

The Influence of Family Background on Urban and Rural Laborers' Employment Opportunities

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Abstract: This paper focuses on the perspective of urban and rural employment opportunities and the urban-rural wage inequality caused by family background according to the statistics of Henan Province in 2014. According to the calculation, the factors that urban residents and their fathers engaging in high-wage industries have a significant positive impact on their employment opportunities, and higher education can narrow the income gap between urban and rural workers.

Introduction

As increasing people talk about the idea of the uselessness of study, we start to think about the rate of return to education. Education is important for people to obtain human capital and the rate of return to education directly affects people's human capital investment. Some existing researches show that the rate of return to education in rural area is far lower than that in towns. Sun Zhijun (2004) said that the rate of return to education of Chinese workers in cities was nearly 2 times as much as that of rural workers. How should we consider this problem? (Ye Guang, 2015) Zheng Maoxiong (2012), Zheng Jie (2004) and Kang Xiaoming (2006) and other scholars studied the relations among family social capital, graduates' employment statue and their working satisfaction. Wen Dongmao (2005), Wang Bing (2008) and others used family background as the quantitative criteria of social capital to analysis its impact on opportunities of higher education and the graduate employment in China.

The Data Resources and Statistical Description

In this paper, the data is based on 1157 questionnaires from a questionnaire survey that our research team made in Henan Province during the 2014 summer practice. Some parts of the questionnaire variables are missing, which have to be excluded, the subjects investigated are limited to the 16-60 year old workers, and we have to control the influence of unequal educational opportunities, we select college or above students as samples. Finally, the paper chooses 423 samples to analysis the influence of family background on rural and urban residents who work in towns.

Inaccordance with the International and Chinese Standard Industrial Classification of Industry, the survey involves a total of 21 sectors: government, finance, insurance, IT, electronics, real estate, automobiles, house hold appliances, medical care, education, transportation, individual, manufacturing, freelance, consulting, investment, trade, building materials, tourism, wholesale and retail, restaurants, farming. According to "China Statistical Yearbook", it shows that the government,

finance and insurance, IT, real estate, automotive, medical, investment, and trade are regarded as the high-wage industries, and another 13 industries are regarded as the low-wage industries. Table 1 shows the proportion of urban and rural workers in these high-wage industries.

Table 1 Employment Distribution of Urban and Rural Workers in High-wage Industrie

Industry	the Number of Samples		Proportion(%)		Average Wage(Yuan)
	Urban	Rural	Urban	Rural	
Government Office	68	17	80.00	20.00	3143.92
Finance and	36	7	83.72	16.28	6213.95
IT	17	5	72.27	22.72	5868.18
Real Estate	9	3	75.00	25.00	5150.00
Automotive	5	0	100	0	5240.00
Medical Care	13	3	81.25	18.75	3825.00
Investment	10	1	90.90	9.10	5318.18
Trade	3	1	75.00	25.00	5752.50
Total	161	34	82.27	17.11	5063.84

To further investigate the position differences between urban and rural workers, the results are as shown in Table 2:

Table 2 the Distribution of Urban and Rural Workers in Management Level and Basic Level

	the Number of Samples		Proportion		Average Wage	
	Urban	Rural	Urban	Rural	Urban	Rural
Management	133	34	42.36	33.01	4826.99	3847.06
Basic Level	181	69	57.64	66.99	3569.06	2908.48
Total	314	103	100	100	8396.05	6755.54

The proportion of urban workers in management positions is 9.3% higher than that of rural workers. Furthermore, even if they are in the same positions, the average wage of urban managers is 35% higher than that of rural ones, the average wage of primary-level urban workers 32% higher than that of rural workers in the same positions. These differences cannot be all ascribed to the diversities of personal factors of workers and labor capacity.

Model Specification and Estimation Methods

(A) Selecting Variables

Table 3 Variable Description

Individual Characteristics	Length of Education(<i>edu</i>) Working Experience(<i>exp</i>) Gender(Male: <i>male</i> =1; Female: <i>male</i> =0)
Family Background	Parental Household Registration(urban: <i>urban</i> =1; rural: <i>urban</i> =0) Maximum Schooling Years of Parents, (<i>hedu</i>) Whether fathers work in high-wage industry (Yes; <i>fhighind</i> =1; No: <i>fhighind</i> =0)
Employment Situation	Industry Situation of Respondents (working high-paid industry: <i>highind</i> =1; working in low-paid industry: <i>highind</i> =0) Position Grade of Respondents (Management Level: <i>manage</i> =1; Basic Level: <i>manage</i> =0)

(B) Model Specification

We utilize probitmodel and measure the employment opportunities of urban and rural worker through the distribution of high- and low- wage industries and positions in management and basic levels.

