

## **ETHNICITY AND EARNINGS DETERMINATION IN URBAN CHINA**

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The decade of the 1990s witnessed a burst of scholarly publications in the West on ethnic minorities in China, most of which deal with issues such as relations between Han Chinese and minority peoples, ethnic identity, minority cultures and traditions, and the like.<sup>1</sup> To some extent, this scholarly interest in minority peoples in China was inspired by the importance of the ethnic factor in the breakdown of the Soviet Union in 1991 and the potential scenario for ethnic conflict and separatism in China.<sup>2</sup> Indeed, ethnicity may be easily

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<sup>1</sup> Nicole Constable, *Guest People: Hakka Identity in China and Abroad* (Seattle: University of Washington Press, 1996); Wolfram Eberhard, *China's Minorities: Yesterday and Today* (Belmont, CA: Wadsworth Publishing Company, 1982); Dru C. Gladney, *Muslim Chinese: Ethnic Nationalism in the People's Republic* (Cambridge: Harvard University Press, 1996); Awelkhan Hali, Zengxiang Li, and Karl W. Luckert, *Kazakh Traditions of China* (Lanham, Maryland: University Press of America, 1998); Mette Halskov Hansen, *Lessons in Being Chinese: Minority Education and Ethnic Identity in Southwest China* (Seattle: University of Washington Press, 1998); Stevan Harrell (ed.), *Cultural Encounters in China's Ethnic Frontiers* (Seattle: University of Washington Press, 1995); Thomas Heberer, *China and Its National Minorities: Autonomy or Assimilation?* (Armonk: M.E. Sharpe, 1989); Colin Mackerras, *China's Minority Cultures: Identities and Integration since 1912* (Melbourne: Longman, 1995); Lucien Pye, "China: Ethnic Minorities and National Security," pp. 489-512 in Nathan Glazer and Daniel P. Moynihan (eds.), *Ethnicity: Theory and Experience* (Cambridge: Harvard University Press, 1975); Justin Jon Rudelson, *Oasis Identities: Uyghur Nationalism along China's Silk Road* (New York: Columbia University Press, 1997); David Wu, "Chinese Minority Policy and the Meaning of Minority Culture: The Example of Bai in Yunnan, China," *Human Organization* 49/1 (1990): pp. 1-13; Shifu Zhang and David Wu, "Ethnic Conflict and Unity: Examples of Conflict Management in Four Minority Groups in Yunnan, China," pp. 80-90 in J. D. Boucher, D. Landis and K. Arnold (eds.), *Inter-Ethnic Conflict: An International Perspective* (Beverly Hills: Sage, 1987).

<sup>2</sup> Colin Mackerras, *China's Minorities: Integration and Modernization in the Twentieth Century* (Hong Kong: Oxford University Press, 1994): p. 3; Dru C. Gladney, *Ethnic Identity in China* (Fort Worth, Harcourt Beace College Publishers, 1998): pp. 170-171; Heberer, *China and Its National Minorities*, pp. 1, 6-7; George and Spindler Louise Spindler, "Forward," pp. vi-vii in Dru C. Gladney, *Ethnic Identity in China* (Fort Worth, Harcourt

transformed into nationalism and thus become a destabilizing political force capable of breaking down a multi-ethnic country.<sup>3</sup> Nevertheless, this transformation is contingent upon many factors, one of which is inter-ethnic inequality, an under-researched topic in China studies.<sup>4</sup> As Emily Hannum and Yu Xie point out, research on market reforms and social stratification in China has paid little attention to China's ethnic minorities.<sup>5</sup> As a matter of fact, ethnicity has not been used as a control variable in the existing literature on social stratification in China.<sup>6</sup> Relying on a data set (n = 1,532) collected in Beijing in 1998, we analyze major factors of income inequality by ethnicity in China.

In this research, we examine earnings determination mechanisms for Han Chinese and members of ethnic minorities respectively, seeking to understand factors of income inequality by ethnicity in urban China during the 1990s. In the following, we first briefly discuss general information on ethnic minorities in China. We then review the literature on ethnic inequality in China, using it as a reference point for our research. Next, we discuss our data and variables and conduct analysis. Finally, we summarise our research findings and propose possible scenarios on ethnic stratification in urban China. For convenience, we use ethnic nationalities and minorities interchangeably in this research.

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Beace College Publishers, 1998): p. vi; also see Kumar Rupesinghe, Peter King and Olga Vorkunova, *Ethnicity and Conflict in A Post-Communist World: The Soviet Union, Eastern Europe, and China* (Basingstoke, Hampshire: Macmillan, 1992).

<sup>3</sup> Craig Calhoun, "Nationalism and Ethnicity." *Annual Review of Sociology* 19 (1993): pp. 211-239.

