

Industry Openness, Human Capital and Wage Inequality: Evidence from Chinese Manufacturing Firms

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Abstract : This paper uses a primary data from 670 Chinese manufacturing firms, together with the newly introduced regressionbased inequality decomposition method, to study the effect of openness on wage inequality. We find that openness leads to a positive industry wage premium, but its contribution to firm-level wage inequality is relatively small, only 4.69%. The major contributor to wage inequality is human capital, which could explain 14.3% of wage inequality across sample firms.

Keywords : openness, human capital, wage inequality, decomposition, China

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