



What accounts for the decline in labor force participation among married women in urban China, 1991–2011?



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ABSTRACT

Since the advent of Communist movement in the 1940s, women in China have been portrayed as equal partners to men in their labor force participation, operating under slogans such as “Women hold up half the sky”. Political rhetoric in the Mao era suggested that gender parity could be attained through women’s participation in paid employment and full time work outside the home became routine for most urban women. Subsequent to the reforms, however, China has experienced a sharp decline in urban women’s labor force participation. Utilizing micro-level data spanning from 1991 to 2011, individual women’s labor force decisions are analyzed in order to identify the reasons for the decline. Changes in covariates explain only a small portion of the observed decline. However, over the study interval the wage returns to education increased markedly, and the distribution of wages widened considerably. These factors, combined with a high wage elasticity of participation, are consistent with the pattern of declining labor force participation found in the data. As such, promotion of women’s education, particularly at the upper secondary level and beyond, could be expected to offset the downward trend.

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1. Introduction

Since the advent of Communist movement in the 1940s, women in China have been portrayed as equal partners to men in their labor force participation, operating under slogans such as “Women hold up half the sky”. Political rhetoric in the Mao era suggested that gender parity could be attained through women’s participation in paid employment and full time work outside the home became routine for most urban women (Hershatter, 2007). As the economic reforms of the post-Mao era gave way to greater autonomy in hiring, however, enterprises were free to exercise their preference for hiring men (Honig & Hershatter, 1988). Privatization and retrenchment further victimized women, with a broad array of unequal treatments and social forces underpinning women’s higher rates of discharge (Dong & Pandey, 2012; Du & Dong, 2009). Statistical evidence confirms the steep decline in women’s employment: in 1988 urban women’s employment to population ratio was 75%, but by 2009 it had fallen to 57% (Meng, 2012).

Even as demand side considerations escalated, supply side issues also have leveraged influence on women’s employment. Urban women’s rates of labor force participation in the reform era have declined, relative to men’s (Maurer-Fazio, Hughes, & Zhang, 2007), and household demographic composition (such as the presence of children and elders) is shown to play an important role in women’s participation (Giles, 2009; Maurer-Fazio, Connelly, Chen, & Tang, 2011). Though grandparents in the

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home can help offset childcare obligations and boost women's employment, erosion of the social safety net means that elderly themselves needing care may draw women out of the labor force (Liu, Dong, & Zheng, 2010). Changes in the provision of formal childcare also are correlated with the labor supply of mothers with young children (Du & Dong, 2013). Hence the traditional role of women as caregivers competes with women's opportunities to earn income outside of the home.

Moreover, some evidence suggests that rising incomes, coupled with the growing influence of the West, may have contributed to a reshaping of women's roles, particularly in the urban areas, shifting greater focus to the home and family (Fincher, 2013). Contemporary language reflects the changing times: in the past, the phrase "family has a virtuous wife" (家有贤妻) was used as a universal expression of admiration or honor. Recently a new character (with the same pronunciation as the one it replaced) was introduced into the phrase, yielding the meaning "family has an idle wife" (家有闲妻), directing some negative attention to those seemingly privileged enough to withdraw from the labor force, similar to the "opt-out" debate that has played out in the last decade here in the U.S. (Williams, 2013).

One recent popular media account describes the experiences of a handful of young married women who elected to quit their jobs in order to devote themselves full time to family—noting particularly the needs of children and husbands ("Among China's Educated Class, Fulltime Wives Are on the Rise: Learning to be a Wife", 2012). Several of these women describe exiting high-pressure working conditions requiring long hours with little flexibility, though these positions also are described as well paid and sought after for their prestige value. One respondent comments that she has told neither her parents nor her parents-in-law about her decision, anticipating their disappointment and regret in her failure to capitalize on the investments made in her education. Most reflect some degree of ambivalence about their status, noting that their contributions are not given as much weight as the income they could bring in from paid work, and worse, having taken time off they face uncertainty about their prospects for re-entering the workforce. That ambivalence, however, may be shared by women who remain employed. Reports of discriminatory practices blocking women's career advancement are on the rise and, perhaps ironically, women in the workforce also receive mixed messages, with substantial weight given to their traditional roles as wives, mothers, and care-givers (Tatlow & Forsythe, 2015).

While the aggregate statistics certainly support the notion of a decreasing labor force attachment among urban women, it remains unclear whether "opting-out" is the correct characterization for the observed trend. In the event that home and family obligations are increasingly factoring into women's labor force participation decisions, one wonders whether new behaviors should be understood as evidence of changed aspirations, or the manifestation of new constraints. Given vast change in the economic landscape in recent decades, it seems likely that entries on both sides of the work decision balance sheet have been altered. Utilizing micro-level data spanning from 1991 to 2011, individual women's labor force decisions are analyzed in order to identify the supply- and demand-side factors that account for the decline.

2. Labor market changes and their implications for women

Gender aspects of the economic, political, and social forces that have played out in China in the post reform era have not gone unnoticed by the scholarly community. The decades beginning in 1990 and 2000, respectively, indeed were characterized by profound change. Large scale restructuring of state-owned enterprises was accompanied by rapid expansion of the private sector. Though China continues to be a dominant force in manufacturing, the output share of industry relative to services is declining. Capital investment, from both domestic and foreign sources, has grown by leaps and bounds. And the economy has moved steadily in the direction of greater openness, both preceding and succeeding China's entry to the WTO at the end of 2000. A number of recent studies provide good information about how these phenomena have come to bear on labor markets, taking into account in particular their gendered impacts.

Urban China is characterized by phenomenal wage growth but also a considerable worsening of wage inequality subsequent to the reforms. Given the highly centralized nature of wage setting in the pre-reform era, some widening is certainly to be expected. Moreover, workers in China are increasingly subject to forces experienced in the industrialized world. Technological change (biased towards skill workers), capital accumulation, and the growing importance of trade are all found to contribute importantly to the observed changes in the wage structure (Ge & Yang, 2014). Coincident to the growing disparity in wages, several studies have noted findings of a widening skill gap. Meng, Shen, and Xue (2013), looking only at wages of men, report that returns to both observed and unobserved skills increased, particularly so in the 1990s. Appleton, Song, and Xia (2014), using quantile regression, argue that growth in returns to education since 2000 can be considered equalizing in that faster growth is observed in the lower wage quartiles. Nonetheless, they concur that skill gaps are widening. Wang (2013) comments also on the somewhat equalizing impact of education, finding that returns to education have posted a greater increase (between 1995 and 2002) among workers in the lower tail of the income distribution, though an increase in returns to schooling is found across the entire distribution.

Turning to gender impacts, several recent investigations report that women's pay has slipped relative to men's. Ge and Yang (2014) report that the male–female log wage differential increased from 0.11 in 1992 to 0.253 in 2007, noting also the correspondence in timing between the widening of the gender gap, the restructuring of the state sector, and associated mass layoffs. Appleton et al. (2014) concur that gender pay differentials are growing larger, particularly so in the upper portion of the wage distribution. Chi and Li (2014) demonstrate how differential selection into employment between men and women leads to an underestimation of the gap, if selection is not taken into account. Their uncorrected estimates suggest a male earnings premium, between 2005 and 2009, of 34 to 38%, but the results arising from the selection-corrected model raise the estimate of the premium to as high as 38 to 43%. Either way, this represents a substantial increase relative to 1988, when the gap, measured

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