

# ***Why Does the Gender Gap Exist in China's Labor Market after the Economic Transition?***

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**Abstract:** After China's economic reform, the gender gap in China's labor market has emerged and gradually widened, and this issue has also attracted the attention of the Chinese government. This paper introduces the existing gender differences in China's labor market in terms of labor participation rate, occupational attainment, and income. Employing a combination of literature analysis and factor analysis, this study scrutinizes the primary factors contributing to gender disparities, which include but are not limited to human capital theory, gender segregation, gender discrimination, marital dynamics, and gender role expectations. Finally, the essay proposes some solutions for individuals, enterprises, society, and the government to narrow the gender gap in China's labor market to promote the development and progress of society.

**Keywords:** China's labor market, gender gap, human capital theory, gender segregation, gender discrimination.

## **1. Introduction**

The founding of the People's Republic of China in 1949 marked the end of oppression and severe discrimination for Chinese women. Since then, the Chinese government has been encouraging females to actively participate in the labor market and contribute to China's economic development while striving for more equal rights for themselves. The Outline for the Development of Chinese Women (2021-2030) sets "fully implementing the constitutional principle and basic state policy of gender equality" as the primary goal [1]. In 1978, China carried out market-oriented economic reforms, which substantially changed the Chinese economy. Before the reform, China operated a planned economy that used non-market mechanisms to allocate labor and set wages. Compared with other countries, the female labor participation rate and the average wage ratio of male and female employees were at a great level, and the degree of gender equality in the labor market was high [2]. However, after the reform, a market-oriented economic system emerged, which led to rapid and sustainable economic growth, improved residents' income and living standards, and increased female economic development opportunities. Concurrently, it is crucial to acknowledge that these developments have also amplified societal polarization, wealth inequality, and the labor market's gender gap. These repercussions bear significant implications for China's economic growth and sustainable development, necessitating a thorough examination of the broader social and economic ramifications of these issues.

Although the economic and social status of Chinese women has been greatly improved, the gender gap in China's labor market continuously exists, which has three main characteristics:

(1) The female labor participation rate has always been lower than male labor participation. The data from the World Bank illustrates that both the male and female participation rate declined in 1999-2023, but the female participation rate has always been lower than the male participation rate. (as shown in the figure 1)

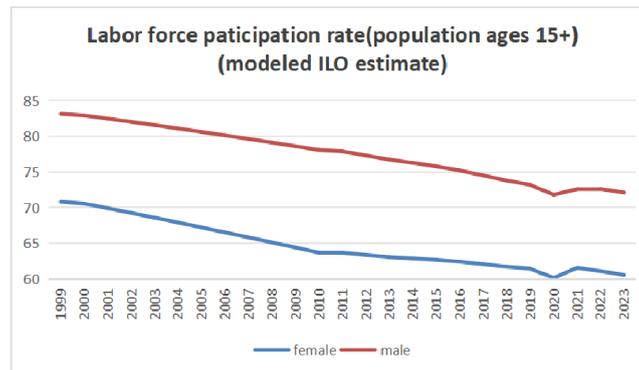


Figure 1: Data from World Bank

(2) The gender gap in occupational attainment is significant. The major performance is sex segregation in China's labor market. Compared with workers in male occupations, Workers in female occupations have less job independence, fewer benefits, and fewer opportunities for advancement [3].

(3) Gender wage inequality in the labor market persists and gradually expands [2]. In urban China, the ratio of female's average salary to male's average salary dropped from 84% in 1987 to 76% in 2004, indicating that the gender income gap was exactly increasing [4].

Nowadays, the study of the reasons for gender differences in the labor market is mainly explained by the human capital theory and occupational sex segregation. But both theories only explain part of the reasons. This essay will explore more influencing factors such as gender discrimination, gender role concept, and marriage, which work with human capital theory and occupational sex segregation together to cause and expand the gender gap in China's labor market. Moreover, the paper will propose some suggestions through the analyzing results to reduce the gender gap.

## 2. The Causes of the Gender Gap in China's Labor Market after the Economic Transition

### 2.1. Human Capital

Human capital, which promotes the growth of the labor economy is manifested as the sum of production knowledge, labor and management skills, and health quality contained in people [5]. If the labor market is perfectly competitive, the income of workers is mainly determined by labor productivity, and the gap in labor productivity is affected by various factors of human capital [6].

