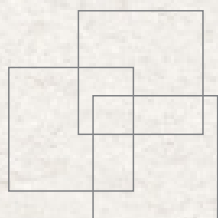




International
Labour
Office

JOBS AND SKILLS FOR YOUTH:

REVIEW OF POLICIES FOR
YOUTH EMPLOYMENT
OF CHINA



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REVIEW OF POLICIES FOR
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EXECUTIVE SUMMARY

Young Chinese face significant obstacles in their transition to the labour market, including high levels of underemployment, informality and graduate unemployment. The Chinese Government is strongly committed to addressing these issues. It recognizes that actively developing its human resources, bringing into play the full potential and value of each individual, and promoting people's all round development is essential to China's modernization and transformation from a human-resource-rich country to one with powerful human resources. This report has been developed to support those aims.

The current employment challenges are immense. Millions of jobs must be generated annually to satisfy the needs of job seekers, while simultaneously the structural mismatch between supply and demand must be addressed. Furthermore, like other countries, China is also struggling to find the right balance between employment protection measures to safeguard the rights of young workers and ways to increase the demand for young workers.

Some of the findings of the report show that:

Significant structural changes and a slowdown in growth are impacting employment

China has undergone a remarkable economic and social transformation over the past several decades, undertaking far-reaching economic reforms and significantly reducing the numbers of its poor. It has become a major manufacturing hub, as structural changes have seen the decline in the importance of the agricultural sector, with the secondary – and, more recently, the tertiary – sectors taking precedence. In 2013 the tertiary sector represented 38.5 per cent of total employment, and has kept growing for three consecutive years with strong policy supports. In the current period, economic changes are accelerating as the country rebalances, reducing overcapacity in some areas, and moving away from the previous model of development, which relied on a ready supply of cheap labour from rural areas. China is forging a path towards a higher value added, high technology economy.

Such structural changes have had their costs however: the economy continues to slow down, reaching levels similar to those observed during the global financial crisis. The World Bank estimates a growth rate of around 7.1 per cent for 2015, down from a previous high of 14.2 per cent in 2007, as multiple unstable and uncertain factors continue to put pressure on the economy. Previous rapid economic growth did not produce concomitant growth in employment; as a result, Government priorities, as delineated by the 12th Five Year Plan (2011-2015), accept lower rates of growth to be the “new normal”, while giving priority

to employment creation, social protection and the resolution of social and environmental imbalances.

The current slowdown is inevitably having an impact on employment. China has always placed employment generation at the heart of its economic policies, as one of the controls on macro-economic policy. As such, it is in a better position than many countries to tackle its employment challenges, and yet the scale of its youth employment challenge is immense. Youth unemployment is often cyclical, with young people more likely to experience difficult transitions to the labour market in times of economic slowdown. In China, youth unemployment also appears to be a result of structural contradictions. For example, on the one hand, demographic trends point towards a shrinking labour supply and reduced pressure on the labour market. Indeed labour shortages are already starting to be felt in some manufacturing areas. Yet, on the other hand, many young people in China are vulnerable to either unemployment, informal employment, or other poor transitions to the labour market. China produces a very high number of college graduates (reaching 7.27 million in 2014, with an annual increase of 280,000 people), but it appears that many of these graduates may not have the skills required to meet the needs of the evolving economy. Paradoxically, China is experiencing skilled labour shortages in some sectors even as its graduates struggle to find work. There are therefore considerable mismatches between the graduates' education structure, their employment expectations and labour market demand.

There is a need for greater educational reform

China's investment in higher education is paying off, with young people significantly exceeding the education levels of their parents. However, there is strong evidence that the education system continues to be supply driven and has not been able to respond in a timely manner to the changing needs of the evolving economy. The rigorous academic examination, the GaoKao, continues to be the main determinant of the life trajectories of young people in urban areas. There is however increasing recognition that innovation and technological change in the economy will need a much broader range of skills including problem-solving capacities, communication skills, and the harnessing of the cutting edge creativity of China's young people.

While education reforms are under way, they may not be far reaching or rapid enough to avoid slowing China down on its path to a high-value-added economy. Similarly, vocational training still lacks the prestige of an academic education, even while it is often a key supplier of in-demand skills in the economy. Plans are under way to modernize the vocational training system by 2020, including through forging stronger links with the private sector and forecasting labour demand.

Certain groups remain at risk for difficult transitions

Graduates are not the only group at risk for weak transitions to the labour market. Young migrant workers are also highly vulnerable, though their challenges relate more to poor quality employment and a lack of enforcement of rights, rather than to unemployment. Institutional barriers, such as the Hukou registration system, continue to impede the access of many young people to the full enjoyment of their rights. Their work is often informal, with poor working conditions, low pay and long hours, sometimes unsafe work environments and weak legal and social protection. Many young migrants are following in the footsteps of their parents who formed the first generation of internal migrant workers, dropping out of school early with very limited human capital. While their parents were still able to find work readily, this may be less true for today's young migrants, as the need for more highly skilled workers and technicians increases. Without adequate opportunities to upgrade their skills they may find themselves as part of a persistent underclass, unable to gain a firm foothold on the path towards decent work.

Another group at risk is rural youth. Their educational and employment opportunities are considerably more limited than their peers in urban areas. While many policy measures are in place to improve the quality of rural education, there remains a sharp demarcation between the schooling enjoyed by those in urban areas and those in rural areas. Rural youth are therefore far more likely to drop out of school early and begin a lifelong path of working in informal and poor quality work.

Policy development has been proactive, but some gaps remain; implementation also remains a challenge

China has always taken a proactive stance towards youth employment, putting in place a range of active labour market policies (ALMPs) to support retraining, entrepreneurship and work experience opportunities. The challenge will be in implementation of the ALMPs and ensuring they are on a scale to reach the sheer numbers of young people transitioning into the labour force. Of concern also is that many of these ALMPs are directed towards urban graduates, while the problems of young migrants and young rural workers are less adequately addressed. Diverse policy solutions will be required for these groups, including, importantly, opportunities to upgrade their skills, reduce their vulnerabilities to risk through social protection, improvement of their working conditions and wages and greater protection of their rights under the law. In 2014, plans were unveiled to increase skill-acquisition opportunities for these young people, though there is as yet no information on implementation plans.

Policy innovations are emerging

As China faces the challenges of poor youth transitions, some policy developments offer much promise. Notable policy innovations include incentives for graduates to work and teach in rural areas, which can tackle graduate unemployment and poor rural education at the same time. A large-scale internship programme has been put in place, though there are concerns about the limited employment protection for those seeking this type of work experience. Young graduates are also being encouraged to try entrepreneurship through a range of incentives to support the growth of small and medium-sized enterprises (SMEs), including low-cost loans, business incubators in some universities, tax and finance incentives, market exploration, allowances and grants, as well as streamlined administrative procedures. Such measures are very promising. The use of employment funds to disburse resources at the local level to generate employment has also proven to be another effective policy mechanism.

There is a need for more data

An obstacle that China faces in its efforts to develop effective policy responses to the problems of poor youth transitions to the labour market is the lack of available data. Official data on youth unemployment has not been published for some time. This report has estimated a rate of 6.4 per cent unemployment of those aged 16 to 24 years in 2010, using the Sixth National Population Census, while in 2012, the ILO used Chinese labour force survey data to estimate a rate of 9.7 per cent. Both rates suggest that youth unemployment is a significant problem, but obtaining more recent data would be a considerable boost to policy development. China may wish to consider undertaking another school-to-work transition survey to generate more data and a more in-depth understanding of the dimensions and scale of youth employment challenges. This could also help shed light on the scale of informality, underemployment and the rate of young people not in employment, education and training (NEET) where, again, data using international statistical guidelines is unavailable.

1 OVERVIEW OF THE ECONOMIC AND SOCIAL CONTEXT

1.1 Macroeconomic

1.1.1 Economic growth slowing

In recent decades, astonishing economic growth in China has catapulted the country to the position of world's second largest economy, and lifted hundreds of millions out of poverty. In 1978 — when China started the programme of economic reforms — the country ranked ninth in nominal gross domestic product (GDP) with USD \$214 billion; 35 years later it has jumped up to second place with a nominal \$9.2 trillion. (Focus Economics, 2015)

China weathered the 2008 global financial crisis (GFC) better than some other countries, although the initial impact was sharp and severe. China's high rates of export dependency, as a result of its export promotion policies, made it very vulnerable to the collapse in global demand. While official unemployment data remained stable at over 4 per cent, it is likely that the rate of job losses were significant during the GFC. The Chinese Academy of Social Sciences, for example, reported that 670,000 labour-intensive small and medium-sized firms closed down in three cities alone. A further sample survey conducted by the Ministry of Human Resources and Social Security in selected provinces showed that, from October 2008 to January 2009, an average of 40 per cent of enterprises faced a net decrease¹ of jobs of as high as 8.1 per cent². Similarly the World Bank reported that some 25 million migrant workers were laid off and had returned to rural parts of China as a result of the crisis. (World Bank, 2009).

The Government response was swift. In November 2008 it unveiled a package to shield the country from the worst of the impact of the GFC. Monetary expansion and a stimulus package totalling some CNY ¥ 4 trillion (14 per cent of 2008 GDP) for 2009 and 2010 fuelled economic growth through massive investment projects. Though there were concerns that the country could build asset bubbles, and trigger overinvestment and excess capacity in some industries, the solid fiscal position of the Government ensured that the stimulus package did not derail China's public finances.

¹ The net decrease is equal to the numerical decrease in jobs minus the numerical increase in jobs for all monitored enterprises.

² Mo Rong, *The Formulation, Development and Improvement of Active Employment Policies in China [M]*, Social Science Archive Publishing House, 2015.

The global downturn and the subsequent slowdown in demand did, however, significantly affect the external sector and the current account surplus has continuously diminished since the financial crisis. (East Asia Forum, 2014)

Nonetheless, China exited the financial crisis in good shape, with GDP growing above 9 per cent, low inflation and a sound fiscal position (see Table 1.1). However, the policies implemented during the crisis to foster economic growth exacerbated the country's macroeconomic imbalances. In particular, the stimulus programme bolstered investment, while households' consumption remained repressed. In order to tackle these imbalances, the new administration of President Xi Jinping and Premier Li Keqiang unveiled economic measures aimed at promoting a more balanced economic model at the expense of the once-sacred rapid economic growth. An ambitious reform agenda is being put into place in an attempt to change the country's economic fundamentals and ensure a sustainable growth model.

Thus, in the recent period, China's economic growth is gradually slowing down as structural transformation continues (see Table 1.1). According to the World Bank, output grew by 7.7 per cent in 2013, matching the 2012 rate and exceeding the Government's indicative target of 7.5 per cent. However, in 2014 the growth rate was only 7.4 per cent, missing the Government's target of 7.5 per cent. Recent growth rates have been significantly below the rates observed over the past decades as drivers of economic growth continue to shift from manufacturing to services on the supply side, and from investment to consumption on the demand side, and as measures to rein in the rapid accumulation of credit came into force. (World Bank, 2014).

Table 1.1 Major macroeconomic indicators in China (2002-2012)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP growth rate	9.1	10.0	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7
Gross fixed capital formation (% GDP)	36.3	39.4	40.7	40.1	40.7	39.1	40.8	46.0	45.7	45.6	46.5
External balance (% GDP)	2.6	2.2	2.6	5.5	7.7	8.8	7.7	4.4	3.8	2.5	2.8
FDI net inflow (% of GDP)	3.4	3.0	3.2	4.9	4.9	4.8	4.1	3.3	4.6	4.5	3.6
Government consumption (% GDP)	15.6	14.8	14.0	14.3	14.1	13.5	13.3	13.4	13.3	13.3	13.7
Household consumption (% GDP)	44.0	41.9	40.1	38.1	35.2	35.9	34.9	33.9	34.7	35.9	34.8
Exports (% GDP)	25.1	29.6	34.1	37.1	39.1	38.4	35.0	26.7	29.4	28.5	27.3
Imports (% GDP)	22.6	27.4	31.4	31.6	31.4	29.6	27.3	22.3	25.6	26.1	24.5
Current account Balance (% GDP)	—	—	—	5.9	8.5	10.1	9.3	4.9	4.0	1.9	2.3
Inflation (y-o-y per % change)	0.6	2.6	6.9	3.9	3.8	7.6	7.8	-0.6	6.6	7.8	2.0

Source: World Bank, economic and social data at <http://data.worldbank.org/indicator>.

This shift is broad based, as reflected in a slowdown in industrial activities across major sectors: mining, manufacturing and production of electricity, gas and water. On the demand side domestic rebalancing is still gradual. China is slowly rebalancing sources of growth in domestic demand, and increasing consumption, which maintained robust growth in 2013: retail sales rose 13.1 per cent and car sales rose 15.7 per cent. The industrial composition of growth is discussed further below in section 1.1.2.

The final communiqué of the Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC), held in Beijing on 9-12 November 2013, unveiled an ambitious road map for economic reform. Chinese authorities aimed to give the market a decisive role in resource allocation while reaffirming the leading role of the State in the economy. Authorities also stressed the need to promote market-oriented reforms in State-owned companies and to accelerate interest rate liberalization, capital account convertibility and exchange rate reform. Other areas delineated for policy attention include: reform of the Hukou system of household registration; enhancement of farmers' property rights; further development of social welfare; improvement of the judiciary system, and the promotion of a more developed fiscal system. In addition, the Government launched a strong anti-corruption campaign.

As the discussion below on some macroeconomic levers such as exchange rates, trade, balance of payments, fiscal and monetary policies show, China is in a relatively good position to address the employment concerns of its young people despite slowing growth.

1.1.2 Trade

In three decades total trade multiplied nearly 100 times over to \$4.2 trillion and, in 2013, China surpassed the United States as the world's biggest trading nation. The opening of the country and the Government's massive investment programmes enabled the country to become a major manufacturing hub. This situation fostered trade growth in recent decades, particularly after China joined the World Trade Organization in 2001. As an economy highly integrated into the global trade system, the country benefited from a steady improvement in its terms of trade since 2000. However, the global economic downturn in 2008-2009 led the country to reduce manufacturing output, thus putting a drag on China's trading sector.

Electronics and machinery make up around 55 per cent of total exports, garments account for 13 per cent and construction material and equipment represent 7 per cent. Sales to Asia represent over 40 per cent of total shipments, while North America and Europe have an export share of 24 per cent and 23 per cent, respectively. While exports contracted sharply in 2009 due to the downturn in global demand, shipments in 2010 and 2011 rebounded strongly following the

2008 financial crisis. In 2012 and 2013, export growth averaged 7.8 per cent. (Focus Economics, 2015)

1.1.3 China's balance of payments

The current account has recorded a surplus in every year since 1994. The capital account followed suit and only recorded two deficits in the last 20 years. This situation of surpluses in the both the current and the capital accounts put pressure on the national currency and prompted the Central Bank to sterilize most of the foreign currency that entered the country. As a result, China's foreign exchange reserves skyrocketed to almost \$4 trillion in 2014. The current account surplus reached its peak in 2007, when it represented 10.1 per cent of GDP. Since then, however, the surplus has narrowed, and in 2013 it fell to only 2 per cent of GDP. (Focus Economics, 2015)

The capital account benefited from strong inflows of foreign direct investment (FDI). FDI has performed strongly in the last decade, with record inflows of \$118 billion in 2013, thereby making China the second largest recipient of foreign investment.

1.1.4 Fiscal policies

In 1994, the Government launched a fiscal reform in its struggle against the rapid decline in the tax/GDP ratio, which dampened the Government's ability to implement macroeconomic and redistribution policies. The flagship of the reform was a new taxation system and the adoption of a tax-sharing scheme, where the most lucrative sources of tax revenues, such as the value-added tax and the enterprise income tax, were administrated by the central Government.

The result of this reform was a steady increase in revenues, which jumped from 10.8 per cent of GDP in 1994 to 22.7 per cent of GDP in 2013. While expenditures followed suit and increased at a double-digit rate in the same period, the fiscal deficit was kept in check. In the 1994–2013 period, the Government's fiscal deficit averaged 1.4 per cent of GDP.

The new system, however, left local Government with just few sources of revenue, and they had to rely on land sales and indirect borrowing (mostly so-called “shadow banking”) to finance their activity. In addition, local Governments put in place off-budget local Government financing vehicles to raise funds and finance investment projects. According to data released by the National Audit Office in December 2013, the total amount of debt held by local governments was ¥17.9 trillion (\$3.0 trillion) or 33 per cent of GDP, which was well above the ¥10.7 trillion reported in the 2010 audit. (Focus Economics, 2015)

China's Government debt is almost entirely denominated in local currency and owned by domestic institutions. In addition, the Government has cash savings equivalent to 6 per cent of GDP in the People's Bank of China (PBOC). This situation shields the economy against Government debt crises.

1.1.5 Monetary policy

Under the guidance of the State Council, the PBOC formulates and implements monetary policy, prevents and resolves financial risks, and safeguards financial stability. The PBOC's main objectives are: ensuring domestic price stability, managing the exchange rate and promoting economic growth. Since 2014, the PBOC has been practicing a "prudent" monetary policy, which it has continued in 2015. The devaluation of the yuan, reductions in interest rates, a relaxation of reserve requirements and support for the stock market are recent evidence of this easing of the policy. Further measures are likely to be put in place in 2015 as a response to China's turbulent stock markets, which have fallen by almost one third since peaking in June 2015. Stabilizing the financial system will be a priority as China seeks to rekindle economic growth.

1.1.6 Exchange rate policies

From 1995 to 2005, China kept its currency fixed against the United States dollar at around 8.28 CNY per USD. This was the case until 2005, when it switched to a managed float of the currency to facilitate a controlled appreciation of the CNY. However, in the wake of the GFC, China pegged its currency to the USD at 6.82 CNY per USD from June 2008 to June 2010. In 2010, the PBOC allowed the Yuan to trade more flexibly.

While the Chinese yuan is freely convertible under the current account, it remains strictly regulated in the capital account. The Government has expressed its willingness to allow the yuan to be fully convertible in the near future. (Focus Economics, 2015)

1.1.7 Impact on the labour market

Despite decelerating growth in the current period there is resilience in the labour market, which is also largely attributable to the proactive stance China has always taken on the importance of job creation (see Chapter 4). In 2013, 13 million new urban jobs were created, slightly more than in 2012. Increased urban employment is associated with the continued structural transformation of the labour market. Annual migrant inflows to urban areas slowed in 2013 to 6.3 million from 12.5 million in 2010, as migrant wages decelerated. (World Bank, 2014)

The labour market is undergoing structural transformation in two ways: first, a decline in rural and primary sector jobs is being offset by an increase in jobs in urban sectors; second, job growth in the tertiary sector reveals a secular trend wherein the tertiary sector is making a greater contribution to total job growth than the secondary sector.

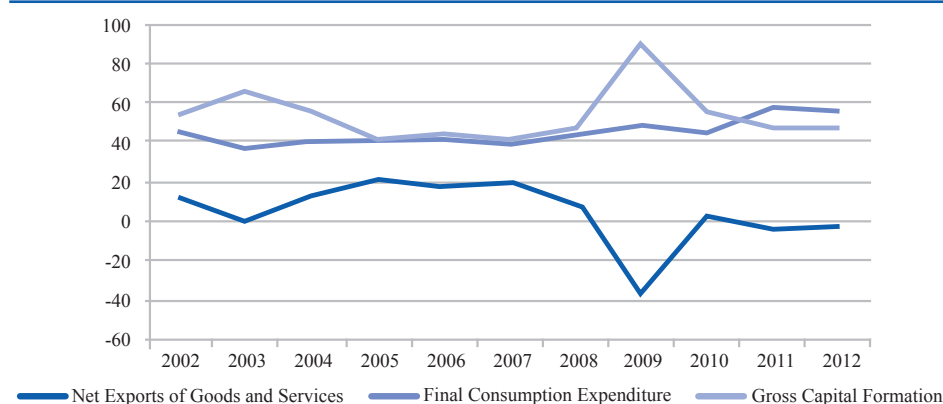
The transformation has also changed the relationship between jobs and growth. First, jobs-to-growth elasticity has declined over the past few decades as economic growth has increasingly been driven by capital intensity rather than employment. Second, as the rebalancing from manufacturing to services continues, job creation is likely to remain buoyant as the services sector is labour intensive. Therefore a moderation of growth is not necessarily associated with a decline in employment growth. A gradual decline in economic growth after 2008 did not lead to a rapid decline in growth of new urban jobs. (World Bank, 2014) The problems of graduate unemployment, however, have remained unresolved, as discussed in Chapters 3 and 4.

