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High TAR wages benefit the privileged

TIN[Friday, February 11, 2005 17:13]

After several years of rapid wage increases, privileged staff and workers in the Tibet Autonomous Region (TAR) have remained the second highest paid in the People's Republic of China (PRC), according to the most recent statistics from the Chinese Statistical Bureau. These average money wage increases have been far above the typical national experience and with little relationship to conventional 'hardship' considerations. They increased from about one and a half times the national average wage level in 1998 to twice the national average in 2002 when, for a single year, they were actually the highest wages in the whole of the PRC. Essentially the government has been restricting state-sector employment, particularly towards Tibetans, even while enhancing the remuneration of such positions. (See: TIN News Update on 20 January 2005: [Tibetans lose ground in public sector employment in the TAR: Streamlining effectively discriminates against Tibetans](#)) As a result, the benefits of the sharp wage increases have been decidedly and disproportionately captured by non-Tibetans over this same short time period.

These state-sector wage increases in the TAR derive largely from decisions made in Beijing, rather than being linked to productivity or output factors. Combined with the fact that labour remuneration accounts for around two-thirds of GDP in the TAR, which is much larger than other provinces in China, a large component of GDP growth itself is essentially the result of these wage increases administered from Beijing. In light of Tibetan losses in public employment and non-Tibetan gains, these statistics reveal that Tibetans are increasingly marginalised from the key factors generating growth in the TAR, i.e. wages in government administration and large-scale construction projects.

Average salaries and wages of staff and workers in the TAR were still second to highest in 2003, after coming down from a brief peak in 2002 when, through high levels of subsidisation, they were the highest in the PRC, even higher than those of Shanghai, according to the most recent public economic data published in the 2004 China Statistical Yearbook.

In 2003, average annual wages reached 26,931 yuan in the TAR, close to twice the national average in China at 14,040 yuan. This average in the TAR surpassed those of Beijing, at 25,312 yuan, but was, in turn, surpassed by the average wage of Shanghai, at 27,304 yuan.

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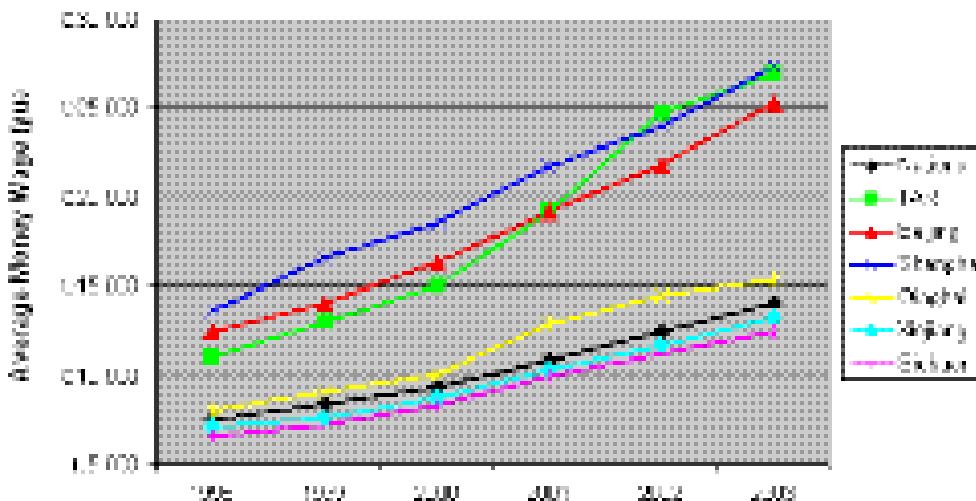
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Graph 1: Average Salaries and Wages of Selected Provinces in China



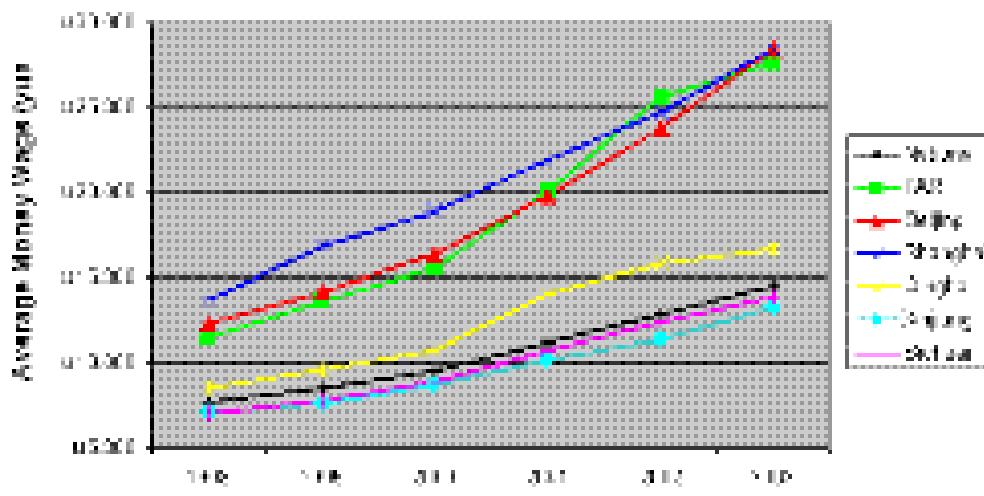
Average money wages represent the earnings of a specific group of employed people in China known as 'staff and workers', including layers of public employees from upper-ranking cadres down to workers in public utilities or state-owned factories. They essentially represent the top of the labour and wealth hierarchy in the TAR, analysed in detail in the recent TIN report mentioned above. This group generally does not include the more spontaneous migrants who come to the TAR on their own to take advantage of the subsidised boom, such as Chinese or Chinese Muslim (Hui) traders or service workers. Some migrants, such as those working on the Golmud-Lhasa railway construction project, might be included in these average wage statistics, but in general, informal work in the urban areas performed by either Tibetans or non-Tibetans is not included.