At the beginning of the completion of the economic transition, women's education level, work experience, and training time are insufficient, which leads to a low level of human capital. Therefore, the difference in education level directly affects the difference in human capital between men and women, which consequently affects their performance in the labor market. Moreover, if the quality of female education is improved, the wage rate will rise. Based on the data of CULS in 2016, for each additional year of female education, the wage rate increased by 6.23% [7]. Since the transformation of China's economic market, China has been keen on education investment, and under the influence

of the family planning policy and the university enrollment expansion policy, the investment in human capital represented by the education of Chinese men and women tends to be equal. According to human capital theory, the equalization of education should lead to the equalization of gender earnings. However, with the decrease in the educational gap between men and women in China, the gender gap in the labor market has not been significantly reduced. From the measurement results, most studies find that human capital theory can explain less than 10% of the gender gap. For instance, for the gender income gap in the same industry, the part of the human capital theory which can explain the gender income gap in the same industry is only 7%, and for the gender gap between industries, the unexplained part is 89.0% [8]. Part of the reason the gender gap persists is that women tend to have less work experience than men because they assume more responsibility for family affairs, are likely to have job interruptions or changes at marriage and childbearing ages, or exit the labor force earlier than men [9]. According to statistics theory, because employers cannot accurately assess the quality of applicants and their degree of commitment to the job, they will always follow statistics principles when hiring or allocating jobs [10]. In most cases, female workers are more likely to quit work than men because they have children or other family responsibilities, which undoubtedly increases the cost of the enterprise. As a result, employers will be more inclined to place women in positions with a low degree of dependence on experience or skill, where replacements are often easier to find. This method embodies the principle of "rational choice" of the employer.

In addition, health is also an important factor of human capital. Schultz included Health into the concept of human capital in 1961, and some Chinese researchers found that health significantly affected the income of Chinese workers. Therefore, healthy human capital is an important source of explaining gender wage inequality in China's labor market. By introducing the variable of healthy human capital into the Mincer wage equation, it can be found that healthy human capital has a significant impact on the wage income of Chinese workers, and the wage income of males is significantly higher than that of females [11]. Based on the data from CFPS, it is found that good health conditions can increase the employment opportunities and income level of rural workers, especially male workers [12]. Therefore, healthy human capital can explain the reason for the gender gap in China's labor market.

## 2.2. Gender Segregation

The market segmentation theory shows that the labor market is composed of multiple submarkets with their own operating rules, so labor cannot flow freely due to institutional and structural barriers. The labor market is usually divided into primary and secondary labor markets, which are significantly different in employment security, wage income, and welfare. Because of their own relatively limited conditions, women generally work in the secondary labor market, which causes poor employment stability and low wage income compared with men [13].

Occupational gender segregation means different occupational recruitment in the labor market has different preferences for male and female workers, and workers' job opportunities and allocation will be affected by gender, so there is a big difference in gender ratio in various occupational fields [14]. Gender segregation can be divided into horizontal segregation and vertical segregation [15]. Horizontal segregation emphasizes the distribution characteristics of male and female workers in various occupational fields. Occupational segregation exists in China's labor market. The performance is that the "male occupations" are mainly high-level positions with high technical content and income, while "female occupations" are more low-level occupations with low technical content, high labor intensity, and low wages, such as handicraft industry, which marginalizes women in the labor market and causes the gender gap in China's labor market [16]. Vertical segregation emphasizes that male or female workers often work at higher levels of the occupation and have higher wages in the same industry. According to the glass ceiling effect and sticky floor effect, women in

the labor market are often hindered by hidden barriers in the process of career promotion, which makes it difficult for them to reach the upper level of the rank hierarchy, increasing the gender wage gap. Moreover, though men and women are at the same occupational level in the same occupational field, women are often engaged in jobs with high labor intensity, low technical content, and salary, while men are in a relatively good situation, leading to the phenomenon of unequal pay for equal work. The CSMAR in 2013-2023 illustrates that women only account for about 17% of the top management personnel.

However, this theory can't explain why women and men are assigned to different occupational types. Moreover, many studies have found that gender-based occupational segregation can't well explain the gender earnings difference. There is still a large income gap between men and women who engage in the same occupation. And women working in the state-owned sector are more likely to be affected by gender segregation than the women who work in the non-state sector [17]. This study indirectly indicates that the inequality caused by gender occupational segregation will continue to decline with the transformation of China's economy. However, with the market-oriented reform, gender inequality in China's urban labor market continues to rise.

### 2.3. Gender Discrimination

Human capital theory and gender segregation cannot effectively explain why the income gap exists in the labor market where men and women have the same human capital and the same working position.

Therefore, many researchers introduce gender discrimination as a factor. Ning found that the average income of women was still about a quarter lower than that of men after controlling individual endowment and employment factor, which also showed that gender discrimination had a certain impact on gender income difference [18]. According to the data from the China Nutrition and Health Survey, by using the Oaxaca-Blinder and Cotton decomposition methods, Zhang found that gender discrimination could not well explain the gender income gap in the late 1980s, but the explanatory power had risen to 70% in 1990s, indicating that the impact of gender discrimination on the gender income gap has significantly increased [19]. Based on the demand of the labor market, Becker proposed the theory of personal preference discrimination, which means employers' discriminatory preferences for workers are the determining factor in their employment, rather than labor productivity [20]. During the period of the planned economy in China, the national employment and wage distribution system made the gender ratio of workers in China's labor market tend to be equal. However, with the reform of the economic system, to maximize profits, enterprises will choose to hire men because of women's pregnancy, early retirement and other production costs. Social discrimination theorists believe that gender stereotypes in society are the main reason for gender discrimination in the labor market [21]. Prevailing societal attitudes suggest that women are primarily responsible for managing domestic chores and familial obligations, leading to reduced energy levels and diminished work efficiency. Consequently, these preconceived notions have contributed to a preference among employers for hiring male candidates over their female counterparts, further perpetuating gender disparities in the workforce.

