Migrant Workers’ Educational Mismatch and the Labor Market in China

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September 2014
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Introduction
The most populous nation of the world, China experiences the most extensive internal migration today. Rural migrant workers in China have become an important and integral part of industrial workers. They have created wealth for the society, increased income for rural residents, made great contribution to the development of urban and rural areas, and the modernization of the country. Despite the great contribution, migrant workers were always criticized for low human capital and educational mismatch, which appeals to the government to implement large-scale re-education or training strategies for them. However, in the dual labor market in China, can migrant workers’ investment of human capital actually work for the increase of income and social status? This paper will analyze the effectiveness in improving human capital for migrant workers in the dual labor market in China.

Migrant workers’ educational mismatch
According to the National Bureau of Statistics (NBS) of the PRC survey in 2012, 60.5% of migrant workers had a junior secondary school education (1.5% are illiterate, 14.3% are primary school graduates, 13.3% are senior secondary school graduates, 4.7 are specialized secondary school graduates, and 5.7% are postsecondary vocational college graduates and above), and only 10.7% of migrant workers had received agricultural technical training, 25.6% had received non-agricultural technical training, up to 69.2% without any kind of vocational and technical training. The proportion of youth migrant workers who had received the non-agricultural technical trainings is

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higher than the elder migrant workers, but lower in the situation of agricultural technical training (NBS, 2013). Migrant workers yearn for urban life and struggle to meet the requirements of modern industrial production. However, their overall human capital is comparatively low, and most of them can only work when young, being engaged in simple, physical work.

However, according to the All China Federation of Trade Unions survey in 2010, migrant workers’ educational attainment and skill levels significantly lag behind the urban labor market demands. In 2009, the laborers with senior secondary school educational attainment and above, account for 60.2% of total urban labor market demand, and 39.8% for laborers with junior secondary educational attainment and below, but only 30% rural migrant youth can reach the requirement. Among them, laborers with secondary vocational educational attainment account for 57% of total urban labor market demand, but only 20% rural migrant youth can reach the requirement (ACFTU, 2010). The migrant workers’ educational mismatch severely impeded their stable employments in cities.

**Migrant workers’ willingness to enroll in VET system**

Educational outcomes are associated with labor market outcomes. The low human capital accumulation of migrant workers and disadvantaged positions in the labor market makes it easy for them to pursue re-education and training.

A large number of researches showed that migrant workers have strong willingness to receive re-education and training to improve human capital accumulation (Liu & Jiang, 2005; Liu & Du, 2009). However, migrant workers seem to prefer academic education. A research showed that 56.6% migrant workers would choose academic education rather than vocational training (Wang, 2013). Similar findings can be found from other countries. Some studies also find that migrants on average prefer academic-track education instead of formal VET or other vocational-track options in comparison to their non-immigrant peers with the same school performance, e.g. in Austria,
immigrants are 13 percentage points less likely than the native German speakers to proceed to the (prestigious) higher vocational college, but more likely to transit into other types of upper secondary education (e.g. school-based) (OECD 2012:88), and in Belgium, data suggests that students with a foreign nationality are actually largely overrepresented in the vocational track (OECD 2008:78), in Germany, Foreigners’ participation in vocational training is much lower than that of natives. In 2003, the participation rate of foreigners aged 18-21 was 27%, compared to a rate of 60% for nationals (OECD 2007:231).

**Migrant workers’ role in dual labor market in China**

*The dual labor market theory*

Doeringer and Piore (1971) have described the American economy as having a dual labor market. Jobs fall into either the primary or the secondary sector. Jobs in the primary sector are “good jobs” characterized by high wages, job security, substantial responsibility, and ladders where internal promotion is possible. Jobs in the secondary sector are characterized by low wages and casual attachments between workers and firms and are menial. Workers in the secondary sector envy those in the primary sector, who have both better jobs and higher wages (Doeringer & Piore, 1971).

