

Market Reforms and Han–Muslim Variation in Employment in the Chinese State Sector in a Chinese City

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Summary. — This paper studies ethnic disparity in employment in the state sector in China. It compares Han Chinese with Hui Muslims. Data are from a 2001 survey conducted in Lanzhou. Data analysis shows that during market reforms, the CCP has not been able to protect workers of minority status as promised by its equal opportunity policy. Workers of minority status have faced a similar barrier in finding a job in both state firms and redistributive agencies. Minority ethnicity is the main determinant of labor market discrimination, controlling for educational attainment and other key characteristics.

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1. INTRODUCTION

In 1949, the Chinese Communist Party (CCP) came to power to build a socialist society in China, which aimed at among others social justice and equality. By 1978, China's Gini coefficient was estimated to be 0.22, which was one of the lowest in the world at that time (Adelmen & Sunding, 1987). Since then, the CCP has promoted the growth of market economy that emphasizes profits, efficiency, and the "survival of the fittest." While the Chinese economy has expanded at an explosive rate, it seems that competitiveness is gained at the expense of equality. Post-1978 reforms may affect disadvantaged social groups such as women and ethnic minorities negatively since they suffer from human capital deficiency and discrimination in the labor market. Yet, during the same period of time, the CCP has explicitly promoted equal opportunity policy as an important way of reducing ethnic inequalities.

Has the CCP's equal opportunity policy protected minority workers in the reform era? Have minority groups experienced more dislocations than the Han, the ethnic majority in China? Have workers of minority status faced a similar barrier to find a job in different sectors of the state economy? Is minority ethnicity a

major determinant of labor market discrimination, or is inter-group variation in education related to the different probabilities of employment between ethnic minority workers and majority workers? To study these questions, I compare two ethnic groups (i.e., Hui Muslims and Han Chinese) with regard to the probabilities of employment in the state sector, which includes (1) state firms and (2) government offices and public organizations. I label government offices and public organizations as redistributive agencies.

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In a market economy, workers may choose to work in private firms or the public sector. A job in a private firm is not necessarily better than a job in the public sector, and *vice versa*. In China, however, job attainment in the state sector was a major indicator of status attainment before the mid-1990s since it was associated with a good wage, housing benefits, health care, pensions, *etc.* (Bian, 1994; Walder, 1986). Today, employment in the state sector is still a treasured achievement given the cut-throat competition in the labor market in China. It offers more job security than the private sector. A job in a government agency or public organization has continued to be a major avenue of upward mobility in urban China (Goodman, 2008; Tomba, 2004).

Data for this research are from a 2001 survey ($n = 1,992$) conducted in Lanzhou city, China. Before I conduct data analysis, I provide some background information about Hui Muslims in the PRC and summarize existing views of ethnic inequality in employment in the reform era.

2. ETHNIC MINORITIES AND STATE PROTECTION IN CHINA

Every citizen of the People's Republic of China (PRC) belongs to one of the fifty-six nationality groups, which are classified and maintained by the PRC government. The majority nationality is the Han. The 55 minority nationalities consist of 8.4% of China's total population (i.e., more than 100 million). Among them, 10 (including the Hui) are Muslim groups. Researchers have argued that with certain exceptions, minority nationalities trail Han Chinese in status attainment by a large margin (Gustafsson & Shi, 2003; Poston & Micklin, 1993; Poston & Shu, 1987). Before 1978, the government already adopted certain measures to enhance the wellbeing of ethnic minorities in China (Herberer, 1989; Olivier, 1993). For example, it granted minority regions sizable funding for local development projects and local control over the distribution of tax revenues. Xinjiang, where Uyghur Muslims are the majority group, and Tibet, where Tibetans are the majority group, have benefited from this policy since the late 1950s and the early 1960s, respectively (Ma, 1996).

In addition, the Chinese government made efforts to reduce ethnic variation in employment in urban China. My fieldwork in Lanzhou showed that before 1978, the local government

labor bureau and hiring firms were obligated by the state's "nationality policy" to give minority applicants equal opportunity in recruitment. The local government also set up "ethnic" firms to harness the special skills of minority groups such as leather and hide tanning and finishing. Only members of minority groups were eligible to work in these "ethnic" factories. As a result, ethnic minorities had similar or better probabilities of employment in the state sector than Han Chinese.

