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The End of Institutional segmentation in Chinese Labor Market ——The Observation Based on Modern Marxism Economics

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There are abundant theories in “Capital” concerning labor market, which are academic basis conducting our establishment of socialistic labor market. Nevertheless, resuscitation of segmentation theory on labor market has a close relation with development of modern economics. Therefore, modern Marxism Economics has started to apply new theories and tools on the study of segmental labor market and achieved a series of new development. This is instructive for consummating the system of socialistic labor market.

I. Chief Theories of Labor Market in “Capital”

From Marx’s point of view, commodity nature of labor is a premise of existence of labor market. The aim for labor entering into a place of commodity exchange----market, is to realize exchange of equal value. Accordingly, labor must be a commodity. Starting from this logic, Marx has put forward deep reach in labor market.

(1) To establish labor market is an inevitable requirement of social production and development of commodity economy. Along with the coming of industrial revolution, social production constantly changes in accordance with social needs. It makes means of production and labor continuously recombined in order to perfect configuration of production elements. As a result, labor becomes flowing. Simultaneously, improvement and development of production techniques require laborers to keep upgrading their quality. Therefore, to let laborers freely circulate and to establish labor market become an inevitable requirement of social production and development of commodity economy.

(2) Law of value is the essence of adjustment mechanism of labor market. Let’s put aside the capitalistic nature reflected by Marx’s capitalistic labor market for the moment. We can find the principle of adjustment mechanism for general labor market. In other words, operation of labor market, as operation of other markets, should be governed and restricted by law of value. In fact, labor market is a mechanism to use law of value to adjust supply and demand relation of labor in order to accelerate the flow and to realize the best configuration of labor. Salary becomes a sensitive market adjustor to modulate the circulation and to improve the layout of all kinds of labor, through which to lead the supply and demand of labor spontaneously being balanced and to form an optimized configuration of labor source for obtaining the best economic and social benefit.

(3) Characters of labor market. Marx believes labor market is of the most important among all production elements market. Comparing with other markets, the operation of labor market has its own characters: the fist underlying difference is labor can not independently exist without laborers when entering into market. Then, labor market relationship bears long-term continuity.

II. Institutional Segmentation in Chinese Labor Market and its Basic Characters

Comparing with other countries, the segmentation of Chinese labor market possesses institutional character, namely, it is an institutional segmentation.

(1) The appearance of institutional segmentation of current labor market. Since 1949, a tremendous “inner labor marked” has come into being. Nevertheless, this labor market is

uneven and is divided into two parts: urban labor market and country labor market, via the system of registered permanent residence. The system reformation started from the end of 1970 is a rudimentary change of system environment that makes the margin of inner labor market gradually flexible. It does not mean the institutional segmentation of labor market disappeared, but refer to the change of modality of segmentation. From then on, the division of urban labor market and country labor market is replaced by the partition of inner-system labor market and outside-system labor market. This is an elementary character of segmentation for a labor market being in transformation phase.

The operation of inner-system labor market still keeps manifest characters of traditional system while the operation of outside-system labor market has been marketablized.

(2) The characters of Chinese institutional segmentation of labor market. First of all, there exists four difference between primary labor market and subordinate labor market: capital-concentrated or labor-concentrated techniques, salary, career stability and working condition caused by the restriction brought by market on throughput. However, most important difference is the level of techniques and salary. Secondary, the root of segmentation of market is that controllers of resource allocation divide labor market into “government-control department” and “market-leading market”.

