

Youth Employment in China

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I. The Basic Situation of Youth Employment in China

Since 1998, new labour market entrants in China have had peaked and this may last until 2006. During the 10th Five-Year Plan period, it is expected that there will be 10 million new labour market entrants every year and the rural surplus labour force moving to urban areas would also have peaked. In the same time span, there would also be 40 million rural surplus labour force transferring to urban areas in the non-agricultural sectors. The converging (topping-up) of the unemployed and the laid-off employees, new labour market entrants and the migrant rural surplus labour force, will only compound the employment situation in China.

In recent years, the reemployment of the laid-off employees and the unemployed has yet to be fully addressed, on top of which youth employment or unemployment has loomed large. According to a survey, in 2003 the average age of the unemployed was 33.4, and those aged 35 and below took about 70% of the total of the surveyed unemployed. Those who were unemployed for over 2 years took about 55.2% of the total, and those without a job for more than 1 year accounted for 19.7% of the total of the unemployed.

In the context of the overall job supply shortage and structural unemployment, employment of university graduates has become an emerging issue to be addressed, in particular with the surging number of enrolled university bachelor degree students since 1998 and their graduation in recent years.

Table 1: Number of University Graduates in the Years between 2001 and 2005 (in 10,000)

	2001	2002	2003	2004	2005
Number of University Graduates	117	145	212	280	340
Change over the previous year	11	28	67	68	60
Change over the previous year (%)	10.4	23.9	46.2	32.1	21.4

In the past 5 years in China, while the university enrollment has been on the rise by double digits rate, the employment rate has been decreasing. According to the Chinese Ministry of Education, as of June 2001, the first-time employment rate of the 1.17 million university graduates was 70%, as the rate of bachelor degree university graduates was 80% in contrast with 40% for university junior graduates (normally on 2-3 year college programs). A year later in June 2002, the overall first-time employment rate of the 1.45 million university graduates dropped by 5 percentage points to 64.7%. If this trend is to hold, it would mean that the unemployed university graduates would be 0.75 million, 0.99 million and 1.2 million for the following three years of 2003 to 2005 respectively. Youth employment, especially the employment of the university graduates already became an outstanding issue in 2003 catching attention of various walks of the society.

II. Causes to the deterioration of youth employment

i. Overall employment pressure attributes to the lack of job vacancies.

During the 10th Five-Year Plan period, the third baby boom generation will gradually enter into the working age and hence become new labour market entrants. This means the peaking of new labour market entrants, i.e. an average of new labour market entrants by 11.91 million

annually, exceeding 9.12 million new labour market entrants annually during the years of the 9th Five-Year Plan period. To add to the existing urban employed and the laid-off employees, this would mean that the annual job seekers would reach 22 million to 23 million. If the GDP growth is to be maintained at 7%, under the current economic structure, it could only generate 7 to 8 million jobs every year. This shows the annual employment gap is in the range of 14 to 15 million, which demonstrates the magnitude of employment pressure and challenge.

At present, there are 150 million rural surplus labour force. In the future, with rural economic restructuring, the transferring of rural labour force into non-agricultural sectors and their moving into urban cities will only further intensify. The large number of rural migrant workers moving to cities will add extra employment pressure in urban areas.

On the one hand the new labour market entrants are still at their peak, and on the other hand, the unemployment insurance beneficiaries has increased from 580,000 in 1998 to 4.15 million in 2003. In addition, there are 2.6 million laid-off employees. If all these elements are factored in, the available job vacancies would be only limited.

ii. Low skills and qualification of the labour force prove hard to meet the demands of the labour markets

Compared with other developing countries, the Chinese population at working age has some advantage of education attainment. But if compared with developed countries, emerging industrial countries and those in transition, China is at a disadvantageous position. In 2000, the average education length of the population of the age group of 25 to 64 is 7.97 years, and people with advanced education background take only 18% of the total, i.e. out of every 100 people there are only less than 5 with college education background. Out of the total labour force of the country, people with college education takes only 8%, and those with high school education increases only to 11.9%, which would be in contrast with 84.3% for people with elementary high schooling and below.