The Chinese government was able to protect ethnic minorities before market reforms since the PRC was a planned economy that controlled the vast majority of wealth in society. Resources were allocated by the government to different regions, social groups, and individuals. Resource allocation was determined by the government policies such as social justice and egalitarianism rather than market efficiency or other considerations. Finally, the state sector was the largest employer in China that employed over 70% of the urban labor force (Walder, 1986).¹

After 1977, many of these affirmative action measures have officially become government policies in an effort to reduce ethnic inequalities in the PRC. For example, the Chinese government has explicitly carried out affirmative action policy in college admissions. Minority students are admitted into universities with lower scores than Han students. The ethnic difference is usually between 10 and 30 points (or more), which makes a big difference since one point difference in a competitive college entrance examination rules out a large number of competitors (Clothey, 2005; Gillette, 2000; Jankowiak, 1993). The government has also explicitly implemented affirmative action in job placement in the state sector and in leadership recruitment (Gillette, 2000; Gladney, 1996; Jankowiak, 1993; Zang, 1998). Officially, minority workers are hired first if they hold similar or slightly lower qualifications than Han workers. The CCP's commitment to ethnic parity has been motivated by its intention to promote inter-ethnic peace, maintain political stability, and preserve territorial integrity (Hein, 1996; Herberer, 1989, pp. 23–29).²

3. MARKET REFORMS AND ETHNIC INEQUALITY

Despite the official rhetoric on affirmative action for ethnic minority groups and some con-

crete measures, it is uncertain how minority workers have fared in the reform era, especially with regard to the dogged efforts by the Chinese government to promote efficiency and cast off its responsibilities for providing jobs, housing, health care, pensions, *etc.* to urban citizens in China. Examples include the government's campaign to "smash the iron rice bowl" in the state sector that has involved massive layoffs (Cai, 2005; Djankov & Murrell, 2002; Fung, 2001; Giles, Park, & Cai, 2006; Hare, 1990; Hughes, 2002; Qian, 2000). Since the losers of the reforms are likely to be the disadvantaged social groups, it is unclear how effectively the government affirmative action policies have protected minority workers in the labor market.

As a matter of fact, many existing studies have suggested an increasing ethnic gap in job attainment in the state sector in the reform era. Using qualitative data from field work in China, some scholars have argued that ethnic minorities have been victimized during market reforms, especially with regard to employment (Bovingdon, 2002, p. 45; Kaup, 2000, p. 166; Olivier, 1993, p. 2, 260; Smith, 2002, p. 157). Becquelin (2000, pp. 85–86) has noted that when a state firm downsized its workforce, managers first chose to sack minority workers. Yee (2003, p. 449) has reported that members of ethnic minorities had a hard time in finding a job and "complained that the government has forsaken the preferential policy for national minorities."

Why have the ethnic minorities suffered labor market discrimination in the reform era? It is suggested that discrimination may be due to inter-group variation in schooling. Namely, market transition has raised the importance of human capital due to the emphasis on performance and efficiency. Education has thus become a key determinant of labor market placement, which has increased the probabilities of job attainment among the Han at the expense of minority groups due to ethnic variation in schooling. "This interpretation is supported by the absence of an increase in ethnic differences in occupational attainment once we account for educational composition" (Hannum & Xie, 1998, p. 329). Hannum and Xie (1998) have found an enlarged ethnic difference in occupational attainment in Xinjiang during 1982–90, which they have attributed to a widened educational gap between the Han and ethnic minorities during this period. Their data reflect mainly the employment patterns

in the state sector given its predominant position in Xinjiang's economy.

4. BACKGROUND

The above discussion suggests that the government affirmative action policy has not protected minority workers in the reform era and that inter-group disparity in schooling has contributed to ethnic inequality in employment in the state sector. However, it is important to note that the state sector is a broad category as discussed below. Have workers of minority status faced a similar barrier in finding a job in the different sectors of the state economy? Is labor market discrimination mainly rooted in ethnic variation in schooling? Or is minority ethnicity a better explanatory variable of inter-group differences in job attainment? Would the ethnic disadvantage in the labor market be removed, controlling for educational attainment?

