

Are All Migrants Really Worse Off in Urban Labour Markets? New Empirical Evidence from China

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Abstract

The rapid and massive increase in rural-to-urban worker flows to the coast of China has drawn recent attention to the welfare of migrants in urban regions. This paper focuses on rural migrant labour outcomes (earnings, sector selection) in comparison to outcomes for both urban residents and urban migrants a one-fifth random draw from the 1% census data of China. Results show that most of the income differential between rural migrants and urban residents can be explained by differences in individual characteristics. However by using urban migrants as a “control” group, we find that the inexistence of a discrimination effect we obtain while comparing rural migrants and urban residents is the result of a counterbalance between a discrimination effect against rural *hukou* status and a premium effect accrued by migrants. As for sectoral distribution, the simple Oaxaca-Blinder decomposition indicates that migrants (both rural and urban) are discriminated along sector choice. The extent of discrimination is larger for rural migrants indicating a further discrimination against rural *hukou* status. Increasing education levels of rural migrants, and providing them with training and relevant urban labour market skills will help increase their earning opportunities. As both rural and urban migrants face unfair treatment in sector choice, reforming the labour market, notably removing sector barriers, may help increase formal employment.

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