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A Ticking "Time Bomb"? Youth Employment Problems in China

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A Ticking “Time Bomb”? –  
Youth Employment Problems in China

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A Ticking “Time Bomb“? – Youth Employment Problems in China

Abstract

China’s leadership currently seems to be extremely worried about unemployment, and particularly youth unemployment, even though the country’s official unemployment rate is rather low. Possible reasons for this are that (1) the youth unemployment rate is actually higher than stated; (2) the inadequate employment situation faced by many young people is actually worse than the incomplete measurements of unemployment indicate; (3) particularly graduates of tertiary education institutions face a job reality below their expectations; (4) the Chinese population is highly concerned about the labor market’s development; and, (5) the state fears that frustration and discontent might trigger protests, as was recently the case in the Arab world and other countries. This paper analyzes the different dimensions of the inadequate employment situation of Chinese youth and provides evidence to support all five of these assumptions, although indications of direct actions being undertaken by unemployed young people in China in response are rather scarce. But aside from that, there are other forms of youth resistance as well. Many young people in the country vent their frustration over the internet, and opting out and cynicism can also threaten social harmony. Tertiary-sector graduates make up approximately half of all young people entering the Chinese labor market every year and are the ones most affected by the currently unsatisfying job prospects. Though the unemployment of graduates is only short term in nature, a lack of job opportunities combined with declining opportunities for upward mobility carry strong potential to generate further uneasiness and disorder in China.

Keywords: China, youth unemployment, inadequate employment, social unrest

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A Ticking “Time Bomb”? – Youth Employment Problems in China

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1 Headaches despite Low Unemployment

China’s leadership currently seems to be extremely worried about unemployment, and particularly youth unemployment. Judging from their speeches and press commentaries, they seem concerned about the country’s current unemployment rate – which officially stood at a low 4.05 percent in 2013 (MOHRSS 2014). While many commentators continue to conjure up the specter of social unrest, only recently Premier Li Keqiang and Minister of Finance Lou
Jiwei used the stage provided by the National People’s Congress to warn that, next to GDP growth and inflation, guaranteeing employment is a key factor in China’s economic and social health. Li thus pledged to create at least another 10 million jobs in 2014 (Xinhua 2014b).

Meanwhile Yin Weimin, Minister of Human Resources and Social Security, “was surrounded by reporters, with some bombarding him with questions of how he was going to tackle the tough challenge faced by college graduates in finding jobs” (Chen 2014). On 30 April 2014 the State Council, led by Li, adopted a special program to help promote employment opportunities for the college graduates of 2014 (n.a. 2014c).1

So, what reasons might lie behind these concerns and activities on the part of the country’s elites? One might be that unemployment is actually higher than the official figures portray it to be. Alternative calculations based on household or population surveys indeed reveal a different picture. The number of people out of work might even rise in the near future with the slowdown in production expected to continue, due to both the slump in incoming orders from crisis stricken trade partners and to the announced rebalancing of China’s economy.

Thus, another possible reason for the leaders’ anxiety is that China could soon run into similar problems to those that many developed and developing countries have themselves recently faced. Party-affiliated newspapers and research groups in China have closely followed youth unrest in Cairo, London, and New York, to mention only a few examples (CCP 2011; PD 2011; GT 2013; Hu 2013). Economic discontent was one of the main drivers of the massive protests witnessed in many parts of the world in 2011. People everywhere had failed to reap the benefits of growth and were thus confronting high rates of inflation and unemployment. Among them, young men and women were the hardest hit in many of the affected countries and were therefore demographically strongly represented among the protesters (Brancati 2013).

The International Labour Organization (ILO) estimated there to be 74.5 million unemployed young people aged between 15 and 24 worldwide at the end of 2013, although the number of idle youth is much higher (ILO 2013a). The World Bank estimates there to be 621 million currently inactive young people around the world (WB 2012). They are called hittistes (“those who lean against the wall”) in Tunisia, freeters (an amalgam of the English “freelance” and the German Arbeiter) in Japan, or just NEET (“not in education, employment, or training”) in international labor statistics. A lost generation of the disillusioned, unemployed, and underemployed form the recruitment pool for unrest in many countries of the world. They have been among the driving forces of the “Green Revolution” in Iran in 2009 and of the “Jasmine Revolution” in the Arab world in 2011, and have also been significantly involved in the protest activities in crisis stricken Spain (Austin 2011; Haouas et al. 2012; Kraushaar 2012; Sánchez 2012; Boughzala 2013).

Alongside large income disparities, increasing youth unemployment is one of the most pressing challenges that the world faces today (WEF 2013). The majority of observers consider the issue to be a “ticking time bomb” able to destroy a country’s social fabric and to cause

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1 Unless otherwise indicated, the term “college graduates” denotes all graduates of China’s colleges and universities.
severe economic damage. Far fewer people seem to take it as an opportunity for economic development.\(^2\) The World Economic Forum suspects that youth unemployment might even eventually tear a region like Europe apart (Chan and Dodge 2013). Meanwhile in South Africa, a country where young people were once looked to as the champions of a great future, the discourse has recently taken a dramatic turn toward the portrayal of unemployed youth as the “single greatest risk to social stability” (Lefko-Everett 2012: 7).

China, however, seems to tell a different story. Although protests – and particularly labor protests – have continuously risen during the last two decades, resulting in the listing of China as a “high risk” country in social unrest indices (Kekic 2013), unemployment per se – meaning not finding a job, or at least a suitable one – has not mobilized many people. This is different in the case of workers who have been laid off though. Among the 1,293 strikes and protest activities listed in the database of the Hong Kong China Labor Bulletin since January 2011 (covering incidents up to February 2014), around 15 percent have been caused by some kind of layoff (CLB 2014).\(^3\) But there have been almost no news reports about unemployed Chinese youth protesting against their job situation. While the protests of unemployed youth rocked the authoritarian regimes in North Africa in Spring 2011, calls for a Jasmine Revolution in China had almost no resonance at all. Explanations for this have made reference to repression, China’s economic growth record, and the acceptance of authoritarianism because of material interests having been satisfied – explicit acknowledgement has also been given to the absence of a genuine youth unemployment problem (Bell 2011; Dickson 2011; Lye and Fu 2011; Munro and Zeisberger 2011).

Nevertheless, the Chinese people are somewhat anxious about the deficiencies of the country’s employment situation – a third reason for China’s leaders to also be concerned. Whatever poll one might consult, job problems and unemployment have ranked among the Chinese people’s top ten concerns for many years (Li et al. 2013b; PewResearchCenter 2013; Yuan et al. 2013). But the Chinese people are not particularly worried about the prospect of not finding a job (Zhao 2013); they rather complain about discrimination and injustice preventing them from finding adequate employment. Young people often face a job reality far different from their own expectations or those of their families, who financed their education (RMRB 2014; Xinhua 2014c). This hold particularly true for all those who took the expansion of higher education in 1999 as a chance to participate in the newly created opportunities for upward social mobility and whose aspirations have been dampened by the state’s failure to increase in tandem the number of elite positions available. The absence of an unemployment problem does not necessarily mean that the problem of inadequate employment does not exist though. Rising frustrations among educated youths facing a skills-employment mismatch,

\(^2\) A Google search for “youth unemployment” and “time bomb” produced 55,700 hits, while one for “youth unemployment” and “demographic dividend” resulted in only 17,700 hits (13 February 2014).

\(^3\) Of these cases, 195 were caused by factors that might lead to layoffs, like relocation, a merger, restructuring, bankruptcy, or the explicit termination of contracts.
inadequate jobs, or even unemployment are thus a further reason why the Chinese leadership is now worried – with their concerns fueled by the recent popular revolts in Tunisia and Egypt, which were preceded by the expansion of the higher education sector in both countries (Goldstone 2012).

Unemployment per se is only an incomplete measure of the actual employment situation, and is not the sole predictor of the potential for unrest. To obtain a full picture of the current reality we have to also include idleness, underemployment, as well as those in over- and underqualified forms of employment. This kind of overview of China’s youth employment situation does not exist as yet, and this paper will try to fill this gap. It is structured as follows: To start with, I will explain the different dimensions of youth employment, as there is the demographic dimension, unemployment itself, the amount of inactivity, mismatch, and the significance of the number of atypically employed young people. These five dimensions are then each dealt with in the subsequent parts of this article. Then I will shortly reflect on youth unemployment and unrest both in general and in China particularly. In the concluding part, I will wrap things up by discussing the “real” youth employment problem faced in China.

Official labor statistics provided by the Labor Ministry (MOHRSS, Ministry of Human Resources and Social Security)⁴ and the National Bureau of Statistics (NBS)⁵ are incomplete and somewhat useless – even according to official opinion. As such, they have to be supplemented by other statistics and related studies of Chinese researchers or by media reports. Most of these studies focus on certain groups; mainly on university graduates, less so on migrants. My own analysis is based on population surveys collected in 2000, 2005, and 2010, which cover the entire spectrum of young people (Census-2000 2002; Minicensus-2005 2007; Census-2010 2012), and on interviews that have been conducted with labor market experts and officials since the late 1980s. Some categories vary over the course of the three surveys. The fifth census of 2000, for example, starts counting the economically active population from the age of 15, while the others use the age of 16 as in accordance with labor law. Not all of the three surveys contain the same information either. More importantly besides, survey questions are not consistent with the international standards for them.⁶ Nevertheless, these figures show that the employment situation of young people in China is far more complex than the official unemployment figures suggest.

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⁴ In the following, the abbreviation MOHRSS is used despite the Labor Ministry having changed its official name over time.
⁶ Consequently Park et al. (2010) believe that the Minicensus-2005 overestimates the true level of unemployment in China.
2 The Dimensions of Inadequate Employment

Unless otherwise indicated, young people between 15 to 24 years old are identified as “youth” in this article. Those over the age of 24 are considered adults. Youth unemployment is generally defined as the number of unemployed young people as compared to the overall amount of both employed and unemployed youth. It is the result of a complex interaction between demographic trends and specific economic, cultural, and political contexts. Its measurement, however, is challenging – and not just because certain countries use different criteria to define the unemployed. Above all, the information about the unemployment rate gives the impression that there is a clear distinction between having and not having a job, but neither of those categorizations is that simple in reality.