<sup>4</sup> Joseph Boskin, *Urban Racial Violence in the Twentieth Century* (Beverly Hills, Glencoe Press, 1976); F. R. Harris and R. W. Wilkins, (eds.) *Quite Riots: Race and Poverty in the United States* (New York: Pantheon, 1988); also see Susan Olzak, Suzanne Shanahan, and Elizabeth H. McEneaney, "Poverty, Segregation, and Race Riots: 1960 to 1993." *American Sociological Review* 61/4 (1996): pp. 590-613.

<sup>5</sup> Emily Hannum and Yu Xie, "Ethnic Stratification in Northwest China: Occupational Differences between Han Chinese and National Minorities in Xinjiang, 1982-1990." *Demography*, 35/3 (1998): pp. 323-333, p. 323.

<sup>6</sup> See Yanjie Bian, *Work and Inequality in Urban China* (Albany: State University of New York Press, 1994); Yanjie Bian, "Bringing Strong Ties Back In." *American Sociological Review* 62/3 (1997): pp. 366-385; Yanjie Bian and John Logan, "Market Transition and Income Inequality in Urban China." *American Sociological Review* 61/5 (1996): pp. 739-758; Barbara Entwisle, Gail E. Henderson, Susan E. Short, Jill Bouma, and Zhai Fengying, "Gender and Family Businesses in Rural China." *American Sociological Review* 60/1 (1995): pp.36-57; Victor Nee, "A Theory of Market Transition: From Redistribution to Markets in State Socialism." *American Sociological Review* 54/5 (1989): pp. 663-681; Victor Nee, "Social Inequalities in Reforming State Socialism." *American Sociological Review* 56/3 (1991): pp. 267-282; Andrew Walder, "Property Rights and Stratification in Socialist Redistributive Economies." *American Sociological Review* 57/4 (1992): pp. 524-539; Andrew Walder, "Career Mobility and the Communist Political Order." *American Sociological Review* 60/3(1995): pp. 309-328; Xie Yu and Emily Hannum, "Regional Variation in Earning Inequality in Reform-Era Urban China." *American Journal of Sociology* 101/4 (1996): pp. 950-992; Xueguang Zhou, Nancy Brandon Tuma, and Phyllis Moen, "Institutional Change and Job-Shift Patterns in Urban China, 1949 to 1994." *American Sociological Review* 62/3 (1997): pp. 393-365.

## Ethnic Minorities in China

The People's Republic of China proclaims itself a multinational state and is viewed as such internationally. According to the 1990 census, the Han nationality comprised 92 per cent of China's total population. The fifty-five officially recognized minority nationalities have a combined population of 91.2 million, scattered through 50 to 60 percent of the border areas which are most important to China in terms of national security. Minority areas are rich in natural resources, including 39.3 per cent of China's forest area and 89.6 per cent of China's pastureland. These areas also produce numerous minerals such as iron, manganese, copper, lead, gold, and silver.<sup>7</sup>

Who are the recognized ethnic nationalities in China? In other words, how is ethnic nationality status identified and recognized? In China, ethnicity is officially determined and imposed by the central government. During the early 1950s, more than four hundred self-proclaimed ethnic groups submitted their applications to the central government for official recognition of their minority status. By 1957 the central government had recorded over twenty nationalities. Through further identification procedures, in 1979 the government determined that there were fifty-five minorities, which, with the majority Han, made altogether fifty-six nationalities in China. In 1990 officials from the State Nationalities' Affairs Commission informed a foreign observer that they considered the work of identifying nationalities virtually complete and were unlikely to accept any of the outstanding claims.<sup>8</sup>

State recognition of ethnicity matters a lot in China. As Dru C. Gladney points out, ethnic identity is not just something one maintains about oneself, which is open to debate, self-definition, and other-definition; rather, it is a right one possesses, legislated and enforced by the state, marked in one's passport, and determined at birth or at nationality registration in the case of mixed parentage. One may regard oneself as a member of an ethnic group, but unless that group is recognized as a minority nationality by the state, one is denied the privileges accorded to certain minorities, such as the allowance to have more than one child. Conversely, even if one does not regard oneself as ethnic, but is a member of a nationality designated by the state, one has no choice but to carry his or her unwanted ethnic identity in all official capacity. By giving ethnicity state authority, the government establishes itself as a benefactor and teacher of the "backward" minority peoples, who should eventually "evolve" and assimilate, with appropriate support and leadership provided by the Chinese Communist Party.<sup>9</sup>

Despite the state's tyranny in defining ethnicity, the Chinese government has since 1949 committed itself to protecting and promoting

<sup>7</sup> Mackerras, *China's Minorities*, p. 198.

<sup>8</sup> Fei Xiaotong, "Ethnic Identification in China," pp. 60-77 in Fei Xiaotong (ed.), *Toward A People's Anthropology* (Beijing: New World Press, 1981), p. 60; Heberer *China and Its National Minorities*, pp. 34-35; Li Honglei, et al., *Nationality Work in Contemporary China* (Beijing: Dangdai Zhongguo Chubanshe, 1993), pp. 87-88; Mackerras, *China's Minorities*, pp. 142-143; Wu, "Chinese Minority Policy", pp. 1-2.

