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China's Labor Transition and the Future of China's Rural Wages and Employment

Journal Article

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This paper contributes to the assessment of China's rural labor markets. According to our data, the increase in off-farm employment that China experienced during the 1980s and 1990s continued during the 2000s. Our analysis shows that migration has become the most prevalent off-farm activity, although the destination of migrants is shifting from outside of one's province to destinations closer to home. The present paper finds that large shares of male and female individuals, especially those under 40 years, are working off the farm. These findings represent an important contribution to the labor economics field. First, the results of the present paper reveal that the labor transition from the agricultural sector to the nonagricultural sector for key segments of China's rural labor force is nearly complete. Second, although a large share of China's rural labor force work in agriculture, most of these workers are older men and women (and likely would not be willing to take low-wage, labor-intensive jobs). Third, the rising unskilled wage rate in China is partially a result of the tightening of the labor force in the young age cohorts. Finally, due to factors associated with the one child policy and other demographic transition forces, successive age cohorts will continue to fall in absolute number in the coming decade. Assuming China's growth continues, we expect to see further wage increases since it will take higher wages to coax more workers to work off the farm.

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