These labour market dynamics have translated into a decline in urban-rural income and consumption gaps. Growth of incomes and consumption in rural areas is faster than urban areas, and the urban-rural gap declined from about 2.7 per cent in the first quarter of 2011 to below 2.5 per cent in the first quarter of 2014. Although the urban-rural income gap narrowed in 2009 and the consumption gap began to shrink as early as 2004, convergence in income levels has been slow, in part due to rigidities in geographical labour mobility arising from the household registration system. (World Bank, 2014)

1.1.8. Demands on growth

In terms of the driving force of three major demands (consumption, investment and export) on economic growth, before 2010, the contribution rate of investment to GDP growth surpassed consumption (see Figure 1.1). Large-scale investment in infrastructure after 2008 resulted in sustained rapid economic growth in China. However, investment-oriented economic growth has not been sustainable, because investment in infrastructure distorted the industrial structure leading to overcapacity in such sectors as steel and cement. Meanwhile, distortion of the industrial structure impacted employment structure. On one hand, there was great demand for low-end labour, represented by migrant workers; on the other hand, there was bleak demand for urban labour, represented by college graduates. After 2011, the contribution of consumption to economic growth surpassed investment, implying that the demand structure and its contribution to economic growth have become closer to rational. At the same time, the contribution and pulling force of net goods and service export has also gradually improved.

Figure 1.1 Contributions of the three major demands to GDP growth (2002-2012)



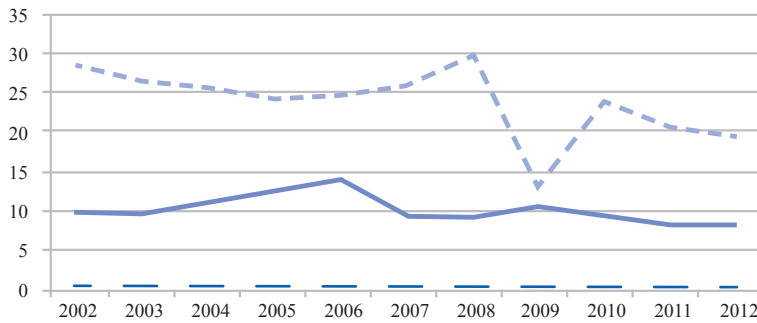
Source: World Bank, economic and social data; China Statistics Yearbook (2014)

1.1.9 The relationship between growth and employment

While economic growth is a necessary precondition for employment creation, the experience from a number of countries has shown that economic growth on its own does not automatically result in an increase in employment. Where employment creation is treated as a residual element of growth, or where high rates of growth are based on capital intensity or on extractive industries, the results in terms of the quality and quantity of jobs are often weak. What determines the employment content of growth is the policy mix used to support growth. Ensuring that pro-employment policies are placed at the heart of economic growth can significantly increase the numbers of jobs created.

In the case of China, previous rapid economic growth did not result in a great increase in employment. As shown in Figure 1.2, in 2002-2007 the average annual growth rate of GDP in China was as high as 11.23 per cent, but the average annual growth rate of employment was only 0.06 per cent, far lower than the speed of economic growth. As discussed earlier, the GFC in 2008 had a major impact on employment in China. To mitigate its impact, the Government adopted a number of measures, including tax reduction and exemption, social insurance allowances and special training programmes, which helped to maintain the stability of employment. After 2008, economic growth gradually slowed down and its pulling force on employment also slightly decreased, but generally employment maintained steady growth.

Figure 1.2 GDP, fixed assets investment and employment (2002-2012)



Source: World Bank, economic and social data; China Statistics Yearbook (2014)

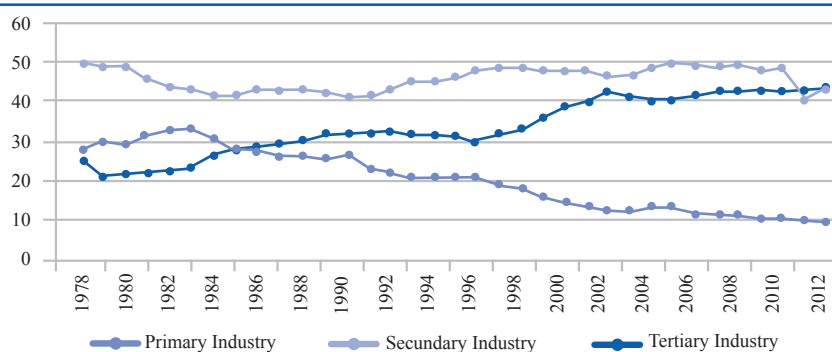
1.1.10 Gradual optimization of industrial structure

With reform and the opening and continual growth of the Chinese economy, China's sectoral structure has changed significantly, as seen from Figure 1.3. In 1985, for the first time, the percentage of the GDP contributed by the tertiary sector surpassed that contributed by the primary sector, which is an important part of industrial structure upgrading. The economy moved from a shortage economy to a surplus economy through a series of supportive measures for the tertiary sector, such as the "Decisions to Speed up the Development of the Tertiary Industry". This coincided with the increase in the income of residents, which fuelled consumption and provided a broad space for the development of tertiary industry.

Since that time the percentage of GDP contributed by the tertiary sector has grown from 28.67 per cent in 1985 to 44.59 per cent in 2012 – that is 15.92 percentage points – and has now surpassed the secondary sector. The primary sector has been declining year by year from 28.44 per cent in 1985 to 10.09 per cent in 2012 – down by 18.35 percentage points. The secondary sector remains stable with a slight decline in recent years.

The services sector has continued to grow with the help of policy supports, such as that outlined in the 18th session of the Communist Party of China, which proposes that "the transition and upgrading of traditional industries be sped up, and the services sector, especially the modern services sector, be promoted".

Figure 1.3 Trends in sectoral structures in China (1978-2012)



Source: China Statistics Yearbook (2013)

1.2. Poverty and income distribution

China has made remarkable efforts to reduce poverty in recent decades. It was the first developing country to achieve the United Nations Millennium Development Goal of halving the number of its people living in extreme poverty and suffering from hunger. Its reform-driven economic growth, together with a well-funded national poverty reduction programme, has brought about a major reduction in rural poverty.

But despite major progress in poverty reduction, China still has the second largest number of poor people in the world, after India. Official data shows that about 98.99 million people still lived below the national poverty line of ¥2,300 per year at the end of 2012. By the end of 2014, data from the National Bureau of Statistics (NBS) showed that there were 70.17 million poverty-stricken people in China's countryside, though this represents a significant reduction of 2.32 million from the previous year.³

Income disparities continue between urban and rural provinces, and within rural areas. Particular groups are highly vulnerable to poverty, including women, children, the elderly, and ethnic minorities. The increasing migration of rural male labourers to urban and eastern coastal areas has resulted in the sharp expansion of the feminization of rural labour and agriculture.

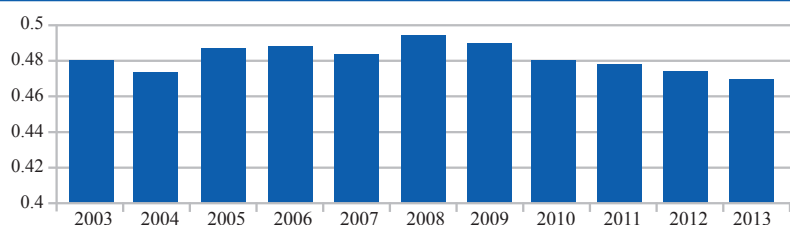
Gaps are also evident between eastern regions (where economic growth has been rapid) and western provinces. About 40 per cent of China's poor people live in its seven autonomous regions and provinces. These areas are mostly situated in the central and western parts of the country, where the poverty incidence in 2008 was 11 per cent, compared with the national average of 4.2 per cent. (IFAD, 2014)

³ http://news.xinhuanet.com/english/2015-07/25/c_134446593.htm

1.2.1 Persistent inequality

As seen from Figure 1.4, the Gini Coefficient in China in 2003–2008 followed an upward trend, signifying an increase in inequality. Since 2010, however, there has been a decline, though the rate of decline has been modest.

Figure 1.4 Change of general Gini coefficient in China (2003–2013)



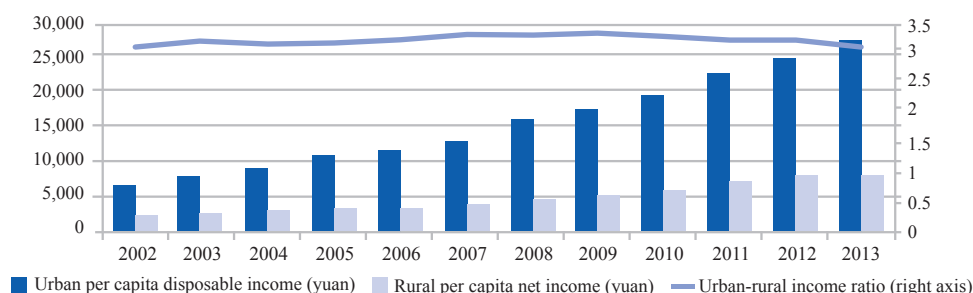
Source: Database of the National Statistics Bureau.

1.2.2 Urban-rural disparities

Inequalities in income between urban and rural areas continue. Between 50 per cent and 55 per cent of the population resides in rural areas, where about two-thirds of the population is engaged in farming, forestry, animal husbandry and fishing. About 40 per cent of total employment in China is in rural areas. The poorest rural households tend to derive a large share of their income from agricultural activities, which often show low levels of productivity and net profits.

As shown in Figure 1.5, the disposable income per capita of urban households is more than three times the net income of rural households. But after 2009, the rate of growth of disposable income per capita in urban households⁴ was lower than that of the net income of rural households⁵.

Figure 1.5 Urban–rural income trends in China (2002–2013)



Source: Database of the National Statistics Bureau.

⁴ Per capita disposable income of urban residents refers to the total cash income of households that can be used to order daily households affairs. It is the income that remains after the reduction of taxes, social security contributions and other allowances.

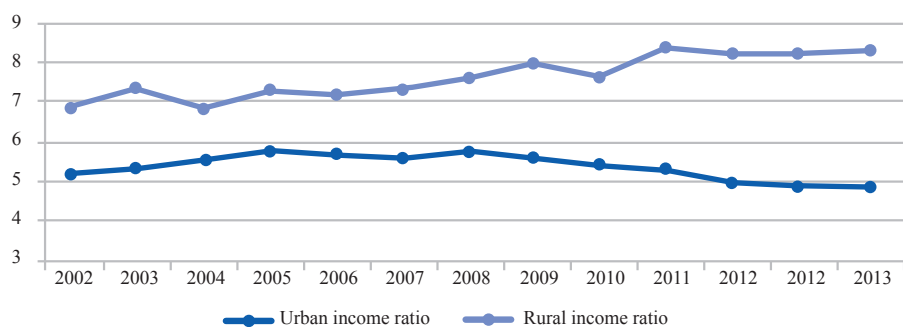
⁵ Net income of rural households refers to the part of income that can be used to invest in productive and non-productive construction, life expenses and savings after the reduction from total income of production and non-production operation costs, taxes, contraction fees, collective withdrawals and allocated funds, and the depreciation of productive fixed assets.

Figure 1.6 shows the changing income gaps of urban and rural residents. It shows the ratio between the per capita income of high-income households (the top 20 per cent of urban/rural households) and the per capita income of low-income households (the lowest 20 per cent of urban/rural households). As seen from this Figure, the income gap of urban residents began to decrease after the year of 2009, falling from 5.71 in 2008 to 4.97 in 2012. As seen from Table 1.2, in 2009-2012, the rate of growth of per capita income of low-income and below-middle-income urban households was much faster than the rate of growth of per capita income of high-income urban households.

The ratio between the per capita income of high-income rural households and the per capita income of low-income rural households has generally followed an upward trend. In 2000, the ratio between the per capita income of high-income rural households and the per capita income of low-income rural households was 6.47, which increased to 8.39 in 2011, implying an increase of 2.33 per cent every year. Although this ratio decreased in 2011 and 2012, it was still above 8.20.

From the perspective of the rate of growth of per capita income of various rural groups of rural households, the average rate of growth of per capita net income of low-income households was 9.57 per cent, while the average rates of growth of per capita net income of above-middle-income households and high-income households were 11.57 per cent and 11.52 per cent. Therefore the income gap between low-income households and above-middle-income households and high-income households is growing, leading to the widening of income gap of rural residents, as shown in Table 1.2.

Figure 1.6 Urban income ratio and rural income ratio (2002-2013)



Source: Calculation based on data from China Statistics Yearbook (2014).

Table 1.2 Growth rate of per capita net income of rural households (2002–2013) Unit: %

Year	Low-income households (20%)	Below-middle-income households (20%)	Middle-income households (20%)	Above-middle-income households (20%)	High-income households (20%)
2002	4.77	3.82	3.99	4.84	6.67
2003	1.04	3.78	5.04	5.80	7.52
2004	16.29	14.67	13.44	12.51	9.20
2005	5.98	9.56	10.56	10.96	11.78
2006	10.80	10.09	10.44	11.07	9.39
2007	13.91	16.19	16.21	15.36	15.53
2008	11.35	13.68	14.88	15.57	15.32
2009	3.30	5.97	7.11	9.09	9.11
2010	20.69	16.43	15.98	15.04	14.05
2011	6.99	17.52	18.88	19.53	19.46
2012	15.78	12.96	13.42	14.04	13.26
2013	11.53	14.75	12.80	12.14	11.91

Source: China Statistics Yearbook (2014).

Using the World Bank standard, the proportion of poor people with a daily income of less than \$1.25 in China in 2011 was 1.32 per cent, which is 6.25 per cent lower than in 2002, and lower than the average level of developing countries in the East Asia and Pacific region. The proportion of poor people with a daily income of less than \$2 follows the same downward trend, as shown in Table 1.3.

Table 1.3 Proportion of Chinese poor population (2002–2011) Unit: %

Year	Proportion of poor people with a daily income of less than \$1.25		Proportion of poor people with a daily income of less than \$2	
	China	East Asia and Pacific region (developing countries)	China	East Asia and Pacific region (developing countries)
2002	8.57	7.87	20.4	20.0
2005	3.91	4.05	12.1	12.9
2008	3.07	3.23	9.53	10.6
2010	2.03	2.16	7.34	8.24
2011	1.32	1.56	5.46	6.71

Source: World Bank, economic and social data at <http://data.worldbank.org/indicator>.

Table 1.4 below shows evidence of the large income gap between urban and rural areas and China's poor people. According to the current standard rural poverty line, the poverty rate of China is 8.5 per cent.

Table 1.4 Chinese poor population (in tens of thousands of persons) and poverty incidence rate (2002–2013) Unit: %

Year	1978 standard		2008 standard		2010 standard	
	Poor population	Poverty incidence rate	Poor population	Poverty incidence rate	Poor population	Poverty incidence rate
2002	2 820	3.0	8 645	9.2		
2003	2 900	3.1	8 517	9.1		
2004	2 610	2.8	7 587	8.1		
2005	2 365	2.5	6 432	6.8		
2006	2 148	2.3	5 698	6.0		
2007	1 479	1.6	4 320	4.6		
2008			4 007	4.2		
2009			3 597	3.8		
2010			2 668	2.8	16 567	17.2
2011					12 238	12.7
2012					9 899	10.2
2013					8 249	8.5

Source: *China Statistics Yearbook (2014)*

Note: 1. 1978 standard: In 1978–1999, it was called the rural poverty standard; in 2000–2007, it was called the rural absolute poverty standard.

2. 2008 standard: In 2000–2007, it was called the rural low-income standard; in 2008–2010 it was called the rural poverty standard.

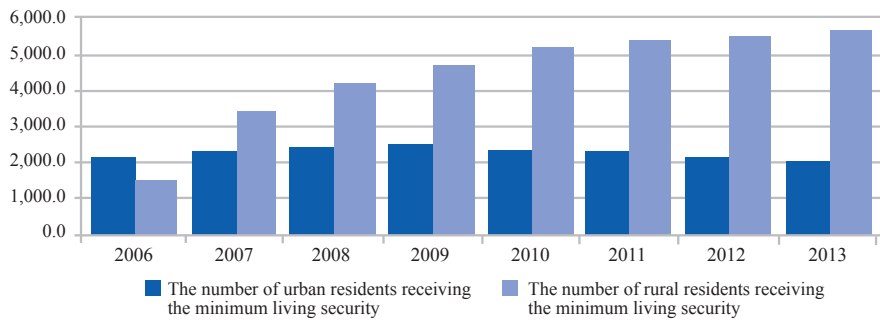
3. 2010 standard: Newly-defined rural poverty reduction standard.

1.2.3 Poverty alleviation through income support measures

China has successfully reduced poverty over the last few decades by redistributing the gains of rapid economic growth. China has adopted a minimum life security system for urban residents and minimum life security system for rural residents. These provide a certain amount of allowances for people whose per capita income is lower than the minimum living standard set by the Government. This social assistance system for the poor population has become a crucial component of China's social security system.

Figure 1.7 shows that the number of urban people receiving minimum life security allowances has been decreasing since 2009, while the number of rural people receiving such allowances has been increasing year by year.

Figure 1.7 The number of social assistance recipients in China by year.
Unit: Tens of thousands of persons



Source: Civil Affairs Statistical Bulletin of the Ministry of Civil Affairs

While China has made tremendous strides in reducing poverty over recent years, the number of poor remains high. Poverty alleviation will remain a fundamental challenge in the coming period.

2 THE YOUTH LABOUR MARKET

2.1 Social demographic characteristics of youth

The population of China reached 1.36 billion in 2013. With the adoption of active population control policies in the early 1980s the rate of growth of the population has been slowing and the natural growth rate fell from about 14 per cent in the early 1980s to around 4.9 per cent in 2013.

In total numbers the labour supply is still relatively abundant but the age structure of the population and the pattern of labour supply are changing as shown in Table 2.1. The proportion of people aged 0–14, 15–24, 25–64, and 65 and above in China in 2010 was 16.6 per cent, 17.1 per cent, 54.7 per cent and 8.9 per cent respectively. By 2030 estimates show decreasing numbers of young people and an increasing ageing population, with respective figures of 16 per cent, 10.1 per cent, 55.1 per cent, 18.8 per cent and 31.2 per cent. This ageing trend will signify a relatively high dependency ratio up to 2050.

In terms of the proportion of the working age population, in 2012 the number of individuals of working age, aged 15–59, in China was 937.27 million, which was 3.45 million less than the previous year. That number also accounts for 69.2 per cent of the total population – some 0.6 percentage points lower than at the end of the previous year. This is the first time that the working age population in China has decreased absolutely, reaching the historic turning point of negative increase.

Even though, currently, the labour force participation rate remains high and the employment to population ratio stands at 70.9, there is likely to be great concern amongst policy makers as labour shortages are starting to be felt, particularly in coastal areas. With retirement age at 60 years for men and 50–55 years for women,⁶ the labour force is shrinking significantly. With an ageing population and an increasing dependency ratio, China's drive for economic modernization is being put at risk. The changing demographics will have long-term consequences in a range of policy areas including education, health, pensions and social security.

⁶ Differing retirement ages for men and women are discriminatory and put women at risk of poverty in old age

Table 2.1 Structural change of Chinese population and dependency ratio (2001–2050)
Unit: %

	2001	2005	2010	2012	2030	2050
0-14	22.4	19.6	16.6	16.5	16.0	13.7
15-24	14.8	14.6	17.1	15.6	10.1	7.8
25-64	55.2	56.8	57.4	58.5	55.1	49.7
65 +	7.6	9.1	8.9	9.4	18.8	28.8
Old age dependency ratio (*)	12.6	14.4	13.3	13.9	31.2	53.1

Source: Data for the years 2001, 2005, 2010 and 2012 come from China Population and Employment Statistics Yearbook. Data for the years 2030 and 2050 are based on the predictions of the research team of the Institute for Labour Studies of the Ministry of Human Resources and Social Security.

(*): This refers to the ratio between the population aged 65 and above and the population aged 20–64.

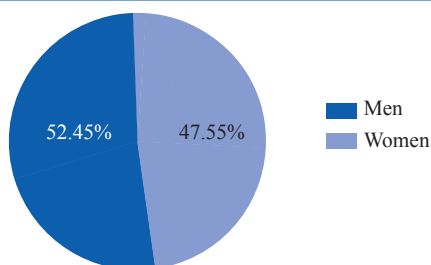
2.1.1 Declining youth share

The proportion of youth reached its peak in 2010 at 16.6 per cent before beginning to fall, reaching about 15.6 per cent in 2012. It is likely that this trend will continue as long as the population control policy remains unchanged. Taking into consideration factors such as fertility patterns, the gender ratio at birth and future modes of death,⁷ we have made estimations on the size and structure of the future population. As shown in Table 2.1, the proportion of youth will continue to decrease; in 2030 it will reach 10.1 per cent, and in 2050 it will reach 7.8 per cent, leading to a significant decrease in the labour supply and an increase in dependency ratios as the ageing of the population structure becomes even more serious.

2.1.2 Declining gender ratios

Of particular concern in the current period is the gender ratio of youth. Young men outnumber young women by nearly 5 per cent, as shown in Figure 2.1. In 2013, young men represented 52.45 per cent of the youth population compared to 47.55 per cent who were young women. If young women equal 100, the gender ratio of Chinese youth in 2013 was 110.32:100.

Figure 2.1 Gender ratio of youth labor force in China in 2013 (%)



Source: China Statistics Yearbook (2014)

⁷ Including life expectancy and mortality

Evidence suggests that this skewed gender ratio is an unintended consequence of the population control policies introduced in the 1980s. Like most Asian nations, China has a traditional bias for sons. Some families abort female fetuses and abandon baby girls to ensure their one child is a son. As a result, about 118 boys are born for every 100 girls, against a global average of 103 to 107.⁸ By 2020, the National State Population and Family Planning Commission projects that males of marrying age will outnumber females by at least 30 million.

