

The urban-rural disparities of the elderly labor supply and income in China

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Abstract

The labor supply behavior of the elderly becomes a window reflects the difference between urban and rural in China. However, the existing studies have not reflected the continuation of the income and social security gap on the elderly labor supply between urban and rural residents. Based on the CHARLS database, this paper investigates the differences in the elderly labor supply between rural and urban in China, analyzes their influencing factors by the Probit model, and conducts an empirical study on the health and income of the elderly by the Heckman sample selection model. The study found that: Age, pension and other factors have a significant impact on the elderly labor supply, and the impact on the urban is far more than the rural. Health and other factors have significant impact only on the rural elderly labor supply and income. The study recommends the extension of social security to the poor health of rural elderly.

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Keywords: the elderly; labor supply; labor income; urban-rural gap; health

1. Introduction

There is a huge difference between the urban and rural in the aspects of personal income, social security system, etc. in China, which is further manifested in the labor decision-making for the elderly in urban and rural, and makes the elderly labor supply behavior become a window reflecting the difference

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between urban and rural. For this, the academic community has not yet attracted much attention. The existing studies on Chinese rural-urban gap mainly focus on the income gap between the rural and the urban, and the impact of the household registration on the labor market. Only a small number of existing studies have researched on the labor supply of elderly, and they selected only the rural or only the urban as the object of study. So they have not well described the basic situation of the elderly labor supply, and not reflect the continuation of the income and social security gap on the elderly labor supply between urban and rural residents.

This study allows us to understand and answer the following questions better: Firstly, how different between urban and rural in Chinese elderly labor supply? The extent to reflect the continuation of the income and social security gap? Secondly, the state of health is the most important human capital for the elderly. How much did health and related factors influence on the elderly labor income?

2. The data sources

The data in this paper is from China Health and Retirement Longitudinal Study (CHARLS), which is conducted in Gansu and Zhejiang Province, China in the autumn, 2008 by the CCER of Peking University. The survey aims to collect a set of high quality micro data of elderly families and individuals, to analyze the problem of population aging in China, and promoting interdisciplinary aging research.

The paper select only 50 years old or older elderly for study, in view of the female "workers" retirement age is 50 years old in the current retirement system of China. According to this, the selected sample size in this paper is 2145 elderly, in which 1108 are male, 1037 are female, and 1719 are rural household registration, 426 are urban household registration.

In the calculation of health state, we merges the four health levels of "excellent, very good, good, general" into one level of "good", and retains the level of "not good" in the CHARLS database. In the calculation of income, we divide it into agricultural income, wage income and non-farm self-employment income according to the indicators in the CHARLS database.

3. The impact factors of urban and rural elderly labor supply

This paper examines the impact factors of elderly labor supply by Probit model. The dependent variable is the labor supply decisions of the elderly: 1 for work, 0 for does not work. According to the descriptive statistical analysis above, the related theories of labor supply and some of the past research, we define these independent variables: age, education, health, marital status, family wealth, mode of living, gender, and region, etc. Non-agricultural employment is also defined as independent variables for the rural elderly. Estimation results are in Table 1. We note the following differences:

Firstly, both the age and pension has a significant negative correlation with the elderly labor supply. They are the important factor affecting the elderly labor supply, and the impact to the urban is far more than the rural. The negative incentive effects caused by pension to the urban are far more than the rural. There are differences in the impact of age to the elderly labor supply between the urban and the rural differences. This is mainly relevant to the dual labor market segmentation of urban and rural. As we know, it is not an easy thing for the urban elderly to return to the labor market after retirement, but it is really an easy thing for the rural elderly to work in agriculture for they have their own land.

Secondly, the factor of gender has significant impact on the labor supply of elderly, and the impact to the urban is more than the rural. Compared with the female, the male's labor participation rate is higher. This should relate with the retirement age gap between male and female in the urban retirement system.

Thirdly, health, mode of living, marriage status and family wealth have a significant impact on the elderly labor supply of rural only. The factor of health has significant negative correlation with the labor

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