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PhD SESSION PROPOSAL

Title PhD (provisional)

**Economic Reforms and Social Challenges in China,
The Labour Market: The “Missing” Reform?**

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Abstract

Because of the growing influence of China, the rapid economic development and the transformation of Chinese society have attracted the attention of analysts, politicians and *mass media*. There are, however, many aspects of these changes that are less well known. This is not only because of the sheer size of China with a population of more than 1.3 billion – but also because of the lack of information on the enormously large and varied rural areas, where still now more than 55% of the Chinese population lives. The great reform of the Chinese economy began 30 years ago in 1978. The basic change was liberalization of foreign trade, the so called “Open Door Policy” and fiscal decentralization, that gave more autonomy to each Chinese province. These involved a deep reform of the economy and in particular of agriculture, which entailed the dismantling of the collectives and the establishment of a family based farming structure, the so called “*Household Responsibility System*”.

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The general aim of this dissertation is to examine the characteristics of the rapid Chinese economic development, focusing on the most important recent reforms that China undertook in these decades describing the structural changes in Health Care, Education and Financial System sectors. In particular the main objective is to focus on what could be called the missing reform of the Chinese economy namely the labour market reforms. Indeed, although big changes occurred in the labour market after 1978 the reforms are incomplete and difficult to foster. Indeed, nowadays China is still facing big challenges and issues to be solved mainly due to rural-urban migration and urbanization systems.

China was an extreme example of a surplus labour economy, but the rapid economic growth during the period of economic reform requires a reassessment of whether the second stage of the Lewis model has been reached or is imminent. The literature on the argument such a dynamic phenomenon is very often inconclusive. On the one hand, there are reports of migrant labour scarcity and rising migrant wages; on the other hand, estimates suggest that a considerable pool of relatively unskilled labour is still available in the rural sector.

China's labour market has undergone significant changes in the past twenty years. A more market oriented labour market has emerged with the growing importance of the urban private sector, as state-owned enterprises (SOEs) have downsized. At the same time, rural employment growth has slowed, and migrants have sought jobs in the more dynamic coastal provinces. Despite the progress on reforms, a sizable surplus of labor still exists in the rural sector (about 150 million) and SOEs (about 10–11 million). In 2005 it was reported in media that migrant workers became scarce to push up their wages considerably in coastal urban areas. They were anxious about its negative impacts to the economic growth, which has been dependent greatly on export and foreign investment: wage increase would deteriorate international competitiveness of Chinese export industries and would discourage foreign owned enterprises to stay in China. This event, which is called as *Mingong Huang* (shortage of migrant workers), caused a debate among economists in and out of this country on whether the Chinese economy has passed the Lewisian turning point (TP) or not (Cai 2007, 2008).

The paper we would like to present at the CEA 2012 conference discusses trends in the Chinese labour market before outlining the progress on reforms. Then, it focuses

on methodology applied in the dissertation, where we will try to combine both quantitative and qualitative analysis, in order to understand the impact of the recent reforms on population well-being. In particular, we are going to apply econometric estimations using a survey in nine different provinces and data from an ad hoc survey carried out by Prof. Mario Biggeri, Dr. Zhou Huanhuai and the author, which is part of a survey on Chinese workers living and working conditions in Jiangsu and Zhejiang Provinces.

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