Determinants of Wage Discrimination
Gift Exchange with Migrant Workers and Students in China

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China – a heterogeneous and segmented society

Economically: Huge economic growth since 1979; provinces benefited differently from reforms (time, extent)

Ethnically: 55 officially acknowledged ethnic minorities; majority belongs to the group of Han Chinese (91.1%).

Geographically: 9.6 million square kilometers (4th largest country); separated into 22 provinces, 5 autonomous regions and 4 self- governed cities; provinces and regions clearly define in- and out-groups

Research Question & Hypotheses:

Does the heterogeneity in China lead to wage discrimination? Based on the previous studies, we expect discrimination along three dimensions. But are they active at the same time?

Economically (H1): Average wage in home province should be positively correlated with wages in the lab

Ethnically (H2): Ethnical diversity in home province should be negatively correlated with wages in the lab

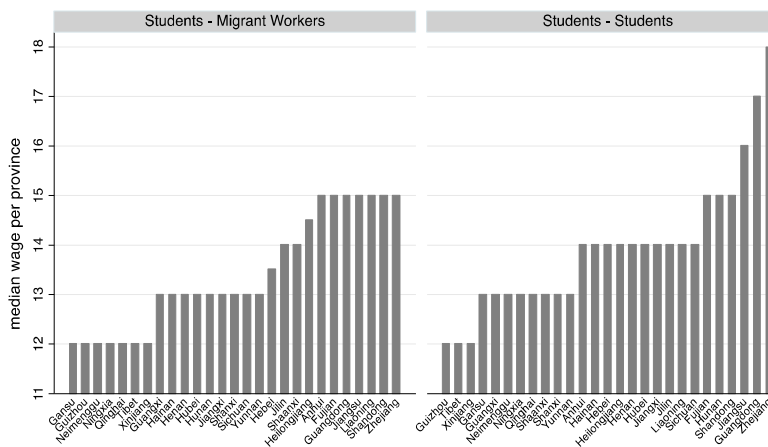**Geographically(H3):** Having the same home province should be positively correlated with wages in the lab

Results:

Table 1: Tobit Regression

Wage in Experiment	Students - Migrant Workers			Students - Students		
	(1)	(2)	(3)	(4)	(5)	(6)
Worker's Origin Real Wage	0.5532**	0.5527**	0.3578*	2.1810***	2.1671***	0.8366***
	0.227	0.228	0.204	0.119	0.117	0.097
Worker's Origin % NonHan	-2.0166***	-1.9487***	-1.2854**	-4.7903***	-4.7173***	-2.4635***
	0.47	0.497	0.514	0.244	0.243	0.248
Same Province	1.2393***	0.9138**	0.8337*	0.7833**	0.7326**	0.6836**
	0.419	0.456	0.465	0.316	0.293	0.298
Employer's Origin Real Wage		-0.4067	-0.4073		-0.0814	-0.0791
		1.08	1.08		0.216	0.216
Employer's Origin %Han		8.1063	8.1087		0.9198	0.8879
		6.046	6.048		1.401	1.401
Employer's Trust		0.1049	0.1035		0.1001*	0.0963*
		0.19	0.193		0.052	0.052
Constant	11.9891***	-1.9132	-2.564	11.0965***	10.3525***	11.3769***
	0.685	12.429	12.416	0.207	1.386	1.436
Additional Controls						
Employer Characteristics	No	Yes	Yes	No	Yes	Yes
Province Characteristics	No	No	Yes	No	No	Yes
Observations	2,646	2,646	2,646	10,260	10,260	10,260
Subjects	98	98	98	380	380	380
Prob > F	$p < 0.001$	$p < 0.001$	$p < 0.001$	$p < 0.0001$	$p < 0.0001$	$p < 0.0001$

$p < 0.01$, ** $p < 0.05$, * $p < 0.1$ – Clusters on employers' level and robust standard errors in parentheses. Additional covariates for employer characteristics are age, gender, and if student has a job. Additional covariates for the province characteristics are the gross regional product relative to the gross domestic product, the population size, the percentage of rural population, region dummies, and dummies for the local language. Table 4 in the appendix gives the full model. Estimations based on OLS yield similar results (Table 5 in the appendix).

Design & Methods:

In our study we combine data from **controlled lab experiments** with **field data.** The lab experiments provide wages and the field data provide characteristics of the provinces

Lab Experiments: gift-exchange game; student employers set wage for matched employees; employees were either migrant workers (N=98) or fellow students (N=380); wage decision with strategy method; wages are conditional on the home province of the employees.

Field Data: China Province Population Census Data 2010 (China Data Center at the University of Michigan); Statistical Year Book 2010 (National Bureau of Statistics of China).

Key Findings:

Median wages differ a lot between provinces. In line with our hypotheses **differences in wages are driven by the economic, ethnical, and geographical characteristics** of the employees' home provinces. Results remain robust to controls for other characteristics.

We show that different channels of discrimination are active at the same time.

Interestingly, being matched with migrant workers or fellow students does not change the discrimination pattern.

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