How does China's Labor Productivity Change as GVC Participation Deepeningï¼Ÿ

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Abstract: China's foreign trade experienced rapid development since reform and open up, and it's participation in Global value chains has been deepened as more and more industries and commodities involved. China's labor productivity, output per worker in broad sense, rose rapidly during the same period. To what extent can output per worker represent labor productivity, and what role does GVC participation play in the changing of China's labor productivity? Since total value added per worker, rather than output per worker can reflect the real productivity better, we calculated this index and compared the difference between three production modes: production for national use, processing trade, and normal trade, based on China's Non-competitive Input-Output Table capturing processing trade of 2002, 2007, and 2012. Then, using Structural Decomposition Analysis method, main influencing factors' contribution to the increase of labor productivity was analyzed. Finally, econometric model between labor productivity and GVC participation was established. The result shows that China's labor productivity fluctuated as GVC participation deepening, and production for normal trade was the most efficient, while processing trade was the least productive.
Keywords:China; Labor productivity; GVC participation; DPN table