<sup>9</sup> Dru Gladney, "Economy and Ethnicity," pp. 242-266 in Andrew Walder (ed.) *The Waning of the Communist State* (Berkeley: University of California Press, 1995), pp. 262-263; Gladney, *Ethnic Identity in China*, p. 48.

minorities' rights and cultural heritages, both materially and symbolically. The government's affirmative action policy has been largely motivated by its desire to promote inter-ethnic peace, maintain political stability, and preserve territorial integrity. The exception occurred during the Cultural Revolution of 1966-1976 when certain ethnic groups such as Mongolians were persecuted. These wrongs were quietly corrected after 1976.<sup>10</sup>

The government protection of minorities' rights has mainly been reflected in an ethnic entitlement policy that has given minority nationalities preferential consideration in college admission quotas, job placement, and leadership representation. For example, in the 1980s, the government in the Inner Mongolia Autonomous Region instituted an entitlement policy to include not only government positions but also jobs in higher education. It also decreed that minorities must comprise at least 25 per cent of every college entrance class in the region.<sup>11</sup>

Similarly, after 1979, the Han majority has been subject to the one-child birth control policy, while the fertility patterns of ethnic minorities have been regulated by a two-tier birth control policy that permits them to have more than one child.<sup>12</sup> Not surprisingly, members of various ethnic groups have since the 1980s invoked their non-Han origins to acquire rights and privileges afforded only to the officially recognized minorities.<sup>13</sup>

Finally, the central government has adopted various measures to promote economic growth in areas with a large number of minority people, such as greater flexibility in local economic practices, increased state funding for local development projects, and more local control over the distribution of tax revenues in minority areas.<sup>14</sup> More importantly, the central government has pumped a large amount of cash into minority areas. For example, in 1988, it contributed 44.7 per cent of the budget of the Guangxi Zhuang Autonomous Region government, 52.7 per cent of the budget of the Inner Mongolian Autonomous Region government, 60.1 per cent of the budget of the Xinjiang Uygur Autonomous Region government, 63.3 per cent of the budget of the Ningxia Hui Autonomous Region government, and 99.8 per cent of the budget of the Xizang Autonomous Region government.<sup>15</sup> The central government's financial support in the form of relief funds, direct subsidies, and tax relief has been a key factor for the well-being of the local populations in minority areas. For example, despite the fact that the level of socio-economic development in Tibet is substantially lower than that of China as a whole, in 1981, the annual average income of urban residents in Tibet was

<sup>10</sup> Heberer, *China and Its National Minorities*, pp. 23-29; Bernard Henin, "Ethnic Minority Integration in China: Transformation of Akha Society." *Journal of Contemporary Asia* 26/2 (1996): pp. 180-200; William R. Jankowiak, *Sex, Death, and Hierarchy in A Chinese City* (New York: Columbia University Press, 1993).

<sup>11</sup> Jankowiak, *Sex, Death, and Hierarchy in a Chinese City*, pp. 30-35.

<sup>12</sup> Gladney, *Ethnic Identity in China*; Jankowiak, *Sex, Death, and Hierarchy in A Chinese City*, p. 35.

<sup>13</sup> Heberer *China and Its National Minorities*, pp. 78-89; Gladney, *Ethnic Identity in China*; Wu, "Chinese Minority Policy".

<sup>14</sup> Gladney, "Economy and Ethnicity", p. 244; Bernar Vincent Olivier, *The Implementation of China's Nationality Policy in the Northwestern Provinces* (San Francisco: Mellen Research University Press, 1993).

<sup>15</sup> Ma Rong, *Population and Society in Tibet* (Beijing: Tongxin Press, 1996), p. 218.

137 RMB higher than that in whole China. This amount represented a substantial income difference at that time.<sup>16</sup>

The situation has changed since economic reforms started in 1978. Data show that in 1997 the average annual disposable income of urban residents in Tibet was RMB 5,135, as compared to a national average of RMB 5,160; the figures for 1998 were RMB 5,438 and RMB 5,425 respectively.<sup>17</sup> However, considering the huge gap in development levels between Tibet and China as a whole, one has to conclude that urban residents in Tibet have achieved income parity with urban residents in China mainly because of state financial support.

Most experts have focused their attention on ethnic groups in officially designated minority areas in China.<sup>18</sup> In this research we examine an understudied part of the minority population — members of ethnic groups who are scattered in urban areas where Han residents dominate. Chinese scholars believe that ethnic nationalities living outside minority areas numbered around 18 million in the 1990s, which represents a quarter of the total minority population in China.<sup>19</sup> Judith Banister points out that many of them have found it expedient or necessary to blend in with and adapt to Han culture. “Especially susceptible are the estimated 10 million members of minority groups who live in densely settled areas scattered among the Han.”<sup>20</sup> Before discussing this minority group further, we briefly review the literature on ethnic stratification in China.

