked in urban units, with a drop of about 12 per cent over the previous four years. In the same period 10 per cent more of them were employed in the private sector (NBS 2002: 55; 2003: 70; 2004: 76; 2005: 84; 2009: 109).

The great majority (about 90 per cent) of those who completed tertiary or postgraduate education work in urban units, and female graduates' ratio is 2 to 3 per cent higher than that of male graduates (NBS 2005: 84). People with lower educational attainment (primary school or lower) have fewer opportunities. By 2008, about 75 per cent of the least educated are working in Agriculture and Water Conservancy, and the proportion is about 20 per cent higher than it was in 2002. The intermediate education level (junior and senior high school) employees are more likely to be employed in Business Service Personnel and Production, or as Transport Equipment Operators. Meanwhile, as should be expected, those with tertiary and/or postgraduate education are the most competitive for professional and technical positions. With the same level of educational achievement, women are more likely to end up in Agriculture than men (NBS 2002: 61; 2003: 86; 2004: 92; 2005: 100; 2007: 117; 2008: 95; 2009: 109).

About 50 per cent of university graduates end up working as professionals or technical personnel, and the proportion of people with postgraduate education in this type of employment has increased about 10 per cent over six years to about 61 per cent in 2008. Among the better educated, men are more likely to take up managerial positions, while women are more likely to take up positions as professional and technical personnel (NBS 2002: 61; 2003: 86; 2004: 92; 2005: 100; 2007: 117; 2008: 95; 2009: 109).

Mobility patterns

During the early stages of reform, large numbers of people moved from state-owned enterprises or institutions to the private sectors (Zhou *et al.* 1997; Lu 2004; Liu 2005). They were attracted by higher economic rewards and market opportunities while at the same time trying to preserve the benefits of their membership in

a state-owned work unit. A survey in 2000 found that the three main considerations when seeking a new job had changed. Before the reform they were 'authority's assignment', 'answering the Party's call' and 'income and welfare'. They had now become 'income and welfare', 'personal interests and advancement opportunities' and 'working conditions' (Liu 2004: 65–6).

Since 1985, more channels have become available to look for work and find more desirable positions. Personnel examinations and other forms of open hiring have become the most common means of recruiting people into urban workplaces. Examinations and greater competition have helped move China towards a more meritocratic system and to increase returns on education. Both market and network channels offer numerous opportunities for skilled and unskilled jobs, but networks, especially those with weak ties, are also key channels for upward mobility into non-manual, high-skilled and managerial jobs (Bian 2009: 187–8).

Given the fact that the hierarchy of workplaces in China was, and still is in many respects, closely related to the structure of political authority (Bian 1994; Zang 2004; Zhou 2004), occupational attainment and mobility patterns reflect the interaction of China's economic institutions and political institutions. Some state sector occupations, such as government agencies and public organizations, have maintained their traditional advantages and are still highly desirable in the reform era. The growth of a market economy does not seem to result from people leaving these occupations. Rather, mobility to private firms is mainly from low-level state units and non-state organizations (Zhou 2004).

The promotion of meritocracy in China is also connected to the goal of a more efficient and dynamic bureaucracy. Merit-based hiring procedures have been extended from elite recruitment at national levels down to local levels, especially for positions requiring formal credentials and expertise (Lee 1991; Walder 1995; Davis 2000; Zang 2001, 2004). Moreover, the government has repeatedly raised salaries, improved work conditions, and adopted a more merit-based appointment process for officials (Tomba 2004). Not only public servants, but also professionals within the system, benefit more from public employment today than in the 1980s. Along with social welfare, pensions, medical insurance and housing subsidies, large state-owned enterprises, in particular monopolistic state-owned enterprises, create a more meritocratic environment for professionals and a favourable structure of rewards (Tomba and Tang, forthcoming). Even the emergence of a salaried middle class according to some (Li and Niu 2003; Tomba 2004) is the consequence of intensive, ideologically justified and coordinated policy-making, which manifested itself in a steep rise in public sector salaries and protection of the welfare privileges of the skilled, publicly employed urban population (Cao 2001).

A 1999 survey showed that 'leading cadres in government offices and institutions' was still topping the ranking of most desirable jobs, among different educational achievement categories and throughout political affiliation. The younger generation (aged 16 to 30) ranked 'IT engineer' as the top preference, followed by 'leading cadres', but the over-30s picked 'leading cadres' as their first choice (Xu 2004: 141–51). The national public servant exam has attracted more and more

university and graduate school applicants since 2000. In 2010, there were 1.46 million applicants who registered for the exam for national public service positions, which made the acceptance rate 1:93 (Yang 2009).