Dual labor market theory, links migration to structural changes in the economy but explains migration dynamics with the demand side. It posits a bifurcated occupational structure and a dual pattern of economic organization in advanced economies. Duality unfolds along the lines of two types of organization in the economy, namely capital-intensive where both skilled and unskilled labor is utilized, and labor intensive where unskilled labor prevails. The theory argues that migration is driven by conditions of labor demand rather than supply: the character of the economy in advanced areas creates a demand for low-skilled jobs which native workers refuse to take up due to, for example, status. As immigration becomes desirable and necessary to fill the jobs, policy choices in the form of active recruitment efforts follow the needs of the market (Kurekova, 2010).
This is the hypothesized structure of production. Two important factors explain the reason why the immigrants occupy secondary sector: structural inflation and motivational constraints. Structural inflation is linked to the concept that jobs represent one’s position in society and one’s personal value; jobs confer status and prestige on the holder. There is a well-defined notion of the correlation between wages, occupational status, and jobs. There is a hierarchy of jobs and wages, which constrains employers’ ability to manipulate wages in response to changes in labor demand and supply. Wages adhere to the hierarchy of prestige by formal and informal institutional arrangements: collective agreements, bureaucratic career rules, company job classifications, years of service rules are among the former while social expectations and social norms can be found among the latter. Hence, employers facing a shortage of labor at the low end of the wage distribution cannot simply raise wages to attract workers because this move would put the relative position of jobs and pay in disarray. If wages are to be raised at the bottom of the hierarchy of jobs, then they must be increased throughout the hierarchy to maintain the relative position of jobs unchanged. Job hierarchies are important for worker motivation: workers do not work only for pay, but also to accumulate status through better jobs. Motivational problems arise at the bottom of the job hierarchy because of the low status of the job and of the minimal upward mobility that characterizes the secondary segment. This motivational problem is structural, as every hierarchy must have a bottom. So employers’ need workers for whom the only important aspect of the job is the wage, and who view bottom-level jobs just as a means to earn money. Migrants, especially in the early phase of their experience, fit this description because they concentrate only on the financial gain which will confer a new status in the home but not in the destination land (Massey et al., 1993).

_Migrant workers in the dual labor market in China_

With the establishment of a globalized economy, internal migration in China has become more complex. Labor market partition under urban-rural dual economic
structure in China creates environment with institutional discrimination, which producing new forms of social and economic inequality for migrants.

Since the *Hukou Registration Ordinance of the PRC* came into effect in 1958, the Chinese Government has adopted a policy of strictly controlling the migration of the rural population into cities. Until 1983, the methods of controlling the rural labor force forbade any migration outside the province where the laborer was officially domiciled. The rural enterprises limited geographical mobility by favoring occupational mobility in a single place. From 1984 onwards, when these rural enterprises’ ability to take on more laborers reached its limit, large-scale migrations “outside the district” developed. Faced with the falling price of agricultural products and the persistent labor surplus, the Chinese government relaxed its restrictions on movement, and allowed residence in the towns through certificates of temporary domicile.

This gave rise to a considerable increase in the flow of rural migrants to the towns, particularly to the coastal provinces and big cities like Shanghai. The latter established new procedures for regulating these spontaneous flows, which were not organized by the state, and the migrants were labeled either “blind migrants”, or else “a worker-peasant floating population”. In the mid-1990s the Shanghai City council introduced quotas for all migrants, without distinguishing between their different provinces of origin. At the same time, from 1993 onwards they welcomed skilled and qualified migrants with open arms, issuing them with a blue *hukou* card, which was replaced by a full residence permit (*not the real hukou*) in 2002(Roulleau-Berger & Lu, 2005). In effect, Shanghai has gradually established a population control apparatus, which helps to produce two forms of inequality: the first of these distinguishes citizens from migrants, and the second distinguishes migrants with few cultural and economic advantages from those with skills or financial resources.

These measures have produced a hierarchy in the modes of public recognition, setting up a distinction between the largely unqualified migrants who are labeled a danger to
public order, and the qualified migrants who are explicitly defined as people capable
of making a positive contribution to the social and economic development of Shanghai.
The first group are objects of social scorn and stigmatization, and enjoy very limited
access to medical care, social security, education and housing, whereas the second
group enjoy the benefits of positive public and social recognition. Peasant migrants
had no access at all to social security in the city. As for education, children of migrants
in primary education and in secondary education were enrolled in unregulated private
schools for migrant children, because they were unable to pay the extra fees which
the city’s public schools required from holders of a rural hukou.

In terms of employment, migrants predominate in sectors of the secondary labor
market that offer hardly any access to skilled jobs. According to the National Bureau
of Statistics in 2012, most migrant workers are found in the manufacturing,
construction and service industries. In 2012, 35.7% of migrant workers worked in the
manufacturing industry, 18.4% in the building sector, 12.2% in the service industry,
5.2% in lodging and catering, 6.6% transportation and warehousing and postal
industry, and 9.8% in the wholesale and retail sector. However, the major industries
in which migrant workers were employed altered as regions developed and changed.
In eastern China, 44.6% of migrant workers - the largest proportion - worked in the
manufacturing industry. However, 25.5% and 28.4% - the largest proportions - of
migrant workers in the central and western regions respectively found work in the
construction industry (NBS, 2013).