A careful consideration of the state sector may shed light on these questions. The state sector can be visualized as a vast network of work units, or *danwei*, which include different types of workplaces, such as schools, hospitals, hotels, state factories, government offices, *etc.* *Danwei* were the basic cell of the governance structure in China before market reforms, and have remained a key actor in urban areas since the 1980s (Bian, 1994; Tomba, 2004). *Danwei* can be conceptualized at different levels subject to theoretical interests. For example, *danwei* can be used as a catchall term to refer to each and every workplace in the state sector (Bian, 1994; Walder, 1986). Or they can be sorted into different bureaucratic status since each of them carries a rank in the state sector hierarchy that determines resource allocation among *danwei* (Bian & Logan, 1996; Tomba, 2004; Walder, 1992, 1995).

Alternatively, *danwei* can be divided into three broad categories based on their manifested functions: (1) government offices and party agencies, that is, *dangzheng jiguan*, (2) public organizations, such as schools, research institutes, and social welfare agencies, that is, *shiye danwei*, and (3) state enterprises, that is, *qiye danwei*, (Bian & Logan, 1996; Zhou, Moen, & Tuma, 1996, 1997).

Lastly, post-1978 reforms have created a new distinction between market involvement and redistribution among different state units. All *danwei* were redistributive agencies before the 1980s (Bian, 1994; Walder, 1986). Post-1978

reforms have sought to improve the efficiency of the state sector by implementing role differentiation: state firms are oriented to market competition, whereas government agencies and public organizations continue their redistributive tasks to provide social goods and promote justice. This trend has become increasingly salient since the 1990s as the Chinese government has intensified its campaign to transform state firms into market players. Those who have failed to undergo the structural change are promptly declared bankrupt, resulting in the massive layoff of state workers in urban China (Cai, 2005; Giles *et al.*, 2006; Lee, 2000; Solinger, 2002).

In comparison, government offices and public organizations have been protected from relentless market competition. There has been impressive continuity in primary functions, central budget allocation, and employment stability in these agencies. Hence, Zhou, Tuma, and Moen (1997, p. 344) point out that state firms are more involved in market activities, compared to government offices and public organizations (i.e., redistributive agencies).

5. EDUCATION, MARKET COMPETITION, AND ETHNIC INEQUALITY

I use the distinction between state firms and redistributive agencies to study whether there is a close relationship between education and ethnic differences in job attainment. I also use the distinction to study whether workers of minority status have faced a similar barrier in finding a job in both state firms and redistributive agencies, controlling for education and other key background characteristics.

The distinction is important because the impact of market reforms on state firms and redistributive agencies has varied in the reform era. Unlike redistributive agencies, state firms may stress human capital in recruitment due to market competition, which may reduce the returns from education to minority job seekers. Before market reforms started in 1978, state firms could afford losing money since the government would bail them out. They were economic actors and social institutions in charge of production, social stability, political control, *etc.* (Bian, 1994; Walder, 1986). In the reform era, state firms must become competitive and profit thirsty, or go bankrupt. Government subsidies are no longer available to the rescue of

money-losing state firms. At the same time, the government has ceased to assess and reward state firms in terms of their contribution to social justice since such assessments may undermine its attempt to turn state firms into competitive market players. State firms have to shift their focus from political commitments to efficiency since their existence is based on successful market competition rather than Marxist orthodoxy.

Efficiency is related to human capital. Thus, when employers are oriented toward market competitiveness, they often make a decision to hire or keep a worker on the expectation that certain workers have more desirable characteristics, for example, on-the-job productivity, than others. But employers cannot directly observe many of these desirable characteristics before hiring a new worker. Neither can they accurately measure these characteristics of regular workers when a layoff decision has to be made since outputs are often the outcomes of collective efforts in a workshop. Employers thus use attributes such as loyalty and capacity for teamwork that they think are correlated with productivity to rank workers. Minority-group workers are disadvantaged in this subjective ranking process since these desirable attributes are unduly assigned to majority-group workers. Minority-group workers suffer since most employers are from the majority group (Grodsky & Pager, 2001; Kaufman, 2002; McCall, 2001; Telles, 1994; Thurow, 1975).

As elsewhere, minority-group workers in China are viewed as less capable and industrious than majority-group workers, even if they are in fact equally productive. The government has identified Han Chinese as the model of civilization and described minority nationalities in terms of backwardness (Harrell, 1995; Harrell, 2001). My field work in Lanzhou finds the wide acceptance of this official assessment of ethnic differences by both Han and minority respondents (also Gillette, 2000). Due to this prejudiced identification, state firms may rank the quality of a minority-group (i.e., Hui) worker lower than that of a majority-group (i.e., Han) worker, even if they differ from each other only in nationality status. A minority status levy is placed on the expertise and cognitive skills of minority-group workers. A consequence is a lower correlation between qualifications and achievement among minority-group workers than among Han workers. It can be hypothesized (Hypothesis 1) that educational attain-

ment is more important for entry into state firms for Hui workers than for Han workers.