Individuals are more likely to work in a 'good' work unit if their fathers had a high position in state-owned work units. At the same time, the influence of the family's political background on individuals' chances to find a good job gradually diminished as the reform deepened. Since the 1990s, comparatively speaking, the influence of fathers' work unit identification on employment opportunities started to decline, while individuals' educational credentials such as degrees and professional certificates become more and more important in getting a desirable position in the labour market (Liu 2005: 83–4; Zhang 2004: 195).

Those who took up an administrative position as their first job are more likely to stay in their positions, while those who started with professional technical positions have more flexibility in switching to other positions. The most open group is clerks, but they have less ability to obtain better resources and opportunities than administrative personnel or professionals; the most static group is the self-employed, who have the least opportunities of upward mobility (Liu 2004: 78–9; 2005: 99–100).

Table 4.3 summarizes the reasons for unemployment among different social groups. Generally speaking, 'work unit reasons' is ranked the main reason for unemployment (28 per cent), followed by 'unemployed after graduation' (22 per cent) and 'individual reasons' (19 per cent). Men are more likely to lose their jobs than women because of the work unit reasons – about 33 per cent of them became unemployed due to the poor performance of their work units, which is about 9 per cent higher than women. Women are far more likely to leave their jobs for the reason of 'taking care of housework' – 23 per cent of the women chose this reason but only 1 per cent of men did so. Compared to the mid-aged group (those who are between 40 to 55), more than half of whom are unemployed by their work units, the younger generation are facing a severe challenge in the graduate job market – 77 per cent of those aged under 20 and 60 per cent of those aged under 25 reported they failed to find a job after they finished their education. Those who finished tertiary or higher level education suffered the most from the unpromising labour market. Fifty-five per cent of university graduates and 43 per cent of postgraduate students become jobless after they completed their degree. Those who have the highest educational achievement seem to be more likely to leave the job because of 'individual reasons'. The higher investment in their education and the higher expectations of their jobs make postgraduate degree holders become the most 'selective' employee group – 43 per cent of them left their previous job because of individual reasons, which is at least 20 per cent higher than people who finished other, lower levels of education.

Table 4.4 compares the job searching channels among different unemployed groups in terms of their gender, age and educational credentials. In total, informal personal networks remain the most popular source of job information. More than half of the unemployed choose to ask their friends or relatives when looking to get another job. Far fewer unemployed people use formal recruitment channels to

Table 4.3 Unemployment reasons among different social groups

	Unemployment reasons							Total
	Retirement	Taking care of housework	Unemployed after graduation	Work unit reasons	Individual reasons	Land expropriated	Others	
Gender								
Male	1.6	1.1	24.9	33.6	20.9	4.1	13.6	100
Female	2.6	23.8	19.4	24.1	17.4	3.1	9.6	100
Age								
16-19		0.8	77.6	2.3	14.3	0.2	4.8	100
20-24		4.8	60.9	4.7	19.1	1.1	9.3	100
25-29		17.2	28.0	12.2	27.3	1.9	13.4	100
30-34		23.3	4.8	29.2	21.8	4.2	16.7	100
35-39		19.4	2.9	39.0	19.4	7.3	12.1	100
40-44		13.6	0.8	53.5	15.7	5.4	10.6	100
45-49	0.2	11.5	0.6	56.4	17.6	3.2	9.5	100
50-54	1.2	7.2	0.4	50.0	10.6	5.1	12.4	100
55-59	20.9	5.1		45.5	11.9	4.3	12.3	100
60-64	35.7	16.7		7.1	14.3	14.3	11.9	100
65+	41.4	10.3		17.2	20.7	6.9	3.4	100
Education								
No Formal Education	2.9	23.5	5.9	2.9	5.9	5.9	52.9	100
Primary School	4.0	18.8	3.8	19.8	20.4	12.6	20.4	100
Junior School	2.4	16.9	13.8	29.1	19.8	5.6	12.4	100
Senior School	1.9	11.0	23.1	35.2	17.9	1.0	9.8	100
College	1.1	4.8	46.3	19.8	18.0	0.4	9.6	100
University	0.9	2.1	55.0	15.9	21.8		4.4	100
Graduate			43.8	6.3	43.8		6.3	100
Total	2.1	12.9	22.1	28.7	19.1	3.6	11.5	100

Source: China Labour Statistical Yearbook 2009 (pp. 125, 127)

