

## Abstract

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A critical aspect of China's economic modernization, one that has been infrequently addressed either in policy papers or scholarly studies, is the linkage between labor-market and housing-market reform. Labor-market mobility requires that workers and their families be able to find housing in areas of high labor demand. This critical linkage will be facilitated by movement away from employer-provided housing to a system in which each household is responsible for finding, securing, and paying for its own lodging. We find evidence that in China's dual labor market, nonagricultural wage rates are sufficiently above market-clearing levels that eliminating employer-provided housing from workers' compensation will not require a concomitant increase in monetary wages. We also find indirect evidence that higher housing rents increase the quantity of available housing, thus facilitating interprovincial migration to favored areas.