III. Understanding Institutional Segmentation in Modern Marxism Economics

Institutional segmentation of labor market is a result of system reformation. To some extent, it is a premise for system reformation and economic development being successful. Therefore, institutional segmentation is functional in nature. Unfortunately, institutional segmentation is an outcome of particular history and it will bring negative influences if this segmentation being fixed and long-term existing. The first and foremost negative influence is institutional segmentation twists the relationship of income and allocation. It is reflected on two points: 1) Institutional segmentation enlarges and fixes the salary difference between city and country. When there is no institutional segmentation, the flow of labor will not be hindered by institution and marginal means of production of urban labor and country labor could be closed. Hence, marginal productivity and salary of city and country could be closed too. Nevertheless, when institutional segmentation existing, the difference of salary between urban residence and country residence is enlarged for long term. 2) The salary for high-educated people is low. In inner-system labor market, the value of human capital does not being fully estimated and materialized because of unhealthy market system. Thus, educated people cannot acquire a salary pertain to their capital input in education. The second negative influence is institutional segmentation reduces economic efficiency. Institutional segmentation of labor market divides a market which should be fully competitive into several isolated parts and this division must cause two losses of economic

efficiency: the one is the loss of labor efficiency because the division means to shorten competitive radius and to weaken competitive intension which will influence the stimulation of labor efficiency. The other one is the loss of configuration efficiency because the existence of institutional segmentation means there is non-marketable way to allocate labor source. To use planned method to allot labor source must deviate from the best result because information is not sufficient and benefit of economic main parties is different. The third negative influence is institutional segmentation reduce employment and output.

IV. Institutional segmentation of labor market is doom to be ended.

First, the end of institutional segmentation is an objective requirement of social production and development of market economy.

On one hand, both in capitalism and socialism, the development of social production requires labor source being fully flowing. It is only through a unified labor market that can provide feedback information in time to offer and adjust all kinds of labor needed by new production departments and jobs during development of labor division and innovation of technologies. Meanwhile, only through flowing, laborers can accommodate themselves to the change of industrial structure caused by the development of social production and make a correct choice of works in labor market. On the other hand, to cultivate a unified labor market is a requirement of perfecting and developing socialistic market system. Under socialistic market economy, there should not be an institutional segmentation in a perfect market system. Otherwise, unified open market system cannot be formed. The quality and value of laborers can be estimated accurately and equitably when labor freely entering into market as a commodity. The labor elements and entire social resource can be optimized allocate when corporations and laborers can mutually make choice on a voluntary basis.

Secondly, under socialistic condition, the existence of personal possession of labor is a condition to end institutional segmentation.

In the phase of socialism, the existence of personal possession of labor decides the commodity nature of labor. Laborers have rights to sell their own labor if the labor is possessed by laborers. More pays more gains and the rights of laborers can be realized through labor market. Therefore, the mastership of laborers is a condition to establish unified labor market. Socialistic labor market is a market to reflect the mutual relationship based on consistent benefit among socialistic countries, corporations and laborers. Hence, institutional segmentation is doom to be ended.

The last but not the least, institutional segmentation of labor market will inevitably be unified in outside-system market.

Laborers of higher marginal production retreat from our inner-system labor market because corporations in this system adopt average or comparatively average salary policies

and corporations have to degrade the level of salary because of financial restriction. If those corporations do not change their salary policies, sub-laborers will retreat from this market too, which will lead to further degradation of salary level until the disappearance of inner-system labor market. Consequently, institutional segmentation of labor market will inevitably be unified in outside-system labor market and the speed of this unification will be faster when outside-system labor market is more and more perfect.

IV. Conclusion

The segmentation of labor market is a worldwide phenomenon. However, institutional segmentation is peculiar one existing in transforming countries, especially in China. We should see negative influence of institutional segmentation, although we should admit the historic achievements made by this segmentation. We can foresee that along with the establishment of market economy, institutional segmentation of labor market will be banished or even it cannot be completely eliminated at present, the influence of institutional segmentation will be greatly diminished.

We should work on both inner-system and outside-system labor market to resolve the problem of multi-layer labor market. By observing a way from outside-system to inner-system, from easy to difficult, we should pay more attention on the regulation and management of labor markets, which are newly set up in order to build a good operational environment for labor markets. We also should conduct reformation and innovation on traditional income allocation system, system of registered residence, social insurance and employment to provide a better systematical environment for establishing unified labor market, providing au pair employment and reducing income difference. Through these ways, institutional segmentation of labor market can be ended and a new labor market, which is unified, open, equally competitive and normative, can be established.

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