The Government has recognized the scale of the problem for some time and has allowed flexibility in its one-child policy. For example, while their urban counterparts are generally restricted to one birth, rural couples are allowed a second – if their first is a girl. The statistics show just how important producing at least one son is: the gender ratios for second and third births are vastly more skewed than for first children. The latest Five Year Plan also sets an ambitious target of cutting the ratio to 112 or 113 by 2016 through a further crackdown on illegal foetal gender testing and gender-selective abortions.

2.1.3. Trends in education

Current expenditure in education accounts for around 4.3 per cent of GDP (in 2012). China has invested heavily in education over the last few decades, resulting in dramatic improvements in access and in levels of education. The Sixth National Population Census in 2010 showed that illiteracy levels had dropped to around 4.08 per cent and, according to the United Nations Educational, Scientific and Cultural Organization (UNESCO), the rate of literacy of Chinese youth was 99 per cent in 2010. (UNESCO, 2013)

Table 2.2 shows that gross enrolments at various levels have increased. In 2000–2010 the proportion of the population with higher education grew rapidly and the average annual growth rate during these 10 years was as high as 9.63 per cent.

Table 2.2 Gross Enrolment ratio for various levels of education in China (2000–2012)
Unit: %

Year	Primary school The age varies in different localities	Middle school 12-14 years old	High school 15-17 years old	Higher education 18-22 years old
2000	104.6	88.6	42.8	12.5
2001	104.5	88.7	42.8	13.3
2002	107.5	90.0	42.8	15.0
2003	107.2	92.7	43.8	17.0
2004	106.6	94.1	48.1	19.0
2005	106.4	95.0	52.7	21.0
2006	106.3	97.0	59.8	22.0

⁸ <http://uk.reuters.com/article/2015/01/21/uk-china-onechild-idUKKBN0KU0V720150121>

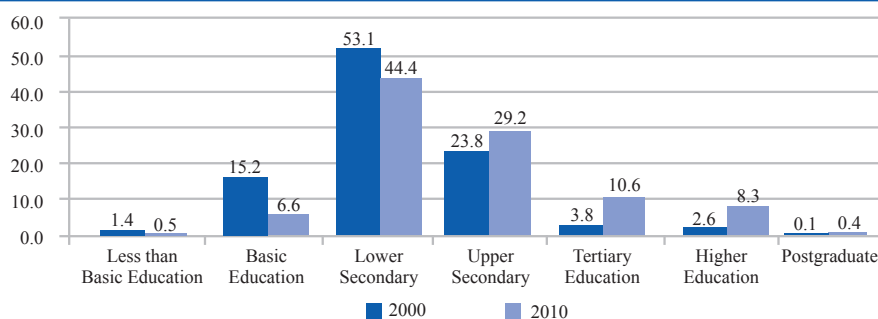
Table 2.2 Gross Enrolment ratio for various levels of education in China (2000–2012)
Unit: % *(continued)*

Year	Primary school The age varies in different localities	Middle school 12–14 years old	High school 15–17 years old	Higher education 18–22 years old
2007	106.2	98.0	66.0	23.0
2008	105.7	98.5	74.0	23.3
2009	104.8	99.0	79.2	24.2
2010	104.6	100.1	82.5	26.5
2011	104.2	100.1	84.0	26.9
2012	104.3	102.1	85.0	30.0

Source: China Statistics Yearbook (2013)

The education level of young people in particular has improved. Compared with the year 2000, among young people aged 16–24 in 2010, the percentage of people with middle school education and below decreased from 69.7 per cent to 51.5 per cent. The percentage of people with high school and above increased from 30.3 per cent to 48.5 per cent. The percentage of people with junior college education increased from 3.81 per cent to 10.6 per cent, and the percentage of people with college education increased from 2.6 per cent to 8.3 per cent (see Figure 2.2). With college enrolment expanding, this trend will continue.

Figure 2.2 Comparison of education level of youth (2000–2010) Unit: %



Source: The Fifth and Sixth National Population Census

When disaggregated by gender, the data shows that the education level of young women is higher than that of young men. The proportion of young women with junior college education, college education and graduate school education is 1.1 per cent, 0.3 per cent and 0.1 per cent higher than young men respectively. This represents different characteristics than the education structure of people aged 6 and above, as shown in Table 2.3.

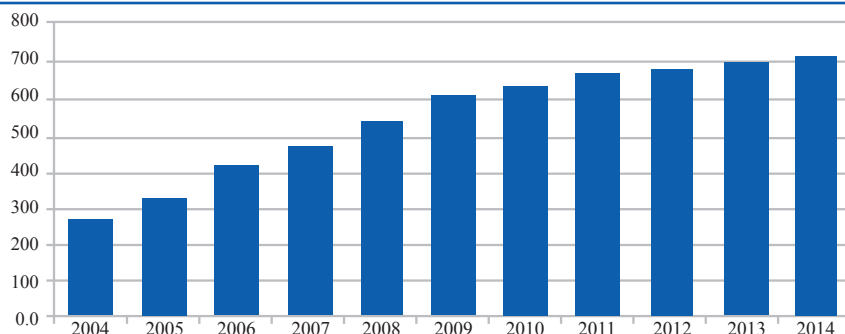
Table 2.3 Comparison of education levels according to gender and age (2010)
Unit: %

	Population aged 6+			Youth(15-24)		
	General	Male	Female	General	Male	Female
Never join primary school	5.0	2.8	7.3	0.5	0.5	0.6
Primary School	28.7	26.6	31.0	6.7	6.3	7.1
Middle School	41.7	44.1	39.3	46.0	46.3	45.7
High School	15.0	16.4	13.3	29.0	30.0	28.1
Junior School	5.5	5.8	5.2	9.8	9.3	10.4
College	3.7	4.0	3.3	47.6	7.5	7.8
Graduate School	0.3	0.4	0.3	0.3	0.3	0.4

Source: The Sixth National Population Census

Improvements in access to higher education are particularly notable. In 2010, there were 34.16 million students receiving higher education (including 23.85 million graduate school students and college students). The number of graduates increased from 2.54 million in 2004 to 7.27 million in 2014 as shown in Figure 2.3. While these achievements are striking, the rapid increase in graduates in a short period of time has outpaced the technological change in the economy. Demand for highly educated workers has remained weak as the discussion on graduate unemployment in Chapter 3 will show.

Figure 2.3 Number of college graduates (2004-2014) Unit: tens of thousands of persons

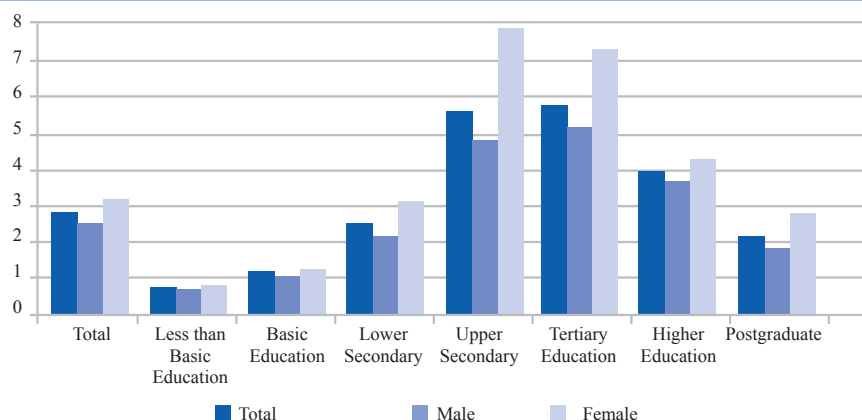


Source: Ministry of Education

The returns on education are shown by calculating the rates of unemployment with various education levels. According to data from the Sixth National Population Census, the unemployment rate of junior college graduates is the highest at 5.7 per cent. The second highest group is high school graduates (5.68 per cent), and the third is college graduates (4.01 per cent). The unemployment rate for people who never received education is 0.79 per cent, and the rate for primary school graduates is 1.12 per cent, which are lower than other groups, as shown in Figure 2.4.

While these figures appear to show a negative return on education, the discussion on graduate unemployment in Chapter 3 will show that unemployment is often temporary for the highly educated. Moreover, China needs a highly educated labour force as it upgrades to a high-technology economy. The solutions therefore lie not in reducing access to higher education, but in reorienting higher education to better meet the needs of the evolving economy, as will be discussed in Chapter 4.

Figure 2.4 Comparison of the unemployment rate in different education levels (2012)
Unit: %



Source: *The Fifth and Sixth National Population Census*

2.2. Youth labour market

Rapid economic growth has ensured that China has had a high labour force participation rate and high rates of youth employment. According to data from the Sixth National Population Census (see Table 2.6), the labour force participation rate of youth in China in 2010 was 57.4 per cent. The rate for young men was 59.6 per cent and the rate for young women was 55.1 per cent.

Data on youth unemployment has been unavailable for some time. In 2014 the ILO published a rate of 9.7 per cent youth unemployment in 2012 for China. This report uses data from 2010 from the Sixth National Population Census to provide an estimate of 6.4 per cent youth unemployment (see Table 2.4). Disaggregated by gender, men have a rate of 6.3 per cent while the rate for female was 6.5 per cent. The unemployment rate will be discussed in more detail in section 2.2.5.

The proportion of youth employees in population aged 16 and above was 53.7 per cent, and the rates for male and female was 55.9 per cent and 51.5 per cent respectively. In comparison, the labour participation and employment rates of young men were higher than those of women.

Table 2.4 Youth labor market situation (2010) Unit:%

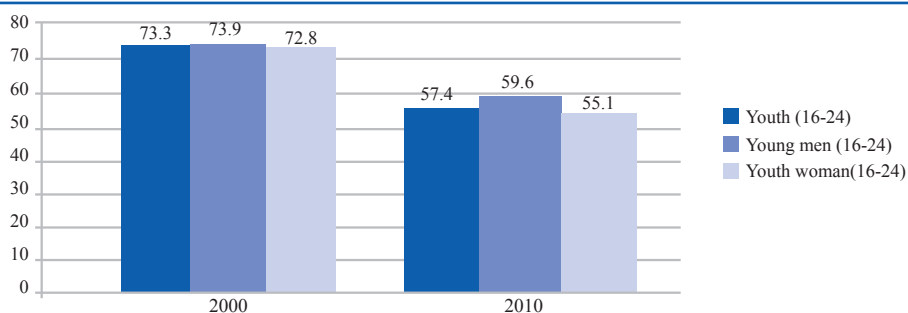
Age groups	Labour force participation rate	Unemployment rate	Employment-to-population ratio
Total			
16-24	57.4	6.4	53.7
25+	74.0	2.3	72.3
16+	71.0	2.9	68.9
Male			
16-24	59.6	6.3	55.9
25+	82.4	2.0	80.7
16+	78.2	2.6	76.1
Female			
16-24	55.1	6.5	51.5
25+	69.4	2.6	64.0
16+	66.6	3.2	61.7

Source: The Sixth National Population Census

2.2.1 Youth labour participation

The labour force participation rate of youth aged 16–24 in 2010 was 57.4 per cent, which was 16 percentage points lower than the 73.3 per cent of 2000. This may not necessarily be an issue of concern as it may indicate that large numbers of young people were engaged in education.

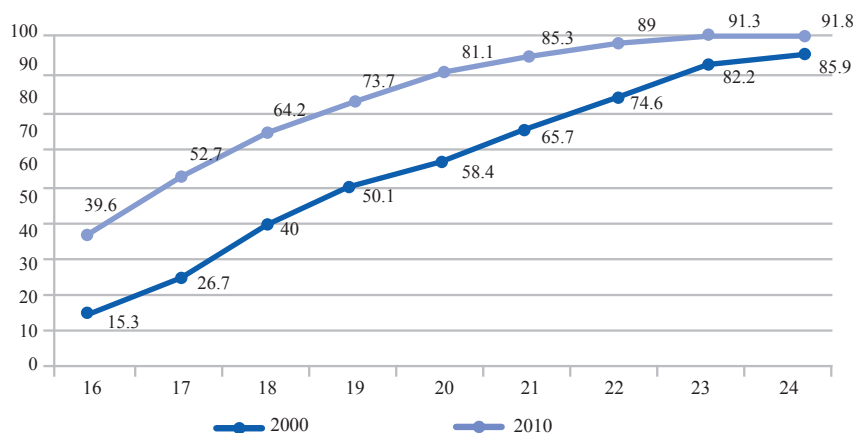
In terms of gender, the labour participation rate of young men was 59.6 per cent, which is higher than the rate of young women (55.1 per cent). Compared with the year 2000, the average labour participation rate of men decreased by 17.7 percentage points, and the rate for women fell by 21.21 percentage points. This declining trend in labour force participation for women may be the result of a number of factors, including: employment discrimination, which makes it harder for young women to find a job; levels of discouragement; improved access to social security; as well as gender roles that encourage women to engage in household responsibilities rather than earn a remunerative income.

Figure 2.5 Labor participation rate of youth (2000-2010), disaggregated by gender, Unit:%

Source: The Fifth and Sixth National Population Census

The labour force participation rate is decreasing for younger cohorts (see Figure 2.6). The labour participation rate of young men and young women aged 16–19 fell by 22 per cent and 24 per cent respectively, and the labour participation rate of young men and young women aged 20–24 years fell by 14 per cent and 18 per cent. This trend may be the result of a number of influences, including the near universality of nine-year compulsory education and strong investments in higher education.

Figure 2.6 Comparison of youth labor participation rate, by age (2000-2010) Unit:%



Source: The Fifth and Sixth National Population Census

At all levels – from city to township to village – the labour force participation rate of youth has been decreasing. At village level the rate was 66.9 per cent, which is 18.3 per cent higher than the city level, and slightly higher than the difference in the labour participation rates of people aged 25–64 in the same categories. In terms of gender, the labour participation rates of youth in urban and rural area are close to one other, with a difference of 8–9 per cent. Among people aged 25–64, there is a great difference between the labour participation rates of men and women in urban and rural areas. The labour participation rate of men in rural areas is 9.7 per cent higher than that of men in urban areas; and the rate for women in rural areas is 19.8 per cent higher than that for women in cities.

A number of factors underlie the different labour force participation rates of urban and rural areas, highlighting the significant gaps between the two. Firstly, there is an income gap between rural and urban areas, which also enables young people in cities to engage in education rather than work. In rural areas, poverty compels many young people to leave school and engage in work. Secondly, there is an imbalance in terms of educational development: the investments in education and, consequently, the quality of education are higher in urban areas in comparison to rural areas, and the gaps are widening. It is also important to note that while rural youth are more likely to be in the labour force, this does not give a sense of

the poor quality work that they are engaged in. Many are involved in informal and insecure work, with poor remuneration and little access to social security. Labour force participation rates thus cannot reveal levels of underemployment, informality and other dimensions of poor quality work, which are discussed further below.

Table 2.5 Labor participation rate in rural and urban areas according to age and gender (2010) Unit:%

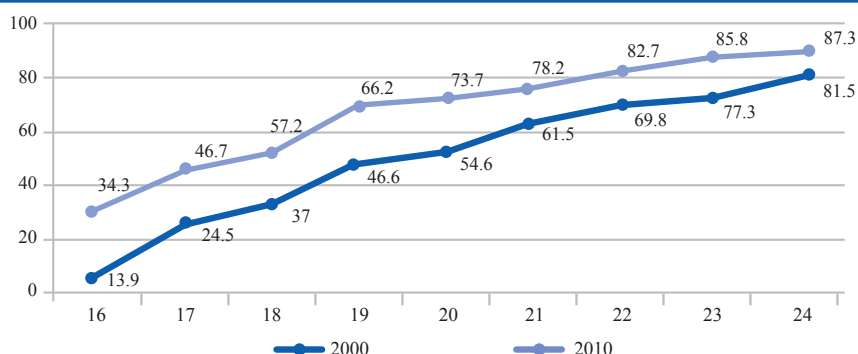
	16-24			25-64		
	General	Male	Female	General	Male	Female
Total	57.4	59.6	55.1	82.6	90.8	74.3
City	48.6	50.3	46.9	73.8	85.1	62.3
Township	50.5	53.0	48.0	79.6	90.0	69.2
Village	66.9	69.3	64.3	89.5	94.8	84.1

Source: The Sixth National Population Census

2.2.2. Youth employment

As China has undergone a considerable socioeconomic and demographic transformation in the last decades, there have been significant changes in the quantity and structure of youth employment. In 2010 the employment rate of young people aged 16–24 years was 53.7 per cent. Compared with the year of 2000, the employment rate has decreased, as shown in Figure 2.7. The main reason is that the youth labour participation rate has decreased and the proportion of non-economically-active people has increased.

Figure 2.7 Comparison of youth employment rate by age (2000-2010) Unit:%



Source: The Fifth and Sixth National Population Census

Table 2.8 shows the difference between urban and rural areas, as well as between young men and women in terms of youth employment to population

ratios. The employment rate of young men is higher than that of young women. The employment rate of young men in 2010 was 55.9 per cent, which was 4.4 per cent higher than that of young women.

With regard to urban and rural areas, the employment rate of rural youth is higher than for urban youth. The employment rate of rural youth in 2010 was 64.1 per cent, and the rate at city and township level was 44.2 per cent and 46.0 per cent respectively. The gap between urban and rural areas is striking. Among the various groups, the employment rate of rural young men is the highest, at 66.6 per cent. The employment rate of urban young women is the lowest, at 42.7 per cent. As discussed in the section on labour force participation rates above, the differences are attributable to rural and urban gaps and societal gender relations.

Table 2.6 Youth employment-population ratio according to gender in rural and urban areas (2010) Unit:%

	General	Male	Female
Total	53.7	55.9	51.5
City	44.2	45.7	42.7
Township	46.0	48.3	43.7
Village	64.1	66.6	61.5

Source: The Sixth National Population Census

The employment status of young people is shown in Table 2.7. In recent years, the structure of employment status of young people has changed greatly. Among young people aged 16–19 and 20–24, the proportion of young people with an employment status of “employee” has increased. Their proportion in 2012 was 61.4 per cent and 67.1 per cent respectively. The proportion of the self-employed has greatly decreased. In 2007–2012, among young people aged 16–19 and 20–24, the proportion of the self-employed has decreased by 25.3 and 25.9 percentage points respectively.

The proportion of employers and family helpers has slightly increased, but their proportion in total employment is still quite low. This change shows that more young people enter employing units for work, and less young people choose self-employment. This is at least partly attributable to the very recent transformation China has undergone to a market economy and the consequent reluctance young people may feel in starting an enterprise. Employment in an enterprise, particularly State-owned enterprises and major private sector businesses, is seen as more secure and prestigious.

In addition, self-employment and family help are considered flexible employment.⁹ As a result, the proportion of young people in flexible employment is decreasing.

⁹Flexible employment is mainly composed of the self-employed, family helpers and other flexible employees.

Table 2.7 Employment status composition of youth employment (2007-2012) Unit:%

Employment status	16-19			20-24		
	2007	2009	2012	2007	2009	2012
Employee	38.4	42.7	61.4	43.7	45.9	67.1
Employer	0.3	0.4	1.1	0.9	1.2	2.0
Self-employed	59.4	54.2	34.1	53.4	50.2	27.5
Family helper	1.9	2.7	3.4	2.0	2.7	3.4

Source: The Sixth National Population Census

The sectoral distribution of youth employment is shown in Figure 2.8. Labour-intensive sectors such as agriculture, forestry, animal husbandry, fishing, manufacturing, wholesale and retail, accommodation and catering, and construction absorb more young employees. In comparison with the total labour force however, the proportion of young people working in agriculture, forestry, animal husbandry, and fishing industries (39.6 per cent) is lower than the proportion of general employees (48.3 per cent), with a difference of 8.7 per cent.