In other words, market competition determines a lower correlation between schooling and employment among Hui workers, and *vice versa*. This possibility can be tested with regard to job placement in redistributive agencies since they operate on the budgets from the government and are shielded from market competition. In addition, redistributive agencies are supposed to pursue social justice and help the weak and poor. Thus, there may not be a lower correlation between qualifications and job attainment among Hui workers than among Han workers in redistributive agencies. It can be hypothesized (Hypothesis 2) that educational requirements for entry into redistributive agencies are similar for both the Hui and the Han.

However, it is difficult or implausible to argue for higher returns to education for workers of minority status than to Han workers given the above-mentioned popular perception about minority “backwardness” in China. In addition, minority groups as a whole are less educated than the Han (Hannum, 2002). Thus, if both Hypothesis 1 and Hypothesis 2 are confirmed in data analysis, it can be hypothesized that minority ethnicity is negatively related to job attainment in both state firms and redistributive agencies, controlling for key background characteristics (Hypothesis 3). This is because minority workers cannot overcome the prejudice and discrimination they suffer in the labor market unless they receive more education or higher returns to education than Han workers.

6. DATA

I use data from a 2001 survey on the Han and the Han conducted in Lanzhou to test the above two hypotheses. The Hui are the descents of foreign Muslim merchants, militia, and officials, who came to China from Arabian and Central Asian countries from the 7th to 14th centuries and later got intermarried with the local Han populace. The 2000 Census found nearly 9.82 million Hui, establishing them as the third largest minority group in China. However, they spread all over China and are a minority group in virtually all the places they live. Unlike other minority groups in China, the Hui do not have their home land. Among the 10 Muslim groups in China, the Hui are most acculturated into Han society as they celebrate many Han festivals, read, speak, and

write Chinese, and wear Chinese costumes. They maintain their ethnic identity by upholding Islamic beliefs, practicing endogamy, and observing pork avoidance (Gillette, 2000; Mackerras, 1994).

Lanzhou is the capital of Gansu with a sizable Hui minority population (nearly 200,000, or about 10% of the total population in the city). The Hui are the largest ethnic minority group in Lanzhou. The 2001 Lanzhou survey aimed at achieving a balanced sample of the Han and Hui respondents for a comparative study. Chinese sociologists from a Beijing university and the Social Science Academy of Gansu Province first chose 10 predominantly Han and five predominantly Hui neighborhoods in Lanzhou, and then used the disproportionate sampling method to select 2,100 households from the 15 neighborhood clusters. Households in the predominantly Hui neighborhoods were given a disproportionately better chance of selection than those in the predominantly Han neighborhoods so as to yield a roughly similar number of the Han and Hui respondents in the final sample. A total of 1,992 interviews were conducted, representing a completion rate of nearly 95%.

The 1,992 interviews were conducted in 1,992 households, with only one person selected from each family involved. The respondents were asked to identify their nationality status. Information on age, gender, education, family background, party affiliation, and so on was also solicited. I exclude cases with missing values or on members of other ethnic minorities from the data analysis. I also exclude the respondents without working experience (e.g., housewives and students) from the analysis. The final data set includes 1,646 cases (721 Hui Muslims and 925 Han Chinese). The youngest respondent was 18 years old and the oldest respondent was 66 years old.

I also made five research trips to Lanzhou during March 2001–July 2004, conducting field observations, visiting many of the 2001 survey respondents, and exchanging views with local scholars. My fieldwork experience has enhanced my understanding of ethnic inequality in Lanzhou.

7. VARIABLES

As mentioned above, I compare the Hui and the Han in job attainment in redistributive agencies and state firms, respectively. I create

two dependent variables: (1) *redistributive agency* is a dummy variable, coded 1 for employment in schools, CCP offices, government organizations, social welfare branches, and the like; (2) *state firm* is also a dummy variable, coded 1 for employment in state enterprises.

The independent variables include *age*, *gender*, *married*, *native*, *education*, *CCP*, *era of labor force entry*, *father state worker*, *father CCP*, *father professional*, and *Hui*. Many of these variables are self-explanatory and have been used extensively in research on status attainment in China (Bian, 1994, 1997; Zhou, 2000; Zhou *et al.*, 1996, 1997). *Hui* is a dummy variable with the Hui coded as 1 and the Han as 0. *Gender* is also a dummy variable with men coded as 1 and women as 0. *Married* is another dummy variable with married respondents coded as 1 and others as 0.