### Existing Studies of Ethnic Stratification in Urban China

Existing studies show that the Chinese government has carried out an affirmative action policy because ethnic minorities have historically faced obstacles to status attainment, including geographic remoteness, poverty, and cultural and language barriers. Researchers believe that with certain exceptions, minority nationalities trail the ethnic Chinese population in a variety of socio-economic indicators.<sup>21</sup> Two frequently cited indicators are income and education. Researchers in Mainland China believe that the general educational attainment of minorities is lower than that of Han Chinese. Consequently, members of the minorities are concentrated in blue-collar occupations with low incomes. According to a survey conducted in Beijing in 1988, the average monthly income of Hui residents in Niujie was 71.38 yuan,

<sup>16</sup> Ma, *Population and Society in Tibet*, p. 240; Mackerras, *China's Minorities*, pp. 200-205.

<sup>17</sup> Statistical Bureau, *China Economic Yearbook 1999* (Beijing: China Statistical Press, 1999), pp. 645, 921.

<sup>18</sup> Gladney, *Ethnic Identity in China*; Hansen, *Lessons in Being Chinese*; Harrell (ed.), *Cultural Encounters in China's Ethnic Frontiers*; Mackerras, *China's Minorities*; Rudelson, *Oasis Identities*; Wu, “Chinese Minority Policy”; Zhang and Wu, “Ethnic Conflict and Unity”.

<sup>19</sup> Li Honglei, et al., *Nationality Work in Contemporary China*, p. 239.

<sup>20</sup> Judith Banister, *China's Changing Population* (Stanford: Stanford University Press, 1987), p. 319.

<sup>21</sup> Hannum and Xie, “Ethnic Stratification in Northwest China,” p. 323; Mackerras, *China's Minorities*.

or 38.62 yuan lower than the monthly average income for Beijing residents. Chinese researchers believe that to help minorities to catch up with the Han Chinese, the government must give more support to them in terms of preferential treatment through economic and educational policies.<sup>22</sup> No empirical data have been given by the Chinese scholars to support the link between minority education and earnings, however.

Turning to the literature on ethnic minorities in China by Western scholars, we have found that few of them have studied ethnic stratification in urban China. Political scientists and anthropologists have been the main actors in the field of ethnicity in China. However, their main research interests are not ethnic inequalities. For example, in his anthropological study of Huhhot city in Inner Mongolia, William Jankowiak focuses on ethnic identity, life orientations of Mongolians, and ethnic antagonism in that city.<sup>23</sup> Income inequality by ethnicity is not a major concern of his work.

Anthropologist Dru C. Gladney studied the socio-economic condition of the Hui residents in Niujie, Beijing, showing a significant occupational change in the neighbourhood. Hui household incomes and commodities are also listed in his work. However, his main interest is the ethnic identity of the Hui in China. Thus, he does not discuss the factors of status attainment among urban Hui.<sup>24</sup>

The political scientist Colin Mackerras provides a general survey of ethnic nationalities in China in his 1994 book *China's Minorities*. Mackerras claims that the members of the minorities who live in towns or cities mostly accommodate quite thoroughly to the Han way of life. Many do not even speak the language of their own nationality and become all but assimilated.<sup>25</sup> Mackerras then turns his attention to ethnic groups in minority areas. Mackerras examines the education, religions, and cultures of minority peoples in China in detail in his 1995 book, entitled *China's Minority Cultures*.<sup>26</sup> However, Mackerras does not examine the earnings determination mechanisms among the members of ethnic minorities in either of these two books.

Western sociologists have studied labor market outcomes by ethnicity in China. However, their focuses have been on education and occupational attainment rather than earnings. For example Dudley Poston and Jing Shu use China's 1982 Census data to examine the demographic and socio-economic composition of ethnic minorities in China. They report that the minority groups that are most segregated residentially from the Han are also, by and large, the most differentiated in terms of five key differentiation indexes (educational differentiation, occupational differentiation, distribution of the labour force in 15 industrial categories, number of children, and age distribution). They also show that these five differentiation indexes are positively related with one another. Minority groups with educational distributions similar to the Han are also similar in terms of occupation, industrial category, age, and vice versa. Poston and Shu do not discuss income

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<sup>22</sup> Li Honglei, et al., *Nationality Work in Contemporary China*, p. 256.

<sup>23</sup> Jankowiak, *Sex, Death, and Hierarchy in A Chinese City*.

<sup>24</sup> Gladney, *Ethnic Identity in China*, pp. 119-122.

<sup>25</sup> Mackerras, *China's Minorities*, p. 198.

<sup>26</sup> Mackerras, *China's Minority Cultures*, pp. 133-157.

inequality by ethnicity in their paper, probably because the 1982 Census data do not contain information on income.<sup>27</sup>

Dudley Poston and Michael Micklin similarly analyse the 1982 Census data to assess spatial segregation and social differentiation of the minority nationalities from the Han majority in China. They report a positive relationship between social status and residence. The more similar the social characteristics of a minority group and the Han majority, the greater their degree of residential propinquity. They also find that minority nationalities with age distributions similar to the Han tend to have similar occupational and educational distributions.<sup>28</sup> Since Poston and Micklin rely on the Census data for their analysis, it is not surprising that they do not examine how spatial segregation and education affect the earnings of minority nationalities.