Figure 2.8 Industry distribution of youth employment (2010) Unit: %

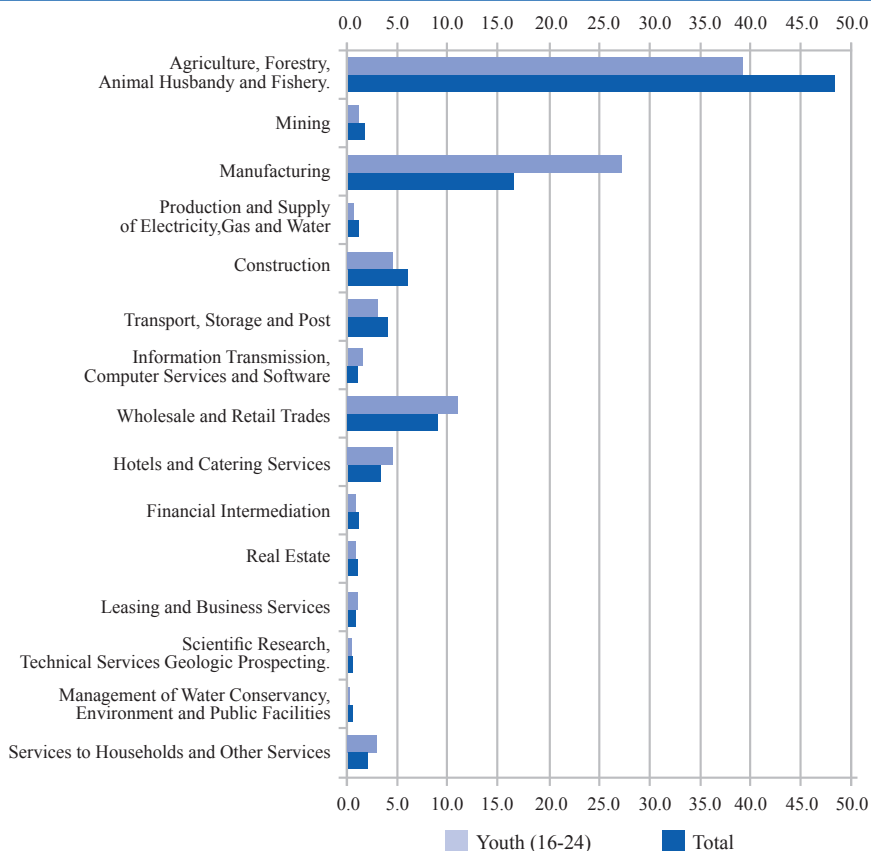
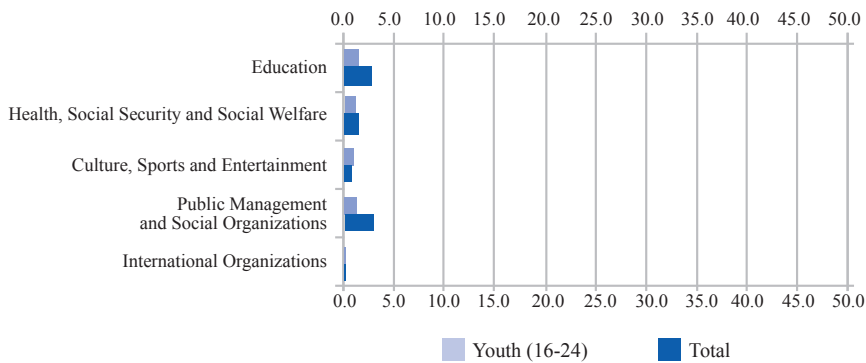


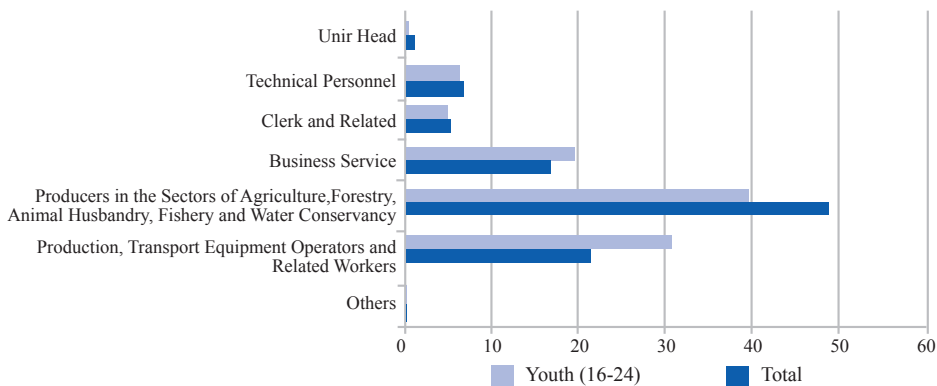
Figure 2.8 Industry distribution of youth employment (2010) Unit: % (continued)



Source: The Sixth National Population Census

Similarly, the occupational distribution as shown in Figure 2.9 also shows that, in comparison with the total employment situation, the proportion of young people working in the agriculture, forestry, animal husbandry, fishing and irrigation industries is lower, and the proportion of young people working in production, equipment operation and commercial and service staff is higher.

Figure 2.9 Occupational distribution of young people (2010) Unit: %



Source: The Sixth National Population Census

2.2.3. Youth employment in the informal economy

Gathering data on the informal economy has been a challenge in many countries, not least because of varying national definitions and the difficulties of statistical collection where work does not fall into formal patterns. Since 2003 however, the task has been made easier through the development of international statistical guidelines on informal employment.¹⁰ The guidelines take into account two different aspects of informality: those based on the economic unit or enterprise (informal sector) and those based on the job (informal employment). Importantly, this includes informal work that may take place within the formal economy, such as the use of casualized labour.

Until recently, data on informality in China has been scarce. An ILO study (2013) provides direct measures of informal employment in China, although it only focuses on six urban areas (namely Fuzhou, Guangzhou, Shanghai, Shenyang, Wuhan and Xi-an). The percentage of informal employment is 32.6 per cent, quite significant in absolute terms, but lower than in the other countries of the region included in the same study.

In China, informal employment is described in different ways; however, it is mainly characterized by the lack of a labour contract and social insurance. According to Schucher, studies in non-standard employment relations in China have estimated even higher rates, with up to 60 per cent of jobs in industry and services without contracts, part-time or informal, implying that certain sectors have a greater prevalence of informality. (Schucher, 2014)

This is further confirmed by a survey of five Chinese cities, which showed that among 40 million construction workers, only 17.4 per cent had written contracts. Only 41.5 per cent had some kind of social insurance, and only 7 per cent had any kind of work-related injury insurance (*Ibid*).

While these studies are not disaggregated by age, it seems likely that young people are highly affected by informality, particularly in rural areas. Young workers in general are less likely to have access to social insurance than adult colleagues, and are often less organized and therefore less able to claim rights and benefits than adult workers. Similarly, with lower levels of experience, they have less bargaining power and are more likely to take work without written contracts and with worse working conditions.

Official data on informality is not readily available, and existing statistics do not cover job quality. However, in 2011 data on informality became available for the first time using the international statistical definitions, albeit limited to six cities in China.¹¹ The resulting information was able to provide a snapshot of the

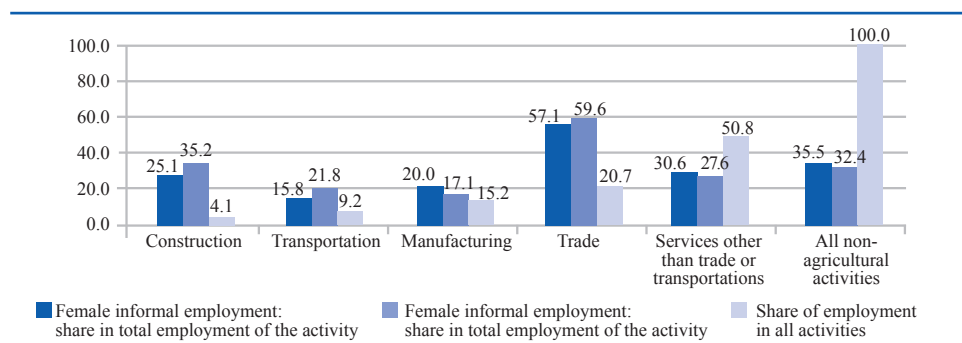
¹⁰ See the 17th International Conference of Labor Statisticians (ICLS) Guidelines for a statistical definition of informal employment, 2003. http://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labor-statisticians/WCMS_087565/lang-en/index.htm

¹¹ Fuzhou, Guangzhou, Shanghai, Shenyang, Wuhan, and Xi-an.

scale of informality in urban areas. While the levels of informality are not high relative to countries such as India, it is still a significant source of employment. Estimates from these six cities show that some 33 per cent of non-agricultural employment is informal (ILO, 2011). They also showed that informal sector employment comprises a larger proportion of non-agricultural employment (at 21 per cent) than informal employment outside the informal sector (at 12.5 per cent).

While this data is not disaggregated by age, it is disaggregated by gender, showing that women are more likely to be engaged in informal employment than men (36 per cent compared to 30 per cent for men). Figure 2.10 below shows that informality is found in a range of sectors in urban China, with particularly high levels in trade and services.

Figure 2.10 Non-agricultural employment in China in 2010



Source: ILO Statistical update on employment in the informal economy, 2012

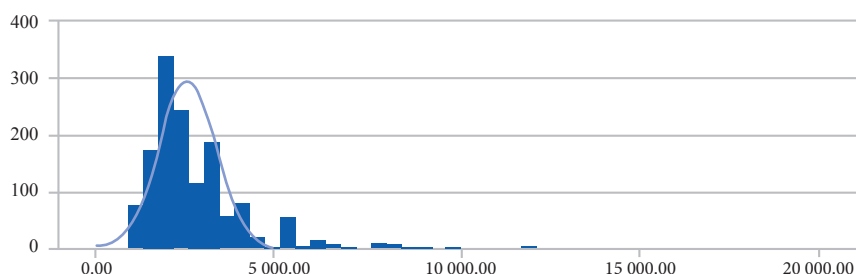
A significant proportion of the informal economy in China is a result of internal migration. In many cases migrant workers are subject to non-payment of wages, dismissal without notice or compensation, lack of any protection, unsatisfactory occupational safety and health (OSH) conditions, and the absence of such benefits as insurance, pension, sick leave and medical coverage. Their labour protection and rights are further hindered by the existence of the Hukou household registration system. The problems faced by internal migrants are discussed in greater detail in Chapter 3, which focuses on difficult labour market transitions.

While it is clear that migrants constitute a large segment of the informal economy, it is unlikely that they are the only category of workers. Informal jobs and casualized work are also likely to exist within the non-migrant workforce. Similarly, the informal sector is also probably quite significant, though data is currently unavailable. The lack of statistics on informality (beyond the 2011 snapshot of urban informality in six cities), is an obstacle to developing viable policy solutions for the informal economy. As discussed in the Recommendations section, this is one area where China may wish to focus attention, both in terms of data collection as well as in policy development.

2.2.4. Wage and working conditions for youth

Currently there is little data on the wages of young people in China. Some information is available, however, on the starting salaries of graduates. According to the China Wage Development Report (2013–2014) issued by the Institute for Labour and Wage Studies under the Ministry of Human Resource and Social Security, the average starting salary of graduates at various education levels in 2012 was ¥2708.06/month. The starting salary of graduates follows a distribution that is skewed to the left, with the starting salary of most graduates below the average. The percentage of graduates with a starting salary lower than ¥3000/month was 78.6 per cent, as shown in Figure 2.11.

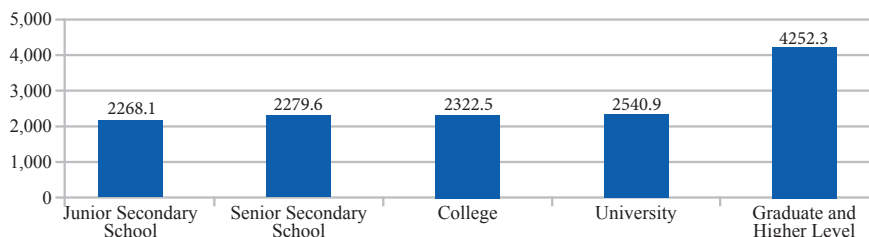
Figure 2.11 Distribution of starting salary of graduates (2012) Unit: ¥/month



Source: China Wage Development Report (2013–2014)

In terms of education level, the starting salary of graduate school graduates is higher than other groups. The starting salary for graduates from middle school, high school, junior college and college is growing with education level, but generally similar, as shown in Figure 2.12. The result of the other two surveys on the salary of graduates¹² shows that the gap between the starting salary of junior college graduates and college graduates is bigger, as shown in Table 2.10 and Figure 2.13.

Figure 2.12 Comparison of starting salary between graduates of various education levels in China (2012) Unit: Yuan/month



Source: China Wage Development Report (2013–2014)

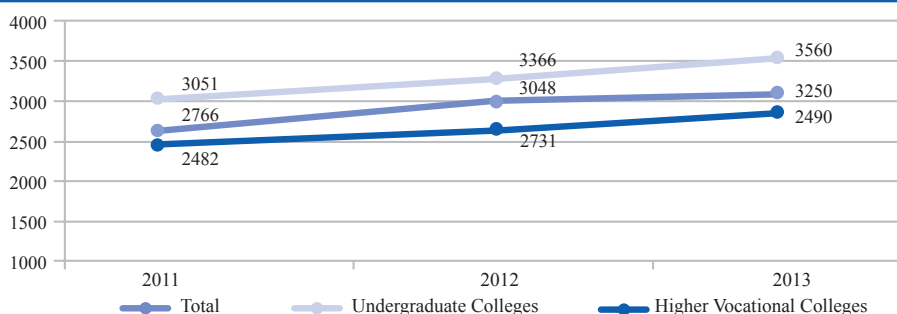
¹² These two surveys are the National Survey on Employment of College Graduates by the Education and Economy Research Institute of Peking University and the China College Graduates Employment Report issued by Mycos.

Table 2.8 Results of survey on the starting salary of college graduates (2003–2011)
Unit: ¥/month

	2003	2005	2007	2009	2011	Annual growth rate (%)
Junior College	1 356	1 413	1 410	1 510	1 856	4.0
College	1 502	1 618	1 788	2 276	3 743	7.8
Graduate School	3 009	2 790	3 469	3 637	4 003	3.6
Ph.D	3 021	3 035	3 252	3 757	5 118	6.8
General	1 569	1 659	1 798	2 331	2 394	5.4

Source: National Survey on Employment Situation of College Graduates

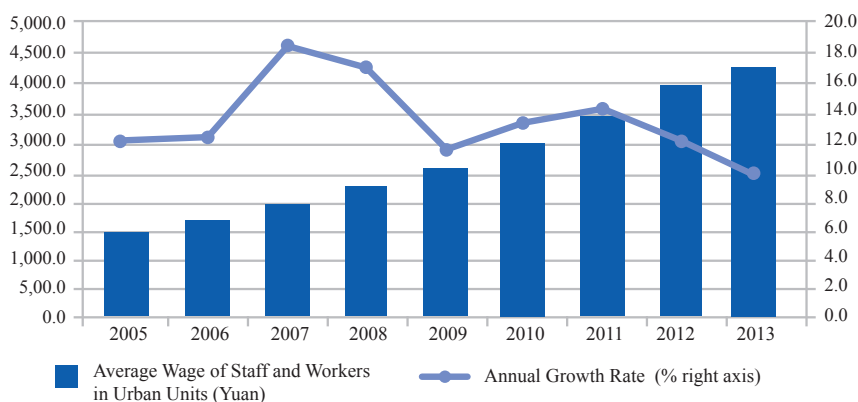
Figure 2.13 Monthly income of college graduates six months after graduation (2011–2013) Unit: ¥/month



Source: China College Graduates Employment Report (2014)

Compared with the average wage of urban employees in China, as shown in Figure 2.14, the starting salary of college graduates is lower, as is the annual growth rate.

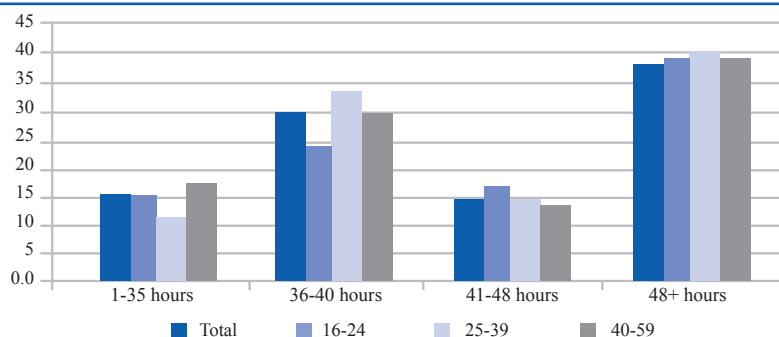
Figure 2.14 Average wage and growth rate of urban employees in China (2005–2013)



Source: China Statistics Yearbook (2014)

In terms of working time, the situation of overtime among youth is more serious than for other age groups. The proportion of youth with a working time of between 41–48 hours per week is 17 per cent, and the proportion of youth working for more than 48 hours per week is 39.1 per cent, as shown in Figure 2.15.

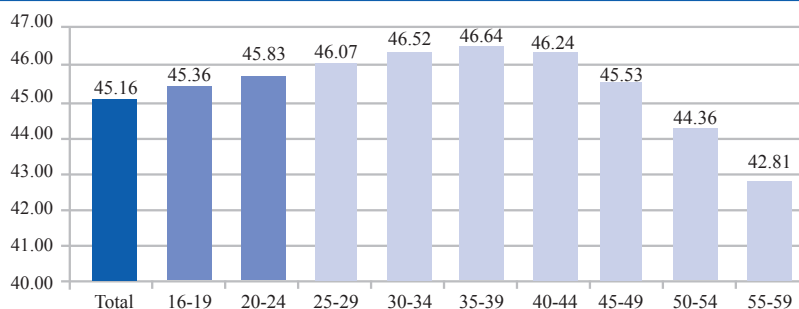
Figure 2.15 Average weekly working time by age (2010) Unit: %



Source: The Sixth National Population Census

The average weekly working time for the 16–19 and 20–24 age groups is 45.4 hours and 45.8 hours respectively, which further demonstrates that youth are subject to long working hours, as shown in Figure 2.16.

Figure 2.16 Average weekly working time by age (2010) Unit: hour



Source: The Sixth National Population Census

2.2.5. Youth unemployment

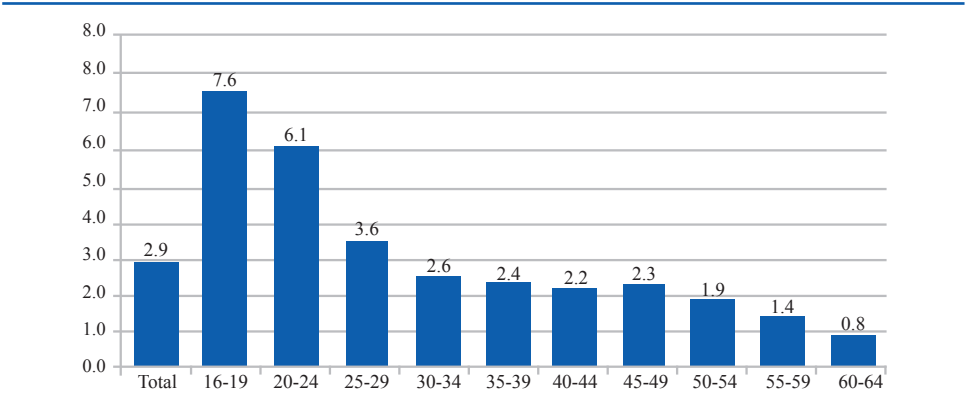
For many years, data on youth unemployment was unavailable, with neither the NBS nor the MOHRSS publishing statistics since the 1990s. Official data on general unemployment has remained between 4 and 5 per cent over the last decade, but should be interpreted in the light of a number of caveats. Firstly, official data is based only on urban workers who register for unemployment

benefits. For the estimated 260 million internal migrants – or 20 per cent of the working population – lacking the all-important household registration (Hukou) in destination cities, registration for unemployment is not possible. Secondly, the rates of general unemployment remained unchanged even during the worst parts of the global financial crisis when it is likely that tens of millions of jobs were lost, at least in the short term. Furthermore, there are likely to be large regional variations given that economic growth is concentrated in specific hubs. Unemployment rates also do not take into account the extent of discouraged workers, and the recent extension of social protection may also impact the rates.

Since data was not available from China, in 2014, using Chinese labour force data, the ILO estimated that youth unemployment was around 9.7 per cent for the year 2012. (ILO, 2014) Obtaining accurate data on youth unemployment rates will thus be essential for China to develop effective policy responses. This is discussed in the Recommendations section.

The figures presented below have been prepared for this report using data from the Sixth National Population Census. They show an average unemployment rate of 6.4 per cent for youth aged 16–24 years in 2010. Disaggregated by the different youth cohorts, it shows that the rate was 7.6 per cent for those aged 16–19 years, while the rate for those aged 20–24 years was 6.1 per cent. As shown in Figure 2.17, the unemployment rate for those aged 16–24 was significantly higher than for other age groups, and was on the rise.

Figure 2.17 Age-specific unemployment rate (2010) Unit: %

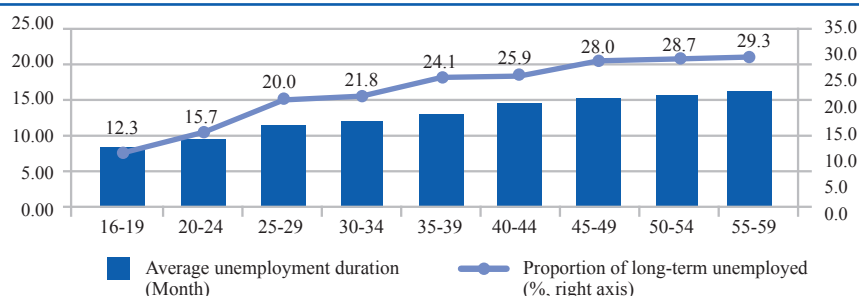


Source: The Sixth National Population Census

Although the unemployment rate of youth is the highest among all the age groups, the average time of unemployment is lower, as shown in Figure 2.18. For those aged 16–19 years, in 2010 the average duration of unemployment was 8.7 months; for those aged 20–24 it was 9.7 months. Moreover, the proportion of long-term unemployed people among the population of unemployed youth has remained relatively low. For those aged 16–19 and 20–24 it was 12.3 per cent and 15.7 per

cent respectively, while the proportion for other age groups was higher than 20 per cent and increased with age.

