

Human capital, the labor market, and the immigrant–native wage gap:  
Evidence from urban China

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**Abstract**

This paper develops a model for wage determination in China and examines the determinants of the urban wage gap between rural migrants and urban natives. We consider not only human-capital related factors, but also firm behavior and the labor market. Price level effects are also examined using a city-specific consumer price index. We find that a large gap still exists between urban- and rural-born workers who live permanently in urban areas. The decomposition result shows that labor-market-related factors are the most important reasons for this wage difference, whereas education factors do not contribute to the wage gap.

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