The notion of a job conjures up the idea of a worker who has an employer and a regular salary. But the world of work is far more complicated than that. Particularly in the developing world, nearly a half of all jobs exist outside of the employer–employee relationship. Aside from farming and family businesses, work is often characterized by informality – in other words, employment is not registered, not covered by social security, not full-time, and/or does not come with an employment contract (WB 2012).

Among those people currently without a job, those who would like to work, who are available, and who are seeking a job are all covered by the definition of unemployment that is adopted by international labor statisticians (ILO 2013c). But what about those who would like to work yet who became disillusioned when they did not find employment and thus gave up looking? And, what about those who cannot afford not to work and consequently have taken on an informal job? Or those who are temporarily employed, but who would like to work full-time? In other words, inadequate employment among youth is a much broader phenomenon than simple youth unemployment.

As such, the official youth unemployment rate is only a flawed measurement of the extent of the unutilized labor supply and of the difficulty to find work. A more adequate indicator is the NEET rate that measures the sum of all youth “not in employment, education, or training” – in other words that calculates the number of unemployed, discouraged, and inactive as a percentage of all youth. While the discouraged do not attempt to search for a job because they consider it a futile pursuit, the inactive are not looking for work and are not doing anything that contributes directly to any form of economic activity for a number of possible reasons – such as poor health or family circumstances. Inactive youth are disproportionately women, often reflecting prevailing local cultural or religious attitudes.

A growing percentage of youth are in schooling or in training, not only in developed but also in developing countries. The youth labor force participation rate measures the level of economic activity among the young population, or the aggregate number of the “employed” and “unemployed” as a percentage of the overall number of youth. The rate is lower in countries where many young people are in education. Or, to flip the argument, a high youth unemployment rate does not necessarily imply that the absolute number of unemployed youth
is particularly high. In the EU-28, for example, the unemployment rate was 23.3 percent in August 2013, but the “unemployment ratio” – that is, the unemployed as a percentage of all youth – was only 9.7 percent (eurostat 2013). It is important to take this ratio into account, since many young people are tempted to avoid unemployment by continuing their schooling – especially in times of economic uncertainty.

The quality of work matters as well. In agrarian countries like those in sub-Saharan Africa, open unemployment is low and young people rather have poor quality jobs that bring low earnings (ADB et al. 2012). However, even in advanced economies like the European ones the number of nonstandard and atypical jobs has been on the rise for a sustained period of time. These jobs comprise part-time work, fixed-term contracts, agency-based employment, or (independent) self-employment (Allmendinger et al. 2013; Williams and Lansky 2013). If these forms of employment are associated with poor pay and limited social insurance coverage, they may be termed “precarious.”

While on the one hand young people facing economic uncertainty may choose to rather take atypical jobs than to stay unemployed, on the other the atypically employed may be among the first workers to be laid off when the economy sputters. This has been the case in Spain, where during the economic boom many of the country’s youth dropped out of school and took jobs in the construction sector – predominantly working therein on the basis of fixed-term contracts. They were among the first to be dismissed when the financial crisis hit in 2008 (Sánchez 2012).

The dimensions of inadequate youth employment identified above, and related definitions thereof, are summarized in Figure 1. As far as is applicable, I have added the matching Chinese statistical terms as defined by the NBS. The “economically active population” (jingji huodong renkou) is all persons from the age of 16 upward who are fit to work and who work or want to work, whereas the “economically inactive population” (fei jingji huodong renkou) is those who are able to work but who do not or do not want to work. Both of these broad categories consist of several subgroups as well.

The “employed” (jiuye renkou) and the “unemployed” (shiye renkou) together constitute the economically active population. In compliance with the internationally agreed definition thereof, a person is considered employed when he or she worked at least one hour during the survey period and drew a salary. This includes persons on the payroll of an entity offering employment who are “temporarily not working” (zan wei gongzuo) for such reasons as convalescence, seasonal work, or continuing education.
The unemployed are those who are able to work, do not work (not even an hour), are available, and are actively seeking work. While this definition also complies with the internationally accepted one, it is used in a rather limited way in Chinese labor statistics. First, it is only measured for urban areas and for “persons with an urban household registration” (chengzhen hukou). There are, however, many holders of a rural hukou among the urban labor force. In 2012 China had more than 260 million rural migrants, with at least half of them working in the cities (GTJ 2013). Unlike the first generation of migrants, the majority of the young “new second generation” regards themselves as urbanites and do not want to leave to till the soil (NBS 2011; Zhang 2013d).

Second, the “official” (guanfang fabude) unemployment rate does not even refer to all urban residents, but only to women between the ages of 16 and 45 and men between 16 and 50 years old – that despite the official retirement age being 55 for women and 60 for men, and even though some retirees continue to work. Third, those seeking work have to register with an employment agency. Therefore statisticians call it the “registered unemployment rate” (dengji shiyelii). Registration, however, is rather complicated, and according to Chinese labor market experts for young people especially it is not very appealing – since they are often not eligible for social insurance benefits. Moreover, many jobseekers seem not to know that they should register (n.a. 2013j). According to the 2008 Labor Force Survey, only 12.5 percent of jobseekers had registered with an employment agency (ZRJTN 2009). Thus many unemployed who are not registered but still seeking work as well as others who have been discouraged by the lack of job opportunities are not included in the statistics (n.a. 2013h; Ren

Note: (a) In the interest of simplifying the figure, I ignore the small number of youth that is both in education and in employment.
Source: Based on ADB et al. (2012).
2013). In 2004 among the unemployed aged 16 to 60 in China, only 38 percent of men and 33 percent of women were actually registered (Wang 2009).

For the sake of completeness it should be mentioned that some other categories of workers have also been excluded from the employment statistics – like those who were “laid off (by restructuring state-owned enterprises)” (xiangang renyuan) at the turn of the last century on the one hand (Solinger 2001), and “hidden employed” (yinxing jiuye) or “involuntary part-time workers” (buchongfen jiuye) on the other (n.a. 2011; Xu 2012). Particularly the inclusion of those laid off had initially resulted in a much higher unemployment rate than the one first officially conceded (Johnston and Li 2002; Giles et al. 2005; Knight and Xue 2006; Gold et al. 2009), but this category has now nearly been phased out in the meantime.

The official unemployment rate in China was, as noted, 4.05 percent in 2013 (MOHRSS 2014). This rate has been unchanged since 2010 and does not correspond with economic development at all. It reflects more the Chinese government’s target figure than the actual number of people out of work (Xu 2012). In other words, it is a practically useless statistic for the analysis of China’s labor market – a fact that the government itself has more or less also acknowledged. In 2005 MOHRSS started to deduce a more realistic unemployment rate through surveys (SC 2004), but only published a “surveyed unemployment rate” (diaocha shiyelü) of 5 percent in July 2013 (NDRC 2013).

Chinese population statistics further subdivide the economically inactive population into nine subgroups. Besides “students at school” (zaixiao xuesheng) and “others” (qita), there are: “those doing housework” (liaoli jiawu); “retirees” (lituixiu); “people who lost their capacity to work” (sangshi gongzuo nengli); “those who do not work after graduation” (biyehou weigongzuo); “farmers whose land has been requisitioned” (chengbao tudi beizhengyong); and, “people who lost their job because of the employer or for personal reasons” (yin danwei yuanyin shiqu gongzuo, yin benren yuanyin shiqu gongzuo). In order to calculate the NEET rate in China we tally up all of these categories with the exception of students, the retired, and the unemployed, then add the unemployed and calculate the total as a percentage of the potential labor force.

A further aspect of inadequate employment is a skills mismatch that can take two different forms: first, the supply of qualifications and skills may not match the demand and, second, an employed worker may have different qualifications to the ones that the job requires – in other words he or she is either overqualified or underqualified for their current position. In developed countries the demand for skilled workers is on the rise, conversely resulting in worsening job opportunities for the less skilled. Where the tertiary sector has been expanded beyond demand for it, however, the number of overqualified workers in lower quality jobs is increasing. If this is happening in developing countries with a predominance of low quality jobs, the unemployment of skilled workers is the logical consequence (ILO 2013a). Next to quantity, another reason for youth unemployment rising in tandem with educational attainment is a disconnect between the quality and relevance of schooling and the actual needs of
the labor market. When a country’s education system is, for example, built to feed the civil service and state-owned enterprises with staff but these sectors have curtailed their demand, like in the North African countries prior to the revolts, then the number of unemployed skilled workers tends to rise (n. a. 2012b; WB 2012).

3 Youth Bulge: Burden or Benefit?

Demographic development is one of the most important variables of youth unemployment, particularly regarding the challenges posed by the “youth bulge.” As a global phenomenon the number of young people has increased at an unprecedented rate due to declining infant mortality, while fertility rates have remained high. In many parts of the world the number of youth already peaked, like in East Asia around the 1990s or like in Latin America and in Southeast Asia around 2010. In South Asia the number is still growing, and will peak by about 2030. Two other regions will see even longer lasting increases: in North Africa the youth bulge will continue until 2040, while in sub-Saharan Africa the number of youth is expected to peak by 2050 (Assaad and Levison 2013).

Of particular importance for the evaluation of labor market challenges is the size of the youth cohort relative to that of the population of working age. While this proportion was about 27 percent globally in 2010, it is currently lowest in industrialized countries and highest in sub-Saharan Africa. In East Asia youth make up only 22.5 percent of the labor force, although the bulk of the developing world’s youth population is still to be found in East and South Asia (Assaad and Levison 2013). Whether the size of the youth cohort constitutes a burden or a benefit to the national economy is determined by the capacities of the country’s labor market to absorb it. China, for example, has experienced very large increases in its labor force. There have been nearly 8 million new entrants a year into the labor market since the early 1990s. Nevertheless, the literature on the growing youth population in China has mainly stressed the positive impact on the country’s economic growth of a so-called “demographic dividend.”