Finally, sociologists Emily Hannum and Xie Yu analyse the 1982 and 1990 census data on Xinjiang, suggesting that education has served to exacerbate occupational differences between Han Chinese and ethnic minorities. They also show the strengthening of the relationship between educational attainment and occupational outcomes and the faster rise in education among the Han Chinese than among ethnic minorities.<sup>29</sup> Clearly, data limitation prevents Hannum and Xie from addressing income inequality by ethnicity in China.

Since our understanding of factors of earnings among ethnic minorities is limited, many important questions about ethnic stratification in urban China have remained unanswered. For example, is minority status negatively associated with earnings? Do urban minorities receive less education and thus less income than urban Han Chinese? What are the major determinants of earnings for Han Chinese and members of ethnic minorities? How important is state protection in reducing ethnic inequality in post-Mao Chinese society?

## Hypotheses

Using a sample collected in Beijing in 1998, we seek to answer these important questions in this research. We develop the following three hypotheses by using the insights from existing studies of ethnic nationalities in China.

First, we agree that in general, minority nationalities in China earn much less than Han Chinese.<sup>30</sup> However, we propose that income inequality by ethnicity may not be a serious problem in urban China. Dudley Poston and Jing Shu contend that minority groups that are geographically less differentiated from the Han tend to be better off socioeconomically and demographically than those that are more differentiated.<sup>31</sup> Other researchers

<sup>27</sup> Dudley Poston and Jing Shu, "The Demographic and Socioeconomic Composition of China's Ethnic Minorities," *Population and Development Review* 13/4 (1987), pp. 703-722.

<sup>28</sup> Dudley Poston and Michael Micklin, "Spatial Segregation and Social Differentiation of the Minority Nationalities from the Han Majority in the People's Republic of China," *Sociological Inquiry* 63/2 (1993), pp. 150-165.

<sup>29</sup> Hannum and Xie, "Ethnic Stratification in Northwest China," p. 331.

<sup>30</sup> Gladney, *Ethnic Identity in China*; Mackerras, *China's Minorities*.

<sup>31</sup> Poston and Shu, "The Demographic and Socioeconomic Composition of China's Ethnic Minorities", p. 718.

have also argued that the minority members who live in cities are much better educated and culturally more assimilated into the Han way of life than their counterparts in minority areas.<sup>32</sup> Their financial situation should approximate that of their Han counterparts. Thus, we propose that there should not be significant differences in educational attainment and earnings between Han Chinese and members of ethnic minorities in urban China.

Second, the Chinese government has provided ethnic nationalities with minority entitlements. Such entitlements are important avenues for upward mobility in the state sector among members of ethnic minorities. Thus, we propose that the returns from attributes associated with the state redistributive system to ethnic minorities should be higher than those to Han Chinese. According to existing studies of income inequalities in state socialism, one such attribute is membership in the Chinese Communist Party.<sup>33</sup> Another measure tapping redistributive power is employment in the state sector.<sup>34</sup> The state sector has been a major actor in China that has implemented minority entitlements within its jurisdiction. Thus, the returns to CCP membership and employment in the state sector for members of minorities should be higher than those for Han Chinese.

Third, existing studies show that in the US the returns from the same amount of human capital to members of minorities are lower than those to whites. This is mainly because of discrimination in the private sector. Minorities are rewarded more in the public sector where affirmative action is enforced.<sup>35</sup> Similarly, in China the government minority entitlement program is implemented mainly in the state sector. Accordingly, we propose that the returns from the same amount of human capital to ethnic minorities should be lower than those to Han Chinese.<sup>36</sup> Existing studies of income inequalities in China show that education is one of the most important personal attributes associated with the market economy.<sup>37</sup> We thus expect that the returns to education for members of minorities should be lower than those for Han Chinese.

<sup>32</sup> Li Honglei, et al., *Nationality Work in Contemporary China*, p. 240; also see Banister, *China's Changing Population*, p. 319; Mackerras, *China's Minorities*, p. 198.

<sup>33</sup> Bian, *Work and Inequality in Urban China*; Bian and Logan, "Market Transition and Income Inequality in Urban China", pp. 746, 748; Eric Hanley, Natasha Yershova, and Richard Anderson, "Russian—Old Wine in A New Bottle? The Circulation and Reproduction of Russian Elites, 1983-1993." *Theory and Society* 24 (1995): pp. 639-668; Walder, "Career Mobility and the Communist Political Order".

<sup>34</sup> See Bian and Logan, "Market Transition and Income Inequality in Urban China" (p. 750) for a similar measure of redistributive power in China.