Some scholars have studied patterns of status attainment in different historical periods since changing state policies have heavily influenced life chances. I thus adopt two life-course factors in data analysis: *age* and *era of labor force entry* (Zhou *et al.*, 1997). *Age* is an interval variable referring to the respondents' biological ages. *Era of labor force entry* is an ordinal variable: (1) 1949–59, which was the phase of the socialist transformation of the Chinese economy; (2) 1960–79, which was an age of the high command economy in China; (3) 1980–89, which was a historical period of early market reforms; and (4) 1990–99, which was the era of rapid market expansion. *Era of labor force entry* (1990–99) is treated as the reference group.

CCP is a dummy variable with CCP members coded as 1 and others as 0. *Education* is measured by five categories, from low to high: 1 = illiterates and semi-illiterates; 2 = primary school; 3 = junior high school; 4 = senior high school and vocational school; and 5 = community college and university (Zhou, 2000). In the analysis, education is treated as a set of dummy variables with "community college and university" as the reference group.

Existing studies suggest the importance of family background and personal connections in job attainment in urban China (Bian, 1994, 1997). I use *native* status to measure personal connections in this study. It is a dummy variable with residents who were born in Lanzhou coded as 1 and migrants as 0. Due to a longer period of residence in Lanzhou, native residents should know more people and thus have a wider social network than migrants. Also,

friendship ties nurtured since childhood should be more intimate and helpful than those developed in adulthood.

Family background is measured by (1) *Father state worker*, a dummy variable with respondents whose fathers are state workers coded as 1; (2) *Father CCP*, a dummy variable with respondents whose fathers are CCP members coded as 1; and (3) *Father professional*, a dummy variable with respondents whose fathers are professionals coded as 1 (Bian, 1994, 1997; Zhou *et al.*, 1996).

8. FINDINGS

Table 1 shows minor variations in demographic characteristics such as age, married status, and sex distributions between the Hui and the Han. However, the Han respondents

Table 1. *Descriptive statistics*

Variables	Han	Hui	Sample
Age (mean/SD)	46.7/11.4	45.2/11.1	46.0/11.3
Male (%)	68.3	74.5	71.0
Married (%)	89.3	89.7	89.5
Native (%)	46.1	65.2	54.4
CCP (%)	28.8	8.5	19.9
Education			
Illiterate and semi-illiterate (%)	4.8	16.6	10.0
Primary school (%)	8.9	25.5	16.2
Junior high (%)	26.5	31.9	28.9
Senior high (%)	36.8	19.6	29.2
Community college and university (%)	23.1	6.4	15.8
Era of labor force entry			
1949–59 (%)	13.7	10.7	12.4
1960–79 (%)	50.4	46.6	48.7
1980–89 (%)	23.5	22.5	24.4
1990–99 (%)	12.4	17.2	14.5
Father CCP (%)	22.4	6.2	15.3
Father state worker (%)	52.9	39.7	47.1
Father professional (%)	8.2	3.5	6.1
Job attainment			
State firms (%)	54.3	45.2	50.3
Redistributive agencies (%)	25.5	11.0	19.1
Non-state sectors (%)	20.2	43.8	30.6
<i>N</i>	925	721	1,646

are better educated than the Hui counterparts. I calculate the means for education for both ethnic groups and find an advantage enjoyed by the Han over the Hui (3.65 *vs.* 2.74 in a five-level measure). The higher the mean score, the better one is educated. The Hui–Han difference in educational attainment is statistically significant at .01 level. In addition, Table 1 shows that Han fathers are more likely than Hui fathers to work in the state sector, join the CCP, and become a professional.

Table 1 also shows that 20.2% of the Han and 43.8% of the Hui are employed in the non-state sector. Of the 503 respondents employed in the non-state sector, 88 (17.5%) are employed in private firms, 248 (49.3%) are *getihu* (i.e., small business people such as hawkers and shop owners), 147 (29.2%) work in collective enterprises; three (0.6%) are hired by foreign firms, and 17 (3.4%) were laborers.