Indeed, a large percentage of China’s economic growth is attributable to the previous burgeoning of the country’s labor force (Yueh 2013). This dividend is, however, now tailing off. In synch with East Asia in general, the number of Chinese youth peaked in 1990 as did the relative size of the country’s youth cohort (Figure 2). Chinese census data show that the 0 to 14 age cohort peaked in 1964, the 15 to 9 one in 1982, and the 20 to 24 one in 1990 (Zhang 2012). Though the total number of youth would remain rather high for another 20 years, the youth as a percentage of the population of working age has been steeply declining since 1990 from an initial height of over 25 percent – this trend will only eventually flatten out at around 15 percent by 2025 (UN 2010).
This demographic change has alleviated – and will continue to further alleviate – pressure on the Chinese labor market. In 2012, for the first time in decades, the absolute number of the working age population declined. Less young people will also mean less labor surpluses in rural areas, and therefore less migrants coming to the cities as well as less school leavers entering universities and colleges. The number of “applicants for university entry exams” (gaokao) already peaked in 2007, and has since been declining (Wu 2013). This, however, does not mean that the Chinese labor market will from now on enter calmer waters trouble-free, for at least three reasons:

First, its future evolution will largely depend on the speed and success of China’s efforts to rebalance and restructure its economy, and to introduce a new high quality growth model that will slow down the economy’s expansion. While the end of the demographic dividend has coincided with a shrinking labor market, the move to a less labor intensive means of production will heighten the need for a more skilled labor force. This in turn will require educational reforms on the one hand and considerable achievements being made in surmounting the rural–urban education divide on the other.

Second, the growth model that has been followed to date has relied on an almost inexhaustible pool of cheap labor migrating from the countryside to the booming coastal cities. Moreover, continued urbanization – as it is scheduled by the current leadership to happen – will need a constant inflow of rural migrants, since the growth of the urban residential popu-
lation will at least stagnate (Knight et al. 2010). This inflow, however, has started to dry up and coastal industries now lament labor shortages (Chan 2009). Rising wages might temporarily halt this trend, but stronger growth in China’s inland might again convince the rural youth to stay.

Third, a smaller working age population will result in higher wages, less savings, and higher interest rates. Therefore, demographic change will reverse many of the economic benefits that China has enjoyed over the last 30 years. In order to mitigate the effects of this change, the retirement age could be increased or the one child policy phased out (Schucher and Kruger 2010). The latter measure was already recently announced by the Communist Party. Implementing the former, however, is liable to cause conflict, due among other things to the likelihood that older people who have been working longer will in that case block the paths of their younger counterparts.

We can reasonably assume that the declining relative size of the Chinese youth cohort will alleviate the employment pressure and reduce youth unemployment. In addition, an increasing demand for skilled labor will possibly ease the currently strained employment situation of university and college graduates, on the condition that curricula become more suited to labor market needs.

4 Youth Unemployment

4.1 Higher than Adult Unemployment

Youth unemployment has increased worldwide since 2008, the height of the global financial crisis, and particularly so in the European Union and North America, the Middle East, and North Africa. While the global rate thereof was estimated to be 12.6 percent in 2013, the previous year it stood at 18.1 percent in the developed economies. Youth unemployment rates were highest in the Middle East and North Africa, at 28.3 percent and 23.7 percent respectively in 2012. The lowest rates were measured in East Asia (9.5 percent) and South Asia (9.3 percent). The reason why in sub-Saharan Africa youth unemployment is lower than it is in most other world regions is the high level of poverty there. Working – under any conditions – is a necessity for many young people in this region (ILO 2013a).

In all regions of the world young people face higher levels of unemployment than adults do, with levels being in some places up to six times as high. Figure 3 relates youth unemployment rates to adult ones. Comparing world regions, the ratio is highest in Southeast Asia at 5.2:1 and lowest in sub-Saharan Africa at 2.0:1. It is 2.7:1 in East Asia, which is almost as high as the global average (2.8:1). The rates per se are, however, lower in East Asia than they are in other world regions.
Figure 3: Youth Unemployment and Adult Unemployment Globally in 2011


The ILO estimated China’s rate of youth unemployment to be 9.3 percent in 2011, making it 2.8 times higher than the adult one of 3.4 percent. China’s NBS and the statistics department of the MOHRSS, however, stopped publishing youth unemployment data in the 1990s. It only regularly publishes the official overall (urban) unemployment rate that has been specified at 4.1 or 4.05 percent since 2011. Several Chinese labor economists have presented their own calculations to illustrate that this number is far too low and that unemployment is actually at least twice as high in reality (Liu 2012b; n.a. 2013h, b; Ren 2013; Zhang 2013a). A rather detailed estimation of the current Chinese unemployment rate was presented by the Southwestern University of Finance and Economics (SWUFE) in 2012, based on the latest China Household Finance Survey. It included “rural migrants” (wailai nongcun renkou) and estimated urban unemployment to be 8.1 percent in 2012. Migrants suffer far less unemployment than their urban counterparts do – the rate among the former is 3.4 percent, whereas among urban residential workers it is 11.2 percent – thus being almost three times as high as the official rate (SWUFE 2012).8

Non- and semiofficial calculations agree with the ILO’s estimations that youth unemployment exceeds adult unemployment in China. In May 2005 the Communist Youth League and the MOHRSS jointly published a “First Research Report on the Employment Situation of

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8 A survey conducted by the National Population and Family Planning Commission ascertained an even lower rate of 1.3 percent unemployment for rural hukou migrants in 2011 (Tian 2013).
Youth in China” (Zhongguo shouci qingnian jiuye zhuangkuang diaocha baogao), estimating youth unemployment to be at 9 percent. Updated reports, however, seem not to have since been published (n. a. 2005). A research report by Beijing University on developments in people’s livelihoods, albeit using a narrow definition, computed an even higher rate: unemployment among young males was said to have reached 15 percent in 2012 (n.a. 2013b; Orlik and Cheng 2013). The SWUF E does not give a rate for the youth in general, but only for 21 to 25 year olds. Actually, this age group is the most important segment of youth since in accordance with the expansion of the education sector the entry age into employment has been rising continuously over the course of the last decade. On the other hand, unemployment among this age group is lower than it is among the 16 to 19 years old one. In June 2012 unemployment among the 21 to 25 age cohort stood at 9.8 percent. Though this is just 1.7 points higher than the overall unemployment rate, it demonstrates that young people in China are facing more severe employment challenges than most of the other age cohorts. Only for 51 to 55 year olds is the unemployment rate even higher (SWUF E 2012).

As mentioned above, rural migrants are far less affected by unemployment than urban residents are. Accordingly, the former’s employment rate is higher than that of their urban hukou counterparts. This does not mean that migrants do not lose their jobs, but rather that their unemployment usually remains somewhat “invisible.” Unemployed migrants are not numerated in related statistics, institutional restrictions discourage them from staying in cities when unemployed, and they are also highly mobile and so able to find new jobs after dismissal (Guo and Iredale 2003; Meng 2012). Income is a decisive driver of labor migration, since young people leave their homes to find higher wages elsewhere. Consequently, if dismissed, they would rather return to the countryside or move on than stay (Tian 2013).

Like their urban counterparts, migrant youth face a higher unemployment risk than adult migrants do. According to the SWUF E, the unemployment rate of rural migrants in total was 3.4 percent in 2011 – but 4.7 percent of young migrants under 25 were unemployed (SWUF E 2012). This rate may even rise in future. On the one hand, the so-called “new second generation” of migrants is far less mobile and now wants to settle down in the cities. On the other, the migrants’ level of education is still low, while the modernizing system of production increasingly needs skilled laborers. Most of the young rural labor force, 80 percent in 2007, have off-farm jobs and are unskilled manual workers. Unless they improve their currently poor education levels they will not meet the new requirements for the labor force (Li et al. 2010).

The census data does not differentiate between urban residents and migrant workers, but calculates urban and rural areas separately (Table 1). For reasons of simplification and comparison we have added up the numbers of “cities” (chengshi) and “towns” (zhen). According to the census, urban unemployment is higher than officially reported – even though the less often unemployed migrant workers are also included in the calculation. While the official rate was 3.1 percent for 2000, 4.2 percent for 2005, and 4.1 percent for 2010, the calculated rates were 8.3,
5.2, and 4.8 percent respectively. This means that while the official rate slightly increased during the course of the last decade the calculated rate actually dropped by almost half.

Youth unemployment is more than twice as high as adult unemployment in urban areas, and even considerably higher in rural areas – though on a much lower scale. Total unemployment in rural areas was around 1 percent in all three of the years studied, which means close to full employment. Rural youth unemployment, however, was higher and alternated between 4 and 5 percent, both for men as well as for women. The difference in urban unemployment rates was almost unchanged between 2000 and 2010, but not in rural areas – resulting in a decrease in China as a whole from 3.3 to 2.7 percent. The difference was higher for men than for women: first, because the unemployment of young males was higher than that of young women, at least in 2000 and 2005; second, because unemployment among adult males is lower than it is among adult women.

