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From general discrimination to segmented inequality: Migration and inequality in urban China

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ABSTRACT

Internal migration in China during the last three decades, the largest in human history, offers a rare opportunity to understand inequalities in the making. Using data spanning 10 years from China's largest metropolis, Shanghai, this study assesses how enduring state institutions interplay with the spread of market forces to shape income inequality between migrants and native urban workers. Though the wages of both Chinese migrants and urban workers rose considerably, economic restructuring during the decade under study resulted in diminished privileges for urbanites and subsequently increased collision between migrants and urban workers in the private sectors. These shifts, rather than substantially reducing inequality, have led to an evolving form of inequality, from an initial general blatant discrimination against migrants across the board, to a new and more subtle form of inequality characterized by substantial segmented discrimination against migrants within economic sectors, with the degree of inequality varying from sector to sector. We discuss how this changing inequality reflects complementary rather than competing roles of the state and market institutions in inequality creation and maintenance.

1. Introduction

Over the past three decades, over 220 million Chinese left their home origins to move across the country—mostly from rural areas to urban destinations—forming the largest migration flow in modern human history (Liang and Ma, 2004; NBS, 2011). Geographical mobility in China was largely restricted until the late 1970s, when the economic opportunities that emerged from China's market reforms gave rise to this large migratory stream. At the same time, however, this stream has been conditioned by a pre-existing bifurcated social structure that separates urban and rural Chinese into two categories of citizens (Chan and Zhang, 1999; Solinger, 1999; Wang et al., 2002). China's recent migration process is therefore not just a story of economic change, but also fundamentally a process of inequality maintenance at a massive scale. It offers an unusual opportunity for understanding the interplay between the enduring state institutions and the spread of a market economy.

Migration has fueled China's economic boom and in the meantime has also forced a re-drawing of China's social landscape. Upon their arrival in cities, rural migrants were constantly met with blatant exclusion and differentiation. Nowadays, they are not the only group struggling at the bottom of urban society. As China's economic reforms unfolded, privatization and restructuring of the state enterprises since the mid-1990s introduced new inequality-generating mechanisms to China (Meng, 2004). They also resulted in massive layoffs (Naughton, 2007), pushing many urban workers

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into private sectors and positions traditionally occupied by migrant workers, consequently changing the labor market structure in Chinese cities.

How do these changes in the most recent stage of market reforms shape patterns of inequality between migrants and native urban workers? The present study sets out to answer this question. We first illustrate the separate roles of the state and the market in the migration and labor market processes. We then discuss how the interests and goals of the state and market actors become increasingly intertwined and how such a combination of the state and the market affects the migrant-native inequality. Furthermore, we offer an over-time comparative analysis of the patterns of inequality, using data collected in China's largest metropolis, Shanghai, at two time points over the course of deepening market reforms (1995 and 2005). Our results show that the state and market forces have interacted to result in changing forms of inequality that largely maintain the long-standing advantages of urban citizens in the labor market.

2. Background

2.1. State, market, and inequality

Inequality exists not only because individuals possess different traits, but also because collective action and institutions structure individuals into categories and structure inequalities along these categories (Tilly, 1999). The basic mechanisms in generating and perpetuating inequality include exploitation and opportunity hoarding. The state and the market are the two most consequential institutional forces in creating and shaping inequality. Labor market inequality, whether in access to opportunities or in ultimate economic outcomes, is often perceived in part as an intrinsic feature of competitive market mechanisms, or as a result of market restructuring or market failure (Bator, 1958; Gravelle and Rees, 2004). In addition to differential human capital endowments among individuals, inequalities exist because of the dual structure of the labor market, and other categorical boundaries such as race and ethnicity that create and maintain discrimination (Becker, 1971; Piore, 1979). The dual labor market perspective, in particular, takes a structural approach and posits the important role of structural demands in shaping access to labor market opportunities and thus economic inequality in advanced market economies, including the demand for international migration (Piore, 1979; Massey et al., 1998). Another inequality-generating mechanism lies in changing occupational and wage structures. One recent debate, for instance, discusses the extent to which rising general economic inequality in the United States is attributable to the growing intra-occupational vis-à-vis inter-occupational disparities (Kim and Sakamoto, 2008; Mouw and Kalleberga, 2010). Economic restructuring also has important implications for immigrants' labor market conditions. The declines of middle-level jobs in the U.S., for instance, are thought to have a detrimental effect on the income of unskilled minority and immigrant workers (Waters and Eschbach, 1995).

Another perspective of inequality formation emphasizes the role of the state in formulating roles within which the market functions (Esping-Andersen, 1990; Granovette, 1985). This view contends that the state and market are not self-evolving, but mutually constituting processes (Polanyi, 1944; Block and Evans, 2005). Inequality is determined by market competition as well as by institutional structures that undergird the market competition. Depending on how a market is structured and organized institutionally, it can produce more or less inequality. Previous studies have examined how state policies influence inequality by providing or redistributing structures of opportunity and by intervening to overcome market failure (Gustafsson and Johansson, 1999). This line of research has demonstrated the varying efficacy of state policies in reducing inequality in the workplace, especially under institutional deficiencies that engender rent seeking (Kalev et al., 2006). However, this literature has paid less attention to the interplay between the state and market in affecting inequality, which is what the present study seeks to address.

In the context of international migration, earlier research has highlighted confrontations between the logic of the market and the logic of the state in handling migration flows (Entzinger et al., 2004). The market has an inherent drive for expansion, and immigration plays into this need. The state, by contrast, pursues the ultimate goal of regulating migration. This contradiction has contributed to a growing tension between the needs of a competitive market economy and those of the state in immigration control. It has led to a "liberal paradox" in which the state is pushed toward greater openness in the face of globalizing economic forces, and is thus prevented from effectively regulating immigration (Freeman, 2004). In addition to immigration regulation, students of nation-state politics have portrayed a complex role that state institutions play in conditioning inequalities confronting immigrants (Rivera-Batiz, 1999; Lewin-Epstein et al., 2003; Freeman, 2004). Among the state policies that bear on immigrant incorporation are the methods of enforcing immigration rules regarding unauthorized entry and work, and the rules regulating acquisition of rights. Some argue that the nation-states politics of citizenship have unintentionally resulted in the vulnerable position of undocumented immigrants, as they have encouraged greater discrimination and exploitation against undocumented immigrants by passing the premium of unauthorized hiring to the workers (Donato and Massey, 1993).

The roles of the state and market in shaping inequality are especially pertinent in societies undergoing structural transformations. Early literature following the collapse of the communist camp focuses on the market as an agent of change, highlighting its potential role in altering the structure of opportunities and as an equalizer for pre-existing inequality created under state socialism (e.g. Nee, 1989). Nevertheless, the majority of studies in the last two decades have demonstrated that the development of market mechanisms is inseparable from state institutions (Walder, 1994; Bian and Logan, 1996; Parish