

Minimum Wage Effects on the Employment of China's Rural Migrants

1. Background and Motivation

- Minimum Wage Effect: A Classic Economic Question



Nobel Price Winner in this Field: David Card

Policy Debate in China since the 90s

- Empirical Study in China
 - **Wage** → Consensus Reached
 - **Employment** → Mixed Results

One of the Focuses: Rural Migrant

- Data Used
 - Selected Region
 - Firm/Micro-level Survey Data
- Mostly Studying Short-Term Effect
- Little Attention Paid to the Effect on Employment "Structure"/Composition

2. Objective

Use Data

- of a higher **representative/generalization** power and
- over a longer period (**time horizon**) to study the effect of minimum wage policy on
- ❖ the **employment** of China's rural migrants
- ❖ **composition** of the employed i.e.: whether the policy affects rural migrants the same as their urban counterparts/ other workers
- ➔ possible policy implication ?

3. Methodology and Data

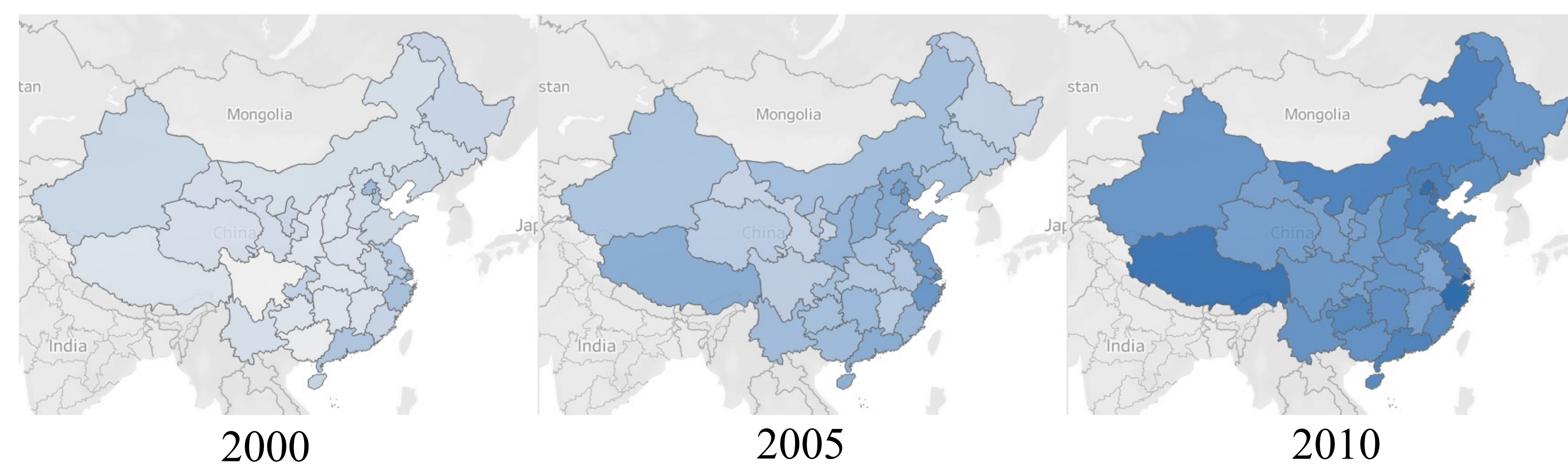
- Baseline Model
Panel Data Analysis with Two-way Fixed Effects

$$E_{it} = \alpha + \beta \ln(MW_{it}) + \gamma_i + \delta_t + \mu X_{it} + \varepsilon_{it}$$

(Dependent Variable: Employment to Population Ratio
Unit of Measurement: Prefecture-year)

- Major Datasets
 - Minimum Wage Data

Distribution of Real Minimum Wage



(Base Year: 2000; Summarized in Province Level)

- Census Data
 - 2000 Population Census
 - 1% National Population Sample Survey in 2005
 - 2010 Population Census