Confined to the economic enclaves, migrant workers face conditions of irregular
employment, lack of promotion prospects, and low wages. With the advent of the
economic reforms which brought the closure of certain state enterprises, intensified
working conditions, demands for higher quality, and integration into the global
economy, there has been a corresponding growth in the overexploitation of the poorly
qualified migrant labor force. In some sectors, particularly the construction industry,
migrant workers are paid annually, but the absence of a work contract sometimes
deprives them of any legal support in cases of non-payment. Likewise, they do not have guaranteed access to social security benefits. Other workers are paid piece-rate. Common working conditions include a 14-hour day (particularly in private enterprises), with no time off for meal breaks, night workers having nowhere to sleep, and no overtime. Unskilled migrant workers, being unrecognized and considered incapable of integrating, are viewed as a new “unnecessary surplus” to the needs of Chinese society, since they are unemployed, or at best employed only from time to time. Forced to bend to every demand, the migrant worker has to adapt him- or herself to risky working conditions, often at the “filthy” end. Unprotected by any statute, they face a complete lack of social security and a regular income, enduring disruptions, instability, and vulnerability in the labor market, all of which arise from that market’s abnormal functioning.

**Effectiveness in improving human capital for migrant workers in dual labor market**

The low human capital accumulation of migrant workers makes them stay on the disadvantaged positions in the labor market. And the receiving cities especially the big cities only welcome skilled and qualified migrants providing them the benefits of positive public and social recognition. So, it seems easy for migrant workers to improve their human capital accumulation by having re-education and training to integrate into the destination lands. However, the dual labor market theory tells us it is not easy.

*Returns to education are much lower in secondary sector*

Education has a streaming effect on labor force, and labor force with different educational attainment can be recognized and admitted by different sectors in the labor market. Higher educational attainment is a stepping-stone to primary sector, while little sense in improving laborers’ marginal productivity. The effect of education on wage in different sectors is different. The effect of education on improving wage only happens in primary sector, while not so significant in secondary sector. A large number of researches supported this point. A research on urban labor force in China
argued that with the same educational attainment, returns to education of laborers in the primary sector could be much higher than the laborers in the secondary sector, and the primary sector has the higher educational attainment requirement for entry (Qu, 2013). Labor market segmentation made the rural laborers in China difficult to enter into primary sector, and the returns to education for rural laborers were much lower (Liu, 2010). Education can only explain a little part of income gap between different groups, and investment returns to education for low-income groups could be very low and not significant (Ning, 2009).

As mentioned above, although migrants have a strong desire to improve human capital accumulation, they would prefer academic education track to vocational track. Obviously, higher educational attainment can significantly bring more non-agricultural employment opportunities for rural migrants. Nonetheless, they are targeted by the unskilled labor markets, most employment opportunities for them are physical works, which do not require education levels but skills. So, ascribed factors such as educational levels have limited effect on migrant workers’ income and occupational prestige.

*Improvement of Human capital can hardly reduce inequity*

Improvement of human capital can improve economic status but still hardly improve social status for migrant workers. Labor segmentation results from social discrimination. Even for the migrant workers who have entered the primary sector, this situation is getting worse. According to Becker’s research, if an employer rejects a productive employee just because of discrimination, he will lose a valuable chance, which means discrimination has cost. Meanwhile, competition can reduce discrimination. This is because that employer who has discrimination towards employees will lose much more market share than those without discrimination. Becker also argued that an industry with more regulations and fewer competitions has severer discrimination. Theoretically, the reason why competition can reduce discrimination is that the employees discriminated can choose other employers by
“voting by foot”, or competition can compel employers to eliminate discrimination because of profit maximization (Becker, 1957). In the dual labor market in China, the levels of competition are different in primary and secondary labor market, and the primary sector has obvious barriers for migrant workers, meanwhile the secondary sector does not require high skills. For the migrant workers with low human capital level, most of them have to find jobs in secondary sector, which leads to high level of competition in secondary sector. So according to Becker’s theory, in the dual labor market in China, migrant workers have much lower discrimination in the secondary sector than in the primary sector. This point was also supported by some researches in China. A survey on 10,000 households from Shanghai city argued that migrant workers in the secondary sector are 18.5 and 27 percentage points less likely than the migrant worker in the primary sector to have the regional discrimination and hukou discrimination. This demonstrates that migrant workers those who improve their human capital accumulation and successfully enter the primary sector but have much severer problems in discrimination.

Conclusion
In a mature labor market, the improvement of human capital accumulation should have positive correlation with income and social status. While in the dual labor market, migrant workers’ improvement of human capital cannot function. The source of the problem is the dual economic structure and urban-rural segmentation labor market in China. The low human capital accumulation of migrant workers means their skills cannot meet the requirements of employers, which directly produce discrimination. Segmentation and discrimination in labor market create high cost in employment exchange and barriers, which make migrant workers have to choose secondary sector with low income and low economic ability of investing human capital, and the low returns mean limited attractiveness of investment of human capital for migrant workers, even the human capital investment makes migrant workers enter the primary sector but will suffer the severer discrimination. This vicious circle leads to reproduction of low human capital of migrant workers, which strengthen the dual
labor market structure. So, the policy to improve social integration for migrant workers is not just expanding re-education or training coverage for human capital improvement, but the elimination of the institutional barriers should be the highest priority.

References