### Table 1: Urban and Rural Unemployment, Census Data 2000–2010

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th></th>
<th></th>
<th>2005</th>
<th></th>
<th></th>
<th>2010</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China</td>
<td>Urban</td>
<td>Rural</td>
<td>China</td>
<td>Urban</td>
<td>Rural</td>
<td>China</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Total</td>
<td>3.58%</td>
<td>8.27%</td>
<td>1.15%</td>
<td>2.72%</td>
<td>5.16%</td>
<td>0.94%</td>
<td>2.88%</td>
<td>4.84%</td>
<td>1.21%</td>
</tr>
<tr>
<td>16-24</td>
<td>8.81%</td>
<td>16.14%</td>
<td>4.89%</td>
<td>6.55%</td>
<td>9.61%</td>
<td>4.06%</td>
<td>6.40%</td>
<td>9.04%</td>
<td>4.11%</td>
</tr>
<tr>
<td>25-59</td>
<td>2.66%</td>
<td>6.76%</td>
<td>0.41%</td>
<td>2.27%</td>
<td>4.55%</td>
<td>0.59%</td>
<td>2.40%</td>
<td>4.16%</td>
<td>0.76%</td>
</tr>
<tr>
<td>Age 60 and above</td>
<td>0.20%</td>
<td>0.91%</td>
<td>0.09%</td>
<td>0.42%</td>
<td>1.17%</td>
<td>0.23%</td>
<td>0.75%</td>
<td>2.27%</td>
<td>0.39%</td>
</tr>
<tr>
<td>Youth to adult ratio</td>
<td>3.3:1</td>
<td>2.4:1</td>
<td>11.9:1</td>
<td>2.9:1</td>
<td>2.1:1</td>
<td>6.9:1</td>
<td>2.7:1</td>
<td>2.2:1</td>
<td>5.4:1</td>
</tr>
<tr>
<td>Men</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.47%</td>
<td>7.68%</td>
<td>1.20%</td>
<td>2.39%</td>
<td>4.39%</td>
<td>0.84%</td>
<td>2.62%</td>
<td>4.32%</td>
<td>1.10%</td>
</tr>
<tr>
<td>16-24</td>
<td>9.23%</td>
<td>17.49%</td>
<td>5.06%</td>
<td>6.74%</td>
<td>10.28%</td>
<td>3.97%</td>
<td>6.29%</td>
<td>9.02%</td>
<td>3.92%</td>
</tr>
<tr>
<td>25-59</td>
<td>2.57%</td>
<td>6.08%</td>
<td>0.48%</td>
<td>1.91%</td>
<td>3.66%</td>
<td>0.43%</td>
<td>2.15%</td>
<td>3.62%</td>
<td>0.67%</td>
</tr>
<tr>
<td>Age 60 and above</td>
<td>0.19%</td>
<td>0.78%</td>
<td>0.08%</td>
<td>0.40%</td>
<td>1.14%</td>
<td>0.19%</td>
<td>0.73%</td>
<td>2.15%</td>
<td>0.35%</td>
</tr>
<tr>
<td>Youth to adult ratio</td>
<td>3.6:1</td>
<td>2.9:1</td>
<td>10.6:1</td>
<td>3.5:1</td>
<td>2.8:1</td>
<td>9.3:1</td>
<td>2.9:1</td>
<td>2.5:1</td>
<td>5.9:1</td>
</tr>
<tr>
<td>Women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.70%</td>
<td>9.03%</td>
<td>1.10%</td>
<td>3.11%</td>
<td>6.14%</td>
<td>1.04%</td>
<td>3.19%</td>
<td>5.52%</td>
<td>1.35%</td>
</tr>
<tr>
<td>16-24</td>
<td>8.38%</td>
<td>14.84%</td>
<td>4.71%</td>
<td>6.36%</td>
<td>8.95%</td>
<td>4.15%</td>
<td>6.53%</td>
<td>9.06%</td>
<td>4.32%</td>
</tr>
<tr>
<td>25-59</td>
<td>2.78%</td>
<td>7.66%</td>
<td>0.33%</td>
<td>2.71%</td>
<td>5.71%</td>
<td>0.60%</td>
<td>2.71%</td>
<td>4.89%</td>
<td>0.86%</td>
</tr>
<tr>
<td>Age 60 and above</td>
<td>0.23%</td>
<td>1.19%</td>
<td>0.10%</td>
<td>0.46%</td>
<td>1.23%</td>
<td>0.29%</td>
<td>0.74%</td>
<td>2.49%</td>
<td>0.45%</td>
</tr>
<tr>
<td>Youth to adult ratio</td>
<td>3.0:1</td>
<td>1.9:1</td>
<td>14.1:1</td>
<td>2.3:1</td>
<td>1.6:1</td>
<td>6.9:1</td>
<td>2.4:1</td>
<td>1.9:1</td>
<td>5.0:1</td>
</tr>
</tbody>
</table>

Sources: Census-2000 (2002); Minicensus-2005 (2007); Census-2010 (2012); author’s own calculations.

In 2000 youth unemployment rates were quite high, particularly for young urban males living in urban areas with the figure reaching 17.5 percent. This was a reflection of the difficult employment situation then faced as a result of the ongoing restructuring of state-owned enterprises. By 2010 urban rates had dropped to around 9 percent, a rather high but still not dangerous level. The unemployment rate and particularly the youth unemployment rate have declined for two reasons: first, economic growth has created more employment opportunities and, second, the expansion of the education sector has led to the diminished labor
force participation of the Chinese youth. The labor force participation rate of the youth cohort in urban areas is only around 50 percent. It is somewhat higher in rural areas, reflecting the shorter periods of education there. Two other developments have also contributed to the decline of youth participation in the Chinese labor force: on the one hand the number of discouraged job seekers has increased, while on the other the pressure to find a job has eased because of the now more extensive social insurance coverage offered (Cai 2008).

Census data for Beijing and Guangzhou reveals that, at least in these two metropolises, unemployment has experienced a rejuvenation. The proportion of unemployed youth has grown during the last decade and aroused concerns about increased social instability (NFRB 2013; XZBU 2013). In China, however, the share of young people to total unemployment decreased from 42.6 to 33 percent between 2000 and 2010 (Table 2). This decrease was much higher in rural areas (from 72.2 to 49.8 percent) than in urban ones (from 34.5 to 28.1 percent), due to faster rising unemployment among adults. Adult unemployment in urban areas increased as a consequence of the restructuring of state-owned enterprises that began in the late 1990s. Nevertheless, youth unemployment still represented one-third of total unemployment in 2010.

Table 2: Share of Youth Unemployment in Overall Unemployment, 2000–2010

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Total</td>
<td>42.62%</td>
<td>34.53%</td>
<td>72.65%</td>
</tr>
<tr>
<td>Male</td>
<td>42.90%</td>
<td>35.15%</td>
<td>69.77%</td>
</tr>
<tr>
<td>Female</td>
<td>42.30%</td>
<td>33.86%</td>
<td>76.31%</td>
</tr>
</tbody>
</table>

Sources: Census-2000 (2002); Minicensus-2005 (2007); Census-2010 (2012); author’s own calculations.

4.2 Of Shorter Duration than Adult Unemployment

While older unemployed workers supposedly have only a small chance of finding a new job, youth unemployment is often only rather short-term in nature and mainly reflective of the problems of the school-to-work transition. According to MOHRSS statistics, youth looking for work after graduation accounted for just over one-quarter of all job seekers (26.1 percent) in the fourth quarter of 2013. 47.5 percent of them were university and college graduates. Another third of the job seekers were registered as peasants, from either urban or rural areas, and most of them were presumably also young people (Cai and Wang 2009; MOHRSS 2013).

China’s employers prefer young workers, as MOHRSS data on the labor force supply and demand according to age cohort reveals (Figure 4). Since 2003 young workers aged 16 to 34 have been in high demand, except for the three years following the global financial crisis – which hit particularly the working youth in China. The rising demand for the group aged 35 to 44 might be a consequence of the shrinking of the younger cohorts. The 16 to 19 age cohort, however, experience higher unemployment rates than the 20 to 24 one does, although a
rather large proportion of the former are still at school – in 2010, 62 percent as compared to 19.3 percent of the older youth group (Census-2010 2012). One reason for this is the short-term nature of unemployment, another the preference of employers for people with some kind of work experience. A third reason might be that young people facing unemployment deviate from their initial work ideals and adapt instead to labor market realities (Wang and Wang 2008; Wang and Cai 2009).

That the labor market situation has been improving in favor of jobseekers since the beginning of this century can also be inferred from the overall balance between job offers and job seekers. With a brief interruption in the years 2007 to 2009, when as noted the global financial crisis hit China, the surplus of jobseekers has constantly decreased and has even turned into a shortage since 2010 (MOHRSS 2013 and previous editions thereof). Because of rather high demand, almost half of all unemployed people found a new job within six months in 2010. Around 20 percent remained unemployed for more than a year. The average duration of unemployment was shorter for young males and females. Given that, as compared to adults, more of them experience shorter periods of unemployment lasting only up to six months, then far less of them stay unemployed for more than one year (Figure 5).

Figure 4: Labor Force Supply and Demand by Age Group, 2001–2013

Note: A score above 1 means a labor shortage, a score below 1 a labor force surplus. Source: MOHRSS (2013), as well as previous editions thereof.
Due to the persistence of the financial crisis in the advanced countries since 2008, China’s economy has, however, recently experienced a slowdown. Since 2011 industrial production, sales of consumer goods, as well as fixed assets have all fallen and warnings about employment difficulties are at a peak. Calculations repeatedly show that China needs high economic growth to supply a sufficient number of jobs for new labor market entrants and for laid-off workers seeking alternative employment. The youth employment challenge – and particularly that employment of college graduates – has been deemed a “subversive issue” (dianfuxing Wenti) by some experts, since even the 9 to 12 million new jobs officially announced in 2013 would still leave almost half of the 20 million jobseekers in China without a job offer – particularly those with a higher level of education. Seven million of those left out are college graduates, 8 million are graduates of vocational colleges, and only 5 million are rural migrants (n.a. 2014g).

5 NEET, the Untapped Employment Potential

Further to the unemployment rate – which does not reflect the various employment problems of young people – the NEET rate is a broader measure of the untapped employment potential of youth. This becomes obvious by looking only at nonworking people, who besides the unemployed include students, homemakers, the disabled, persons taking early retire-
ment, and others. The share of nonworking people in the total urban population increased from 6 percent in 1988 to 36 percent by 2007. The reasons for this are mainly the problems of the school-to-work transition in an increasingly complex labor market, discrimination against female workers, and the expansion of the higher education sector. Among the nonworking population, students recorded the highest growth in number (Gustafsson and Ding 2011). Only for the years between 2005 and 2010 did census data reveal an increase in the share of students in the youth cohort, going up from 36.3 to 44.3 percent.

Accordingly, labor force participation rates have declined – particularly those for young people. While in 1990 the overall labor force participation rate was only 6 percentage points higher than that of the youth (84.2 to 78.2 percent), this gap broadened to 19 percentage points in 2012 (77 to 56.2 percent) (ILO 2013b). Discrimination against women seems to discourage adult women more than it does young ones. In 2010 the gap between male and female participation rates was much narrower for young workers (59.6 to 55.1 percent) than it was for adult ones (93.7 to 77.2 percent) (Census-2010 2012).

Many young people in China attend educational institutions, others are unemployed, and a further substantial number of the country’s youth have retreated altogether from the labor market. Officially NEET rates are not measured – but the abovementioned Livelihood Report of Beijing University estimated an unemployment rate of 9.2 percent including the discouraged jobless in 2012 (n.a. 2013b). Aside from those who have lost their jobs and those who do not search for work, NEET also includes those who will not settle for anything less than their ideal job. Many college graduates despise blue-collar jobs although these are far more abundant than white-collar ones, and often promise higher remuneration than the latter. These individuals, along with other young people that choose to live off their parents rather than to seek steady employment, are dubbed kenlaozu, “the tribe that relies on the old,” or daidingzu, “the tribe of undetermined” – in other words, those who are not seeking a job and who are not making any preparations for taking tests or pursuing further studies. According to statistics released by the China Research Center on Aging, up to 30 percent of young people currently fall into this category (Mei 2008; Liang 2009).