Proportion of Rural Migrants in All Workers

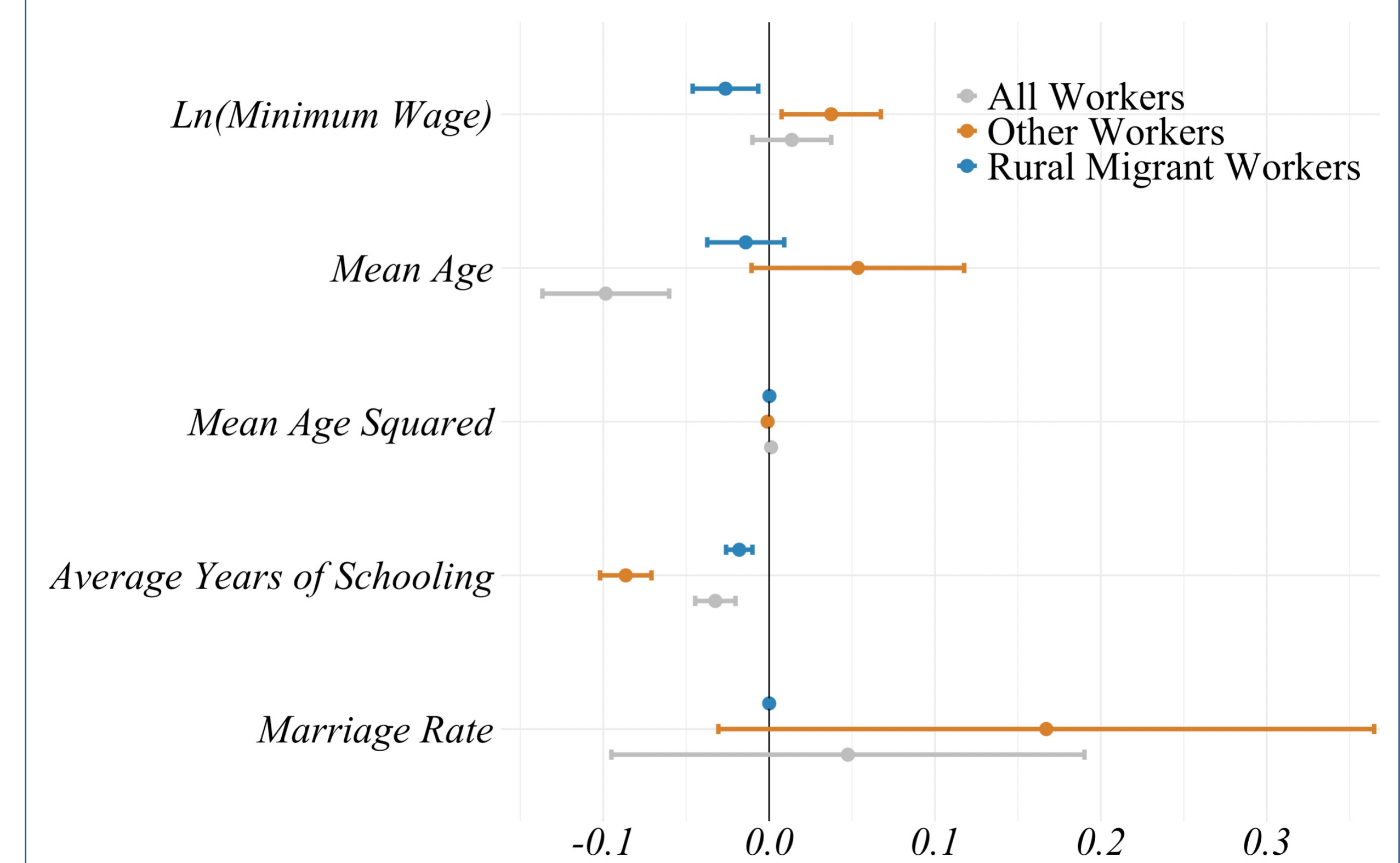


(Summarized in Province Level)

- City Yearbooks (2000,2005 and 2010)
- ➔ combined into a balanced prefecture level panel of the three years

4. Findings

Estimated Coefficients of Baseline Result with 95% Confidence Interval



(Dependent Variable: Employment to Population Ratio)

5. Conclusion and Discussion

Key-takeaway:

- No significant change in total employment
 - rural migrants being crowded out by other workers (mainly local workers)

Explanation:

- Demand Side:** Cost Shock and Preference for Local Workers
➔ Policy Suggestion
- Supply Side:** (Possibly) Minimum Wage Policy Affects Migration Decision
➔ Future Work

6. Acknowledgement

- Dr. Ting Chen
- Dr. Hongliang Zhang