Out of employees of state-owned enterprises, about 35.9% of them are below 35 years old, among which 7.9% have college education, 38.4% high schooling and 53.7% elementary high schooling and below. The education level of the unemployed is relatively low, with 37.9% of them with elementary schooling and below.

With respect to skilled workers, those with basic skills account for the majority. The highly skilled workers account for only 4%, medium level 36% and basic skill level 60%. About 30% of the urban new labour market entrants have never been trained. In 2001, out of the overall rural migrant workers, only 18.6% of them have received training. Thus the skills of the labour force could hardly meet the demands of ever-changing labour markets. If there would be labour market turbulence, those without adequate skills would be the first to bear the brunt.

iii. Education system and the setting of course structure are lagging behind

The issue of university graduate employment has both overall job vacancy constraint and structural confliction and the latter proves to be primary. With the deepening of economic restructuring, China has shifted away from its original practice under the planned economic model of guaranteeing and placing people into jobs. The employment of university graduates is gradually moving towards market-oriented approach. However, the education system has yet to be market-oriented, as most universities are not given sufficient autonomy and their course structure proves not to be compatible with the market demands. Some universities are not functioning as mandated by the market; or rather these universities are running based on their own teaching conditions, rigid in adjusting their course structure to meet the market demand. This phenomenon is only magnified by the increasing of university enrolment.

iv. Change of Value leads to the change of employment perspective

The generation of people aged between 20 and 30 is the generation growing in the wake of economic reform. Many of them are the single children of their parents due to the one child

policy. They have not only witnessed the great changes in China, but also are influenced by foreign cultures. Under the over indulgence of their parents, they worship freedom and individualism and pursue high income and the realization of their own values. In the process of job search, they are subject to high expectation. They care about material pursuit and seek well-after jobs that provide high wages and good chances of promotion. They are reluctant in accepting ordinary and low wages jobs. With the gap between their expectation and the reality, their unemployment would not be difficult to understand. In addition, good living conditions and over-confidence have made some of them inactive in job searching and may even feel content with unemployment.

Based on the above analysis, youth employment will become another hard-to-crack issue after the phenomena of laid-off employees of the state-owned enterprises and unemployment.

III. Measures taken by the Chinese Government in Promoting Youth Employment

i. Actively promote labour preparation system and gear up the development of the competence of the youth

Labour preparation system is a new labour mechanism aiming at enhancing the competence of young workers and developing a reserve pool of the labour force. In 1999, as a mechanism, force preparation system was introduced and spread in the country. This initiative requests those high school and junior high school graduates who are no longer planning to further their schooling as well as those rural high school and junior school graduates who intend to transfer into non-agricultural sectors rather than advancing their schooling, to undertake vocational training and vocational education for 1 to 3 years. After they have obtained specific vocational qualification or vocational skills, they are entitled to enter labour markets to be employed. Vocational institutions, employment training centers and private training service providers have played a very important role in terms of training while implementing labour preparation policies. In 2002, the above three categories of training service providers trained a total of 1.1 million participants. The Labour Preparation initiative has effectively enhanced

the employability of the vast number of the new labour market entrants, widened their employment channel and prepared them for their career development.

Strengthening pre-employment training to the young labourers is another important measure to enhance their competence. The difficulty of employment for young citizens is the lack of skills, professional experience, their knowledge about labour regulations and the spirit of career devotion. Given the above, various localities have strengthened pre-employment training. For instance, Internship Program was initiated in Shanghai in 2002, as some well established enterprises with high production technology, good managerial capacity provide internship programs to the unemployed young citizens, so they could work as interns for three to six months, at most 1 year in technical positions to enhance their employment competence. For the young interns, the municipality will provide living allowance and pay for their insurance premium. The municipality also provides financial compensation to the enterprises offering internship opportunities. This initiative has gained the support of enterprises, the unemployed young citizens and their families. Up till now, there are already 108 internship enterprise bases, taking on more than 2000 interns.