In accordance with the analysis of those data, we set a model to verify our point. Therein, weintroduce the workers' employment opportunities after controlling the influence of education and then explore how social relations affect the employment opportunities. Therefore, we establish the following latent variable model:

$$y = \beta_0 + \beta_1 edu + \beta_2 exp + \beta_3 exp^2 + \beta_4 hedu * urban + \beta_5 fhighind * urban + \beta_6 hedu + \beta_7 fhighind + \beta_8 male + \beta_9 urban + u$$

y is the unobservable laten variable; *edurepresents* the schooling years; *expmeans* the working experience; *hedu* is the highest education of parents; *fhighindis* a dummy variable, representing that fathers work in high-wage industries; *heduandfhighindare* the indexes to measure family background; *urban* is the dummy variable at urban and rural household registration, and *male* is the dummy variable at gender. Introducing cross-product terms, *hedu*urban* and *fhighind*urban*, is to reflect the impacts of family background on employment opportunities of urban and rural employees and their positions.

According to the division of high-paid industries in Table 1, regard *highindas* the dummy variable at high-paid industries.If employees work in high-paid industries, *highind*=1; otherwise, *highind*=0. We establish the probit model as follows:

$$P(highind=1|\Omega) = \Phi(y) \tag{Model 1}$$

Ω denotes the information set of all the explanatory variables in the latent variable model,and Φ is the standard cumulative normal distribution function. We adopt the same method to study the influence of workers' individual characteristics and family social relations on position promotion and make *managethe* dummy variable at the job level,managementlevel *manage*=1 and others=0.

The corresponding probitmodel is following:

$$P(manage=1|\Omega) = \Phi(y) \tag{Model 2}$$

Comparison and Analysis of the Empitical Results

We evaluate the probit models of high-paid industries and position promotion respectively in Model 1 and Model 2 based on the data, the results as follows:

Table 4 Evaluations of Employment Opportunities on Probit Model

Independent Variable	Dependent Variable: $P(\text{highind}=1 \Omega)=\Phi(y)$			Dependent Variable: $P(\text{manage}=1 \Omega)=\Phi(y)$		
	0.1366**	0.1327**	0.1313**	0.1018**	0.1008**	0.1022**
<i>edu</i>	(4.9956)	(4.8470)	(4.8772)	(3.6036)	(3.5556)	(3.6216)
	0.0331	0.0328	0.0314	0.01172	0.0116	0.01151
<i>exp</i>	(4.8490)	(4.8077)	(4.6506)	(1.6619)	(1.6481)	(1.6266)
	-0.0008**	-0.0008**	-0.0007**	-0.0001	-0.0001	-0.0001
<i>exp</i> ²	(-3.7559)	(-3.7280)	(-3.5194)	(-3.375)	(-0.3632)	(-0.3191)
		0.0095*			0.004	
<i>hedu* urban</i>		(2.0887)			(0.8524)	
			0.3464**			0.0698
<i>fhighind* urban</i>			(3.7205)			(0.7153)
	0.0762			0.047		
<i>urban</i>	(1.3849)			(0.827)		
	0.0072	-0.0011	0.0071	0.0039	0.0007	0.0046
<i>hedu</i>	(1.0297)	(-0.1348)	(1.0433)	(0.5359)	(0.0794)	(0.6429)
	0.1696**	0.1668**	-0.1070	-0.1433*	-0.1408*	-0.1941*
<i>fhighind</i>	(3.5401)	(3.5189)	(-1.2012)	(-2.875)	(-2.866)	(-2.0784)
	0.0314	0.0278	0.0234	-0.0762	-0.0772	-0.0767
<i>male</i>	(0.6862)	(0.6077)	(0.5189)	(-1.612)	(-1.631)	(-1.6192)
	-2.0952**	-1.9586	-1.9467**	-1.3094*	-1.2576*	-1.2992*
Constant Term	(-5.0176)	(-4.6260)	(-4.7052)	(-3.035)	(-2.867)	(-2.9788)
	0.1785	0.1385	0.2022	0.0814	0.0815	0.0810

Note: *t* statistic value is in parentheses; ** and * mean that it is obvious in the significance level of 1% and 5% respectively.

In the policy, we should perfect the labor market mechanism and try our best to eliminate inequality in employment opportunities caused by different family background to improve rural drop-out phenomenon and prevent the spread of "the uselessness of studying". Only that rural workers have the same employment opportunities as urban workers have when both of them are at the same educational level may eliminate the differences of urban and rural educational return and ensure rural workers will be more positive to study further. As urban and rural workers are better educated, the income gap between urban and rural workers and their position diversities will shrink. When urban-rural education reaches to the master level, the advantage of urban background will be weak, and the wage of rural workers who work in cities and towns may even exceed that of urban workers.

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