Gong (2012) points at the precarious situation of those NEET who are not permanently unemployed, and who in the case that they do find a job are not necessarily safely employed. Their situation rather alternates regularly between unemployment and employment. As such, they still need family support to a much larger extent than they would desire, they lack work experience, and they are often unable to define their own employment status. Thus Gong calls them “quasi unemployed” (zhunshiye), and emphasizes the immense social pressure that they are subjected to (Gong 2012).

As assumed, census data (Table 3) shows that the rate for NEET is considerably higher than for unemployment – particularly in rural areas and especially for women. It is less likely that villagers will declare themselves unemployed, and they instead retreat completely from the labor market. Furthermore, women are, as already mentioned above, more often discour-
aged than men are. In general, there was only a small change in the rates over the course of
the first ten years of this century. In 2010 the NEET rate of youth was lower than that of the
overall labor force, particularly since the rate among those aged 60 and over was rather high.
Compared to adults, young people in Chinese urban areas stay out of the labor market less
often – but those in rural areas stay out slightly more. While young males are less discour-
aged than females are, in urban areas the male NEET rate is even lower than their unem-
ployment one is (compare with Table 1).

Table 3: NEET Rates in Urban and Rural China, 2000–2010

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Total</td>
<td>11.89%</td>
<td>13.49%</td>
<td>18.25%</td>
</tr>
<tr>
<td>16-24</td>
<td>10.25%</td>
<td>11.85%</td>
<td>13.75%</td>
</tr>
<tr>
<td>25-59</td>
<td>10.19%</td>
<td>12.64%</td>
<td>18.99%</td>
</tr>
<tr>
<td>Age 60 and higher</td>
<td>22.09%</td>
<td>18.49%</td>
<td>19.83%</td>
</tr>
<tr>
<td>Youth to adult ratio</td>
<td>0.9:1</td>
<td>0.7:1</td>
<td>1.5:1</td>
</tr>
<tr>
<td>Men</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.87%</td>
<td>10.01%</td>
<td>4.14%</td>
</tr>
<tr>
<td>16-24</td>
<td>9.24%</td>
<td>11.74%</td>
<td>6.99%</td>
</tr>
<tr>
<td>25-59</td>
<td>5.71%</td>
<td>9.88%</td>
<td>1.92%</td>
</tr>
<tr>
<td>Age 60 and higher</td>
<td>9.32%</td>
<td>8.68%</td>
<td>9.77%</td>
</tr>
<tr>
<td>Youth to adult ratio</td>
<td>1.6:1</td>
<td>1.2:1</td>
<td>3.6:1</td>
</tr>
<tr>
<td>Women</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20.00%</td>
<td>26.29%</td>
<td>14.43%</td>
</tr>
<tr>
<td>16-24</td>
<td>14.47%</td>
<td>15.69%</td>
<td>13.31%</td>
</tr>
<tr>
<td>25-59</td>
<td>19.48%</td>
<td>32.94%</td>
<td>11.75%</td>
</tr>
<tr>
<td>Age 60 and higher</td>
<td>27.27%</td>
<td>30.22%</td>
<td>25.11%</td>
</tr>
<tr>
<td>Youth to adult ratio</td>
<td>0.7:1</td>
<td>0.5:1</td>
<td>1.1:1</td>
</tr>
</tbody>
</table>

Sources: Census-2000 (2002); Minicensus-2005 (2007); Census-2010 (2012); author’s own calculations.

With the exception of young women the degree of discouragement among young Chinese
people seems to not be very high, as the NEET rate is only 50 percent higher than the youth
unemployment one. This might result from the rather short-term nature of unemployment,
circumstances that are not sufficient to massively discourage young people from continuing
to seek work. Young women rather work in the household because of all kinds of individual
preferences and prescribed gender roles.

6 Higher Education, Higher Unemployment Risk

In Europe, having a good education is the best protection against unemployment. A good
vocational education and training system, like the one in Germany, has in particular proven
able to keep unemployment low. In Germany, unskilled young people account for the bulk
of unemployed youth (BA 2013; Weber and Weber 2013). In North Africa, however, unemployment increases with the level of education. Here, the unemployment rate of people with a tertiary education is among the highest in the world (ILO 2013). The main reasons for this are the extremely fast expansion of the tertiary educational sector there, curricula unsuited to local labor markets, and expectations being far too high in terms of jobs and salaries. Even though the North African economies grew by 5 percent on average for some years before 2008 and have grown by around 3 percent thereafter, there has still been an insufficient number of newly created jobs – all the more so as industry has predominantly demanded low skilled laborers, while the state sector – as the traditional employer of graduates – has scaled down its demand in recent years (Ahmed 2012; n.a. 2012b).

China’s employment situation for graduates resembles more that of North Africa than it does that of Europe. The country’s tertiary education sector has expanded far more rapidly than its economy has. State sector employment has been diminishing since the middle of the 1980s, while the expectations of graduates who invested large sums of family income into their education have remained quite high. Consequently, unemployment rates grow with the level of education. According to the SWUFE’s data for 2012, youth unemployment is below average (9.8 percent) for all graduates of the upper secondary and lower levels but far higher for college and university graduates. Census data partly confirms this observation. Unfortunately, we are only able to calculate the unemployment and NEET rates by age group and education for the years 2000 and 2005 (Table 4).

Table 4: Unemployment Rate by Level of Education, 2000–2010

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td></td>
<td>Unemployment rate, 15-24</td>
<td>Unemployment rate, 16-24</td>
<td>Unemployment rate, 16-24</td>
</tr>
<tr>
<td>Total</td>
<td>8.81%</td>
<td>15.81%</td>
<td>4.64%</td>
</tr>
<tr>
<td>No schooling and illiterate</td>
<td>2.03%</td>
<td>7.69%</td>
<td>0.81%</td>
</tr>
<tr>
<td>Primary</td>
<td>3.82%</td>
<td>10.39%</td>
<td>2.05%</td>
</tr>
<tr>
<td>Junior secondary</td>
<td>8.03%</td>
<td>14.55%</td>
<td>4.63%</td>
</tr>
<tr>
<td>Senior secondary</td>
<td>17.90%</td>
<td>20.41%</td>
<td>12.42%</td>
</tr>
<tr>
<td>Technical school</td>
<td>17.73%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Technical college</td>
<td>14.75%</td>
<td>14.13%</td>
<td>16.15%</td>
</tr>
<tr>
<td>University</td>
<td>8.61%</td>
<td>6.29%</td>
<td>10.17%</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>5.19%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Note: a) The highest rates are marked in bold.
Sources: Census-2000 (2002); Minicensus-2005 (2007); Cai 2008; Census-2010 (2012); author’s own calculations.
An elevated rate of unemployment for higher educated youth is reflective of China’s level of production still being underdeveloped in terms of quality, and of the nature of its industrial structure – with predominantly low skilled jobs offered in mass production and in services. As a consequence of the expansion of tertiary education, since 2003 university and college graduates have increasingly flooded the labor market. While in the year 2000 graduates were still in short supply and jobseekers with a senior secondary education were those who had the hardest time to find work, by 2005 the “peak” had shifted to the college level. This development is also reflected by the increase in unemployment rates according to education level. Rates for senior secondary students have declined, but those for the more highly educated have increased. In particular, rates for postgraduates have significantly increased: in urban China from 0 to 10.4 percent, in rural China even to 45.3 percent – a definite sign of a lack of job opportunities in rural areas and of ongoing discrimination against rural students.

Tertiary level graduates make up half of the job-seeking youth, as mentioned above. Since 2006, when MOHRSS published data for the first time, their share therein has continuously increased. Having problems to find adequate jobs have been noticed since 2003, when the first batch of graduates coming after the expansion of the tertiary sector in 1999 entered the labor market. By 2013 the number of graduates had grown to 6.99 million, 190,000 more than in 2012; the number is expected to hit a record high of 7.27 million in 2014 (He 2013). At least two interrelated developments have led the Chinese media and labor market experts to label the year 2013 as the “hardest job-hunting year in history” (shishang zuinan jiuyenian). First of all, diminishing demand from the advanced countries and faltering economic growth in China has reduced job openings and left millions of graduates in China with bleak job prospects; what is more, an increasing number of returning exchange students are now competing with domestic ones for work placements. 353,000 Chinese students returned home in 2013, up 30 percent on the previous year (n.a. 2013f; Xinhua 2014a). Given the rising number of graduates, job hunting problems in 2014 have been deemed “even harder” (gengnan) on webpages dedicated to Chinese graduates’ employment problems (n.a. 2014b, e).

Reports of Chinese labor market experts and the media on the dramatic employment situation faced by upcoming graduates usually refer to low and decreasing employment rates, which indicate how many of the future graduates have already found an employer and signed a labor contract even before graduation (MyCOS 2013; n.a. 2013i). These rates have, however, a number of flaws in them. Colleges and universities make assiduous efforts to find placements for their students prior to graduation in order to prove the quality of their education. But educational experts doubt the reliability of employment rate figures provided by the schools themselves. While these are usually reported to be dramatically low in January or April of the same year, they always rise to around 70 percent by the time of graduation in July and to around 90 percent half a year later, which would result in a rather stable employment situation (n.a. 2013g). One reason might be that university and colleges concerned about evaluations of the Ministry of Education (MOE) and the possible withdrawal of funding due to
high levels of unemployment among their graduates thus tend to cook their numbers (Xu 2012). They do not, for example, hand out diplomas before students supply evidence of employment or they inflate statistics by penning fake contracts. Students are “being employed” (beijiuye) without their knowledge or are not allowed to take exams without a signed contract (Xiong 2009; Cheng 2012). On the other hand, experts doubt that all graduates who have established a labor relationship are covered by the statistics (Wang and Wang 2008).

In 2013 colleges were expected to be less successful in placing their graduates in work. By April of that year the employment rate – or more precisely, the rate of “signed contracts” (qianyuelü) – of undergraduates was reported at 35 percent, or 12 percentage points lower than a year before; postgraduates suffered a 11 percent year-to-year decrease in their rate, which was 26 percent; and the rate of graduation from tertiary vocational institutions was 32 percent, down 13 percent on 2012 (n.a. 2013a). Faced with this record low, the MOE and State-Owned Assets Supervision and Administration Commission (SASAC) issued a notice instructing state-owned enterprises to recruit more college and university graduates than in previous years (Guo 2013). The MOE further instructed these enterprises not to discriminate against graduates with rural hukou, whose employment rate is significantly lower than the national average (n.a. 2014f).

