Composition and Influencing Factors of Employee's Compensation in China—Based on the perspective of Global Value Chain

Topic: Input-Output Modelling: Income Distribution Policies
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(1) The research questions.
This paper analyzes the composition of employees' compensation in China from the perspective of global value chain. How does this composition change with global value chain? What are the factors influencing these changes?

(2) The data used.
All the data is from World Input-Output Database (WIOD), WOID Socio-economic Accounts (SEA) and China Labor Statistic Yearbook.
Â· WIOD and SEA are both the latest versions and provide the annual data from 2000 to 2014. They cover 28 members of the EU and other major economies, including 15 major countries and regions. 56 sectors data of each country are clearly displayed in them.
Â· The relevant data of China Labor Statistical Yearbook were matched with compensation of employees (COMP) of SEA to analyze the composition and influencing factors of employment in China.

(3) The method used.
Based on the data, we will construct the labor compensation coefficient matrix. And then we do the following algebraic decomposition calculation:
Â· First, we expend the WWZ(2017)'s method to decompose China's total labor compensation into 4 components paid for by the global value chain. Each component is presented as a matrix of coefficients as well.
Â· Second, we apply Structure Decomposition Analysis (SDA) to calculate the influencing factors of the change of employee's compensation in China's different sectors. The coefficient matrix obtained in the previous step is further divided into domestic effect, spillover effect (influence between two countries) and feedback effect (influence between three countries or more).

(4) The novelty of the research.
On the one hand, we propose the labor compensation coefficient matrix based on the global value chain decomposition. In this way, we can analyze the composition of Chinese employees' compensation for participating in GVC's activities comprehensively.
On the other hand, different from other empirical methods of econometrics, this paper applies a matrix algebraic decomposition method, SDA, to analyze the international and domestic factors affecting China's compensation from GVC perspectives. The results of the calculation not only allow for a direct decomposition of the factors involved in the change of compensation, but also allow for a quantitative analysis of the precise size of its change impact.