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Labor Market Emergence and Returns to Education in Rural China

Journal Article

AUTHORS

Scott Rozelle - Stanford University

Qiang Li

Linxiu Zhang - Center for Chinese Agricultural Policy, Chinese Academy of Sciences

Alan deBrauw - International Food Policy Research Institute

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This paper examines the emergence of labour markets in China through the lens of returns to rural education. It demonstrates that methodology plays an important role in explaining the low estimates of returns in previous studies. When wages are defined on an hourly basis and sample selectivity is controlled, estimated rates of return rise. In addition, using data on households (n=1199) followed over 15 years (1988-2002), the paper shows that returns have risen over time. Finally, using households from the same community, it is shown that the returns rise even more when the sample includes workers with demographic and employment profiles more like those in the rest of the world (i.e., young and working in urban areas). In fact, the paper finds that the returns to education are close to 10% for young wage earners. When looked at in total, the results show that the returns to rural education in China are completely consistent with other developing countries. Finally, these results indicate that China's labour markets are becoming more functional over time.

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Complete (modified June 2009)

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Rural Education Action Program, Encina Hall, 616 Serra Street, Stanford, CA 94305-6055. Tel: (650) 724-3920

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