Figure 2.18 Average time of unemployment of unemployed people according to age and percentage of long-term unemployed people (2010)

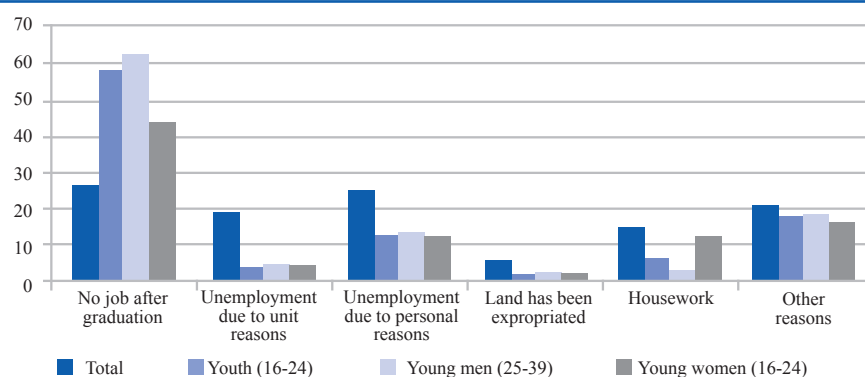


Source: The Sixth National Population Census

Some 58.6 per cent of young unemployed cited no jobs after graduation as the main reason for their unemployment, as shown in Figure 2.19. This is more than twice the rate for the total population, 24.3 per cent of which cite that reason. Youth unemployment happens primarily in the initial transition period from school to work, which has important implications for policy development.

For those who lost a job after being employed, some 12.3 per cent said it was because of personal reasons, while only 3.2 per cent said it was because they were laid off by the employing unit. This to some extent explains the shorter duration of unemployment of youth and the low proportion of long-term unemployment among youth. In terms of gender, the proportion of young women who lost their job due to household chores is higher than that for young men, who mainly lost their jobs for other reasons.

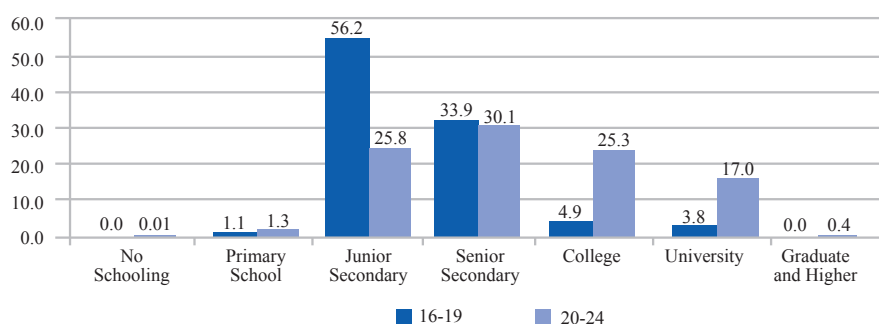
Figure 2.19 Reasons for unemployment of youth (2010) Unit: %



Source: The Sixth National Population Census

In terms of the education level of unemployed youth, as shown in Figure 2.20, the education level of unemployed youth aged 16-19 is mainly middle school (56.2 per cent) and high school (33.9 per cent). With the universal coverage of compulsory education, nearly all young people receive middle school education. In China, people usually enter college at the age of 18; therefore the education level of this age group is mainly junior secondary school and senior secondary school. The education level of unemployed people aged 20–24 is higher, with a high proportion in senior secondary school (30.1 per cent), junior secondary school (25.8 per cent), college (25.3 per cent) and university (17.0 per cent).

Figure 2.20 Education level of unemployed youth (2012) Unit: %



Source: China Population and Employment Statistics Yearbook (2013)

2.2.6. Youth inactivity and discouragement

Strict unemployment rates, which are based on the number of unemployed persons actively searching for work, often do not adequately measure the proportion of the labour supply that is underutilized or the difficulties of finding a job. A more helpful measure is the calculation of those not in education, employment or training – also known as the NEET rate. NEET calculates the percentage of youth that are unemployed, discouraged and inactive. While the discouraged do not look for work because they believe it is futile, the inactive are not looking for work and not contributing to economic activities for a number of other reasons. Aside from those who have lost their jobs and those who are not seeking work, NEET also includes those who will not settle for less than their ideal job. It includes those who choose to live with their parents rather than seek work. Data is difficult to find, though the China Research Centre on Ageing suggests that up to 30 per cent of young people fall into this category. (Schucher, 2014)

In many countries, a disproportionate number of inactive youth are women, often reflecting prevailing social and cultural attitudes, and gender roles.

Official data on the NEET rate is not currently available, and there is little information on the levels of discouraged young workers. While many young

people in China are engaged in education and some are unemployed, there are others who have retreated from the labour market. A Report on the Development of People's Livelihood in China from Beijing University estimated a relaxed rate of unemployment (including discouraged workers – those who would work if work were available but have given up the job search) of 9.2 per cent (*Ibid*).

There is, however, data from the Sixth National Population Census on the non-economically active population,¹³ as shown in Table 2.9. The non-economically-active youth population represents 42.6 per cent of the total youth population. Among them, the proportion of male non-economically-active youth was 40.4 per cent, while the figure for non-economically-active women was 44.9 per cent. In terms of urban and rural areas, the proportion of non-economically-active youth in urban areas was higher than in rural areas, reaching 51.4 per cent.

Table 2.9 Proportion of the non-economically-active population in rural and urban areas by age and gender (2010) Unit: %

	16-24			25-64		
	Total	Male	Female	Total	Male	Female
Total	42.6	40.4	44.9	17.4	9.2	25.7
City	51.4	49.7	53.1	26.2	14.9	37.7
Township	49.5	47.0	52.0	20.4	10.0	30.8
Village	33.1	30.7	35.7	10.5	5.2	15.9

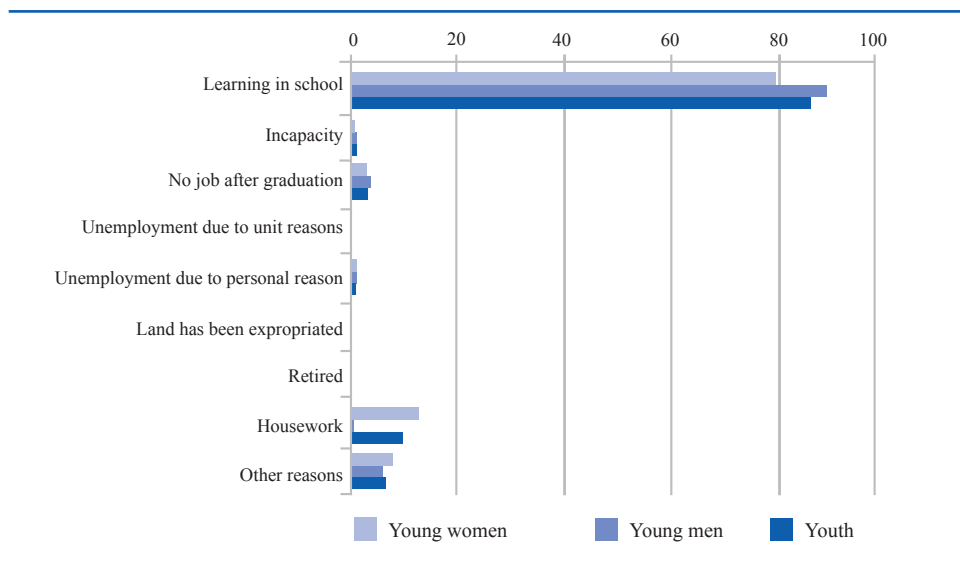
Source: *The Sixth National Population Census*

In terms of the reasons for inactivity, as shown in Figure 2.21, 84.5 per cent of young people are inactive due to their engagement in school. Among other reasons, the proportion of young people that obtain no job after graduation is relatively high (3.8 per cent). In addition, 11.3 per cent of young women choose not to enter the labour market in order to take care of household chores. In the future, with the relaxation of the family planning policy in China,¹⁴ this percentage may increase further.

¹³ The Chinese definition of the non-economically active population is different from international definitions of inactivity. According to international definitions, the inactive are people who are: i) engaged in education and training; ii) engaged in household/care duties; iii) inactive due to poor health or disability; iv) inactive as they do no need (or want) to work and v) inactive as they think no work is available for them (discouraged workers).

¹⁴ China is now implementing the two-child policy, which means couples may have two children if either one of the couple is the only child in his or her family.

Figure 2.21 Reasons for unemployment of non-economically-active youth (2010)
Unit: %



Source: The Sixth National Population Census

The data presented in this chapter illustrates that young people are experiencing difficult transitions to the labour market in China. Unemployment rates are only one dimension of these weak transitions – and, in the case of China, are specifically relevant to graduates. Other dimensions of poor transitions are the types of jobs that young people engage in – including informal, precarious and poorly paid work. Groups at risk of fractured transitions in the journey to the world of work are discussed in Chapter 3.

3 DIFFICULT LABOUR MARKET TRANSITIONS IN CHINA: GROUPS AT RISK

Throughout the world young people are experiencing difficult transitions to the labour market. Though national contexts may differ, there are commonalities in the problems facing young people as they make the journey from school to working life. Among them are inadequate and poor quality education; skills acquisition that lack relevance in the labour market; lack of experience (rather than lack of motivation); poorly functioning labour market information systems that are unable to connect supply and demand; lack of sufficient structural transformation in the economy to absorb the highly educated; lack of institutions to guide young people in their career choices; and labour market structures that make it difficult for young people to gain a firm foothold on the employment ladder and progress thereafter.

Youth employment is also particularly sensitive to business cycles; so, for those young people unlucky enough to be transitioning during periods of slowdown or economic crisis, their journeys to the world of work are often protracted and may even set them off on a lifetime trajectory of inadequate employment outcomes. The 2008 global financial crisis, for example, severely exacerbated already high levels of youth unemployment, which climbed to 12.8 per cent globally. By 2011, young people were three times as likely to be unemployed as adults globally. (ILO, 2012)

While youth can be a vulnerable segment in the labour market, when combined with other markers of social exclusion and discrimination, such as gender, caste, ethnicity, and migration status, the likelihood of poor transitions is compounded. Other categories of youth who have proven to be at risk are those from already poor socio-economic backgrounds, marginalized provinces and rural areas.

A significant proportion of young people are therefore unable to make successful and durable transitions to the labour market around the world. Analysts have recognized the “scarring” that unemployed individuals may experience, such as periodic long-term episodes of unemployment, lower earnings, engagement in poor quality work and, in some cases, persistent lifelong poverty. (Matsumoto et al., 2012)

It is not only at the individual level that the impacts of unemployment are felt. At the societal and economic level, youth unemployment can contribute to increased social unrest and widening inequality, and can impinge on national

budgets as a result of the loss of output and tax revenues.

Although rates of youth unemployment give a sense of the difficulty of transitions, they are only one indication and may have less relevance in contexts where there is no option but to engage in economic activities in the absence of social protection. To gain a broader understanding of the difficulties, it is necessary to take into account levels of underemployment, informality, discouragement and job dissatisfaction among young people. Gathering data on these issues is essential for effective policy solutions. School-to-work transition surveys are an ideal instrument for gaining an in-depth understanding of the challenges facing young people on their path to the labour market (see box below).

Box 3.1: School-to-work transition surveys

The current limited availability of labour market information has made it difficult to provide a satisfactory response to the question of why the school-to-work transition of young people today is such a long and difficult process. At the same time, the goal of improving the transition is among the policy priorities of a growing number of countries. In response to this obvious information gap, ILO developed the school-to-work transition survey (SWTS).

The SWTS is composed of two surveys: one for young people and the other for enterprises. The two-pronged approach makes it possible to generate a large pool of data on the characteristics and labour market attachments of young people, as well as on the enterprises that could absorb them. The data in itself is not unique, although it tends to be more comprehensive than a typical labour force survey.

What is unique about the SWTS is: (1) the development of indicators that define the stages of transition and the quality of transition, and (2) the application of “decent work” as a concept to be integrated into the analytical framework built around the SWTS.

For more details on the SWTS and results of the most recent surveys please see www.ilo.org/w4y.

China conducted a school-to-work transition survey in 2005.¹⁵ While it was able to provide detailed information on the challenges facing young people during that period, the results are less relevant today as a steady social and economic transformation, in addition to the impacts of the GFC have occurred since that time. China may wish to consider conducting an updated SWTS survey to gather much-needed data on youth transitions (see the Recommendations section).

A number of recent studies and surveys have revealed groups that are particularly vulnerable to poor labour market transitions in China: graduates, migrant youth and rural poor.

¹⁵ See: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_158641.pdf

3.1 Graduate students

With China's massive investment in education since 1999, the numbers of highly educated persons have increased dramatically. While youth employment in general is often cyclical – adversely affected by economic slowdowns – in the case of graduate unemployment, it is also structural. The economy has been unable to generate sufficient numbers of high quality jobs to absorb its graduates. While the numbers of graduates are increasing, economic progress and the pace at which technology is upgraded have not been able to keep up. And educational institutions have been unable to respond adequately to the changing skills needs of the increasingly complex economy.

Before the recent efforts at rebalancing the economy, the major drivers behind China's economic miracle were three major sectors: export-oriented manufacturing, construction and capital-intensive and heavy industries dominated by the State, all of which require cheap and low-skilled labour. The demand for highly educated workers has been minimal. Even while reforms are taking place to implement a more sustainable growth model and develop high-end production, the absorption of the large numbers of new, more highly educated labour market entrants has yet to occur. The number of college graduates has continued to grow, making up half of all young people entering the labour market each year. By 2014 that number had reached 7.27 million, with a year-on-year rise of 280,000 people. (China G20, 2015). That is more than seven times the number from 15 years ago. According to the China Household Finance Survey, in 2012 the unemployment rate of young people aged 21–25 was over 16 per cent, while those with primary education had a far lower rate at 4.2 per cent.¹⁶

While there is evidence to suggest that the unemployment of graduates is temporary in nature, the risks of unsatisfactory job prospects and declining mobility are higher than unemployment per se for this group. Graduates often have high career expectations that are reinforced by families who have invested heavily in their children's education. The risks of marginalization and social exclusion are also strong. Many graduates take non-standard jobs while waiting for their dream job. Though data is not available, there is evidence to suggest that graduates may often engage in informal work. Indeed, in the last decade many of the highly educated have become part of what has been termed the “ant tribe”: young, hard-working, and subsistence-living urban dwellers trapped at the margins of society.

The protracted labour market transition difficulties faced by graduates are illustrated by the level of job dissatisfaction, which may be as high as 50 per cent according to some surveys (Schucher, 2014). Many graduates change jobs within the first half-year of starting work. The level of dissatisfaction is higher for those with a Bachelor of Arts (BA) degree than it is for those with junior college education; and it is highest for those in public sector jobs and lowest for those in private sector jobs. On average, young people with a BA and a college education

¹⁶ <http://www.cnbc.com/2014/02/20/>

have changed jobs on average 2.6 times within three years, almost all of them on their own initiative. Fifty per cent have done so because they feel underchallenged or underpaid (*Ibid*).

Vacant posts suitable to graduates are in short supply. In 2013 schools had less success in placing their graduates with signed contracts. Undergraduates were placed at the rate of 35 per cent – 12 per cent lower than the previous year, while post-graduates were placed at the rate of 26 per cent – down 11 per cent from the previous year. The rate for tertiary vocational institutions was 32 per cent – down 13 per cent from 2012.

Faced with this record, the Ministry of Education (MOE) and the State-owned Assets Supervision and Administration Commission (SASAC) issued a notice instructing State-owned enterprises to recruit more graduates than previous years. The MOE further instructed these enterprises not to discriminate against graduates with the rural Hukou registration, for whom the employment rate is considerably less than the national average.

The Government has recognized the scale of the problem and has been seeking to address various dimensions of it. For example, graduates are often less mobile than other workers because of rising housing prices and rentals. As a result, subsidized housing has been offered in addition to research grants for young technology entrepreneurs in some provinces. This is part of strong policy encouragement for graduates to start their own business. In 2013 the provincial Government in Guangdong, for example, announced that graduates who started an enterprise would be given low interest loans, and would be exempt from administrative fees. Similarly, top universities have set up incubator programmes to help graduates obtain the necessary funding to set up a business.

SMEs are the main sources of jobs, with the NBS estimating that they provide around 80 per cent of jobs. Recognizing this, in 2014 the Ministry of Finance announced that ¥3 million per project would be allocated to technological SMEs to subsidize their research and development.

As discussed in Chapter 1, the services sector is growing, though it is still accounts for a significantly lower percentage of the GDP than in other countries. In Korea, for example, it accounts for 60 per cent of the GDP, and for 80 per cent in the United States. The high end of the services sector requires more highly educated labour than construction and manufacturing. The demographic changes discussed in Chapter 2 will propel some development in the services sector, including increased demand for healthcare, transportation, and entertainment and business services. If China were also to enable more private firms to compete with State-dominated economic activities, such as telecommunications, banking and education, this would both create jobs and enhance productivity. Moreover, it will enable China to compete globally in tradeable services and not just in hardware. One high-value area where China has the potential to dominate globally is internet

services; the e-commerce sector has already been able to compete with the United States in recent years.¹⁷

3.1.1 Graduate employment is not just a demand-side problem

Low levels of graduate employment are very common in developing and middle-income countries. The demand-side problem of a lack of structural transformation in the economy is only part of the issue. Poor quality education and education that not is linked to labour market needs on the supply side are also often at fault. So, too, are problems of weak linkages between skills acquisition institutions and the private sector where jobs are being created. Similarly, weak and poorly functioning labour market information systems that are unable to match supply with demand are also a part of the larger picture. There is evidence to suggest that some of these problems may be pertinent to China, in addition to others, such as institutional barriers that hinder the mobility of graduates.

As China's G20 Employment Plan notes, there is a serious lack of skilled workers and a high number of graduates seeking work. This points to a disjuncture in the education and skills being developed and poses questions as to the relevance of education. Estimates show that around one third of graduates work in a job unrelated to their field of study. For some subjects, job correlation is even less than 30 per cent, irrespective of whether the individual successfully graduated or not. Studying technical, engineering or scientific subjects leads to a higher correlation, while liberal arts, environment and law subjects have the lowest correlation (Schucher, 2014). However, evidence suggests that neither students nor universities have adapted their preferences to labour market needs. Indeed enrolments in engineering, the natural sciences and economics have gradually declined.

3.2 Internal migrants

The number of internal migrants reached 263 million in 2012, rising by 4 per cent from the previous year. By 2013, the number had reached 268.94 million. According to the NBS, out of the 151 million rural migrants who moved to urban areas in 2010, 85 million of them were young migrant workers below the age of 30, which is 58.4 per cent of the total (MDG Achievement Fund, ILO, undated). Among these migrants, 40.8 per cent were women. The typical migrant was a young man, either single or one that had left family behind.

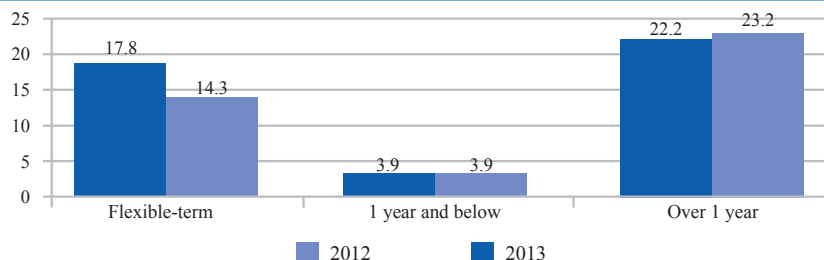
Migration offers opportunities to overcome the impoverishment of rural communities – the total remittance transfer in 2005, for example, amounted to \$30 billion. Nonetheless, while migration may open up avenues to work out of poverty, migrants are also subject to poor working conditions, job insecurity and low pay. Many work long hours and endure a range of occupational and health hazards, and

¹⁷ <http://nationalinterest.org/commentary/china%E2%80%99s-burgeoning-graduates%E2%80%94too-much-good-thing-9674>

are also housed in squalid accommodation. They face socioeconomic difficulties and discrimination. Only a few migrants are covered by social security: 13 per cent are covered by pensions; 20 per cent by occupational insurance; 15 per cent by medical insurance; 7 per cent by unemployment insurance; and five per cent by maternity insurance (*Ibid*). Furthermore, because of such institutional barriers as the Hukou household registration system, migrant populations are less likely to be able to access scarce public resources such as healthcare, education and subsidized housing.

According to the Nationwide Monitoring Survey Report on Migrant Workers issued by the NBS, there are specific problems in terms of the protection of labour rights and the interests of migrant workers: i) low signing rate of labour contracts. In 2013, the proportion of migrant workers who signed contracts with employers or employing units was 41.3 per cent, and the proportion of labour contracts without a fixed term was 14.3 per cent, as shown in Figure 3.1; ii) the outstanding issue of overtime. Table 3.1 shows that migrant workers who left their hometown worked for 9.9 months per year, 25.2 days per month and 8.8 hours per day in 2013, which is higher than the standard; iii) low participation rate in social insurance schemes. Although Table 3.2 shows that the insurance participation rate of migrant workers followed an upward trend, it was generally still very low.

