

# *Investigate the Causes of High Unemployment Rate in Youth Labour Market in China*

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**Abstract:** The objective of this research is to examine the consequences and issues of youth employment in China. This issue has been encountered by the public in recent years as the unemployment rate increases per year according to reputable resources in China. Nonetheless, there is a high tendency to get even higher in the next few years if no action is taken place by the government. Thus, it becomes important for public to understand the causes triggering this high unemployment rate among college students. In this essay, it seeks to examine the multiple issues of youth unemployment in China, and provides an understanding of the issues and challenges faced in the youth labour market through analyzing the data from resources such as the Chinese National Bureau of Statistics, the Ministry of Human Resources and Social Security, and other authoritative websites. This essay will also advise some possible strategies that can be used to reduce the high unemployment rate in the country.

**Keywords:** Unemployment rate, issues, strategies

## **1. Introduction**

In recent years, China has encountered a significant increase in the youth unemployment rate. As shown in the statistical data from the Chinese National Bureau of Statistics (2021-2023), the youth unemployment rate has seen a steady rise. In 2023, China's youth unemployment rate was 17.3%, 18.1%, 19.6%, 20.4%, 20.8% and 21.3% from January to June [1]. As shown in figure 1 below, in June, it reached an alarming point in the country, over one-fifth of the total population is unemployed in the market. This high unemployment eventually leads to concerns in the global economy. China serves as one of the major players and the world's most populous countries, if the country fails to address youth unemployment efficiently and sufficiently, it could potentially influence the socio-political development and domestic stability as the younger generation fails to contribute to society. Gradually, it resonates with other countries.

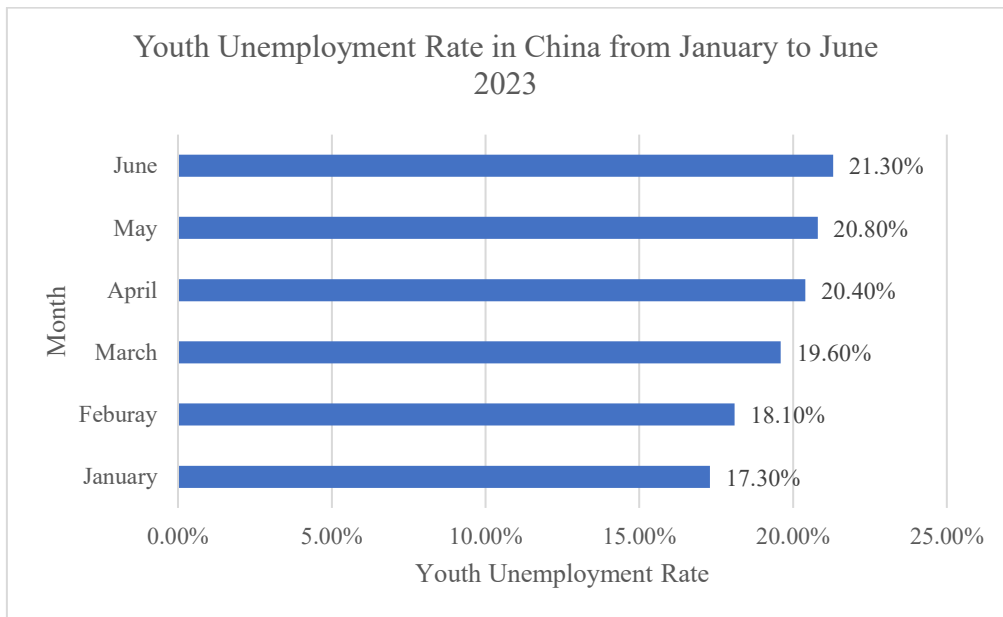


Figure 1: Youth Unemployment Rate in China from January to June 2023 [1]

Additionally, this essay will delve into the factors influencing college students' employment in the market. Compared to the past generations, college students are more willing to choose a less heavy work position and more popular sectors. Therefore, it increases the competitiveness of those sectors. Subsequently, it will explore potential strategies for mitigating youth unemployment, including subsidies for companies that hire unemployed graduates, invest in training and educating those unemployed graduates, and set targets for state-owned enterprises to hire trainees.

