



“The Ownership Structure of Offshoring and Wage Inequality: Theory and Evidence from China”

(in English)



Dr. Liugang SHENG
Assistant Professor
Department of Economics
The Chinese University of Hong Kong

Abstract:

We document three striking facts that pertain to the impact of globalization on wage inequality in China: (a) the college wage premium in manufacturing stayed flat before China's accession into the WTO in 2001, but rose dramatically thereafter; (b) since the accession, the growth in processing exports of foreign-owned firms has far surpassed the growth of joint ventures and Chinese-owned firms; and (c) the skill intensity of foreign-owned firms' processing exports has been the highest among firms of all ownership types. Based on these facts, we propose a new theory that builds a linkage between organizational structure of offshoring and the demand for skill in developing countries. We show that liberalization of foreign ownership in the developing world, coupled with reductions in trade costs and improvement in contract environment, may help attract more skill-intensive production by foreign-owned firms, raising the wage premium of skilled workers. Empirical findings using detailed Urban Household Surveys and China customs trade data provide strong support to our theory, shedding light on the changes in firm ownership structures, the skill content of exports, and the evolution of wage inequality over the past two decades in China.

Date: 26 September 2012(Wednesday)
Time: 1:00pm – 2:30pm
Venue: WYL314, Dorothy Y. L. Wong Building

Biography:

Professor Liugang Sheng is a young economist in international economics. He got Ph.D from the department of economics at University of California, Davis, and joined the department of economics at the Chinese University of Hong Kong after graduation. His main research interests are international trade, international finance and labor economics. He is also the director of the trade and development research program at the economic research centre of the Hong Kong Institute of Asian-Pacific Studies.

All are welcome