



Decomposing the effect of height on income in China: The role of market and political channels[☆]



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ABSTRACT

It is well known that height is positively associated with earnings. Based on individual level data, this paper investigates the channels through which height influences income in China. Our first key finding is that for males (females) a 1 centimeter (cm) increase in height leads to a 0.5% (0.02%) increase in the probability that he (she) becomes a Communist Party member. Further, the hourly wage of Communist Party members is approximately 11% higher than non-members for males, while no difference in the hourly wage between Party members and non-members is observed for females. Therefore, a 1 cm increase in height leads to approximately a 0.06% increase in the hourly wage, which is observed only for males. We label this the height premium in earnings through the political channel. Second, controlling for the political channel of the height premium, a 1 cm increase in height leads to a 1.18% (1.04%) increase in the hourly wage for males (females). We label this the height premium through the market channel. Together, these results suggest that the height premium in earnings through the market channel is much larger than that through the political channel.

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1. Introduction

It is widely acknowledged that human capital, accumulated through education and experience, is positively correlated with income in a market economy. In addition, an increasing number of studies suggest that individuals' physical characteristics are related to economic returns¹. One key physical characteristic is height, which

has attracted much attention among researchers². Existing studies have explored the role played by height in the labor market and found a height-wage premium in developed Western countries (Schultz, 2002; Heineck, 2005, 2009; Case and Paxson, 2008, 2009; Kortt and Leigh, 2010; Böckerman and Vainiomäki, 2013). Most studies have examined linear effects, although Hübler (2009) identifies a non-linear relationship between height and wages in Germany, at least for males. The height-wage premium has also been observed in developing countries, including Indonesia (Sohn, 2015) China (Gao and Smyth, 2010) and Taiwan (Tao, 2014)³.

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¹ Previous studies provide evidence of the beauty premium in the labor market (e.g. Hamermesh and Biddle, 2004; Biddle and Hamermesh, 1998; Borland and Leigh, 2014; Hamermesh et al., 2002).

² Weight is also observed to affect wage levels (Brunello and D'hombres, 2007; Shimokawa, 2008).

³ Other studies have examined the relationship between height and living standards in China (Morgan, 2000, 2004) and the role of height in dating in China (Ong, 2014).

Height reflects the degree of investment in health human capital, which improves performance in the labor market. The contribution of individual ability and skill to the wage premium can be expected to vary under different institutional conditions and, in particular, between market and non-market economies. Our contribution is to analyze the height-wage premium in China by paying particular attention to the institutional setting. Specifically, we consider the role of alternative channels, which we label market and political channels, in contributing to the height-wage premium. In China, the rapid development of the market has been an outgrowth of economic reform. Hence, one reason why health human capital, reflected in height, has been important in increasing earnings might be that human capital plays an important role in the market economy (Li, 2003). We call this the market channel. However, in China, not only human capital, but also political capital should be taken into account when considering the factors that contribute to economic success (Bian et al., 2001; Liu, 2003; Li et al., 2007). Communist Party members have been found to earn higher wages in China (e.g. Appleton et al., 2005; Bishop and Liu, 2008). We define the political channel as the potential height-wage premium that accrues if taller people are more likely to become members of the Chinese Communist Party.

A natural question to ask is how is height evaluated in terms of politics? If height is positively regarded not only in the “labor market” but also in the “political market”, the height premium in earnings may be generated indirectly through the political channel. We assess whether height is related to earnings through the political channel and the relative role of the market and political channels. We find that height is positively related to the hourly wage, not only through the market channel but also through the political channel. The association via the market channel, though, is overwhelmingly larger than that through the political channel.

2. Chinese context and existing literature

The Chinese Communist Party maintained a high level of control over the wage and promotion structure prior to the market reform period (Groves et al., 1995). In the planning period, members of the Communist Party benefited from better entry-level jobs and career paths (Walder, 1995). In the market reform period, beginning in the 1980s in urban areas, the Communist Party relaxed its formal control over the allocation of labor and wage setting is now more flexible. Enterprises, even in the state sector, now have much more managerial autonomy and wages and promotion are more closely linked to performance and productivity. Moreover, the operation of market forces has been entrenched through a withering of the state-owned sector and a rapid expansion of the private sector. The private sector, broadly defined to include firms with foreign capital, accounted for just under three quarters of industrial output in 2011. At the same time, the state-owned share of industrial output was 26% in 2011, compared with almost 80% in 1979 (Lardy, 2014).

The screening criteria for Party membership have changed over time (Li, 2007). Prior to the market reform period, the primary criteria for Party membership was loyalty to the Party and class origin. In the market reform period, and particularly since the 1990s, ability has become the most important criteria with much more emphasis placed on education (Appleton et al., 2009). In 1990 less than 1% of Party members were college students. By 2005, this figure had increased to 8% with one quarter of all new members being college students (Li, 2007). At the same time, the importance of class origin, as a screening criteria, has declined over time. Walder (1995) and Li and Walder (2001) argue that the Party seeks out individuals with high ability and rewards them through the market mechanism as part of a strategy to enable it to maintain its stranglehold on political power.

There is no systematic data on the proportion of the population that wants to join the Party, either from our dataset or elsewhere. What evidence that exists is piecemeal and comes from surveys of specific groups such as students or private entrepreneurs. Based on a survey of just under 1900 students from 22 universities in Wuhan, Xu et al. (2013) found that just under 80% of respondents were Party members or wanted to join the Party. These figures accord with a news report from 2011, that according in a survey of 25,000 university students from 140 universities in 15 provinces and autonomous regions, including Beijing, Tianjin, Shanghai and Zhejiang, about 80% were Party members or intended to join the Party (YEN, 2011). An earlier report from 2001 found that, based on a survey of 202 private entrepreneurs, that 73% expressed a strong interest in joining the Party (JCMCPTC, 2010). Overall, if these figures are indicative of the population as a whole, as much as 75–80% of the population may be interested in joining the Party.

Our study is related to at least four strands of literature on the Chinese economic and political landscape. The first is studies examining the determinants of who becomes a Party member (Bishop and Liu, 2008; Li, 2007). The second is studies examining the economic returns to being a Party member (see e.g. Appleton et al., 2009; Bishop and Liu, 2008; Lam, 2003; Li et al., 2007; Liu, 2003). The third is studies examining the changing role of Party membership in obtaining elite occupations and other benefits (Li and Walder, 2001; Walder, 1995). The fourth is studies examining the economic returns to physical appearance in the Chinese labor market, including height (Gao and Smyth, 2010) and weight (Shimokawa, 2008). There are no studies examining the relative importance of the market and political channels influencing the height-wage premium. We consider the role of height as a screening criteria for Party membership, in effect proxying for unobservable ability, and the direct and indirect economic returns to height in the labor market.

3. Hypotheses

The Party uses height as a screening device to attract talented individuals. Bishop and Liu (2008) found that the Party acts as a screening device to identify less well educated, but high ability, individuals. The problem is that

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