Figure 3.1 Percentage of migrant workers who sign contracts (2012–2013) Unit: %



Source: Nationwide Monitoring Survey Report on Migrant Workers (2013)

Table 3.1 Working time of migrant workers (2012–2013)

Indicator	2012	2013
Annual working time (months)	9.9	9.9
Average monthly working time (days)	25.3	25.2
Average daily working time (hours)	8.7	8.8
Proportion of migrant workers who work more than 8 hours per day (%)	39.6	41.0
Proportion of migrant workers who work more than 44 hours per week (%)	84.4	84.7

Source: Nationwide Monitoring Survey Report on Migrant Workers (2013)

Table 3.2 Social insurance participation rate of migrant workers (2012–2013) Unit: %

	2008	2009	2010	2011	2012	2013
Old-age insurance	9.8	7.6	9.5	13.9	14.3	15.7
Work-related injury insurance	24.1	21.8	24.1	23.6	24	28.5
Medical insurance	13.1	12.2	14.3	16.7	16.9	17.6
Unemployment insurance	3.7	3.9	4.9	8.0	8.4	9.1
Maternity insurance	2	2.4	2.9	5.6	6.1	6.6

Source: Nationwide Monitoring Survey Report on Migrant Workers (2013).

As shown in Table 3.3, migrants include both first-generation and second-generation migrants. The new-generation migrant workers born after 1980 number some 125.28 million, which represents 46.6 per cent of the total number of migrant workers and 65.5 per cent of rural labour.

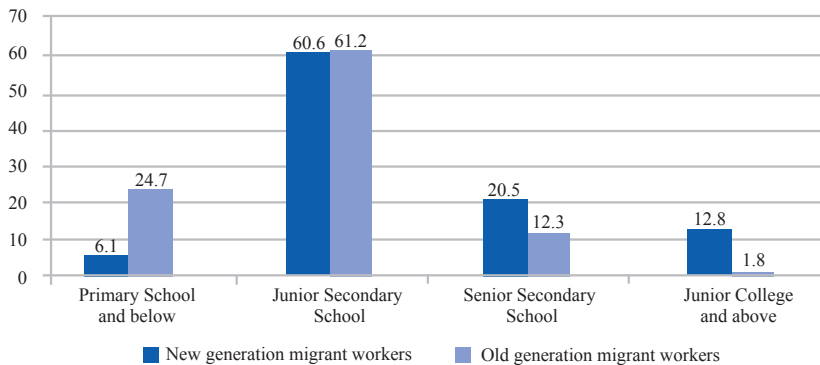
Table 3.3 Number of new-generation migrant workers (2013) Unit: tens of thousands

Indicator	Total	Migrant workers who work outside their hometown	Local migrant workers
New-generation migrant workers	12 528	10 061	2 467
Old-generation migrant workers	14 366	6 549	7 817

Source: Nationwide Monitoring Survey Report on Migrant Workers (2013)

Among the new-generation migrant workers, 100.61 million people, or 80.3 per cent, chose to work outside their hometown; and 24.67 million people, or 19.7 per cent, chose to work locally. The number of younger migrants also seems to be on the rise. The average age at which new-generation migrant workers left their hometown for the first time was 21.7 years, while the average age at which the first generation of migrant workers left their hometown for the first time was 35.9. In addition, compared with the first generation of migrant workers, the education level of new-generation migrant workers is higher. Among them, the percentage of people with education below junior secondary school was only 6.1 per cent; the percentage of junior secondary school graduates was 60.6 per cent; the percentage of senior secondary school graduates was 20.5 per cent; and the percentage of junior college graduates was 12.8 per cent, as shown in Figure 3.2.

Figure 3.2 Comparison of education levels of new- and old-generation migrant workers (2013) Unit: %



Source: Nationwide Monitoring Survey Report on Migrant Workers (2013)

In terms of the destination for the new generation of migrant workers, 68.72 million people, or 54.9 per cent, work in medium and large cities, while the percentage for first-generation migrant workers was 26 per cent. There are also sectoral differences between the two generations of migrants. Some 39 per cent of the current generation work in the manufacturing sector, 14.5 per cent in the construction sector, 10.1 per cent in the wholesale and retail sector, and 10 per cent in the services sector. In comparison, among first generation migrant workers, 29.5 per cent work in the construction sector, 26.5 per cent in the manufacturing sector, 10.9 per cent in the wholesale and retail sector, and 10.6 per cent in the services sector. The proportion of new-generation migrant workers who work in the construction sector has decreased to less than half of that of the older generation of migrant workers.

Among the most vulnerable migrants are school dropouts in rural areas and others with low skills and education. Among migrant workers under age 30, 6 per cent have reached primary school, 14 per cent senior middle school, nine per cent technical secondary school, and 20 per cent technical secondary school and above (*Ibid*). Migrants also have fewer information channels, so they are often uninformed about the difficulties of the migration process and how to resolve problems.

Although fewer women migrate, those that do tend to do so at a younger age than men, and are therefore at greater risk of being engaged in work with worse conditions and lower pay. There are more women than men in the 15–19, 20–24 and 25–29 age cohorts in the migration population (Focus Migration Brief, 2012). Furthermore, there is evidence of occupational segregation in the types of work in which migrants are concentrated. Migrant men tend to be concentrated in transport, communication and construction, where wages are higher. In contrast, women tend to be concentrated in hotel and catering, low-end services, and the manufacturing sector, where wages are lower (*Ibid*).

The problems confronting young migrant workers are gaining increasing policy attention, and in recent times there has been greater coordination between the relevant ministries and Government agencies to uphold the rights of migrant workers. The capacities of the Labour Inspectorate have been strengthened, and awareness on the rights of migrants has been raised among migrants and enterprises. Among the policy measures to support migrant workers in the past decade, there are: vocational training programmes for potential migrants; extended health care delivery, particularly for primary healthcare; and the guarantee of the right to schooling for migrant children.

However, the scale of migration means that these policy measures are yet to have a major impact, and there is ample room for further extension of services for migrant workers, including opportunities for the productive investment of their remittances, more information channels on safe migration, job search techniques and awareness raising on migrant rights, as well as the reform of such institutional barriers as the Hukou household registration system.

3.3 The rural poor

While young people who migrate are at risk of poor youth employment outcomes, as discussed above, so, too, are those who remain in rural communities. Many rural poor are at risk of dropping out of school and not gaining the necessary education and skills needed to compete in a high wage economy. Among the factors that contribute to high rural dropout rates in China are poverty and the need to earn an income, as well as the extremely competitive test-based education, which tends to induce high dropout rates.

With poor quality education in remote and rural areas, there is less likelihood that rural poor will have the opportunity to enter high school or college. Less than half of China's rural poor go to high school, and only 10 per cent go to college (Rozelle et al 2012). Moreover, with the increase in wages for low-skilled work, there is little incentive for many rural youth to remain in school. Rural high school fees in China are high, so the opportunity cost of staying in school is also high. This means, however, that rural youth are unlikely to escape a long-term trajectory of menial and low-skilled work, which may also be informal.

One study by the Huazhong University of Technology and Science estimated that up to 20–30 million young people from rural areas have dropped out of school to follow in the footsteps of their parents as migrant workers (China Digital Times). And this is despite the compulsory 9 years of school.

Similarly, a study by Yi et. al found that dropping out of school in rural China is associated with a number of factors, such as poverty, having a chronically ill or disabled parent, having poor grades, or having parents who are migrant workers.¹⁸

¹⁸ http://reap.fsi.stanford.edu/sites/default/files/Dropping_out.pdf

Another problem is that, despite policy efforts, the quality of rural education in China remains poor: investments are less than in urban areas, there are difficulties in retaining high quality teachers, including shortages in remote locations.

Although these early school dropouts may be able to find jobs readily since the demand for low-skilled work continues unabated, as the economy moves to high-end production, these rural young people will be unlikely to find a foothold in the future high-technology economy, and are in danger of becoming a permanent underclass.

In the short term, while labour shortages are being felt in many areas, these rural poor fill a need in China's economy. However, for the longer term, China may wish to consider a range of options to support the rural poor in order to avoid having inequalities become entrenched. Interventions will need to be developed to open up opportunities for better quality work for the rural poor.

Reducing the financial cost of staying in school through financial and other incentives has proven to be a successful model for retaining the rural poor and other vulnerable groups in education in other parts of the world. China, though, does not currently provide cash transfers to alleviate the financial costs of education for rural communities. To be effective, this would need to be accompanied by even greater investment in rural education in order to offset the trade-offs of remaining in school. As yet, there are few policy interventions that would enable the rural poor to reengage with education and skills acquisition in order to meet the ever-changing demands of the evolving economy. These issues are discussed further in the Recommendations section.

4 POLICIES AND INSTITUTIONS FOR YOUTH EMPLOYMENT

4.1 Macroeconomic and sectoral policy

One of the key determinants of employment outcomes is the policy mix surrounding economic growth. Where employment policies are embedded within macroeconomic and sectoral policies, rather than treated as a residual element of growth, the potential for job-rich growth is amplified.

The 2012 ILO Resolution entitled *The youth employment crisis: A call for action*, emphasized that: “Full employment should be a key objective of macroeconomic policies and that [p]ro-employment macroeconomic policies that support stronger aggregate demand and improve access to finance are essential.”

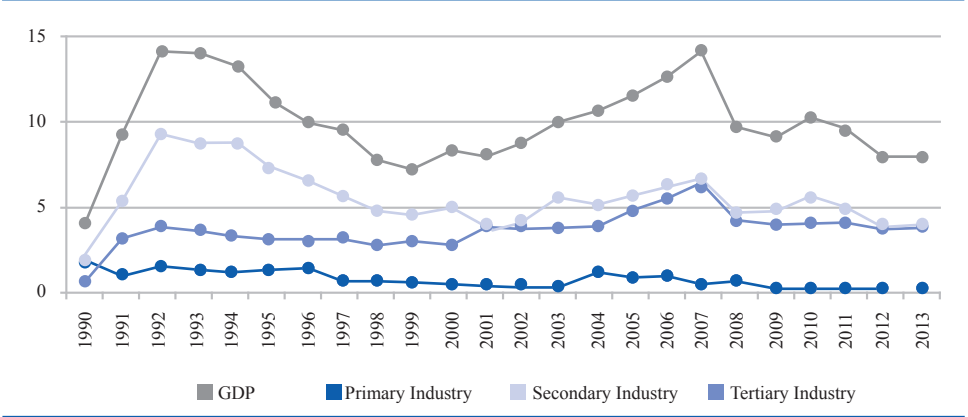
China stands out in this regard as a country that has always promoted employment as a strategic element of socioeconomic development. While prior to market reforms and the opening up of the economy three decades ago, full employment was maintained, it was often at the cost of labour market distortions and lower productivity. As market reforms have unfolded and transformed the economy, the Government has continued to adhere to a framework of increasing employment opportunities and controlling unemployment as one of its principles of macroeconomic control. Policies for expanding domestic demand, exercising stable fiscal and monetary policies, actively adjusting the economic structure are all oriented towards ensuring that economic growth can generate employment growth. All economic plans formulated at various levels of Government are thus required to link economic development with employment expansion.

China is experiencing a slowdown in growth in the recent period. Whereas previously the growth model was fuelled by an inexhaustible supply of cheap labour migrating from rural areas to coastal manufacturing hubs, reforms are taking place to establish a more sustainable economic growth model. The rate of growth is lower, but it is intended to support the rebalancing of the economy and ensure the transformation towards higher-value production.

As part of the process of restructuring the economy a range of policy supports have been put in place since 2013 to strengthen and expand the tertiary sector and increase its share in the structure of the GDP. In 2013 the tertiary sector employed some 296.36 million people, or some 38.5 per cent of total employment, and has

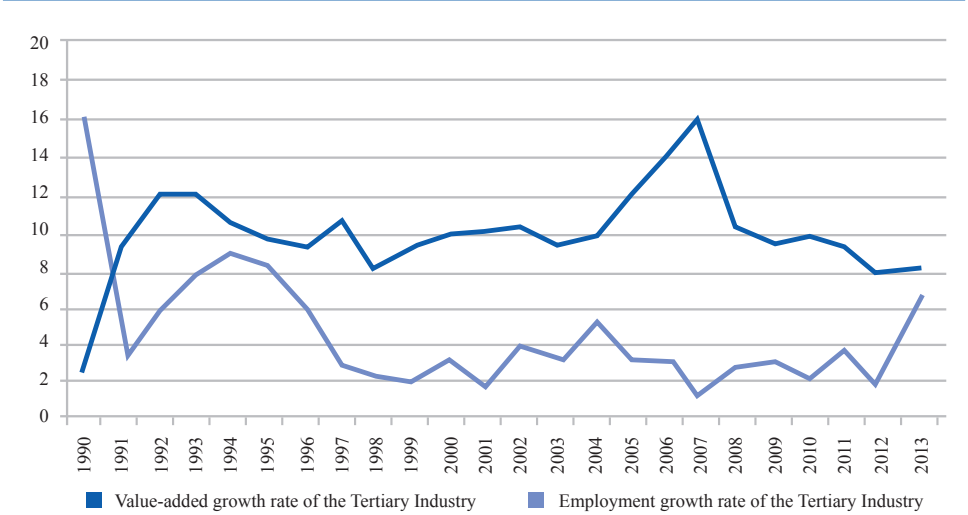
kept growing for three consecutive years (China G20 Employment Plan). While sectoral restructuring is occurring, the labour market has been relatively resilient, in particular since the tertiary sector is employment intensive. Figure 4.1 shows the strong pulling force the tertiary sector exerts on economic growth. The value of output in the service sector grows rapidly, and employment in the sector follows the trend of slight growth. The growth rate of output value and employment follows the same degree of fluctuation, but the fluctuation of output value is larger than that of employment, as shown in Figure 4.2. This shows the strong potential for the services sector to be a major labour-intensive sector and generator of new employment.

Figure 4.1 Contribution of the three strata of industry to GDP growth Unit: %



Source: China Statistics Yearbook

Figure 4.2 The growth rate of tertiary industry value-added and employment. Unit: %



Source: China Statistics Yearbook

The Government has also been actively supporting the private sector by creating an enabling environment for SMEs. Recognizing that SMEs are a major engine of job growth, policy supports have been developed in areas such as financing, taxation, research, development and innovation, market exploration and human resources development. Administrative burdens on enterprises have also been significantly reduced through a series of measures during 2013–2014. Since these reforms have taken place there have been 4.4 million newly registered market entities, an increase of 20.48 per cent year on year. (China G20 Employment Plan)

China's proactive stance towards employment is further exemplified by the use of employment funds under its Employment Promotion Law. Public finance has been used to develop these funds, which are used to assist urban and rural workers to find employment, engage in training or start a business, as well as support public employment services, and to facilitate the participation of employers and those in other social sectors through the provision of subsidies and purchasing services (Zhang et al, 2015). Expenditures under the funds reached ¥446 trillion between 2003 and 2012, and the number of beneficiaries has reached 100 million, indicating the scale of the funds and their outreach.

There are, however, various concerns about the funds. Among them are issues of their sustainability, the proliferation of different subsidies, issues of transparency, low efficiency, and an imbalance towards more passive supports rather than active job creation. Nonetheless, the funds have played an important role in stabilizing employment in China and improving the capacity of the local Government to generate employment. (Zhang et al, 2015)

4.2 Education and training policy

4.2.1 Education

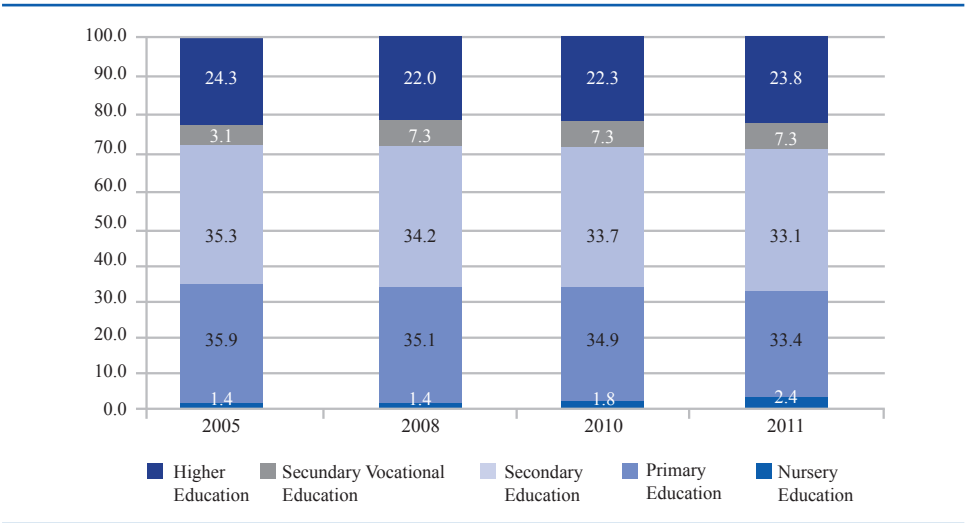
China has made remarkable strides in building up its education system over the last three decades. Its nine years of compulsory education has seen literacy soaring to around 92 per cent of the population, prepared hundreds of millions of young people for the rapidly expanding economy over that period, and has seen the massive expansion of higher education. While the education system has fulfilled the needs of the economy and society, at least until recently, there are a number of areas of concern. Educational reform is high on the agenda. As the economy moves towards increasingly complex production, the education system has been falling behind, and has been unable to generate the innovative and creative skills needed in a high-technology economy. Rural-urban disparities in the quality of education are also apparent. These and other issues will be discussed later in this section.

Funding for education comes from multiple sources; however, Government allocations are the main source. For schools under the central administration, funds are provided by the central Government budget, while schools under the local

administration are funded by the local government budget. For schools organized by villages, enterprises and public institutions, the funds are provided mainly by the organizers, while the Government provides some subsidies. For schools organized by social groups and individuals, funds are mobilized by the organizers themselves. China has increased support to education over the last decade. By 2014 China’s input in education represented over 4.28 per cent of the GDP.

In terms of Government input in various levels of schools, the share in primary school and middle school is relatively high, representing more than 30 per cent, but is on a downward trend. Input into kindergarten, middle vocational school and high school (higher education) is increasing, as shown in Figure 4.3.

Figure 4.3 Proportion of education fund input at various levels in China (2005–2011)
Unit: %



Source: China Statistics Yearbook

Until recently, the education system has served the country well in terms of upgrading its human resources within a generation, creating a strong work ethic, and supporting industrialization and the expansion of the economy. However, there a growing number of contradictions within the labour market. Firstly, prolonged education has led to a decrease in the labour force participation rate of young people, which intensifies the tension between the labour supply and demand. This in itself might not be an issue of concern if young people were able to enter the labour market with skills relevant to labour market needs. However, as will be discussed below, there is evidence that such is not the case.

Secondly, increased education levels have brought about greatly increased human capital investment and education costs, which in turn engender higher expectations in terms of job quality and remuneration. Again, this might not be a problem if the economic transformation required to increase demand for the

highly educated had taken place. This process of structural transformation is still incomplete, resulting in the problems of graduate unemployment discussed in previous chapters.

A major structural contradiction is the supply-side bias of China's education system, which has been discussed in a spate of recent reports. According to McKinsey Global Institute, there is increasing evidence that China's higher education institutions are producing graduates who do not have the skills to satisfy potential employers. Those graduates lack practical application skills and technical training. They may lack problem solving skills, as well as innovative and entrepreneurial capacity, and often lack soft skills such as the ability to communicate effectively (Chen et. al). McKinsey Global Institute estimates that while China graduates 600,000 engineers a year, only around 1 in 10 would have the skills to be employable in a foreign multinational company.

Similarly, an OECD report emphasizes that the knowledge and skills taught at school do not sufficiently match labour market needs. It also states that workplace training-based vocational education is inadequate. The OECD notes that while China has stepped up its spending on research as it strives to go from a nation that assembles products to one that designs products, that has not translated into innovation. China's spending on research and development hit 2 per cent of the GDP in 2013, which is above the European Union average. However, innovation remains weak, as measured by international patenting and trademark registration. It also notes that the bulk of university research is not relevant for business (Molnar et. al, 2015). China's productivity is decelerating, which is particularly worrisome given its rapidly ageing population and the related prospects of slower rates of savings and investment (*Ibid*).

A 2013 study conducted by the My China Occupational Skills (MyCOS) Research Institute revealed that 150,000 graduates found the skills they had learned in school often did not match the needs of companies, particularly in management, programming and "soft" areas of expertise like negotiating, trouble shooting and analysis. Many of these skills are essential to strengthen China's expanding services sector and to reduce China's dependence on manufacturing, investment and exports (MyCOS).