<sup>35</sup> A. Silvia Cancio, T. David Evans, and David J. Maume, "Reconsidering the Declining Significance of Race: Racial Differences in Early Career Wages." *American Sociological Review* 61/4 (1996): pp. 541-556; Reynolds Farley and Walter R. Allen, *The Color Line and the Quality of Life in America* (New York: Russell Sage, 1987); Michael Hout, "Occupational Mobility of Black Men." *American Sociological Review* 49/3 (1984): pp. 308-322.

<sup>36</sup> We are not aware of any examples of affirmative action and equal opportunity in the private sector in China.

<sup>37</sup> Bian and Logan, "Market Transition and Income Inequality in Urban China", pp. 746-747; Nee, "A Theory of Market Transition", p. 666.



## Data and Variables

The data we use in this research were collected in Beijing in December 1998. Using PPS sampling methods, Chinese sociologists identified 2,500 households in Beijing city. In the survey, the respondents were asked to identify their nationality status. Cases with missing values were excluded from the analysis. The total number of cases used in the following analysis is 1,532, with 1,432 being the Han respondents and the rest being the minority respondents.

Scholars of ethnic stratification in the US rely on human capital theory, using individuals' attributes, namely, education, gender, work experience, ethnicity, and the like to explain their earnings.<sup>38</sup> We define earnings determination mechanisms pretty much the same way. In this research the dependent variable, *income*, is the total sum of the earnings during the past twelve months, which includes basic salaries, bonuses, investment returns, and the like. The independent variables are *age*, *ethnicity*, *gender*, *CCP membership*, *education*, *seniority*, *employment in the state sector*, and *father's occupational status*.

Most independent variables are self-explanatory. *Gender* is a dummy variable with male respondents coded as 1 and female respondents as 0. *Ethnicity* is also a dummy variable with Han respondents coded as 1 and others as 0. We include *father's occupational status* to measure the socio-economic status of the respondents, with the father holding middle-level administrative position and above coded as 1 and others as 0.

Many human capital theorists use *age* as a proxy variable for the amount of work experience acquired.<sup>39</sup> In studies of status attainment in China, age has also been used to measure seniority and experience.<sup>40</sup> However, as Yusheng Peng points out, age indicates psycho-physiological development and exposure to various social cultural experiences. For analytical purposes, its different aspects should be examined separately. For example, a study of American economists' salaries shows that the effects of age and year of professional experience are not identical. With work experience held constant, age has a small but significant positive effect on earnings.<sup>41</sup> We thus include both age and seniority in our analysis. *Seniority* is defined as the total year of work experience a respondent has.

*Education* is measured on a seven-level scale, from low to high: no formal schooling (= 1), elementary school (= 2), junior high school (= 3),

<sup>38</sup> Cancio, Evans, and Maume, "Reconsidering the Declining Significance of Race."; B. Chiswick, "The Economic Progress of Immigrants." pp. 357-399 in W. Fellner (ed.) *Contemporary Economic Problems* (Washington, DC: American Enterprise Institute, 1979).

<sup>39</sup> Gary Becker, *Human Capital* (New York: Columbia University Press, 1975); Mark Blaug, *An Introduction to the Economics of Education* (Aldershot: Gregg Revivals, 1991): p. 29, Burke D. Grandjean, "History and Career in A Bureaucratic Labor Market." *American Journal of Sociology* 86 (1981): pp. 1057-1092; Jacob Mincer, *Schooling, Experience and Earnings* (New York: Columbia University Press, 1974): pp. 78-91.

<sup>40</sup> Bian and Logan, "Market Transition and Income Inequality in Urban China", p. 747; Zhou, Tuma and Moen, "Institutional Change and Job-Shift Patterns in Urban China", p. 346.

<sup>41</sup> Yusheng Peng, "Wage Determination in Rural and Urban China." *American Sociological Review* 57/2 (1992): p. 201; N. Arnold Tolles, Alice H. Jones, and Ewan Clague, "The Structure of Economists' Employment and Salaries, 1964." *American Economic Review* 55 (1965): pp. 40-43.

senior high school (= 4), vocational school (= 5), community college (= 6), college and above (= 7).<sup>42</sup> In both China studies and Western social sciences, *education* has been viewed as the most familiar measure of human capital in market economies.<sup>43</sup>

*CCP membership* is a dummy variable, coded 1 for members of the Chinese Communist Party and 0 for non-members. Many scholars consider *CCP membership* an important indicator of political capital in status attainment research in socialist societies.<sup>44</sup> Existing research indicates that CCP membership is positively associated with upward mobility in China.<sup>45</sup> *Employment in the state sector* is also a dummy variable, coded 1 for employees in the state sector and 0 for others. We use *CCP membership* and *Employment in the state sector* to measure redistributive power.

