

Market Reforms and Han–Muslim Variation in Employment in the Chinese State Sector in a Chinese City

XIAOWEI ZANG *

University of Sheffield, UK

City University of Hong Kong, China

Summary. — This paper studies ethnic disparity in employment in the state sector in China. It compares Han Chinese with Hui Muslims. Data are from a 2001 survey conducted in Lanzhou. Data analysis shows that during market reforms, the CCP has not been able to protect workers of minority status as promised by its equal opportunity policy. Workers of minority status have faced a similar barrier in finding a job in both state firms and redistributive agencies. Minority ethnicity is the main determinant of labor market discrimination, controlling for educational attainment and other key characteristics.

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1. INTRODUCTION

In 1949, the Chinese Communist Party (CCP) came to power to build a socialist society in China, which aimed at among others social justice and equality. By 1978, China's Gini coefficient was estimated to be 0.22, which was one of the lowest in the world at that time (Adelmen & Sunding, 1987). Since then, the CCP has promoted the growth of market economy that emphasizes profits, efficiency, and the "survival of the fittest." While the Chinese economy has expanded at an explosive rate, it seems that competitiveness is gained at the expense of equality. Post-1978 reforms may affect disadvantaged social groups such as women and ethnic minorities negatively since they suffer from human capital deficiency and discrimination in the labor market. Yet, during the same period of time, the CCP has explicitly promoted equal opportunity policy as an important way of reducing ethnic inequalities.

Has the CCP's equal opportunity policy protected minority workers in the reform era? Have minority groups experienced more dislocations than the Han, the ethnic majority in China? Have workers of minority status faced a similar barrier to find a job in different sectors of the state economy? Is minority ethnicity a

major determinant of labor market discrimination, or is inter-group variation in education related to the different probabilities of employment between ethnic minority workers and majority workers? To study these questions, I compare two ethnic groups (i.e., Hui Muslims and Han Chinese) with regard to the probabilities of employment in the state sector, which includes (1) state firms and (2) government offices and public organizations. I label government offices and public organizations as redistributive agencies.

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In a market economy, workers may choose to work in private firms or the public sector. A job in a private firm is not necessarily better than a job in the public sector, and *vice versa*. In China, however, job attainment in the state sector was a major indicator of status attainment before the mid-1990s since it was associated with a good wage, housing benefits, health care, pensions, *etc.* (Bian, 1994; Walder, 1986). Today, employment in the state sector is still a treasured achievement given the cut-throat competition in the labor market in China. It offers more job security than the private sector. A job in a government agency or public organization has continued to be a major avenue of upward mobility in urban China (Goodman, 2008; Tomba, 2004).

Data for this research are from a 2001 survey ($n = 1,992$) conducted in Lanzhou city, China. Before I conduct data analysis, I provide some background information about Hui Muslims in the PRC and summarize existing views of ethnic inequality in employment in the reform era.

2. ETHNIC MINORITIES AND STATE PROTECTION IN CHINA

Every citizen of the People's Republic of China (PRC) belongs to one of the fifty-six nationality groups, which are classified and maintained by the PRC government. The majority nationality is the Han. The 55 minority nationalities consist of 8.4% of China's total population (i.e., more than 100 million). Among them, 10 (including the Hui) are Muslim groups. Researchers have argued that with certain exceptions, minority nationalities trail Han Chinese in status attainment by a large margin (Gustafsson & Shi, 2003; Poston & Micklin, 1993; Poston & Shu, 1987). Before 1978, the government already adopted certain measures to enhance the wellbeing of ethnic minorities in China (Herberer, 1989; Olivier, 1993). For example, it granted minority regions sizable funding for local development projects and local control over the distribution of tax revenues. Xinjiang, where Uyghur Muslims are the majority group, and Tibet, where Tibetans are the majority group, have benefited from this policy since the late 1950s and the early 1960s, respectively (Ma, 1996).

In addition, the Chinese government made efforts to reduce ethnic variation in employment in urban China. My fieldwork in Lanzhou showed that before 1978, the local government

labor bureau and hiring firms were obligated by the state's "nationality policy" to give minority applicants equal opportunity in recruitment. The local government also set up "ethnic" firms to harness the special skills of minority groups such as leather and hide tanning and finishing. Only members of minority groups were eligible to work in these "ethnic" factories. As a result, ethnic minorities had similar or better probabilities of employment in the state sector than Han Chinese.

The Chinese government was able to protect ethnic minorities before market reforms since the PRC was a planned economy that controlled the vast majority of wealth in society. Resources were allocated by the government to different regions, social groups, and individuals. Resource allocation was determined by the government policies such as social justice and egalitarianism rather than market efficiency or other considerations. Finally, the state sector was the largest employer in China that employed over 70% of the urban labor force (Walder, 1986).¹

After 1977, many of these affirmative action measures have officially become government policies in an effort to reduce ethnic inequalities in the PRC. For example, the Chinese government has explicitly carried out affirmative action policy in college admissions. Minority students are admitted into universities with lower scores than Han students. The ethnic difference is usually between 10 and 30 points (or more), which makes a big difference since one point difference in a competitive college entrance examination rules out a large number of competitors (Clothey, 2005; Gillette, 2000; Jankowiak, 1993). The government has also explicitly implemented affirmative action in job placement in the state sector and in leadership recruitment (Gillette, 2000; Gladney, 1996; Jankowiak, 1993; Zang, 1998). Officially, minority workers are hired first if they hold similar or slightly lower qualifications than Han workers. The CCP's commitment to ethnic parity has been motivated by its intention to promote inter-ethnic peace, maintain political stability, and preserve territorial integrity (Hein, 1996; Herberer, 1989, pp. 23–29).²

3. MARKET REFORMS AND ETHNIC INEQUALITY

Despite the official rhetoric on affirmative action for ethnic minority groups and some con-

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