Table 1 also shows the ethnic distribution in job attainment in state firms and redistributive agencies: 54.3% of the Han respondents work in state firms, as compared with 45.2% of the Hui respondents. Also, 25.5% of Han Chinese are employed in redistributive agencies, whereas only 11% of Hui Muslims report the same institutional affiliation. Apparently, the Han are more likely than the Hui to find a job in either state firms or redistributive agencies.

The Hui–Han differences in labor market placement reported in Table 1 are illustrative but are obtained without controls. Are they the effect of spurious relationships between Hui ethnicity and job attainment? Would the effect of minority ethnicity on employment persist in a multivariable model? Also, do the Hui get similar returns from education in job attainment in state firms and redistributive agencies? I run two multinomial regression analyses in Tables 2 and 3 to address these questions. Consistent with the two hypotheses mentioned above, I focus on the multinomial regression coefficients for *Hui ethnicity* and *education*.

In addition, as noted, the data oversampled the Hui ethnic group (which is only 10% of the population but makes up 43.8% of the Lanzhou sample). The Han represent nearly 90% of the population in the city but only 56.2% of the Lanzhou sample. Thus, the cases are weighed to adjust for sample variations in data analysis. The “non-state sector” is used as the reference group.

Education. Table 2 indicates that all measures of educational attainment are associated

with employment opportunities in state enterprises. The coefficients for educational measures are all statistically significant at .05 level, indicating the importance of human capital in recruitment into state firms. Table 2 also shows that education is a key factor for entry into government offices and public organizations. The higher the educational level, the greater probabilities of job attainment in redistributive agencies. These findings are consistent with research on market transition in China, where human capital has become increasingly important in the job market (Bian & Logan, 1996; Hannum & Xie, 1998; Nee, 1989; Zhou, 2000).

Table 2 also shows that the sizes of the educational measures in redistributive agencies are greater than those in state firms. It is more difficult for a poorly educated worker to enter a redistributive agency than a state firm. The difference is intuitively appealing since state firms are mainly peopled by blue-collar workers and technicians, whereas government offices and public organizations are largely occupied by better-educated workers such as professionals and government officials (Walder, 1995).

Hui ethnicity. Table 2 shows that with other independent variables controlled, Hui Muslims are less likely than Han Chinese to enter state firms. The Hui–Han difference is statistically significant at .01 level. Table 2 also shows that holding other independent variables constant, Hui Muslims are less likely than Han Chinese to secure employment opportunities in redistributive agencies. The Hui–Han difference is statistically significant at .01 level, supporting Hypothesis 3. Hui ethnicity has an identically large effect on employment in both state firms and redistributive agencies. Despite the government affirmative action policy, the Hui are disadvantaged in finding a job in the state sector in the reform era.

Multinomial regression coefficients for other independent variables in Table 2 also make good sense. One example is the coefficients for *Era of job entry* into both state firms and redistributive agencies. This finding is consistent with the fact that it has been getting more and more difficult to get into the state sector after massive industrial restructuring started in 1992. In addition, the coefficients for *Era of job entry* are consistent with the coefficients for *Age*, as more and more young people are employed in private sectors in China today.

As another example, for both Hui and Han workers, CCP membership is important for en-

Table 2. *Ethnic variation in job attainment in the state sector*

Variable	Parameter estimates for employment in state firms	Parameter estimates for employment in redistributive agencies
Age	.035 (.006) ^{***}	.029 (.007) ^{***}
Male	.142 (.070) ^{**}	-.260 (.086) ^{***}
Married	.171 (.099) [*]	-.171 (.122)
Native	.363 (.068) ^{***}	.068 (.084)
CCP	1.098 (.109) ^{***}	1.724 (.115) ^{***}
Education		
Illiterate and semiliterate	-.811 (.165) ^{***}	-2.787 (.217) ^{***}
Primary school	-.525 (.139) ^{***}	-3.321 (.213) ^{***}
Junior high	-.245 (.111) ^{**}	-1.787 (.129) ^{***}
Senior high	-.207 (.106) [*]	-.996 (.114) ^{***}
Era of labor force entry		
1949-59	.882 (.207) ^{***}	1.289 (.262) ^{***}
1960-79	.849 (.144) ^{***}	1.292 (.183) ^{***}
1980-89	.379 (.109) ^{***}	.245 (.143) [*]
Father CCP	.119 (.091)	.290 (.108) ^{**}
Father state worker	.717 (.078) ^{***}	.101 (.096)
Father professional	-.037 (.133)	.245 (.150)
Hui ethnicity	-.636 (.098) ^{***}	-.637 (.150) ^{***}
2-Log likelihood	13181.290	
df	32	
χ^2	2043.405 ^{**}	

Figures in parentheses are standard errors. The reference group for education is "University or above" and for the era of labor force entry is 1990-99. The omitted category is the non-state sector.

