



Gender and labor retrenchment in Chinese state owned enterprises: Investigation using firm-level panel data

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ABSTRACT

In the late 1990s, China's state-owned enterprises (SOEs) underwent dramatic labor retrenchment, drawing considerable attention to how women fared relative to men during the retrenchment process. However, almost all the existing studies on the subject rely on individual-level data. In this paper, we study the gender patterns of SOE labor retrenchment using a unique enterprise-level dataset for the period from 1995 to 2001. We find that disproportionately large share of discharge was borne by female workers and that female discharge rates were more sensitive to output growth than male discharge rates. Further, estimating dynamic labor demand equations by gender, we find that female employment was more sensitive to negative output shocks experienced by enterprises than male employment but less sensitive to positive output shocks. Further, we find that sensitivity of female employment to output was greater for reformed than non-reformed enterprises and for male-intensive than female-intensive sectors. These results provide new insights into the gender patterns of employment adjustment of Chinese SOEs to output shocks during the retrenchment period.

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1. Introduction

During the past three decades, many transition and developing countries embarked on public sector reforms in order to reduce budget deficits and promote economic growth. The retrenchment of public-sector employment is one of the most important reform programs, especially for transition economies. In these economies, rigid labor allocation mechanisms under central planning had created severe labor surplus and skill-mismatch and therefore the removal of labor rigidity is imperative for the fundamental restructuring of the economy (Blanchard, 1998). However, the massive layoffs associated with public sector downsizing create job instability and income losses for displaced workers. Commentators have expressed the concern that the shock and pain caused by the downsizing program may not be distributed evenly across gender, ethnicity, class, and other social stratifiers, calling for policy attention to social impacts of reform programs (Grapard, 1997; Jackman, 1994; Paukert, 1991).

Among transition countries, China is a latecomer in downsizing its public sector. During the early years of economic transition, reform efforts were directed at improving managerial and worker incentives of state-owned enterprises (SOE), encouraging the entry of non-state firms and fostering competition. While various measures were introduced to improve labor market flexibility, the dismissal of state workers remained an exception until the early 1990s. The rigid labor system had made it difficult for SOEs to

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face the challenge from the rapidly growing non-state sectors; as a result, a large number of SOEs faced mounting losses and growing labor surplus (Dong & Putterman, 2003). In an attempt to revitalize the SOE sector, the Chinese government launched a large scale labor retrenchment program in the late 1990s. Between 1995 and 2001, the number of state-owned enterprises (SOEs) fell from 118,000 to 53,489, and more than 35 million state workers were laid off (Dong & Xu, 2009). The SOE restructuring has brought an end to the era of “cradle-to-grave” socialism and lifetime employment for Chinese state workers.

The gender implications of China's SOE retrenchment have drawn wide research attention. Studies have shown consistently that the retrenchment program has adversely affected women more than men. Women were found at a higher risk for retrenchment than men and experienced more difficulty finding re-employment (Appleton, Knight, Song, & Xia, 2002). As a result, women had higher unemployment rates than men and their spells of unemployment were longer (Du & Dong, 2009; Giles, Park, & Cai, 2006). Women have also withdrawn from the labor force at much higher rates than men following the SOE retrenchment (Ding, Dong, & Li, 2009; Dong, Yang, Du, & Ding, 2006; Maurer-Fazio, Hughes, & Zhang, 2007). Moreover, among the retrenched workers who have found reemployment, women were more likely to experience downward occupational mobility and suffer greater wage losses than men (Knight & Li, 2006; Song & Dong, 2009). Many retrenched workers have been pushed into the informal sector in which jobs are typically temporary, pay is low, and access to social security is limited, and women accounted for a disproportionately large share of informal workers (Cook & Wang, 2010; Yuan & Cook, 2010).

However, almost all the existing empirical studies for gender and SOE retrenchment rely on individual-level data and focus, for the most part, on the post-retrenchment experience of displaced workers. To broaden our knowledge of gender and economic reforms, this paper examines the gender patterns of China's SOE retrenchment using a unique enterprise-level panel dataset derived from the 2002 State-Owned Enterprises Reform Survey for the period from 1995 to 2001. A majority of enterprises in the sample were originally owned by governments at various levels. During the period of investigation, as many other SOEs in China, the enterprises in the sample experienced serious output contraction as a result of shrinking market share in sales as well as economic slowdown triggered by the Asian financial crisis, and underwent substantial labor retrenchment. The survey provides information on labor retrenchment by sex, thereby allowing us to take a close look at the gendered retrenchment process and examine some of the special features of labor retrenchment that cannot be analyzed with individual-level data. Specifically, we estimate how enterprises adjusted male and female employment in response to output shocks during the SOE retrenchment and evaluate whether there were gender differences in employment responsiveness. Further, we evaluate whether there were differences in employment response between female-intensive and male-intensive sectors and between reformed and non-reformed enterprises.

The results of our analysis show that a disproportionate share of SOE retrenchment was borne by female workers and that female employment was more sensitive to negative output shocks than male employment but less sensitive to positive output shocks. These results complement the findings from the studies of gender specific effects of retrenchment using individual-level data that women had fared poorly relative to men during the retrenchment process.

The remainder of the paper is organized as follows: Section 2 discusses the possible underlying causes of the gender differences in SOE retrenchment programs; Section 3 presents the data we use for our analysis and provides summary statistics; Section 4 presents the regressions used for the analysis and discusses the results; and Section 5 provides a brief conclusion.

2. Explanations of gender differences in SOE retrenchment

In this Section we review a number of theories for why SOE retrenchment programs may involve disproportionate layoffs of female workers and why female employment could be more sensitive to output shocks. The first theory is deduced from the concept of gender segregation in the workplace. Men and women tend to work in different industries and different enterprises; within the enterprise in a particular industry, men and women tend to have different types of jobs and contracts. Layoffs of a retrenchment program are not distributed evenly among male and female workers because such programs often focus on specific industries and, within enterprises, certain types of positions (Rama, 2002). Gender segregation by industry in the context of economic transition and gender segregation within enterprises have opposite implications to the gender effects of labor retrenchment. Transitions from a centrally planned to a market economy commonly entail fundamental shifts of labor demand from capital intensive, heavy industries toward labor intensive, light industries as well as commercial services. The former industries are traditionally dominated by male workers and the latter are overrepresented by female workers. If the labor retrenchment program was in line with the general shift of labor demand, it would have a greater impact on employment of male workers than female workers. Indeed, Orazem and Vodopivec (2000) find evidence that women endured less employment loss than men in Estonia and Slovenia during the early years of economic transition partly due to the shift of relative labor demand toward predominantly female sectors in these countries. In contrast to the impact of changes in aggregate demand, the fact that women are overrepresented in low-rank administrative positions and positions with temporary contracts or low seniority implies that layoffs within enterprises may be overwhelmingly female rather than evenly distributed between male and female workers because these workers are more vulnerable for layoffs.

Employers' taste for discrimination offers another possible explanation for gender bias in the retrenchment process. Believing that women always allow domestic responsibilities to interrupt their paid work or that employment is more important for men than women, enterprise managers may display a bias against women in layoff decisions. Interestingly, many Chinese SOEs adopted a policy of “laying-off one spouse only” to protect the families with both spouses working in the same enterprise during

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