This economy-related structural contradiction is linked, in part, to the education system's emphasis on rote learning and rigid standardized testing, and to overly centralized governance structures. The GaoKao examination is the only entry point to universities and colleges, and it remains the only standardized test for the entire nation. Notwithstanding the extraordinary pressure felt to pass the examination, the test gives little weight to problem solving, creativity, innovation and practical application. And yet the examination is the key determinant of the life chances of many young people. For those young people who come from poor communities, irrespective of how intelligent and capable they are, their chances of passing the examination are minimal given their initial poor-quality schooling.

Many are also discouraged by high levels of graduate unemployment. While there exist some channels for those from poor communities and rural areas to pass the GaoKao today, more and more young people are being encouraged to take alternative education routes, including technical and vocational education and training (TVET).

China has recognized many of these problems. In 2010 it launched a 10-year education reform plan to better meet the needs of the evolving economy and society. Among others, it proposes to reduce the weight of the GaoKao exam by using additional criteria for university applications; to ease the private schools-school matriculation process; and to give provinces the authority to approve higher education institutions. The reform plan also calls for administrative power to be devolved from the level of central Government to that of local Government, and then to the university itself. Schools would also be given more autonomy in the choice of students, and students in the choice of schools. While the reforms are ambitious, there are concerns that the pace of reform is slow and that it will be unable to go far enough in transforming the education system.

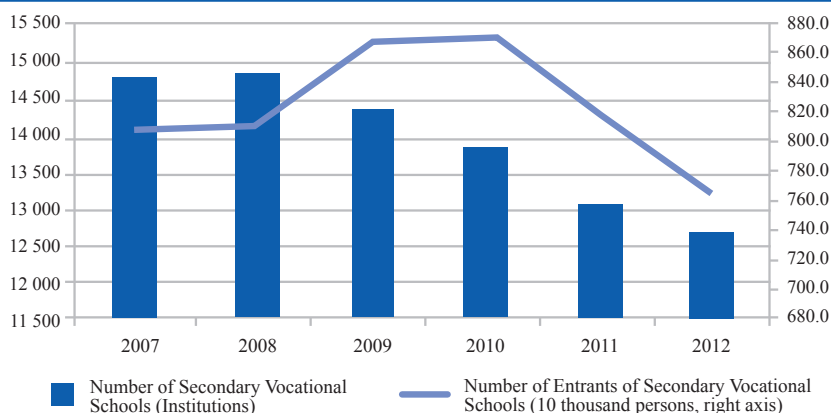
Problems of access to good-quality schooling also persist remain for certain other segments of the population. A number of groups are being left behind, and are being poorly served by the schooling system. Funding for rural schools is significantly less than for urban schools, with consequent impacts on the quality of education and the supply of teachers. As discussed in Chapter 3, many young people in poor communities drop out of education and enter the labour market early. They are likely, therefore, to remain on a lifetime trajectory of poor quality and informal work. Similarly, until recent reforms of the registration system, the children of migrant workers in destination cities were denied access to schooling, placing them at high risk of child labour and lifelong poverty.

Thus, while China has achieved extraordinary success in its education policies, it also faces numerous challenges in its efforts to enable the education system to better meet the needs of its whole population and the economy.

4.2.2 Vocational training and lifelong learning

Compared with ordinary education, vocational education in China is still lagging behind. Under China's current vocational education system, there are three levels of vocational schools: elementary, middle level and high level. The proportion of elementary vocational education and high-level vocational education is not big, and a large part of elementary vocational education is conducted through vocational education penetration in middle school (compulsory education). Middle-level vocational education is currently the main body of vocational education. Figure 4.4 shows that the number of middle-level vocational schools and their enrolment has been decreasing, which is a completely different trend from that of general education.

Figure 4.4 Number of middle-level vocational education schools, and number of students enrolled (2007-2012)



Source: China Education Statistics Yearbook

In order to better develop modern vocational education, the State Council issued the *Decision on Accelerating the Development of Modern Vocational Education*. According to the document, by the year of 2020, China will develop a world-class modern vocational education system with Chinese characteristics that meets the demand of development, merges production with education, links middle-level vocational education and high-level vocational education, and reflects the concept of lifelong education.

While China has recognized the importance of using vocational training to supply skills to the economy, ensuring that these skills are driven by demand remains a crucial challenge. For example, there are poor links between university education and the private sector and labour market. Moreover, there is great scope to link vocational training with long-term forecasts of future labour market needs. Vocational training is still underutilized, and is often seen as less prestigious than other forms of higher education. China may wish to consider extending its incentives structure to encourage more young people to undertake skills training. Vocational training subsidies are already available for a number of high-risk groups, such as the unemployed, rural migrant workers, college graduates and middle school graduates.

4.3 Labour market policy and institutions

4.3.1 Wage policy

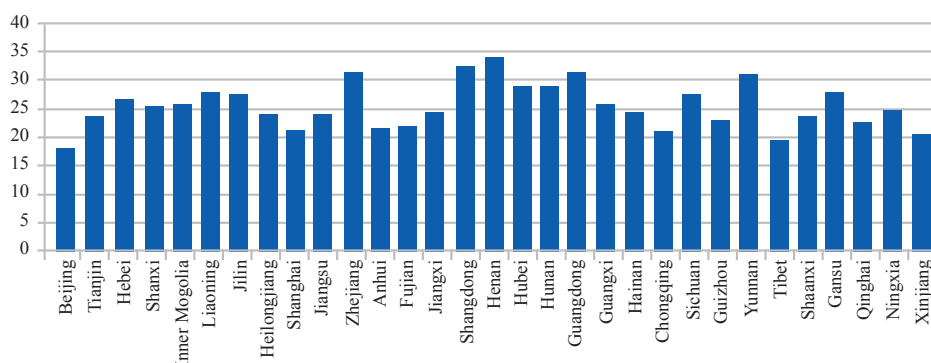
Around the world, minimum wages are used as part of a strategy to increase demand and consumption, and to reduce inequality. For young people, minimum wages can be a particularly important means of increasing purchasing power and preventing unfair and discriminatory pay practices. Minimum wage policies are often subject to much debate and discussion, which is why social dialogue at the national level is essential to ensure a coherent and consistent wage policy framework that offers adequate protection and improves the employment prospects of young workers (ILO, 2012 Resolution).

In the case of China, minimum wages have played the important roles described above, particularly since rapid economic development has contributed to a widening wage gap between urban and rural areas. To ensure that low-skilled workers could benefit from reforms and economic growth, the Government promulgated the minimum wage system in 1995. In 2004, with the implementation of the Minimum Wage Regulation, the minimum wage was widely applied in China as an important labour market institution. From then on, the enforcement of minimum wage has been continuously strengthened. Coverage is growing and minimum wages are increasing throughout the country.

China has a region-specific minimum wage model, which means that each province and city sets up different minimum wage standards in accordance with the local social and economic development situation. In recent years, the minimum wage standard was greatly adjusted in various localities in China. Minimum wages have increased significantly in the recent period. In 2010, 30 provinces nationwide (except Chongqing) increased the minimum wage standard by 24 per cent; in 2011, 25 provinces increased the minimum wage standard by an average of 22 per cent; in 2012, 25 provinces further increased their minimum wage standard by an average of 20 per cent; in 2013, 26 provinces and Shenzhen City further increased minimum wage by an average of 17 per cent.

However, the minimum wage standard in China is still relatively too low. As shown in Figure 4.5, in 2012, the minimum wage in most provinces and cities is 20 per cent-to 30 per cent of the average wage in society, while internationally the percentage is 40 per cent-to 60 per cent. But the industry income gap is large in China, and in some low-income sectors, such as manufacturing, construction and accommodation and catering, the ratio between the minimum wage standard and the industry average wage is higher.

Figure 4.5 Ratio between minimum wage and average societal wage of society in every province and city (2012) Unit: %: %



Source: Minimum wage standards are sourced from the websites of local; the Governments. The data on the average societal wage comes from the China Statistics Yearbook (2013)

As in all countries, minimum wages generate much debate and research. In China, some commentators have expressed concerns that they may be dampening employment. The report *Minimum wages and Firm Employment: Evidence from China* suggests that there are important employment trade-offs when balancing minimum wages with employment generation. Similarly the International Monetary Fund (IMF) found that, on average, a 10 per cent increase in minimum wages led to a 1 per cent decrease in employment. On the other side of the debate, a study by Mayneris and Poncet (2014) suggests that minimum wages have an important cleansing effect on firms. In their study, minimum-wage growth between 2003 and 2005 explains productivity gains of an average of 20 per cent during the same period at firm and city levels. They noted a cleansing effect – minimum wage growth allowed more productive firms to replace low productive firms, and forced incumbent firms to become more competitive. These two effects boosted aggregate efficiency in the Chinese economy.

The debates are therefore ongoing in China, as elsewhere, and should be subject to continuous tripartite dialogue, as well as research, to find the right balance between increasing purchasing power, ensuring the rights of young workers are respected, and generating greater demand for the employment of young people.

In addition to the minimum wage structure, the Government has also been devoted to pushing forward the system of collective negotiation on wages. It has promulgated a series of laws and regulations, improved the legal environment for the smooth operation of the collective negotiation system, and established wage determination mechanisms and growth mechanisms that reflect labour market supply and demand and the economic performance of enterprises. By the end of 2013, 2.42 million contracts were signed nationwide, covering 6.329 million enterprises and 0.287 billion workers. That represents growth of 72.0 per cent,

159.6 per cent, and 55.7 per cent, respectively, in comparison with the year of 2010. The number of collective contracts signed specifically on wage issues was 1.298 million, covering 3.644 million enterprises and 0.164 billion workers.¹⁹

4.3.2. Employment protection legislation

Like minimum wages, regulations concerning the hiring and firing of workers are subject to controversy and debate, with some arguing that they are essential to ensure the fair treatment of workers and others arguing that it has negative impacts on employment generation. As noted in the 2012 ILO Resolution, the formulation and enforcement of employment protection legislation involves trade-offs between the degree of protection of workers, and the incentives for firms to hire, particularly young inexperienced workers and other new labour market entrants. In particular, strict and uncertain procedures concerning the firing of permanent workers, along with high severance payments tend to make employers reluctant to hire young workers on open-ended contracts (ILO, 2012).

However, the issue is nuanced and complex. The ILO has also noted that establishing special arrangements for young workers may also have negative impacts. Country experience has shown that incentivizing the hiring of young workers at the expense of their rights and social benefits, including pensions, health and unemployment insurance, results in increased vulnerability and insecurity in the long term. An ILO review of these consequences has highlighted that low levels of protection and assistance by the State may impact the future development of young workers, negatively impacting their confidence in public institutions (ILO, 2011). The 2012 ILO Resolution on youth employment stated that tackling youth unemployment should not disregard or weaken the protection to which young workers are entitled. Young workers have the same rights as adult workers.²⁰

Temporary and casual contracts with limited protection are often used in some countries to increase demand for young workers. Evidence has shown, however, that youth employment is very sensitive to business cycles. In periods of economic slowdown and crisis, young people are often the first to lose their employment. It is important, therefore, that youth employment policies promote the transition from temporary jobs to stable jobs for young people.

Like minimum wages, the optimum balance between fair protection and measures to increase the demand for young workers can only be found through tripartite dialogue at the national level.

China has been making much progress in improving labour market legislation and regulations. Prior to 2008 regulations were weak and restrictions on dismissal and temporary employment were low. Non-payment of wages, poor wages, abuses of

¹⁹ *Human Resource and Social Security Development Statistics Report, 2013*

²⁰ *The youth employment crisis: A call for action*

probation periods, and the proliferation of short-term contracts were commonplace. With the adoption of the 2008 Labour Contract Law and its subsequent amendment, however, measures to protect employment have become stronger, particularly for permanent workers.

Box 4.2 Provisions on employment protection in labour contract law

Restrictions on the dismissal of employees with formal contracts:

- **Notification procedure:** Employing unit must notify labour 30 days in advance, in writing, or may terminate labour contract after paying labour one extra month of salary.
- **Economic compensation:** Economic compensation is paid according to the length of service. Employing unit shall pay labour compensation equal to one month's salary for every working year. If working time exceeds six months but is less than one year, it is counted as one year. If working time is less than six months, employing unit shall pay compensation equal to half a month's salary to the labour.
- **Probation period:** If the term of the labour contract exceeds three months but is shorter than one year, the probation period shall not exceed one month. If the term exceeds one year but is less than three years, the probation period shall not exceed two months. For fixed-term contracts with more than three years and non-fixed-term contracts, the probation period shall not exceed six months. Employing unit and labour can only agree on probation period once.
- **Restriction on dismissal:** In the following situations, the employing unit shall not cancel labour contracts: i) if labour is exposed to occupational hazards and does not undergo a professional health check before leaving his/her post, or if patient is suspected of having an occupational disease, has been diagnosed or is under medical observation; ii) labor labour has occupational disease or work injury and is loss of part or all of work ability is confirmed; iii) labour has non-work-related disease or injury and is undergoing medical treatment; iv) female workers in the process of pregnancy, childbirth and breast-feeding; v) labour has been working in the same employing unit for 15 consecutive years or more, and is less than five years away from the legal retirement age; vi) other situations according to law and administrative regulations.

Regulations on temporary employment

- **Fixed-term labour contract:** Employing unit and labour may enter into a fixed-term laborlabour contract based on agreement.
- **Renewal of fixed-term labour contract:** Fixed-term labour contract may be established for, at most, two consecutive periods.
- **Labour dispatch:** Labour dispatch is a complementary mode of employment, and may only be implemented for temporary, supportive or alternative posts.
- **Restriction on labour dispatch contract:** Labour dispatch unit shall enter into fixed-term labour contract (two years or more) with labour. Employing unit shall define termterms of dispatch with labour dispatch unit based on actual demand of posts, and shall not divide consecutive working terms into multiple short-term labour dispatch agreements.

Regulations on collective dismissal:

- If employing unit needs to dismiss more than 20 workers or more than 10% per cent of the total workers, the employing unit should explain the situation to the trade union or all workers 30 days in advance, solicit comments from the trade union or workers, and report to the labour administration.

Box 4.3 Employment protection legislation (EPL) indexes in China, 2012

OECD employment protection legislation is described according to 21 basic items, grouped into three main areas: i) employment protection for workers against individual dismissal; ii) specific requirements for collective dismissals; and iii) regulation of temporary forms of employment. Each of the 21 basic items is scored on a scale from 0 to 6, with higher scores representing stricter regulation. These scores are then transformed into weighted averages to build the four sets of summary measures. The EPL scores for the China in all the subindexes are shown below.

Level 1	Level 2	Level 3	Sub	Index
Regular Contracts	Procedural inconvenience (1/3)	Notification procedures	4	2.36
		Delay involved before notice can start	0	
	Notice and severance pay for no-fault individual dismissal (1/3)	Length of the notice period at 9 months tenure	3	
		Length of the notice period at 4 years tenure	2	
		Length of the notice period at 20 years tenure	1	
		Severance pay at 9 months tenure	2	
		Severance pay at 4 years tenure	6	
		Severance pay at 20 years tenure	6	
		Definition of justified or unfair dismissal	4	
	Difficulty of dismissal (1/3)	Length of trial period	3	
		Compensation following unfair dismissal	4	
		Possibility of reinstatement following unfair dismissal	6	
		Maximum time to make a claim of unfair dismissal	5	
Temporary contracts	Fixed-term contracts (1/2)	Valid cases for use of fixed-term contracts	0	1.88
		Maximum number of successive fixed-term contracts	6	
		Maximum cumulated duration of successive fixed-term contracts	1	
	Temporary work agency employment (1/2)	Types of work for which temporary work agency (TWA) employment is legal	1.5	
		Restrictions on the number of renewals of TWA assignments	4	
		Maximum cumulated duration of TWA assignments	0	
		TWA: authorization or reporting obligations	2	
		Equal treatment of regular and agency workers at the user firm	3	
Collective dismissals		Definition of collective dismissal	6	0.85
		Additional notification requirements in case of collective dismissals	3	
		Additional delays involved in case of collective dismissals	0	
		Other special costs to employers in case of collective dismissals	3	

Source: OECD Database.

<http://www.oecd.org/employment/emp/oecdindicatorsofemploymentprotection.htm/>

Compared to the OECD countries, the employment protection legislation in China is relatively strict, especially in terms of protection against the dismissal of long-term employees. Regulations on individual dismissal and collective dismissal are all very strict and rank number one in 34 OECD countries and nine non-OECD countries, as shown in Figure 4.6. Regulations on temporary employment, however, are relatively relaxed. As shown in Figure 4.7, they are lower than the average level. In general, China has a comprehensive score of 2.59 on employment protection.

It should be noted, however, that the permanent employees are a relatively small proportion of the overall labour force, and that there are fewer protections for the majority of the labour force. There are concerns, therefore, that this could lead to further segmentation of the laborlabour market. Other critics have suggested that strict employment protection will lead to rigidity in the labour market and that, accordingly , there will be a decrease in job opportunities for young people. There are also concerns of the legislation will be very difficult to enforce. For example, in 2011 the All-China Federation of Trade Unions reported that there were an estimated 60 million agency workers, also known as dispatched labour, mostly in State-owned enterprises (SOEs) or Government entities. Their rights are particularly difficult to enforce despite efforts to cap the number of agency workers at 10 per cent per enterprise.

Figure 4.6 Protection against individual and collective dismissal in various countries (2013)

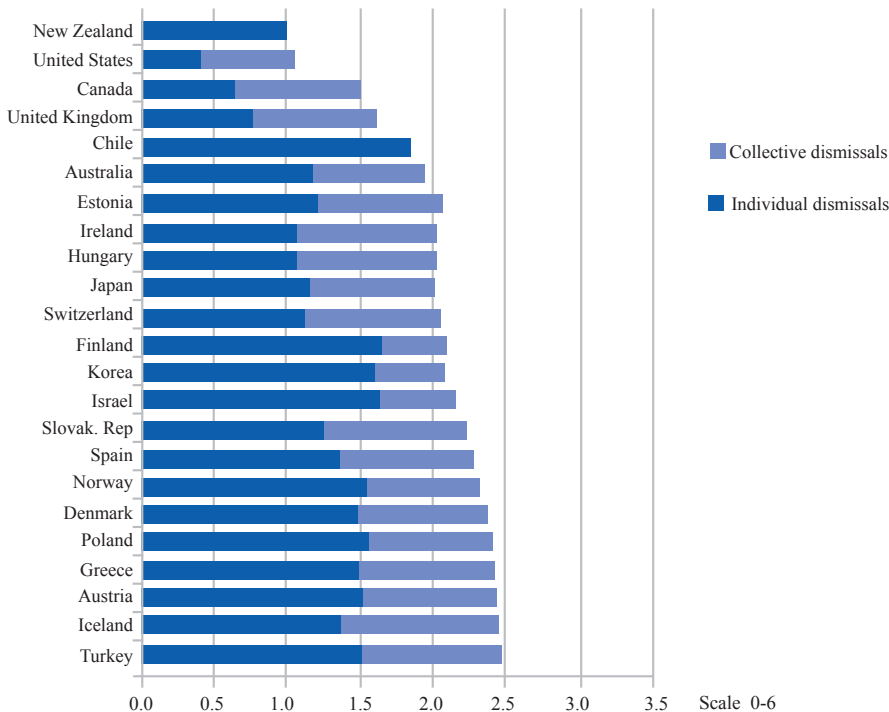
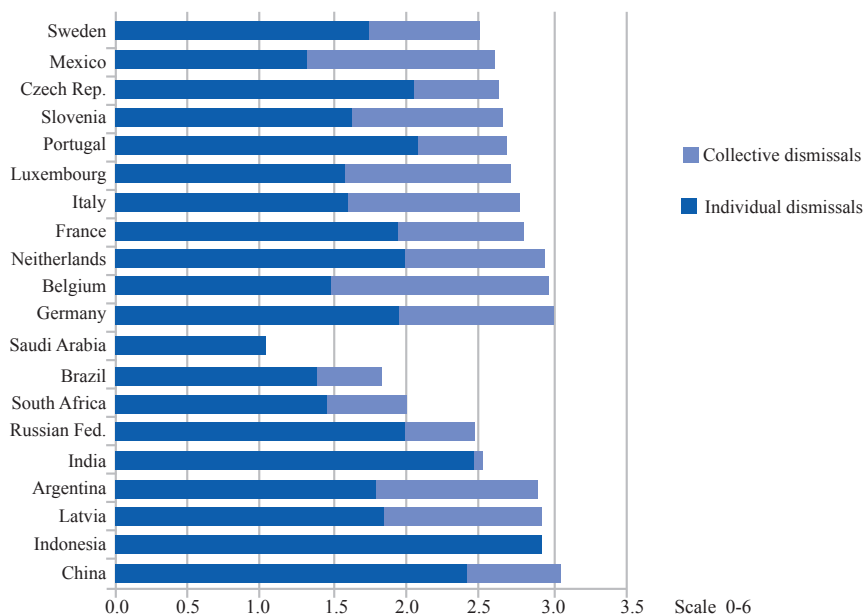


Figure 4.6 Protection against individual and collective dismissal in various countries (2013) (continued)



Source: OECD Employment Outlook 2013

Figure 4.7 Protection of temporary employment in various countries (2013)