A plethora of surveys have tried to detail the plight of Chinese graduates and to discover the reasons for their employment problems. A rather recent one by the Beijing University Research Center on Education Economics laid out the different options that the 2013 graduates had chosen a month before graduation. A large share of 28.1 percent were still unemployed, and nearly 12 percent were “flexibly” employed – in other words, they opted to be freelancers, to start their own business, or to undertake other forms of informal work. The figures show that MA graduates had by far the best employment prospects. A large share chose further learning, probably to improve their labor market position, although the prospects of PhD graduates would be an argument against this at least (Figure 6). Other surveys, however, have demonstrated that some of the “unemployed” do not look for a job but prepare instead for tests and the like. The graduates’ unemployment rate should therefore be calculated on the basis of the two-thirds of them who entered the labor market. As of September 2013, 17.6 percent of graduates had not yet found a job (Zhang 2013c).
While their somehow gloomy future employment situation has certainly caused considerable unease among upcoming graduates, another measurement – taken half a year after graduation, in December of the same or in January of the following year – indicates that the problem is probably primarily an initial one. Already by December of each year, the employment rate of graduates is much higher and has shown a trend toward increasing during the last couple of years (Table 5) – this is consistent with the trend of the supply and demand balance illustrated in Figure 9 below. Higher employment is, inter alia, being caused by a growing number of jobs now being on offer in the private sector (Wang et al. 2013).

Taking only tertiary education, the employment rate for “half a year later” (bannian hou) demonstrates that higher education does actually pay off. The rate for university graduates exceeds that for college graduates, while the rate for BA graduates is even higher than both of these. Higher employment rates for BA and MA students or for postgraduates could, however, also signify that more highly educated jobseekers take jobs requiring lower qualifications and thus squeeze their less educated competitors out of the job market (Li 2012) – a problem that we will turn to in the next section. Nevertheless, all of these rates are lower than that for students of the secondary level vocational schools. The employment rate for this group is the highest among those for all types of graduates, and has constantly exceeded 95 percent for the last decade.
Table 5: Employment and Unemployment Rates of College, University, and Vocational School Graduates in China (Half a Year after Graduation), 2006–2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment Rate</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Universities and colleges</td>
<td>Bachelor degree (university)</td>
</tr>
<tr>
<td></td>
<td>Universities and colleges</td>
<td>Bachelor degree (university)</td>
</tr>
<tr>
<td>2006</td>
<td>&gt; 95.0</td>
<td>96.4</td>
</tr>
<tr>
<td>2007</td>
<td>84.0</td>
<td>87.6</td>
</tr>
<tr>
<td>2008</td>
<td>85.5</td>
<td>88.0</td>
</tr>
<tr>
<td>2009</td>
<td>86.6</td>
<td>88.0</td>
</tr>
<tr>
<td>2010</td>
<td>89.6</td>
<td>91.2</td>
</tr>
<tr>
<td>2011</td>
<td>90.2</td>
<td>90.8</td>
</tr>
<tr>
<td>2012</td>
<td>90.9</td>
<td>91.5</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Census data as of 2010 confirms that Chinese school leavers with a higher educational level might find jobs easier to come by than their less educated colleagues do (Figure 7). The proportion of graduates with at least a college level education who have been less than half a year without a job is higher than in any other category, and it is rises with educational level. Conversely, these groups are less often members of the long-term unemployed.

Induced by the abovementioned difference between the EU and North Africa, important questions to now be asked are whether in China higher education diminishes or increases the likelihood of having a job and whether unemployment among the higher educated is mainly a problem for youth. The answers to these are not that clear, since data availability varies. But all the indications are that unemployment among graduates is predominantly a problem for recent ones. According to the SWUFÉ’s data, unemployment rises with the increasing educational attainment of young people but decreases for workers as a whole, thus, even more so for adult workers (Figure 8). This trend is confirmed by the census data cited above (Figure 7), and also by that of Renmin University (SWUFÉ 2012; IER 2013). Relying on Chinese Household Income Project (CHIP) data for 1988, 1995, and 2002, Liu (2012b) also concludes that having a higher level of education significantly increases one’s chance of being employed. Wang (2009) demonstrates that unemployment rates decline according to educational level for men and women, although the rates for the latter still stay on a comparatively higher level.
Günter Schucher: A Ticking “Time Bomb”? – Youth Employment Problems in China

Figure 7: Unemployment Duration by Educational Attainment, 2010

Source: Census-2010 (2012); author’s own calculations.

Figure 8: Unemployment Rate by Educational Attainment, 2012

Source: SWUFE (2012); IER (2013); author’s own calculations.
Higher educated school leavers seem to obtain more easily the more coveted jobs in public service and in the state sector. Year by year an increasing number of graduates sit entry exams for public service in China. 1.12 million young people took the test in 2013, but only 20,839 positions were actually available (n.a. 2013i). That means that only 1.87 percent of the applicants actually had the prospect of getting a job. Recent figures show, however, that the chances of landing a job within the public sector seem to rise with the level of education, or that higher level graduates at least make more efforts to get one. As for the 2013 graduates, by May of that year 30 percent of those with an MA had signed a contract with a state-owned enterprise and 26 percent with a government or public institution. While undergraduates and graduates of vocational colleges were less often employed by state-owned enterprises (28 percent and 22 percent), they did still land more jobs in the private sector (42 percent and 58 percent) than MA graduates (30 percent) (n.a. 2013d).

7 Severe Mismatch between Demand and Supply

While unemployment among graduates is, as demonstrated, in general rather short-term in nature, the simultaneous complaints made by employers in China about the lack of available skilled laborers point at deep-lying structural problems. There is a severe mismatch between demand and supply, whether we take into consideration actual skills or simply expectations. Indeed, the efficiency of matching had already begun to decline prior to 2003. It has in fact been diminishing since the middle of the 1990s, when state-owned enterprises started to restructure the system of production and to reduce the workforce and when universities and colleges threw their doors wide open to freshmen without also revising curricula (Liu 2013). MOHRSS data on supply and demand for the labor force according to educational achievement shows clearly that, from the first batch of graduates after expansion up to 2013, the supply of higher educated graduates has exceeded demand for them – for university ones even more so than for college ones (Figure 9).

This data reveal two trends: First, in line with the modernization of China’s economy and the ever increasing need for better educated laborers, the highly educated labor force surplus has been constantly diminishing since 2002; this trend was only temporarily affected by the economic crisis of 2007. An additional factor supporting this trend is the now declining number of graduates, which has come as a consequence of demographic change as well as of the seemingly reduced attraction of a university degree owing to the difficulty to find work after completing one’s studies. A second obvious trend is that the demand for lower and middle level qualifications has exceeded supply for most years during the last decade. Vocational skills in particular have come to be in extremely short supply. According to the same data, technical skills of all educational levels have been in short supply for the entire period documented.

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9 Data for MA students and higher level graduates is not that explicit. The figures fluctuate yearly from those of an acute shortage to a surplus, and back again.
Figure 9: Labor Force Supply and Demand by Educational Attainment, 2001–2013

Note: A score above 1 means a shortage, a score below 1 a labor force surplus.
Source: MOHRSS (2013), as well as previous editions thereof; author’s own calculations.

Table 6: Correlation Rate (between Subject of Study and First Job) and Dismissal Rate, 2008–2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Correlation rate</th>
<th>Dismissal rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Universities and colleges</td>
<td>BA degree</td>
</tr>
<tr>
<td>2008</td>
<td>66.0%</td>
<td>71.0%</td>
</tr>
<tr>
<td>2009</td>
<td>62.0%</td>
<td>67.0%</td>
</tr>
<tr>
<td>2010</td>
<td>64.0%</td>
<td>69.0%</td>
</tr>
</tbody>
</table>


Estimates show that around one-third of graduates work in a job unrelated to their primary field of study – for some subjects the “correlation with the job” (duikouli) is even less than 30 percent, irrespective of whether the student successfully graduated or not (Table 6). While studying technical, engineering, or scientific subjects seems to guarantee a high correlation, graduates in liberal arts, environmental study programs, or particularly law have the lowest level of subsequent success to find work related to their field of study (Xiong and Wang 2009; Li 2012).

Nonetheless, neither students nor universities have substantially adapted their preferences and subjects to the Chinese labor market’s demands, as a comparison between graduates and postgraduates by academic field between 2003 – when the first batch of graduates...
coming after the expansion of higher education entered the labor market – and 2012/13 reveals (Figure 10). On the contrary, the number of graduates and postgraduates in the fields of Engineering, Natural Sciences, and of Economics has, rather, actually slightly declined.

Figure 10: Graduates and Postgraduates by Academic Field, 2003 and 2012/13

Accordingly, as has been shown by various surveys, the level of dissatisfaction with one’s first job is rather high (around 50 percent) and many graduates thus change job already within the first half a year of starting work. The level of dissatisfaction is slightly higher for BA graduates than it is for college ones, and it is highest in public service jobs and lowest in private enterprises – being caused by underemployment. By half a year after graduation around one-third of BA graduates and almost half of college ones have switched job – and within three years young people in both groups have had on average up to 2.6 different jobs. Almost all of them have quit their jobs of their own initiative, 50 percent having done so because of feeling unchallenged or underpaid (MyCOS 2011; Li 2012; Wang et al. 2013; Zhao 2013).

8 Atypical Employment on the Rise

Atypical employment has been constantly on the rise in China since the beginning of economic reforms in 1978. There has been a clear empirical trend toward “flexible” employment (linghuo jiuye) or “informal employment” (feizhengshi jiuye) as the Chinese government terms it, in other words toward employment without proper protection. Among those affected are
not only rural migrants but also workers with urban *hukou*. A rough estimate of those in informal employment can be deduced from official labor statistics, at least for the urban labor force. The statistic shows a marked difference between total employment and the number of employees reported by the employing entities. This difference primarily relates to those in some kind of informal employment not registered by the employers. It steeply increased from 9 percent in 1995 to 40 percent in 2003. Thereafter it slowly decreased to 24.4 percent in 2012. Adding in the workers in private enterprises and the self-employed, we arrive at an overall figure of 60 percent informal employment in the same year (ZTN 2013). Studies on nonstandard employment relations in China have likewise estimated that up to 60 percent of jobs there in industry and services are without contract, part-time, and informal (Ghose 2005; Braun 2011; Zhou 2013).