ii. Implementing Preferential Policies and providing employment services to promote the reemployment of the unemployed of young citizens

The government adopts tax preferential policies to encourage enterprises to take the urban unemployed young persons for reemployment. For instance, the state has made the provision that new businesses could be exempted from profit tax for three years, provided that more than 60% of their employees were previously unemployed urban citizens. After this tax exemption period, these businesses could still reduce their profit tax by 50% for 2 years after the approval of taxation authority, provided that their new recruitment takes more than 30% of their total employees. In the meantime, various localities are establishing their public employment service system to provide employment services to the unemployed free of charge and strengthen vocational guidance to the unemployed of the young citizens and encourage them to participate in employment training activities.

iii. Making efforts addressing the issue of employment of the university graduates

In recent years, the employment of university graduates has emerged as an issue in that their employment rate has been on the decrease. The Government attaches great importance to the

employment of university graduates and has made efforts in widening employment channels, bridging the job demand and supply, strengthening vocational guidance, and providing employment and social security services etc. Only very recently, the Chinese Government has held national conference and promulgated measures on promoting the employment of university graduates. Firstly, the university graduates are encouraged to go to the grassroots and the least (or less) developed localities to work in organizations at communities and rural townships. The Government has the University Graduates Volunteering Program for the Western Part of China, which recruits university graduates as volunteers to work in organizations of education, health, agricultural technology, poverty reduction for 2 years in western poverty stricken counties. Secondly, enterprises and public institutions, especially medium and small sized enterprises and private enterprises are encouraged to recruit university graduates. In almost all cities, the conventional cadres identity, household registration certificate and recruitment constraints are being broken, to increase their employment competitiveness and labour mobility. Thirdly, self-employment and business startups by the university graduates are encouraged. Preferential taxation treatment and micro financing access are provided with business startup training, counseling, policy consultation, feasibility study and follow-up services that are available. Fourthly, improve employment guidance and services. Efforts will be made to establish and improve university graduate employment services information network to provide job placement and vocational guidance services. Fifthly, Vocational High School (and University Junior) Graduates Vocational Skill Training Program will be initiated, to provide vocational training and skill assessment to the current year vocational high school (and university junior) graduates.

iv. Initiate Business Startup of the Young Laid-off Employees Program and Promote the Reemployment of the Laid-off Young People

Out of the enterprise laid-off employees, a quite proportional number of them are young workers in the process enterprise reform and economic restructuring. In order to well implement the reemployment of those young laid-off employees, the Youth League and the Ministry of Labour and Social Security initiated Business Startup of the Young Laid-off Employees Program since 1998. The objectives of this initiative are to facilitate young laid-off employees' efforts in starting up their own businesses. This program is focused on cultivating young entrepreneurs by means of employment training and intermediary services so that the reemployment of young laid-off employees can be promoted. The activities of this program include: encouraging, supporting and cultivating a large number of young entrepreneurs, organizing vocational skill training for the young laid-off employees, providing reemployment intermediary services, guiding the young laid-off employees to change their

perspective and strengthening their business startup orientation.

v. Organizing and Guiding Rural Young Labour Force to be Migrant Workers

Employment information networks have initially been established in major large and medium sized cities in China, providing employment information to the vast number of rural young labour force seeking jobs in urban areas. The governments of the sending areas establish offices in cities of destination to organize labour migration and protect the legitimate rights of the migrant workers. In order to the skill gap of the young migrant rural labour force, the Chinese Government is urging localities strengthening their vocational training to rural migrant workers and enhance their qualification and employability. At present, among other agencies, the Ministry of Labour and Social Security, the Ministry of Agriculture are making specific vocational skill training plans for rural migrant workers with the aim to enhance their competence. The governments of both the sending and receiving localities are required to use vocational training institutes to provide various forms training to the rural migrant works. The governments of sending localities and recruiting enterprises are encouraged to organize specific training activities to support the pre-departure vocational training for the rural migrant workers of sending localities.