^{*} $p < .1$.

^{**} $p < .05$.

^{***} $p < .01$.

try into both redistributive agencies and state firms. However, the sizes of the coefficients for CCP membership are different for state firms and redistributive agencies, which is plausible since the political requirement for entering the redistributive agencies are higher than that for working in state firms (Walder, 1995). Also, *father state worker* is positively related to employment in state firms but not to that in redistributive agencies, which makes sense since children of state firm workers may "inherit" their fathers' jobs in the same factories (Bian, 1994). In comparison, *father CCP* is an important determinant of job attainment in redistributive agencies. This is probably because it is a privilege to work in redistributive agencies since no physical and menial labor is involved. *Father CCP* is an indicator of high social status and good family background in China, which is important for children to acquire human and political capital for status attainment in adulthood (Bian, 1994; Zhou *et al.*, 1996). Finally, it is worth noting that the coefficients for gender are smaller than for minority ethnicity in

both state firms and redistributive agencies. Minority ethnicity is indeed a major determinant of job placement in the state sector.

I conduct another multinomial analysis with interaction terms to examine the effects of education on ethnic variation in job attainment in redistributive agencies and state firms, respectively. Again, the "non-state sector" is used as the reference group and the sample is weighted. Table 3 shows that educational requirements for entry into state firms are greater for the Hui than for the Han as the coefficients for all the interaction terms of schooling are negative and statistically significant at .01 level, supporting Hypothesis 1. In comparison, Table 3 shows that there seem to be no statistically significant differences in the returns to schooling in recruitment into redistributive agencies between the Hui and the Han, supporting Hypothesis 2.

To further illustrate these different results, I estimate the probabilities of job attainment in state firms and redistributive agencies for a Han worker and a Hui worker, who hold

Table 3. *Multinomial logistic analyses of job attainment in the state sector*

Variable	Parameter estimates for employment in state firms	Parameter estimates for employment in redistributive agencies
Age	.030 (.006) ^{***}	.022 (.008) ^{***}
Male	.192 (.073) ^{***}	-.212 (.089) ^{**}
Married	.240 (.104) ^{**}	-.135 (.128)
Native	.327 (.072) ^{***}	.024 (.088)
CCP	1.127 (.111) ^{***}	1.729 (.118) ^{***}
Education		
Illiterate and semiliterate	-.606 (.183) ^{***}	-2.682 (.236) ^{***}
Primary school	-.226 (.151)	-3.332 (.242) ^{***}
Junior high	-.129 (.114)	-1.741 (.132) ^{***}
Senior high	-.107 (.108)	-.943 (.115) ^{***}
Era of labor force entry		
1949–59	.695 (.227) ^{***}	1.245 (.279) ^{***}
1960–79	.741 (.159) ^{***}	1.310 (.196) ^{***}
1980–89	.352 (.118) ^{***}	.282 (.151) ^{**}
Father CCP	.100 (.094)	.276 (.110) ^{**}
Father state worker	.672 (.084) ^{***}	-.031 (.102)
Father professional	-.029 (.136)	.275 (.153) [*]
Hui ethnicity	-.017 (.971)	-1.637 (1.257)
Hui * Age	.036 (.017) ^{**}	-.058 (.025) ^{**}
Hui * Male	-.353 (.242)	-.606 (.345) [*]
Hui * Married	-.308 (.343)	-.076.471
Hui * Native	.160 (.243)	.439 (.354)
Hui * CCP	-.553 (.546)	.193 (.582)
Hui * Education		
Hui * Illiterate and semiliterate	-3.079 (.791) ^{***}	-1.247 (.943)
Hui * Primary school	-3.407 (.764) ^{***}	-.462 (.896)
Hui * Junior high	-2.682 (.740) ^{***}	-.866 (.820)
Hui * Senior high	-2.617 (.744) ^{***}	-1.253 (.813)
Hui * Era of labor force entry		
Hui * 1949–59	1.471 (.635) ^{**}	-.197 (.856)
Hui * 1960–79	1.064 (.454) ^{**}	-.833 (.614)
Hui * 1980–89	.690 (.407) [*]	-.418 (.557)
Hui * Father CCP	.210 (.458)	-.015 (.599)
Hui * Father state worker	.243 (.236)	.694 (.346) ^{**}
Hui * Father professional	-.483 (.639)	-.828 (.822)
2-Log likelihood	13181.290	
df	62	
χ^2	2135.596 ^{***}	

Figures in parentheses are standard errors. The reference group for education is “Community College/University” and for the era of labor force entry is 1990–99. The omitted category is the non-state sector.