While official declarations posit that labor contracts have generally been established, a recent survey in five different Chinese cities, for example, revealed that among a total of 40 million construction workers – four-fifths of them rural migrants – only 17.4 percent of them had a written labor contract. Just 41.5 percent of them had some kind of social insurance, and a meager 7 percent had a work-related injury insurance policy (Pan 2014). The vast majority of Chinese citizens actually have no or only limited access to basic social insurance programs. Though improving, coverage is still highest in cities and for formal workers; it is much lower for rural migrants, and lowest in rural villages. Linked to employment status, social insurance coverage is highly regressive; the social insurance system benefits the better off and prevents the poor from participating in the system (Schucher 2010). Young workers particularly are less insured than their adult colleagues are, being so only half as often (Cai 2008). Employees with short-term or temporary employment, meanwhile, are more likely to be low paid than their long-term employed counterparts are (Deng and Li 2012).

A growing facet of nonstandard labor relations is the use of “subcontract,” “temporary,” or “dispatch” workers (*linshigong, laowu paiqian*). Particularly since the revisions made to Chinese labor law in 2007, the temporary staffing industry – as a form of intermediary workers – has boomed. Interestingly enough, small and medium enterprises are not the main users of dispatch labor. Rather, it is large domestic and foreign companies – among them state-owned enterprises in key industries – that have increasingly used staffing companies to circumnavigate labor laws, reduce hiring costs, gain numeric flexibility, and minimize risks (Xu 2008; Chen and Zeng 2012; Xu 2012). Information on the extent of these practices is, however, inconsistent. Media reports referring to trade union data come up with figures of between 10 and 20 percent of urban workers being involved (n.a. 2012; XNA 2012; Bai 2013; CLB n.y.). Paradoxically Chinese government agencies encourage the use of informal labor as a means to alleviate unemployment, while informal workers face a much higher risk of being dismissed.

There is no accurate information about the number of young people working in atypical jobs, but at least two groups are prominently affected by job informality: young migrant workers and college graduates. In 2012, 36.9 percent of migrant workers were less than
30 years old—a proportion that has constantly been declining for many years now. While of those migrants seeking jobs outside their home province less than 50 percent have signed labor contracts, the proportion should be higher for young ones: compared to the so-called “first generation” of migrants, the members of the “new second generation” have signed contracts more often. But the proportion of younger migrants taking out social insurance policies is lower than average, possibly reflecting a certain disregard for future life risks (NBS 2011; GTJ 2013).

University and college students having problems to find appropriate jobs in the big cities after graduation are reported as often taking atypical jobs while they wait to cross paths with their “dream employer.” Official data does not reflect this trend, because it only differentiates between full- and part-time jobs or freelancing but does not contain any information about the quality of jobs taken (Table 7). According to the MyCOS Research Institute, 14 percent of the 2011 graduates were underemployed (gaoxueji, dijiuye), meaning that the job and skills learned did not fit with each other, that they only worked part-time, or that they earned the lowest possible salary. 10.4 percent did so voluntarily and 3.6 percent involuntarily so (MyCOS 2012d). The rate of underemployment is higher for college graduates than for BA ones, and up to two times higher for women than for men. While many graduates try to find a secure job in the public service, this sector demonstrates the highest rate of underemployment: 20.7 percent for BA graduates and 26.5 percent for college ones. The majority of them however work “outside the system” (tizhiwai) in the private sector (Lian 2013a; Wang et al. 2013).

Table 7: Job Situation of Graduates (Half a Year after Graduation), 2008–2011

<table>
<thead>
<tr>
<th></th>
<th>University Graduates</th>
<th>Bachelor</th>
<th>Vocational College</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full-time job</strong></td>
<td>81.0%</td>
<td>78.5%</td>
<td>82.4%</td>
</tr>
<tr>
<td><strong>Inadequate job</strong></td>
<td>1.0%</td>
<td>2.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Further study</strong></td>
<td>4.1%</td>
<td>6.2%</td>
<td>5.1%</td>
</tr>
<tr>
<td><strong>NEET</strong></td>
<td>13.9%</td>
<td>12.6%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

Notes: a) Unemployed and others without job—in other words, so-called daidingzu or “undetermined” who are not seeking a job and not preparing for further learning; b) incomplete data.
Sources: MyCOS (2011, 2012b); n.a. (2013c); Wang et al. (2013); author’s own calculations.

Inadequate employment pertains especially to graduates with rural hukou or to those coming from small and medium cities who would risk losing their urban residential permit should they leave the city. According to a 2013 survey of Shanghai’s university and college graduates, 85 percent of those without a Shanghai hukou stay in the city because of hopes that that locale will provide them with better individual career prospects than their hometown would (SHTJJ 2013). This group of underemployed has been dubbed the “ant tribe” (yizu) by Chinese sociologist Lian Si (Lian 2013b). Living cramped together under shameful conditions and being precariously employed, these ants form a new and growing group of “educated
migrants” (Suda 2012; Engebretsen 2013; Zhang 2013b). A growing number of graduates works as low-paid interns without regular contracts (n.a. 2013e). Others even work “without pay” (“lingyuexin” jiyue) for one month or even longer hoping to gain work experience and improve their employment prospects (Chen et al. 2010). Li (2012) estimates that around 10 percent of graduates take up “hidden employment” (yinxing jiyue).

9 A Generation at Risk

Jobs – that is, all kinds of activity that generate income – determine what people earn, what they do, and who they are. Gainful work is the main source of personal income, job trends align with the development of economies, and the distribution of jobs in society affects people’s perceptions of fairness. Thus, jobs can shape the view that their holders have of themselves and of their position in society. Not having a job – or not having a decent one – not only encroaches on people’s living standards and dashes their life plans, but may also be detrimental to their dignity (WB 2011, 2012; Golder 2013). There is no risk index of social unrest in existence that does not include therein unemployment and job markets as key factors (ILO 2013d; Kekic 2013). Jobs are the main orienting factor particularly in the lives of young people; when deprived of job opportunities, these youth might vent their frustration against society and the state. Being unconstrained by full-time employment and unburdened by family responsibilities, they are “biographically available” to revolt (McAdam 1986). Thus, youth unemployment is deemed to be a major breeding ground for economic discontent, social unrest, political extremism, and even terrorism.

Some scholars have raised concerns that the mere “youth bulge” – a disproportionally high ratio of the population aged 15 to 24 to the population aged 15 to 64 – is directly linked to high youth unemployment and thus has a potentially destabilizing impact on social relations. After some early reports linked youth bulges to times of political crisis and even political violence (Goldstone 1993), several studies have since defined the next generation of disadvantaged young men as a threat to social stability. A number of quantitative studies using improved methodology have, however, established the common thread that youth bulges alone do not cause conflict. While, on the one hand, countries have the experience that large youth cohorts can be a vehicle for economic development, on the other factors such as low economic growth or economic hardships pose greater conflict risks (Urdal 2011; Goldstone 2012; Lam 2014). Most of the literature on youth bulges has a bias toward the grievance perspective, focusing therein on how large youth cohorts facing, among other issues, institutional crowding in the labor market or educational system may be aggrieved and thus liable to engage in political unrest (Urdal 2011).

It is neither the mere size of the youth cohort nor unemployment alone that cause social instability. The risk is rather increased by the pressure that a large youth cohort is exerting on the total labor force, and simultaneously by the failing capacities of labor markets to integrate
these young people (Austin 2011; Munro and Zeisberger 2011; Urdal 2011; Bricker and Foley 2013). For Munro and Zeisberger, the underlying cause of a revolution is “a large and rapidly growing unemployed youth population that constitutes a crowd (acting as one) in the face of rising inflation” (Munro and Zeisberger 2011: Ripe for Revolution section). Accordingly, they calculate the “ratio of revolution” as the size of the youth population (15–29 year olds) divided by the number of job-makers (30–44 year olds). In a similar way, Bricker and Foley (2013) take the ratio of the number in the 17 to 26 years old age cohort to the size of the total labor force as the determinant of whether there is a risk factor or not.

Next to unemployment, members of a large youth cohort may also face underemployment, mismatch, or other forms of inadequate employment that frustrate and discourage them. Notably in developing countries, there are often simply not enough jobs or only rather precarious ones in the informal sector. Here skilled and educated people are normally scarce and highly sought after, while in the more developed economies many young people are not able to find jobs that meet their skill level (ILO 2013a). The expansion of higher education, if it exceeds the parallel expansion of job opportunities, may threaten the elites’ aspirations for upward career mobility also in developing countries. A driving force in the Arab uprisings of Spring 2011 were large youth cohorts facing inadequate employment after the rapid growth of higher education in the various countries affected (Goldstone 2012). China has experienced a quite similar situation since the expansion of tertiary enrollment in 1999.

That social instability increases due to a complex mix of unemployment, underemployment, mismatch, and failed career plans has been demonstrated by recent revolts in different parts of the world. In the “Occupy Wall Street” movement the percentage of unemployed people participating was comparable to the official unemployment rate, but many more – and the higher educated in particular – belonged to the category of those precariousily employed (Langman 2013; Milkman et al. 2013). In Brazil, where unemployment and youth unemployment is currently at a record low, young people nonetheless still took to the streets in a move triggered by startling living costs, gross inequalities, and a high rate of atypical employment (Campos 2013; Corseuil et al. 2013). In Chile, students struggling for free education represented an indebted middle class mobilized against the shift to the right in government (Guzman-Concha 2012). In the anti-austerity protests in Greece of 2010, however, most of the participants in strikes and demonstrations were veterans of previous protest activities. It was only first-time protesters who were younger and had higher levels of formal education (Rüdig and Karyotis 2013a, b).