Through an analysis of the issues in the youth labour market such as underlying factors and challenges, this essay aims to provide a deeper understanding of youth unemployment in China and provide more applicable and effective policies to address the issues. By tackling these issues, it can unlock the full potential of the youth population, boost the country's economic growth and build a more sustainable society in the future.

## 2. Current Consequences and Issues of Youth Employment Market

### 2.1. High Unemployment Rate

From January to June 2023, China's youth unemployment rate with figures ranging from 17.3% to 21.3% in Chinese National Bureau of Statistics, 2021-2023 [2]. This underscores the severity of the situation and highlights the urgency of addressing the underlying issues. This situation can be even worse as China has seen a rapid influx of graduates into the labour market in recent years, adding pressures to the expansion of job markets. According to the statistics data from the Ministry of Education (2023), the number of graduates has increased by 17.0% from 2021 to 2022 in the figure 2 below [3]. Therefore, it increases the competitiveness for limited job opportunities in the market, particularly in sectors with high qualifications or requirements.



Figure 2: Number of graduates in China from 2012 to 2022 [3]

## 2.2. Shift Away from Traditional Sector

Due to the rapid transformation in China's economic landscape driven by technological advancements and shift away from traditional sectors. It can be absorbed from the notable decline in the willingness of young people to pursue their careers in the manufacturing sector which served as the bases of China's economy, occupying a large portion of China's labour force in the past. According to a survey conducted by the Chinese Ministry of Human Resources and Social Security (2023), only 30% of young adults expressed interest in working in manufacturing, compared to 50% a decade ago [4].

## 2.3. Lack of Skills

Those technologically advanced firms do not want to wait for too long time as graduate students are less experienced and some of them lack of specialized and key skills that are required for those sectors. They also do not want to spend money and time to train and educate those college students. Generally, it will take a long time for those students to be able to cope with some tedious and complex questions. As so, this unemployment is caused by incomplete information between employers and workers regarding job vacancies and required qualifications. At the same time, the market has struggled to initiate job creation and keep pace with the expanding workforce, thus exaggerating the unemployment situation.

## 3. Analysis of High Unemployment Rate

### 3.1. Preferences of College Students

Nowadays, graduate college students prefer to find a job in the state sector as it provides them with basic needs and stable financial assistance as well as their authority and prestige in their own specialized fields. This could also be due to the sufficient amount of income and higher wages received from their company every year which allows them to survive in the society and also support their family. Importantly, compared to other sectors, the employees can hold their positions for a very long time without repeatedly changing their jobs. Additionally, it provides the students with a

comfortable and convenient working space which many of the graduates are looking towards in their search of their job position. Many college students try to avoid those jobs that may take a very long time for individuals to stabilize or some hard-working jobs without assurance unless they are keen on those sectors. Hence, this could lead to a saturation of applications for those state sectors, the data has shown that 1,000 applicants are aiming for each available position in the state-owned companies, thus, intensifying the competitiveness of the employments within the organization [5].

### **3.2. Structural Mismatch in Labour Market**

The high unemployment rate also shows structural unemployment in labour market between graduates and social talent demand in China, as government always looks for college students with talents in engineering and manufacturing [6]. However, those students may not seek to work in those regions after their graduation from college. Some prefer to work outside the countries or some to continue their career in the college. After a long time, they could probably change their preferences as they already have profound experiences in their studies. Obviously, they will choose to ignore those simple but basic works that can easily be resolved, because for them, it is not a long-lasting job that they are desired in their life. Moreover, those jobs do not allow them to transfer to other fields and provide them the opportunity to continue a higher standard of research or working experience. They are afraid of getting fired by the companies, because those companies are highly dependent on the society. The requirements for the work can also be risky and harmful as some of it can continue for months or even years. Those issues cause the students not to devote themselves to their work, as they know that it may not even be a success and need routine examination in the process.