In the TAR, 94 percent of these staff and workers worked in state-owned units in 2003 (compared to only 66 percent in China). Within these state-owned units, the largest category of employment up to 2002 was "public management and social organisation", known in official statistics as "government and party agencies and social organisation". This specific category accounted for 40 percent of state sector employees in 2003, compared to an average of only 17 percent in the PRC. In contrast, the largest category of state-sector employment in the PRC in general was education, which accounted for 20 percent of state-sector employees, but only 18 percent in the TAR.

Given the predominance of the state sector in 'staff and worker' employment in the TAR, it is worthwhile to look at the specific state-sector wages more closely. Again, average money wages of state-sector staff and workers in the TAR were the highest in the PRC in 2002, but fell to third place in 2003, just behind Beijing and Shanghai. Average state-sector wages in 2003 were 27,611 yuan in the TAR, compared to 28,406 for Shanghai, and 28,464 yuan for Beijing.

The fact that the TAR is third place in the specific category of state-sector average wages, but second in overall average wages, is due to the very minimal role played by non-state sector wages in the TAR. In particular, average wages in 'urban collective units' are much lower throughout the PRC than those in either 'state-owned units', or in 'units of other types of ownership', which includes private units. In the TAR, urban collective units represent an almost negligible proportion of total staff and worker employment (only 2.8 percent of total staff and workers in 2003, compared to 9.1 percent in the PRC in general). As a result, the downward pull of this form of lower-earning employment on average wages in the rest of the PRC has little effect in the TAR. While this results in a relatively higher average, it also represents the fact that employment opportunities outside the state sector in the TAR are extremely limited.

Graph 2: Average Salaries and Wages In State-Owned Units in Selected Chinese Provinces, 2001-2003



The government argues that high salaries and wages in the TAR are because of 'hardship' considerations. Indeed, the TAR is rated top in the 11-tiered pay scale for state sector employees in the PRC due to the perceived difficulties for Chinese people working in the harsh climatic and high altitude conditions of the TAR. The fact that the region is a strategic borderland location also adds weight to this pay scaling. Critics argue that this pay scaling is meant to attract Chinese to work and settle in the TAR.

This is partly true, given that a work placement in the TAR is considered highly undesirable by most Chinese skilled workers and cadres. They are far from their homes and their social networks, and it is widely claimed by many Chinese 'veterans' of service in the TAR that a two or three year work placement in the high and dry plateau can lead to long term health consequences. Indeed, health workers in the TAR confirm that many Chinese seem to suffer from a form of chronic altitude sickness.

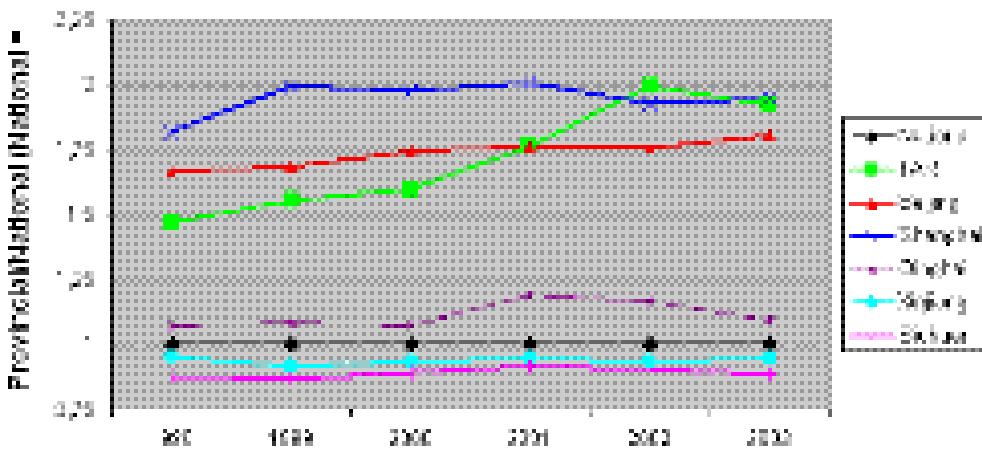
In any case, the high salaries are mostly paid to higher-skilled workers, managers and cadres, with whom most Tibetans are not competing, apart from a small subsection of educated Tibetans or Tibetan urban public workers. Given that most of the large-scale construction projects are contracted to state-owned enterprises, such as the Golmud-Lhasa railway construction where salaries are high in comparison to the rest of the country, the wage incentives in these projects are probably also calculated in these salary and wage statistics.