## Findings

Table 1 shows that there is a great similarity between the Han respondents and their minority counterparts in terms of demographic characteristics. The mean age of the Beijing respondents is 48.9, the Han respondents, 48.8, and the minority respondents, 49.6. The age structure of the Han respondents and that of the minority respondents are pretty much the same. They are also similar in terms of sex ratios. Clearly, the Han respondents and minority respondents are two comparable groups. Table 1 also indicates that the educational attainment of the Han respondents is strikingly similar to that of the minority respondents. The two groups of the respondents do not differ in terms of work seniority and the distribution of the membership of the Chinese Communist Party. The percentage of the minority respondents with cadre fathers is slightly higher than that of the Han respondents. The average annual income of the Han respondents is somewhat higher than that of their minority counterparts. Overall, these findings are consistent with Poston's and Shu's argument that the minority groups that live close to the Han by and large tend to be similar to the Han in terms of socio-economic and demographic characteristics. Findings from Table 1 confirm our first hypothesis that there

<sup>42</sup> For similar classification schemes see Bian and Logan, "Market Transition and Income Inequality in Urban China."; Nee, "A Theory of Market Transition", p. 669; Zhou, Tuma and Moen, "Institutional Change and Job-Shift Patterns in Urban China".

<sup>43</sup> Bian and Logan, "Market Transition and Income Inequality in Urban China", pp. 746-747; Nee, "A Theory of Market Transition", p. 666.

<sup>44</sup> Bian, *Work and Inequality in Urban China*; Bian and Logan, "Market Transition and Income Inequality in Urban China", pp. 746, 748; Hanley, Yershova, and Anderson, "Russian—Old Wine in A New Bottle", p. 652; Walder, "Career Mobility and the Communist Political Order".

<sup>45</sup> Bian, *Work and Inequality in Urban China*; Bian, "Bringing Strong Ties Back In."; Bian and Logan, "Market Transition and Income Inequality in Urban China."; Peter M. Blau and Danqing Ruan, "Inequality of Opportunity in Urban China and America." pp. 3-32 in A. L. Kalleberg (ed.) *Research in Social Stratification and Mobility* (Greenwich, CT: JAI Press, 1990); Nan Lin and Yanjie Bian, "Getting Ahead in Urban China." *American Journal of Sociology* 97 (1991): pp. 657-688; Walder, "Career Mobility and the Communist Political Order".

should not be significant differences in educational attainment and earnings between Han Chinese and members of ethnic minorities urban China.<sup>46</sup>

**Table 1: Descriptive Statistics**

Variables	Beijing residents	Han residents	Minority residents
Age (mean)	48.9	48.8	49.6
Age group (%)			
16-24	4.6	4.4	7.0
25-34	13.1	13.1	13.0
35-44	27.4	28.0	19.0
45-54	17.4	16.8	25.0
55-64	18.4	18.8	13.0
65 and over	19.2	18.9	23.0
Sex (%)			
men	49	49	48
women	51	51	52
Education group (%)			
illiterate/semi-illiterate	6.3	6.6	3.0
primary school	11.7	11.3	17.0
junior high	22.9	22.6	28.0
senior high & technical school	31.2	31.7	24.0
community college	13.9	14.0	13.0
university	11.7	11.7	13.0
graduate studies	2.2	2.2	2.0
State worker (%)	43.1	43.4	38.0
Party membership (%)	29.0	29.0	30.0
Father was a cadre (%)	13.7	13.6	17.0
Annual income (mean, <i>yuan</i> )	10,795	10,909	9,164
N	1,532	1,432	100

<sup>46</sup> Poston and Shu, "The Demographic and Socioeconomic Composition of China's Ethnic Minorities".

**Table 2: Correlation**

Variables	Income	Age	Male	Party	Education	Father cadre	State worker
Income	1.000	-.114**	.148**	.086**	.279**	.065*	.105**
Age		1.000	-.003	.177**	-.396**	-.230**	-.426**
Male			1.000	.186**	.141**	-.015	.078**
Party				1.000	.216**	.024	.083**
Education					1.000	.238**	.344**
Father cadre						1.000	.150**
State worker							1.00
Ethnicity							

\* p <.05; \*\* p <.005

Table 2 shows the correlation of the variables used in this research. Although the Han respondents have a slightly higher annual income than the minority respondents, the relationship between earnings and ethnicity is not statistically significant. Consistent with the existing studies of social stratification in China, earnings are positively associated with male, CCP membership, education, and father's cadre status. Education is also positively related to father's cadre status, suggesting a good degree of conversion of family socio-economic status into the next generation.<sup>47</sup> Both education and age are negatively associated with employment in the state sector, indicating that young workers with good educational attainment seek jobs outside the state sector.

Table 2 also shows that there are positive associations between work seniority and age and between age and employment in the state sector, indicating that old workers with high seniority are mostly employed in the state sector. Work seniority and age however are negatively related to earnings, suggesting that old workers are losing out in urban reforms, which have witnessed a massive layoff of old state workers with high work seniority. Overall, these variables are relevant for our investigation of the factors of earnings in urban China.