* $p < .1$.
 ** $p < .05$.
 *** $p < .01$.

the same education level. It is found that the odds of employment in a state firm for a Han illiterate are 17.9%, as compared with 1.8% for a Hui illiterate, and the probabilities of employment in a state firm for a Han senior high school graduate are 26.4%, as compared with 2.8% for a Hui counterpart.

In comparison, the odds of employment in a redistributive agency for a Han illiterate are

2.9%, as compared with 2.2% for a Hui illiterate, and the probabilities of employment in a redistributive agency for a Han senior high school graduate are 13.5%, as compared with 2.2% for a Hui counterpart. The comparisons suggest that Han workers receive more returns from similar schooling than Hui workers. Hui workers receive less return from schooling in state firms than in redistributive agencies.

These findings are consistent with Hypotheses 1 and 2.

Overall, the findings reported above show significant Hui–Han differences in job attainment in both state firms and redistributive agencies despite government affirmative action policy. They also suggest the importance of the distinction between state firms and redistributive agencies for understanding educational effect on ethnic differences in job attainment in the reform era. Educational attainment is more important for entry into state firms for Hui workers than for Han workers. However, educational requirements for entry into redistributive agencies are more or less similar for both the Hui and the Han. These findings can be explained in terms of their different exposure to market competition in the reform era.

9. SUMMARY AND DISCUSSION

In this research, I ask if the CCP has been able to pursue efficiency in market reforms and at the same time protect workers of minority status as promised by its equal opportunity policy. I also ask whether workers of minority status have faced a similar barrier in finding a job in both state firms and redistributive agencies, and whether different probabilities of employment in the state sector between the Hui and the Han have resulted from inter-group variation in schooling. Finally, I ask whether minority ethnicity is the main determinant of labor market discrimination, controlling for educational attainment and other key characteristics.

To study these questions, I compare Hui–Han differences in job attainment in the state sector. I show ethnic stratification in employment in the reform era. Controlling the background characteristics does not remove the Hui–Han differences in job attainment in both state firms and redistributive agencies, which suggests the state's inability to achieve

ethnic parity in job attainment in the reform era despite its equal opportunity policy. Minority ethnicity is a key determinant of labor market discrimination and is more important than gender in job attainment in the state sector.

I also find that returns from education to the Hui are smaller than that to the Han in terms of job attainment in state firms, whereas there is no inter-group variation in educational effects on recruitment into government offices and public organizations in China. This is because of the role differentiation in the state sector. All state *danwei* were redistributive agencies before market reforms. In the reform era, state firms have been differentiated from redistributive agencies in budget allocation and institutional tasks, which leads to different educational effects on employment in state firms and redistributive agencies, respectively. Educational effects on minority achievement in the state sector vary across institutional contexts. However, even in redistributive agencies, Hui workers do not receive same or greater returns from education than Han workers. As a result, they are less likely than the Han to find a job in redistributive agencies. As noted, minority workers cannot overcome the prejudice and discrimination they suffer in the labor market unless they receive more education or higher returns to education than Han workers.

It is necessary to point out that the data for this research are derived from the fieldwork in Lanzhou. It may not be appropriate to make sweeping arguments on ethnic inequality in China on the basis of the findings reported in this research. Also, the state is the primary enforcer of affirmative action in society. It is possible that minority workers are subject to more discrimination in private firms than in the state sector. Future research on the effect of post-1978 reforms on ethnic inequality shall analyze patterns of ethnic discrimination in the private sector in China.

NOTES

1. Of course, the Chinese government did not always protect minorities' rights and cultural heritages. During the Cultural Revolution of 1966–76, for example, minorities' religious practices were attacked (Herberer, 1989; Mackerras, 1995).

2. Other examples of affirmative action policies toward ethnic minorities include areas such as birth control: each urban Han couple is allowed to have one child, whereas ethnic minority groups can have two children per family in urban areas and three or four per family in rural areas.

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