Table 4.4 Job searching channels among the unemployed

	Employment agency offices	Asking friends/ relatives	Employment hiring meetings	Employers' advertisement	Planning for own business	Others	Total
Gender							
Male	13.9	52.9	2.1	9.7	8.3	13.1	100
Female	11.1	51.8	2.1	9.4	6.1	19.5	100
Age							
16-19	9.4	64.2	2.3	8.8	4.8	10.5	100
20-24	15.2	46.3	2.0	20.7	5.2	10.7	100
25-29	12.2	45.5	2.4	13.8	7.5	18.7	100
30-34	11.0	50.7	2.5	7.4	7.7	20.7	100
35-39	12.1	54.2	2.3	5.6	9.8	16.0	100
40-44	10.9	58.9	1.6	3.3	7.5	17.8	100
45-49	14.9	53.6	1.9	4.6	6.9	18.0	100
50-54	12.9	57.1	1.9	3.0	8.7	16.3	100
55-59	11.1	61.3	0.8	2.0	4.7	20.2	100
60-64	4.8	47.6		2.4	4.8	40.5	100
65+	6.9	44.8			10.3	37.9	100
Education							
No Formal Education	2.7	40.5	5.4	5.4	10.8	35.1	100
Primary School	9.3	56.6	2.0	3.0	7.9	21.1	100
Junior School	10.0	59.2	1.4	4.7	6.7	18.0	100
Senior School	13.5	53.0	2.0	8.2	7.9	15.4	100
College	18.3	35.6	3.3	24.3	6.5	12.0	100
University	18.8	23.2	5.6	33.4	6.2	12.9	100
Graduate	5.9	17.6		47.1	17.6	11.8	100
Total	12.5	52.4	2.1	9.5	7.1	16.4	100

Source: China Labour Statistical Yearbook 2009 (pp. 131-2)

look for other jobs – only 12 per cent registered with employment agency offices, less than 10 per cent look for jobs through job advertisements and only 2 per cent participate in employment hiring meetings (*zhaopin hui*). Those who are between 20 and 30 are more likely to look for job information through job advertisements than other age groups. And the higher education they have, the less likely they are to use personal networks and the more they prefer to search for jobs through job advertisements. Less than 20 per cent of those with postgraduate education ask for job information from their friends or relatives, which is about 40 per cent lower than those with junior school education. Thirty-three per cent of those with university education and 47 per cent of those with postgraduate education use job advertisements as the main source of information, while only 3 per cent of those with primary school education and 4 per cent of those with junior school education do so. Compared to other educational groups, those who did not go through formal education and those who completed postgraduate education are more likely to plan to start their own business after they lose their jobs. About 10 per cent and 17 per cent of those two groups choose to plan for their own business, respectively, while only 6 or 7 per cent of other educational groups consider this option.

Conclusion

This chapter is by no means exhaustive in its attempt to provide a snapshot of the changes in China's workforce during the last three decades. The rapid economic growth was accompanied by a rapid decline in the share of GDP produced by agriculture and an increase of tertiary industry contribution to the national economy. Economic development has been accompanied by the emergence of different forms of ownership and a different emphasis on industrial sectors, with export-oriented manufacturing taking the lion's share.

The proletarianization of many Chinese farmers, but also a significant change in the priorities of public investments, produced a substantial overhaul of China's urban workforce. Progressively, and at a slow pace, a labour market was established where skills and education became important factors but where the traditional distinction between 'within' and 'without' the system remained crucial in determining opportunities. The public sector continued to attract the best workforce, and to shield some of the new generations of urbanites from the risks and fluctuation of private employment. Chinese workers have become more mobile, younger and more educated although inequality at the workplace, between workplaces and between areas has continued to increase.

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5 Local labour markets

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A societal approach to local labour markets

Local labour market (LLM) approaches are well understood and widely used in the literatures on labour markets in developed countries. They are particularly useful where they assist in making sense of the local within larger, more populous and more diverse societies (Hoynes 2000; Chapple and Lester 2010; Dustmann, Fabbri, Preston and Wadsworth 2003; McQuaid *et al.* 2006). This suggests that a local labour market approach would be particularly appropriate for analysing spatial patterns of employment and unemployment, turnover and labour mobility and migration within China, a large, populous and diverse country *par excellence*.

Orthodox economic theories view LLMs as a relatively confined geographic space in which the matching processes between labour demand and supply take place. In this sense, a local labour market perspective merely investigates the same universal 'labour market laws' within different localities (Peck 1989, 1996). However, this definition tells us little about the local mix of characteristics that may generate diversity across local labour markets, even among neighbouring ones. Factors such as geographic location, climate and natural resource endowments can play primary roles in historically shaping local dynamics. Informal institutions such as local culture, customs and norms more gradually influence local labour market traditions, their power relations and inter- and intra-organizational relationships, including the formal institutional arrangements discussed above.

Indeed, each LLM is the outcome of its particular embedded context in which legal, geographic, economic, political, cultural and other social systems follow localized patterns of interaction. These systems vary geographically by structure, functions and authorization and combine, dynamically, to produce different outcomes across localities (Jonas 1996, 1997; Peck 1989, 1996). This 'societal' approach is sensitive to historical dynamics as well as 'institutional embeddedness and geographic differentiation' (Peck 1996: xv).

The next section explains the approach we have chosen for analysing local labour market dynamics in China. Following this, we introduce two particular forms of LLM in China – special economic zones and the much smaller industrial parks – and then briefly discuss how research on labour markets in China neglects