Table 3 presents the coefficients of factors of earnings in Beijing in 1998. First, Column 1 of Table 3 reaffirms that earnings and ethnicity are not statistically associated with each other. Second, consistent with the existing studies of social stratification in China, education is positively associated with earnings. However, it is important to point out that the magnitude of the

<sup>47</sup> Bian, *Work and Inequality in Urban China*; Bian, "Bringing Strong Ties Back In."; Bian and Logan, "Market Transition and Income Inequality in Urban China."; Walder, "Career Mobility and the Communist Political Order."; Hannum and Xie, "Ethnic Stratification in Northwest China."; Zhou, Tuma and Moen, "Institutional Change and Job-Shift Patterns in Urban China".

coefficient for education for the Han respondents is twice that for the minority respondents. Our third hypothesis is confirmed.

Third, inconsistent with the existing studies of social stratification in China, party membership does not contribute to earnings among the Han respondents. This may be due to the deepening of economic reforms and the expansion of a market economy in China.<sup>48</sup> However, party membership is positively associated with earnings among the minority respondents. As a matter of fact, party membership is the most important factor of earnings among the minority respondents.

Finally, employment outside the state sector increases earnings for the Han respondent, although the link is statistically significant only at .1 level. For the minority respondents, however, there is a negative correlation between employment outside the state sector and earnings, and the correlation is statistically significant at .001 level. This finding does not surprise us since only the state sector enforces minority entitlements. Our second hypothesis is supported by empirical findings.

**Table 3:**  
**Standardised Coefficients of Factors of Earnings in Beijing, 1998**

Variables	Beijing	Minorities	Han Chinese
Age	-12.5 (-.463)	54.3 (1.729)*	-22.2 (-.776)
Male	3,079.0 (4.375)***	-369.8 (-.298)	3,297.1 (4.405)***
Education	2500.7 (8.785)***	746 (1.981)**	2,612.1 (8.648)***
Party membership	421 (.514)	4,799.4 (4.539)***	194.8 (.223)
State worker	11.0 (.014)	4,316.6 (4.507)***	-371.9 (-.440)
Father cadre	125.5 (.121)	-763.2 (-.639)	224.1 (.201)
Minority status	1,585.3 (1.140)	-----	-----
R <sup>2</sup>	.09	.37	.09
F-Statistics	21.73***	10.60***	24.11***
No. of cases	1,532	100	1,432

\* p <.01; \*\* p < .05; \*\*\*p <.005. Figures in parentheses are t-statistics.

## Discussion and Summary

<sup>48</sup> Victor Nee argues that market reforms reduce the returns of political capital. See Nee, "A Theory of Market Transition".

Our analyses and findings reveal factors of earning by ethnicity in post-Mao China. We show that different income earning mechanisms work for the Han respondents and their minority counterparts respectively. For the minority respondents, the returns from political capital are far greater than those from education. Also, employment in the state sector contributes to earnings among the minority respondents significantly. These findings suggest the continuing significance of the redistributive economy in labour market outcomes of the minority respondents. This is so mainly because members of minority nationalities have owed their socio-economic status to education and hard work, yet in a protected socio-economic system.<sup>49</sup>

Furthermore, we show in Table 3 that the returns from education to the minority respondents are far less than those to the Han respondents. The Han have reaped more earnings from their human capital than their minority counterparts. Market mechanisms are more important for the Han Chinese than their minority counterparts.

Our research shows clearly that educational attainment is not as important as *CCP membership* and *employment in the state sector* in generating earnings among minority respondents in urban China. State protection is more important than education in ameliorating ethnic inequalities. Bernard Vincent Olivier similarly shows that the Koreans, who were formerly wealthier and better educated than the Han, ultimately became disadvantaged in the post-Mao period and started to fall behind the increasingly successful Han. It was only since the late 1980s that concrete efforts and government policies were made to facilitate the adaptation of the Koreans to economic liberalization.<sup>50</sup>

Post-1978 economic reforms have aimed at establishing a market economy at the expense of the state redistributive sector in China. One potential (and unintended) consequence of market transition may be the weakening of the state minority protection system since it has been financially dependent on the state redistributive system. At the same time, the emergence of a market economy has introduced a new dimension of stratification—the market mechanism—into Chinese society. State protection for the minorities may have become less and less important in maintaining the financial well-being of ethnic minority groups in urban China. These developments may have implications for ethnic stratification in China: the income gap between the Han and the minorities may be widened despite the possibility that everyone may become better off.

Finally, we are not able to investigate the variations among different minority groups because of data limitation. In the data set there are 107 minority respondents only, it is impossible to make any meaningful comparisons among minority groups. The minority respondents are from urban China, resulting in a disproportionate concentration of Hui people in the sample, who are different from other minority groups such as Miao in terms of education and occupation. Also, the 107 respondents represent 4.4 percent of the sample. Minority people constitute about 9 per cent of the total population in China, however. The conclusion drawn from this sample should be treated

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<sup>49</sup> Olivier, *The Implementation of China's Nationality Policy*, pp. 260

<sup>50</sup> Ibid.

with caution. Future studies using a large number of minority respondents may generate interesting findings about income inequality by ethnicity.