Besides the cases of state-owned construction companies in large-scale projects, the high state-sector wages do not apply to the more 'spontaneous' migration (as it is called in China) of Chinese and Hui traders and service workers to the TAR. These are the more contentious migrants since they compete directly with Tibetans in activities where the average Tibetan is more likely to be employed (although, in the case of state-owned Golmud-Lhasa railway project, where most of the labour is performed by Chinese work teams, in principle, more Tibetans could also be employed). For these 'spontaneous' migrants who come from other parts of the PRC into Tibet to ply their trade independently in the urban areas, such as businessmen, shoe menders, restaurant owners, tailors, sex workers or even beggars, monetary incentives are not necessarily being offered, although this is a common perception and belief among local Tibetans. The main incentives to these workers are derived from the lucrative conditions in the urban areas of the TAR generated by the large amounts of subsidies entering the region over the last decade, and most particularly, since the beginning of the Western Development Drive (Chin: Xibu Dakaifa) in 2000. In the cash bonanza, the Chinese migrants easily out-compete Tibetans due to their higher skills, more competitive attitudes, knowledge of Chinese language and their better connections to the sources of economic and political power in the TAR.

In light of these considerations, it does not appear accurate to state that the current apex of state-sector wages in the TAR has arisen out of hardship considerations. If this were the case, then they should have risen within a constant ratio of national average salaries and wages, given that this is how hardship compensation would be calculated (i.e. the national average multiplied by a factor determined by the tiered wage scale). However, the ratio rose suddenly and sharply between 2000 and 2002, indicating an upward revaluation of the calculus due to

the Western Development Drive.

Graph 3: Ratio of Provincial Average Salaries and Wages to National Average



In Qinghai, which is also high on the hardship wage scale, a smaller shift in ratio with the national average also took place during 2001 and 2002, but this was not sustained, and the ratio fell back to a level in 2003 that was equivalent to its level in 1998. Average money wages in other western provinces have largely remained in constant ratio with the national average throughout this period, in most cases below the national average, regardless of hardship considerations.

In other words, this sudden increase in average money wages in the TAR represents the application of a specific upward revaluation of hardship calculations under the Western Development Drive, exclusive to the TAR and regardless of general considerations in the rest of the country. There are varied opinions about the objectives of these policies. Some argue that it is meant to garner the loyalty of local Tibetan cadres and the so-called 'emerging Tibetan middle class'. Others argue that it is to make the TAR more attractive for Chinese staff and workers to consider a working sojourn in the region.

While the revaluation is probably motivated by both of these considerations, it is nonetheless notable that the relative wage increases took place precisely at a time when the number of staff and workers in state-owned units, and in particular Tibetan staff and workers, were being considerably reduced, i.e. from 2000 to 2002. Furthermore, as noted in the recent TIN article mentioned above, this was followed by a re-expansion in total state-sector employment in 2003 even while the number of Tibetans in such employment was reduced still further, thereby dramatically altering in a few short years the ethnic makeup of state-sector employment in the TAR. As a result, the benefits of the sharp wage increases have been decidedly and disproportionately captured by non-Tibetans over this same short period.

Furthermore, the total wage bill of staff and workers (i.e. the sum of all wages paid to staff and workers) continued to increase rapidly over this period, meaning that reductions in the numbers of staff and workers employed were not related to austerity measures (i.e. reducing the burden of wages in public expenditure). Instead, wage increases have been sustaining much of the GDP growth over these years, even if the base of staff and workers has been shrinking. For instance, the share of 'compensation of labourers' in the income calculation of GDP is much higher in the TAR than in the rest of the PRC, and it increased sharply in the initial years of the Western Development Drive, whereas it generally fell over the same years in the rest of China.

In light of Tibetan losses in public employment and non-Tibetan gains, these statistics reveal that Tibetans are increasingly marginalised from the key factors generating growth in the TAR, i.e. wages in government administration and large scale construction projects. If the current policy were reversed, it would promote the inclusion of Tibetans into the economic growth of the region, i.e. lowering the level of salaries and wages of this specific stratum of privileged staff and workers relative to the national average, while using the same wage bill to employ more staff and workers, along with increasing the representation of Tibetans within that employment category. Lower wages would also generate less incentive for outsiders to come to make easy money in the TAR, thereby supporting increased local participation in the dynamic sectors of the local economy.

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