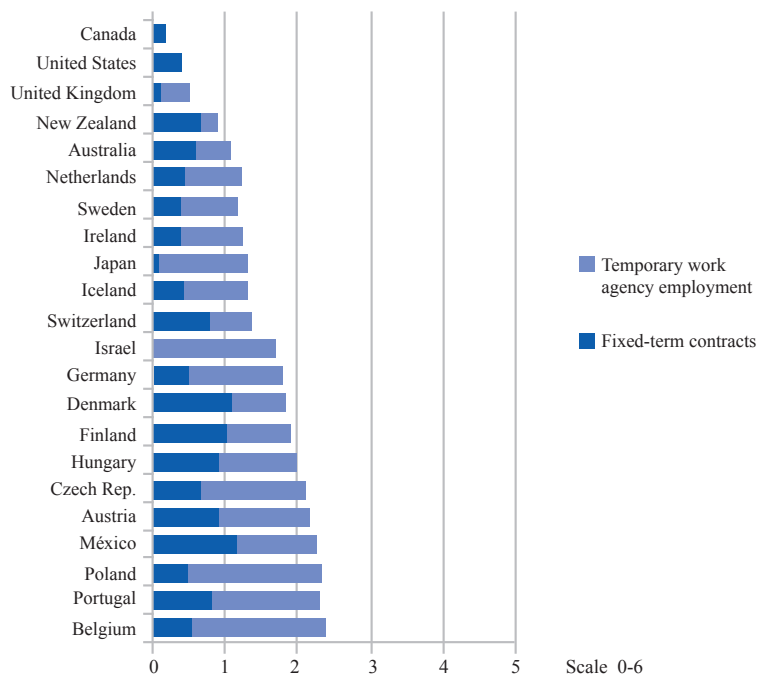
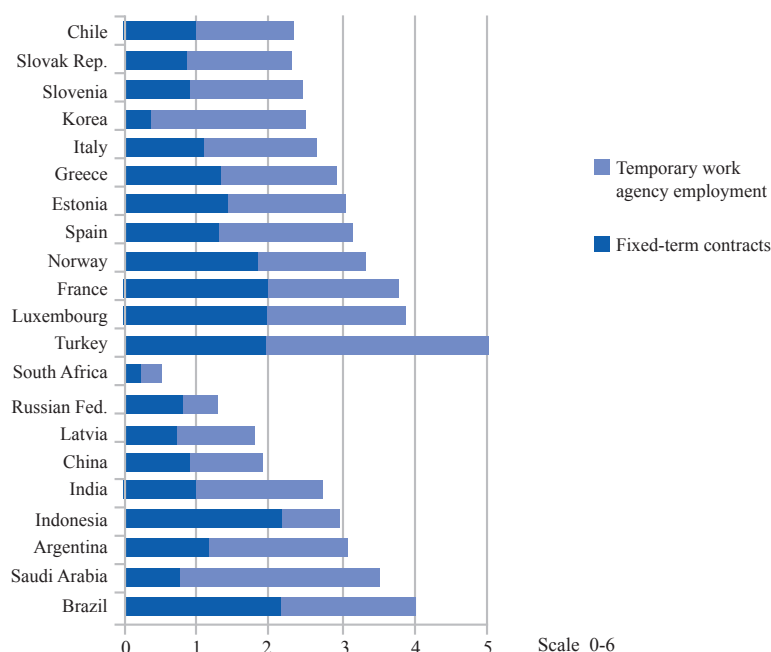


Figure 4.7 Protection of temporary employment in various countries (2013)
(continued)



Source: OECD Employment Outlook 2013

Overall, labour contract law is an important development among efforts to ensure greater equality in the labour market, and to curb social unrest. Nonetheless, the debates on the appropriate degrees of security and flexibility to employ will undoubtedly continue.

4.3.3 Passive labour market policies

Passive labour market policies can help young people remain connected to the labour market while conducting their job search. Such policies, therefore, if combined with active labour market policies, can be key to enabling young people to exit from unemployment. Experience from around the world suggests that a number of criteria need to be embedded in such policies: conditionality (establishing criteria for eligibility); activation (measures to move people back into the labour market) and mutual obligation (recipients must engage in active job search and improve employability in exchange for receiving efficient employment services and benefits) (ILO, 2012).

In China, since living allowance for laid-off workers from SOEs was phased out, expenditures on passive labour market policies principally take the form of unemployment insurance.

While unemployment insurance mainly covers urban workers due to the restrictions of the Hukou registration system, there are some measures for rural workers. If a rural worker has signed a contract with an employing unit, has worked continuously for one year or longer, and the employing unit has paid unemployment contributions, if the laborlabour contract has expired and is not renewed, or the labour contract is cancelled in advance, the social insurance agencies shall pay a lump sum living allowance to that rural workers according to their length of service. The method and standard of allowance is decided by the people's Government of each province, autonomous region and municipality.

In 2013, the number of people who participated in unemployment insurance nationwide was 164.17 million, and the number of people who received unemployment benefits was 1.97 million. A total of 770,000 rural workers received a lump sum living allowance. The total contribution of the unemployment fund in this year was 128.9 billion Yuan, 13.2 per cent higher than the previous year. Expenditures totalled ¥53.2 billion, 18 per cent higher than the previous year. The balance of the unemployment fund at the end of year was ¥368.6 billion.²¹

4.3.4 Active labour market policies

Active labour market policies (ALMPs) include a range of measures, such as employment subsidies to hire young workers, direct public employment creation schemes and self-employment, and training programmes to increase skills and employability. Their objective is to mitigate education system and labour market failures while promoting efficiency and social justice. In many countries, young people are the primary target group. Measures for their reintegration into the labour market include easing the transition to the labour market, targeting high-risk groups, and measures to prevent detachment from the labour market and de-skilling.

International good practice suggests that ALMPs are most efficient when they are based on analysis of the local employment situation, are linked to demand for real jobs, meet the specific requirements of the intended beneficiaries, and include measures to upgrade skills and competencies and employment opportunities of beneficiaries (ILO, 2005).

ILO research shows that ALMPs can yield major economic and social benefits, including greater equity. They can also trigger a virtuous circle of rising demand through income generated in the process. Simulations show the cost-effectiveness of such policies: increasing spending on ALMPs by 0.5 per cent of the GDP can increase employment by between 0.2 and 1.2 per cent, depending on the country context (International Institute for Labour Studies (IILS, 2011)).

²¹ *Human Resources and Social Security Development Statistics Report, 2013.*

China has adopted ALMPs since 2002 to support economic restructuring and counter the massive lay-offs from SOEs. It has also been an important means of mitigating economic shocks such as the global financial crisis. The Employment Promotion Law was promulgated in 2008, and included vocational education and training assistance, free public employment services, measures to eliminate discrimination and improve labour relations.

In the current period, a range of measures are in place to support college graduates who at risk of unemployment. There are also measures to support migrant and rural workers and other at-risk groups.

Public employment services. (PES). Public employment services are divided into two types. The first is PES management agencies, which see to management of the agencies and the labour market. The other is PES operations agencies, which conduct employment brokerage. Services provided include information distribution, employment brokerage, vocational training, entrepreneurship service, and labour and social security services. Public employment services include the provision of employment information, job searching, and assistance in labour mobility. China has established a six-level public employment and personnel service network that covers the central Government, provinces, cities, counties (districts), streets (townships) and communities (administrative villages).

Unemployed college graduates are an important target for PES. There are a number of programmes to support the job-search and unemployment registration, counselling, entrepreneurship support, internships, training opportunities and support for social insurance registration.

Vocational training. Vocational training has always been a major component of China's active labour market policies. Young people, graduates and rural workers are among the primary beneficiaries, and are entitled to allowances based on specific criteria. Among the measures to support graduate students are opportunities for entrepreneurship training, on-the-job skill training, counselling and allowances for vocational training.

Internship plan. An interministerial committee, in partnership with the Communist Youth League and the All-China Federation of Industry and Commerce, developed an internship plan that targeted one million college graduates between 2009 and 2011. There is as yet no evaluation of how effective this plan has been. While the number of internships available has grown, there have also been concerns that internships may not provide adequate employment protection for young workers in certain large manufacturing plants.²²

Employment and social insurance allowances. Employment allowances include vocational training and allowances, social insurance allowances, post allowances and internship allowances. These are targeted particularly to unemployed

²² See for example Jenny Chan, Ngai Pun and Mark Selden. 2015. "Interns or Workers? China's Student Labor Regime." *Asian Studies (Official Journal of the Asian Studies Association of Hong Kong)* 1(1): 69-98.

graduates, rural labour who meet certain criteria, and urban registered unemployed. Micro-and small enterprises are also entitled to receive social insurance allowances if they hire college graduates. They may also be eligible for small credit loans, and Government subsidies. College graduates, too, may be entitled to social insurance allowances if they meet certain criteria.

Public employment opportunities. Public employment opportunities in China mainly take the form of public service jobs. These posts generally include community service posts, administrative posts, such as city environmental hygiene protection, and logistics posts in State organs and public institutions. While these are mainly targeted to older unemployed persons, there are measures to encourage graduates to work for public institutions at the grassroots level.

An example of this is the “College-Graduate Village Official Policy”, which is an employment plan led by the Central Committee of the Communist Youth League and the Organization Department of the CPC Central Committee to encourage college graduates to work at the grassroots level in rural areas. This plan adds vigour to rural construction at the grassroots level in China, and promotes the development of agriculture and rural areas. It plays an active role in coordinating rural and urban development, and in narrowing the gap between urban and rural areas.

Other policies designed to encourage college graduates to work at the grassroots level include volunteer programmes in the western region of the country. There is also a programme that encourages college graduates to work at the grassroots level in rural areas in support of the development of agriculture, teaching, medical work and poverty reduction. There is yet another programme that encourages college graduates to teach in rural areas with a view to promoting compulsory education there. These three programmes relieve the employment pressure felt by college graduates and, at the same time, support medical work, education and poverty reduction in rural areas, especially in the western region of the country. The programmes also promote the development of the economy and social endeavours in rural areas.

Entrepreneurship programme. Recognizing as a major source of employment generation, China has put in place a range of measures to support business start-ups. These measures include fiscal and credit incentives, small loans, social insurance allowances, and streamlined administrative procedures. Awareness-raising programmes are also carried out to encourage young people to start an enterprise.

Migrant workers are also beneficiaries of ALMPs since they are one of the most vulnerable segments of the labour market. In 2006, the Opinion on Issues Concerning Migrant Workers issued by the State Council was promulgated to improve migrants’ opportunities for vocational training, safeguard their rights and provide more secure work. A leading group has been set up to provide policy

guidelines and recommendations. In 2014, the State Council issued the Opinion on Work concerning Migrant Workers ((2014) 40), which provides further requirements on employment and social security for migrant workers.

5 CONCLUSIONS AND POLICY IMPLICATIONS

5.1 Conclusions

Despite the current slowdown in growth, the remarkable resilience of China's labour market can be attributed, at least in part, to its emphasis on employment generation. Employment policies have been at the heart of economic development for some time, even as the economy undergoes the stresses of rebalancing and restructuring. A more sustainable growth model is being put in place, replacing the growth model based on a vast reservoir of cheap labour.

Macroeconomic levers in fiscal, monetary, trade, exchange rate and other policies are still strong despite deceleration, placing China in a good economic position to address its employment challenges. The employment challenges are not to be underestimated however. This report has prepared data showing a youth unemployment rate of 6.4 per cent for young people aged 16–24, which is less than the figure prepared by the ILO in 2014 of a 9.7 per cent youth unemployment rate in 2012. In any case, the rates are much higher than the general population, which hovers above 4 per cent. It also primarily affects highly educated young people. However, it is not the only indicator of weak youth employment outcomes in China. Levels of informality, underemployment, discouragement and job dissatisfaction likely affect millions of young people, though data is not readily available in some cases. With a vast number of young migrant workers and rural poor who are often engaged in poor quality work, China is facing an immense employment challenge.

China's achievements in building up its education system in one generation are remarkable. While the education system served the economy and society well during the period of rapid economic development, it has become increasingly unable to respond to the needs of a more complex and higher technology economy. Many graduates are emerging with skills and education which have little relevance to labour market needs, thus compounding the existing demand-side problems of incomplete structural transformation in the economy. Educational reform is on the policy agenda; however, more efforts may be needed.

Demographic changes are also having significant impacts. The proportion of young people is declining, and the working age population is decreasing as the population structure embarks on an ageing trend. While this may, in the short term, alleviate some employment pressure on young people, in the longer term, it

puts China's modernization drive in jeopardy as the dependency ratio increases and the labour supply shrinks. Demographic trends also reveal the scale of gender imbalance, with the likelihood that there will be 30 million more young males than females by 2020. Without policy interventions to change these trends, the implications for the future labour market, economy, education and health systems will be serious.

The policy review has shown that China has recognized the scale of the problems facing its young people, and has been taking a proactive stance in the policy arena. In some areas the policy gaps are few – there are, for example, a large range of ALMPs concerning graduate unemployment. Therefore, the problem here is more one of implementing those policy measures, and ensuring that implementation takes places on a scale large enough to reach the enormous number of unemployed graduates. There are policy gaps with regard to young migrant workers and the rural poor. Some of the measures in place are not broad enough to reach the many millions of young people disaffected by insecure work, poor working conditions and the weak enforcement of labour rights.

5.2. Recommendations

Tackling graduate unemployment

China has been proactive in recognizing the scale and importance of graduate unemployment, and the number of active labour market policy measures to support graduates has been ambitious, including expanded internship programmes, entrepreneurship opportunities and retraining opportunities. The process of implementing these frameworks is now taking place; what remains is effective implementation and upscaling to ensure the full coverage of this large group of unemployed.

Data from the report has revealed that unemployment for this group is temporary and often occurs at the initial stage of transition to the labour market. Greater focus on training young people in job search techniques, expanded jobs fairs and the strengthening of public employment agencies to cater to the needs of this group are likely to be most effective.

Despite policy supports to encourage entrepreneurship among graduates, many remain reluctant to start a business due to the perception that it is a less prestigious and less secure form of employment. Given that the transition to a market economy has only occurred recently, this is not surprising. Many young graduates continue to view entrepreneurship as too risky. Much could be done to change mindsets, including setting up public awareness campaigns, ensuring credit is readily available, tapping into employers' capacity for mentoring young entrepreneurs, extending incubator programmes that exist in a few universities, as well as those run by private entities, and expanding the incentives that are starting

to appear at the provincial level (such as fiscal incentives, financial services, zero administrative fees, subsidized accommodation, and public procurement contracts).

While these will be important measures on the supply side, the demand side needs to be taken into account in equal measure. There is also evidence to suggest that some graduates are being trained in areas that are of little value in the economy, or that they lack important skills, such as problem solving, critical and innovative thinking, and communication skills. As China's G20 Employment Plan notes, there is a shortage of high-level skills in some areas while, at the same time, many graduates are searching for work.

In order to ensure the analysis of skills that are currently in demand takes place, it is important that public employment services, universities and vocational training institutions maintain stronger links with the private sector and with public employment services. Other countries have experimented with tripartite boards to oversee curriculum development and reform to better meet the needs of the labour market. China could consider such developments adapted to their own context. In any case, there needs to be more extensive forecasting of future labour market needs, which could be conducted by public entities in partnership with the private sector, as part of an overall strategy to upgrade the job information system.

Similarly, China needs to continue with its structural transformation towards a high-technology, high-value-production economy. The further extension of policy supports to expand the services sector are key in this regard. Although China's tertiary sector has now overtaken the secondary sector, services are still a smaller proportion of the GDP than in other countries, such as South Korea, Japan and the United States. Policy measures are being put in place to support the growth of the high-end services sector, which will need continuous investment and strengthening in order to ensure that the demand for the highly educated increases. In parallel to this is ensuring China's workers are able to upgrade their skills to meet the need for more sophisticated technologies and knowledge.

Strengthening statistical compilation on youth employment

The development of good policy solutions to address the diverse needs of young people in the labour market in China requires accurate data collection. While this report was able to bring together secondary data and to compile new data, significant gaps remain. Few statistics were available on underemployment, the extent of the informal economy as well as inactivity using international definitions. The report has been able to provide new data on youth unemployment although updated data on this has not been available for some time. The Government of China may wish to consider strengthening the capacity of the NBS and the MOHRSS to gather relevant data using international statistical definitions.

A short-term measure may be to consider undertaking a new school-to-work transition survey, with ILO technical support, in order to gather relevant data on the needs and aspirations of young people in their search for decent work opportunities. A number of countries have recently undertaken these surveys, and rich experience has been garnered in implementing the methodologies using the instrument since China last undertook the survey in 2005. SWTs are proving to be an invaluable tool to develop an in-depth understanding of the problems that confront young people in the laborlabour market in different national contexts, and feeding into policy development.

Support for young migrants

The report has shown that young migrants are among the most at risk of difficult transitions to the labour market – not because of unemployment, but rather because of the poor quality work they become engaged in. Many are part of the burgeoning informal economy, where their rights and entitlements are rarely enforced. In order to avoid having these young people become a permanent underclass, and to address problems of inequality, China may wish to consider a range of policy supports in addition to the ones already in place.

A priority is the reform of the Hukou household registration system, the institutional barriers of which prevent young migrants from enjoying their full rights as workers. An important component of supporting young migrant workers is the improvement of their working conditions in large cities. Given their very poor current conditions, a holistic approach will be required, including improving such employment conditions as wages, job security, occupational and health issues, and other rights. In parallel to this, efforts should also be made to increase opportunities to strengthen and diversify their skills, as well as to improve their living conditions.

Other areas to consider are effective pre-departure training and awareness raising on rights in sending communities, expanding the expansion of opportunities for accessing to access social protection, and reintegration programsprogrammes for those returning to their communities. Reintegration programsprogrammes, which provide opportunities for vocational training and the development of new skills, as well as the productive investment of remittances, have proven to be particularly valuable in other sending communities around the world.

Opening educational opportunities for the rural poor

A second group that is at high risk of difficult labour market transitions are the rural poor. Young people in these communities are far less likely to gain access to higher education, and are thus more likely to enter the labour market early with far less human capital than their peers in urban areas. The high number of dropouts

in rural areas are due to a number of reasons, including the poor quality education available in remote locations, the highly competitive schooling system in China, the relatively high wages available in low-skilled work and the fees in rural school. The opportunity cost of remaining in school is therefore high. Many rural young people instead opt to become migrants, thus following in the footsteps of their parents. While jobs may be available for them, they are often with poor working conditions and few benefits. The work is also often insecure and informal. Without intervention to support their upskilling, the rural poor may become a permanent underclass and entrench inequalities between urban and rural areas. Furthermore, as growth slows and China transforms to a high-technology economy, the rural poor are unlikely to be able to gain a strong foothold in the rapidly changing labour market.

China may wish to consider a range of options to ensure that rural poor do not mortgage their future prosperity. Many countries have successfully developed conditional cash transfer programmes for groups at risk of dropping out of school and entering the labour market early. These experiences could be tailored to the Chinese context. Furthermore, the rural poor are in need of more opportunities for skills development, particularly vocational training and increased opportunities and incentives for entrepreneurship development. Although these do exist, there is ample scope for their extension. In parallel to this is the need to continue to increase investment in rural education to ensure parity with urban schools. Scholarships and expanded incentives for teachers in remote locations will also be important entry points for improving the quality of education. China has developed innovative practices, including by providing incentives for urban graduates to reduce their education costs by working in remote and rural areas. As yet, there is little evaluation of these policies, but they appear to be promising – helping to tackle not only poor quality education in rural areas, but also supporting the employment of graduates.

Overcoming supply side biases in the education and training system

While China's education system has, until 2015, been able to fulfil the needs of the rapidly expanding economy, the schooling system is increasingly unable to adapt to the needs of the future high-technology and high-end production economy. The 10-year educational reform plan is ambitious although the pace of reform is slow. China could consider launching an evaluation of the changes so far and the blockages to further change. Furthermore, there need to be more systematic links between the education system and labour-demand forecasting in order to enable schools to respond in a timely manner to future market needs.

Opening up dialogue platforms for youth

China has lengthy experience in the organization of young people and the development of strong youth bodies. The All -China Youth Federation, for example, reaches some 300 million youth, and has 52 member organizations and 77,000 individual members. It is a broad-based organization that covers a range of issues, of which employment is only one. There is as yet no specific platform in which young people can engage with regard to employment issues and the challenges of transition to the labour market. Experience from other countries has shown the importance of these platforms in enabling young people to articulate their needs and challenges; it has also shown the importance of dialogue with the relevant national and local authorities. This is important not only to accurately assess the issues surrounding youth transitions, but also to ensure that youth employment issues are placed on the national agenda. Existing tripartite mechanisms on employment in China could also be strengthened by ensuring the voices of young people are more strongly heard. That would provide the opportunity to address a range of rights at work for young people that, currently, are poorly enforced.

Strengthening the rights of young people at work

Currently there are gaps in employment protection for young workers, either because they are not covered under the law or because of weak enforcement. Young people often have lower wages, longer working hours, hazardous or unsafe working conditions and little employment security or social protection. China could consider a review of existing employment regulations for young people in order to identify regulatory and compliance gaps, and provide recommendations for policy and legislative changes.

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