### 2.4. Marriage and Childbirth

Mincer found that unmarried women have disadvantages in the employment process, and marriage can make married women find more ideal jobs in the labor market [9]. However, in recent years, there have been different conclusions. Marriage and childbearing have a positive effect on men's labor market performance, while for females, it hinders their development in the labor market, which ultimately causes a decrease in employment participation and wage income [22]. The establishment

of marriage relationships means men who have a stable home can devote more energy to work continuously, and the continuous accumulation of human capital contributes to the increase of their income level. For women, it has the opposite effect. Because women take more responsibility for family care and child rearing, they may not work or engage in low-intensity work with low wage.

After the introduction of the two-child policy, the influence of fertility on males and females in the labor market has attracted great attention in recent years. Most previous studies in Western countries have shown that fertility will reduce women's labor force participation rate, affect career promotion, and reduce women's wage income [23]. Some researchers found that women may face a negative impact on labor force participation during childbearing, and it is not limited to the childbearing age and may last for a long time [24]. Women spend a lot of time and energy on childbirth, so they must interrupt their careers or permanently withdraw from the labor market, while men are not affected. It will undoubtedly increase the gender gap in the labor market.

## 2.5. Gender Role Concept

Gender role concepts are more affected by traditional culture and social environment. Social expectations of women in the labor market can significantly affect their performance in the labor market [25]. Influenced by traditional feudal thought, the concept of "The man goes out to work while the woman looks after the house" has become the social norm in China for thousands of years. After the founding of the People's Republic of China, the government issued a series of policies to promote women's labor participation, and gender equality gradually developed into a new social norm, but traditional gender relations were not fundamentally changed. Currently, there are still many men who accept the traditional concept. And quite a few women, especially rural women, are affected by the traditional gender concept and internalize it into their role identification.

In addition, there is a work-family conflict in women's social roles, which means women sometimes, because of work, cannot fully take care of the family, and family affairs also may interfere with work [26]. Men can not only succeed in their jobs but also earn money to support their families. In this process, men's professional role and family role expectations are consistent. However, women's professional roles and family role expectations conflict, so they take on the dual responsibilities of work and family. Therefore, most married professional women choose a career that offers a better balance between work and family, but they tend to be paid less and have fewer opportunities for promotion.

## 2.6. Other Factors

The difference in working hours between males and females is closely related to gender differences in the labor market. Light and Ureta found that more than 10% of the income gap between men and women can be explained by the gender difference in working hours [27]. Because women have more responsibility for caring for families, they have less energy than men, devote less time to their jobs, and have less time to work overtime for extra subsidies. In addition, in the labor market, institutions and policies can significantly affect the gender earnings gap. Dahl believed that paternity leave policies would help narrow the gender gap in the labor market [28]. And the minimum wage system will also have an impact on gender differences in the labor market. Using the fixed effect regression method, Wang found that China's minimum wage system has a significantly negative effect on gender differences in employment, and a higher minimum wage standard is not good for female workers [29]. Because of statistical discrimination, employers often assume that women's marginal productivity is lower than men's. When the increase of the minimum wage harms the profit of the enterprise, the enterprise will first eliminate the part of workers whose output is lower than the minimum wage to

reduce the cost. And because of the principle of equal pay for equal work, women whose marginal output does not match the minimum wage will be more likely to be demoted or even fired. However, the impact of policies and institutions on the gender earnings gap is small.

### 3. Conclusion and Suggestions

The essay analyzes the main reasons for the gender differences in China's labor market, such as human capital, occupational gender segregation, and gender discrimination.

Based on the analysis, the paper gives some suggestions to narrow the gender income gap. For female, they should actively improve their human capital level and labor productivity. For enterprises, they can introduce flexible working regimes. For example, remote working models can allow some professional women to avoid the travel time between the office and the family and better solve the contradiction between family and work. In addition, companies can cooperate with some organizations to provide childcare services for female employees to help them relieve the pressure brought by childcare. For society, it should strengthen public opinion publicity to change some stereotypes of women and create a social atmosphere of opportunity equality between men and women. For government, it should increase the investment in education and training to improve the level of women's human capital. It also needs to strengthen the legal protection of the rights of female workers and improve the market supervision mechanism to create a fair competitive environment. In addition, the government can introduce tax welfare or other benefits policies, aiming to encourage companies to hire women, and it also can impose penalties on employers for gender discrimination. Moreover, it should improve policies related to fertility security, by reasonably allocating the costs borne by workers, enterprises, and the government, which can reduce the gender income gap caused by marriage and childbirth.

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