In China, losing one’s job has been one of the main reasons for worker protests ever since the restructuring of state-owned enterprises began in the late 1990s (Lee 2007; Hurst 2009; Chen 2012; Tong and Lei 2014). Facing a job loss and subsistence crisis while the economy flourishes leads to social frustration, charges of poor management and low governance quality, and fuels the individual’s propensity to protest. Among the social problems that Chinese urban citizens are most concerned about, employment has ranked rather high for many years.
now and mostly even outstrips income inequality (Figure 11). This concern is shared by Chinese social scientists, party cadres, and police officers who all deem the influence of unemployment on social stability to be even more negative than that of mass protests is (Xie and Pan 2008; Zhang et al. 2008; XJD 2012). Among students and graduates, less than 50 percent are satisfied with the Chinese government’s employment policy and between 63 and 72 percent of them believe that a high level of unemployment will become a social risk factor within the next five years (Zhao 2013).

**Figure 11: The Social Concerns of Chinese Urban Residents, 2007–2012**

![Graph showing social concerns of Chinese urban residents](image)

Note: The numbers next to the employment curve indicate the topic in question’s ranking within the ten issues of most concern.
Source: Yuan et al. (2013).

But grievances have only a weak effect on protest behavior that is rather shaped by a complex interaction between institutional factors and individual characteristics (Dalton et al. 2010). So what are the social consequences of these concerns about the overall employment situation? Workers are the single biggest social group among protesters in China, and many of their protests are triggered by restructurings, mergers, layoffs, and related demands for compensation. Young men and women from the countryside are spearheading the increasingly active “new” working class that is now striking for higher wages and better working conditions (Chan and Ngai 2009; Chen 2009; Tomba 2011; CLB 2014).

Little is known, however, about the reaction of young people to the difficulty of finding suitable jobs. The number of student protests has increased during the last decade – albeit on
a rather low level. Seeing their job prospects diminish or even be destroyed by low quality teaching and a worthless diploma, Chinese students have taken to the country’s campuses to demonstrate (Chen 2009). Others have petitioned for better job placements (Chen 2012). Rather than portraying the youth as social drivers of protest, as in the Arab countries, the research on China has found them less likely to participate in politics there (Liu 2012a; Lu 2012; Hess 2013). Young people are said to experience unemployment as a loss of control over their own lives and to demonstrate both higher levels of depression and little confidence in their own capabilities to withstand fierce labor market competition (Price and Fang 2002; Price et al. 2007; n. a. 2010).

Nevertheless, recent research on youth resistance has pointed out that the forms of resistance have shifted over time – as, for example, the occupy movement has demonstrated (Russell et al. 2011; Oyeleye 2014; Tavener-Smith 2014). Aside from open resistance there is not only acquiescence and adaptation to be found. In China, as elsewhere in the world, many young people vent their frustration over the internet, and herein educational and labor market issues have increasingly gained in importance (Li et al. 2013a). Moreover, opting out and cynicism can also be forms of resistance threatening social harmony or the “hegemony of existing powers” – especially when the authoritarian leadership expects conformity and fears a loss of control over society (Huang 2014; Yan 2014).

Studies on the aforementioned “ants” have shown that their confidence in the Chinese government is currently rather low and furthermore that many harbor feelings of having suffered from a social injustice, even though their economic and legal situation has improved of late (Lian 2013a). While no cases have become known of these ants having openly protested, the general feeling of dissatisfaction among young people has become known on the internet by the slang term “diaosi,” meaning “loser.” A growing number of youth are said to feel marginalized by the pressures to get ahead and their lack of power or connections – no matter whether they are employed or not, and regardless of whether they earn a decent income or not. This means that they are not necessarily losers in an economic sense, but definitely so in a social one (Kan 2013; Kan and Tiscione 2013). Many of them are “frustrated achievers” in being the benefactors of market reform who are now experiencing declining levels of subjective well-being, at least in comparison to privileged elites. They long for secure and highly paid jobs in order to fulfil their rising material aspirations (Brockmann et al. 2008; Easterlin et al. 2012).¹⁰

In May 2012 the participants of an academic conference on China’s youth debated the possibility that Chinese ants, like their counterparts in other countries, might participate in mass protests. Rather than giving specific evidence of their activism, the speakers expressed their fears on the basis of certain characteristics that these protests have in common: they are triggered by general dissatisfaction and do not need a concrete raison d’être; they are politically and not economically motivated; they are spontaneous and unorganized; they take un-

¹⁰ In Japan’s predominantly conformist society this rather quiet stratum – unwilling to rebel, yet unable also to conform – has become a driver of social change (Toivonen et al. 2011).
expected and nonlinear twists; and, they can attract further participants (Meng 2013). These characteristics perfectly match those of the increasing number of “anger venting” mass incidents in China (Yu 2009).

At least in one part of China, Xinjiang, a direct link between unemployment and social unrest can be drawn. Most reports attest that unemployment among Uighurs is increasing in spite of local economic development, while the Han are securing the region’s well-paying jobs. Young Uighurs are said to be twice as likely to be unemployed as Xinjiang residents in general, leading to poverty and discontent. These youth are easy prey for radical groups that have concentrated on the enrolling of young people from the urban working class (Castets 2003; Gose 2010; Bhalla et al. 2011; Hasmath et al. 2012; Boehm 2013). In its efforts to crack down on terrorism, the Chinese government has thus decided to raise the quality of education and to support job programs in Xinjiang (Gao 2014).

10 Reasons to Worry?

In the introduction to this paper we made five suggestions as to why China’s leaders seem to currently be extremely worried about youth employment in the country, even though the official unemployment rate is rather low:
1) the youth unemployment rate is actually higher;
2) unemployment is only an incomplete measure of the inadequate employment situation actually faced by many young people;
3) particularly graduates of tertiary education institutions face a job reality below their expectations;
4) the Chinese population is highly concerned about the labor market’s development; and,
5) the state fears that frustration and discontent might trigger protests, like was recently the case in the Arab world and other countries besides.

Our analysis has provided evidence to support all five of these assumptions, although indications of direct actions being undertaken by unemployed young people in China are rather scarce.

As a matter of fact, unemployment in China is indeed far higher than officially indicated—and, next to women, young people particularly have the hardest time finding work there. Like almost everywhere else in the world they face an unemployment rate two to three times higher than that of adults. But compared to other countries, not least the European ones, the level of unemployment in China is still quite low. Moreover youth unemployment is normally only of short duration and, according to Zhao (2013), only 1 percent of young people are actually worried that they will not find a job at all, while most Chinese trust that the government will eventually solve the problem (Yuan et al. 2013; Zhao 2013). This might explain
why currently only a few young people are discouraged by their limited job prospects and why youth NEET rates are lower than those of adults are.

Youth unemployment in China is a structural rather than a cyclical problem. The economy has hitherto not been able to create a sufficient number of high quality jobs for the country’s expanding group of educated young people. Lagging demand for university graduates and their high expectations regarding decent jobs, adequate salaries, and stable careers have resulted in two distinct phenomena occurring: the enhanced attractiveness of jobs in the public service and in state-owned enterprises on the one hand and an increase of “voluntary” unemployment or underemployment on the other. Graduates rather resort to an assumedly secure state job or stay unemployed (or underemployed) in a big city than accept a relatively well-paid blue-collar job in a smaller city away from the coastal boom areas.

So far domestic growth in China mainly relied on blue-collar workers and a constant inflow of young and cheap laborers from the countryside. Now, however, economic development has slowed down and the pool of cheap labor has begun to dry up. The effects of economic rebalancing, slowing growth rates, and higher productivity on the labor market will probably partly be offset by the now decreasing size of the youth cohort. Nevertheless, employment pressures will remain rather high and will continue to cause the Chinese leadership considerable headaches. Their worries are completely understandable, however, when we take a broader view over the youth employment situation and consider also the impacts of inadequate employment and of employment mismatch as well. Ethnic tensions and youth activism in Xinjiang Province, meanwhile, are rather labeled as regional “terrorism” and as such are not included in China’s labor market policy.

While inadequate employment has constantly been increasing since the introduction of market mechanisms into the labor system in the 1990s, the skills–actual employment mismatch has become particularly obvious since the expansion of the country’s tertiary education sector. We can discern the existence of four different groups of young people in China, who overlap but also nevertheless each show distinct characteristics: rural youth; urban youth; rural migrant workers; and, tertiary sector graduates (cf. Ma 2013). In rural areas youth unemployment rates are negligible with the exception of for tertiary sector graduates, indicating the still low development of the rural economy. In the cities youth unemployment rates are around 9 percent, a high but not dangerously so level – even if we assume that urban residents, given the lower unemployment rates for rural migrants, face greater difficulties to find work than the official rates indicate.

Rural young people who move to the cities but cannot find work thereafter rather return home or move on than stay unemployed in their current location. This kind of behavior might change when migrants turn into genuine urban residents, but that is definitely not to be expected anytime soon. We have, however, noticed a growing readiness among young migrants to fight for higher wages and better working conditions in the last couple of years. Assuming that their awareness of being discriminated against in the labor market will fur-
ther increase, their activism will rather be triggered by employment injustices and an absence of opportunities for further personal development than by unemployment.

Tertiary sector graduates form the group that is most affected by unemployment and unsatisfying job prospects. Though the unemployment of graduates is only short-term in nature, this phenomenon carries strong potential to generate uneasiness and disorder since the career expectations of graduates are high – and particular because their families have invested a lot in their education on the anticipation of this investment being a kind of provision for the future and for future reward. That means that rather than unemployment per se, it is unsatisfying job opportunities combined with declining opportunities for upward mobility that might soon increase the appeal of rebellion (Chen and Cowell 2013). Discontentment with one’s job can easily turn into political dissatisfaction, as Chinese labor market experts have deduced from numerous surveys (Li 2012).

At present there might be actually “little reason to panic” (bubi guoyu jinghuang), as Chinese economists Cai Fang and Wang Meiyan (2009) argue. But graduates make up approximately half of all young people entering the Chinese labor market every year. They also represent the newly emerging middle class that the Chinese leadership is putting its hope in when it envisages and plans the “moderately well-off” China of the future (He 2003; Goodman 2014). With the expansion of tertiary education the Chinese leadership made a pledge to the emerging middle class to broaden opportunities for upward mobility. They raised the student’s expectation of climbing up the career ladder by relying on qualities that can be controlled and affected by the individual him or herself (Lin and Sun 2010; Lü 2014). Given that this path seems at present to be blocked, and with insecurity about the future prevailing, the interrelated trinity of education, occupation, and wealth (Lin and Sun 2010) is being seriously called into question and discontent is continuing to swell. No matter whether these disaffected young people take to the streets or rather cynically mock themselves as losers, China’s leaders are certainly right to take them seriously.
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