### **3.3. Employment Intentions of Young People**

College students now also seek to work in those fields that have high popularity or include issues urgent to be solved in the world [7]. At the same time, it requires teamwork to achieve the goal, for instance, the Artificial Intelligence (AI) field or climate change around the world. College students always are highly interested in working for those companies as they feel that they can pursue their careers in those places. Besides, they feel that they are already in a higher position at the beginning of their career than others if they can work in those related firms. Thus, if there is a huge increase in the size of graduate students applying to those jobs, there are likely not enough spots available for them as many of them lack experience compared to others. Importantly, the hiring within the sector has shrunk after the crackdown by the authorities in 2021. Many of the big companies fired employees in the past years, such as Google, and Amazon. This could be because many of the jobs can be easily replaced by AI, therefore, it requires fewer workers on the line every day.

## **4. Policy to Tackle the High Unemployment Rate**

### **4.1. Subsidies**

Chinese government has responded to the problem by announcing subsidies for companies that hire unemployed graduates. The government sees this as a way to incentivize the employers to hire more graduate college students, then, reducing the unemployment rate. These subsidies are also used to ease the financial burden of recruitment including training and educating the unemployed college students. By offsetting part of the labour costs incurred by the companies, it encourages the employers to expand their workplace, and accept more college students by providing them with more available job opportunities.

#### **4.2. Setting Targets for State-owned Enterprises to Hire Trainees**

To maximize the ability of college students, the government should set targets for state-owned enterprises to recruit and hire trainees. It will not only channel talent into key sectors, but also promote upward mobility within the workforce for instance mobility for the workers (National Development and Reform Commission, 2022) [8]. Simultaneously, college students are able to reach the recruitment standard for some sectors or they can work as trainees in some authoritative or popular companies that allow them to foster their study and gain the working experience [9]. Once they have similar experiences, it will be easier for them to find jobs in the market and reduce their time in waiting for acceptance from the companies if they meet the requirements.

#### **4.3. To Spur and Maintain Confidence among Private Businesses**

To cope with the new transformations in the job market and shift away from the traditional sectors, the Chinese government should focus on how to spur and maintain confidence among private businesses. According to the statistic data, there's a reduction in the manufacturing sectors compared to the decades ago [10]. Instead, college students have more willingness to work in the state-owned enterprise. Therefore, government policies should aim to create a conducive regulatory environment which allows the employees to promote their entrepreneurship and investment, further improve their incentives to work and have regular access to the facilities for small and medium-sized enterprises.

### **5. Conclusion**

In conclusion, addressing youth unemployment in China requires a comprehensive analysis of issues such as the structural imbalance in the market or the transformation from the traditional sectors. It also emphasizes the intensive competition in the job markets in China due to graduate students' preferences.

A significant trend is the shift away from traditional sectors such as manufacturing, which previously shown to be a large portion of the labour force in China. However, graduate students show a less interest to work in these sectors and they prefer to seek for a job with high wages or have high flexibility in terms of the working time. Some also shows a high probability to work in those authoritative or popular firms. Thus, it has led to shortages in employing younger generations for those traditional sectors. On the other hand, it intensify the competition in technologically advanced firms. Lack of specialized skills for graduate students, lead to fewer students being employed by those firms and lots of them still looking for other jobs.

In this essay, it encompasses the policy reforms such as providing subsidies for firms to hire workers, expanding the workplace and prioritizing the job creation. It is essential for governments to adapt to the changes in the labour market and equip the students with the basic skills and resilience. This requires governments to make shifts towards more inclusive and flexible education which can empower the individuals and master those skills required when they are pursuing their careers after graduate from university. To lower the unemployment rate for graduate students, government should collaborate and corporate with other sectors, implement targeted intervention according to the situations in the labour market like those preferences from the younger generations. Successfully addressing all the issues can foster a healthy business environment and the country's economic growth and build a more resilient and prosperous society in the future which can benefit all individuals in the society.

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