

# ***Imbalance Between Supply and Demand in China's Labor Market Facing by the Graduates***

**Taoyun Lian<sup>1,a,\*</sup>**

*<sup>1</sup>Faculty of Business and Management, Beijing Normal University-Hong Kong Baptist University  
United International College, Zhuhai, Guangdong, China*

*a. q030024172@mail.uic.edu.cn*

*\*corresponding author*

**Abstract:** With the spread of higher education, the number of university graduates in China continues to increase. Nonetheless, the absence of social interest has truly impacted the work possibilities of college graduates. Moreover, the world economy has still not fully recovered from the impact of the epidemic. China's unemployment rate remains at a high level, and the hole among metropolitan and rustic regions in China is clearly as well. This paper analyzes the fact of the low employment rate among Chinese college graduates, focusing on the argument that it is not solely due to individual factors such as psychological reasons or city preferences for future employment. Behind this, there exists an imbalance in the supply and demand relationship within the current labor market in China. Finally, the paper puts forward suggestions to ensure China's labour supply from the aspects of career planning of college students, corresponding government policy reform, industrial structure adjustment, and active assistance of enterprises.

**Keywords:** labor market, college graduates, employment rate, government policy

## **1. Introduction**

The strain on employment is currently rising as China's economy transitions from a high growth rate to a medium-high growth rate. China's population of working age made up more than 66.7% of the overall population from the 1980s until the end of 2014. China has been dealing with a labor supply crisis for some years, and this situation is only going to become worse.

One typical example that show cases the employment rate situation in China is the phenomenon of "graduates' employment pressure". With a large number of students graduating from universities and colleges each year, the job market becomes highly competitive, leading to increased pressure on graduates to secure employment.

For instance, according to the information released by China's Ministry of Education, in 2020, the quantity of Chinese alumni will arrive at 8.74 million, a 20-year high. What is more, the unexpected effect of the new Covid scourge has prompted a convoluted circumstance for the work and business venture of school graduates [1].

This example highlights the mismatch between the skills and qualifications of graduates and the demands of the job market. Many graduates face difficulties in finding employment that aligns with their educational background, leading to underemployment or unemployment. This situation not only

poses challenges for individual graduates, but also raises concerns about the effective utilization of human resources and the overall productivity of the economy.

The case of graduates' employment pressure in China exemplifies the complexities and challenges associated with the country's employment rate. It emphasizes the need for comprehensive strategies and policies to bridge the gap between education and employment, promote entrepreneurship, and foster a dynamic and inclusive job market that can accommodate the aspirations and talents of the younger generation.

The purpose of this paper is to explore in depth the causes, effects and solutions to the phenomenon of labor market imperfections through the phenomenon of student employment. Through a comprehensive analysis of relevant literature and data, it provides useful suggestions for policy makers and relevant stakeholders to promote a balanced and sustainable development of the labor market.

## 2. Background Description of Employment in China

Currently, with China's financial development dialing back, there is expanding strain on employment. In 2022, China experienced a decline in its employment rate, dropping to approximately 63.63 percent from the previous year's 64.06 percent. As the world's most populous country, China has greatly benefited from its expansive labor market during its rapid economic development in recent decades. Despite the overall improvement in working conditions for the Chinese population, the working-age population has been steadily decreasing in recent years. This decline can be primarily attributed to the country's low birth rate [2].

In addition, some statistics also show that the performance of local colleges and universities in different regions is uneven, with employment rates remaining high in economically developed regions in the east, such as Shanghai, but colleges and universities in the north-west and north-east need to step up their efforts. While many universities in Shanghai have employment rates of over 90 per cent, the initial employment rate of Gansu Nation Teachers College in Northwest China is only 19.64 per cent [3].

In recent years, as China's population has continued to increase and its level of education has risen, the supply of university graduates has outstripped demand. At the same time, along with economic reforms, the transfer of rural labor to cities has led to excessive pressure on the urban labor market. Coupled with the fact that the youth labor force has a high unemployment rate in China, university students, as the new youth labor force in the labor market, are usually not 100 per cent employable. As shown in Figure 1, the number of university graduates has been increasing year by year, but the data show that the employment rate is not high.

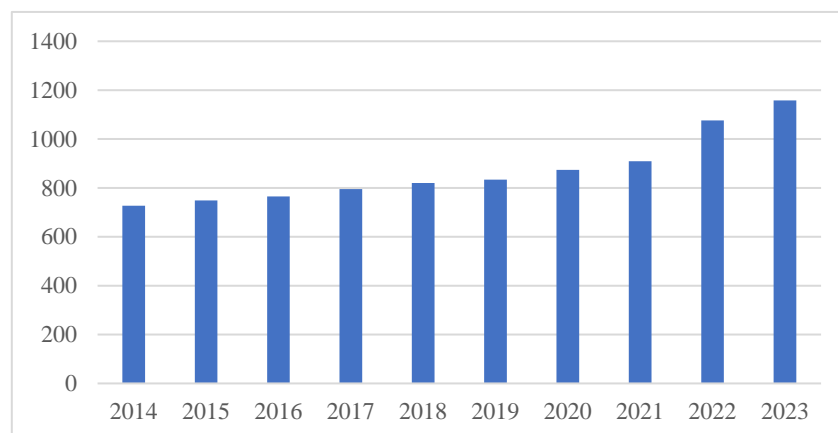


Figure 1: Number of university graduates, 2014 to 2023 (Source: MyCos Research Institute).

### **3. Problems and Challenges in the Labor market**

#### **3.1. Employment Pressure**

The biggest psychological burden facing Chinese undergrads now is work pressure. Undergraduates' emotional well-being in general, as well as their physical and mental health, may suffer as a result of excessive pressure. In fact, prolonged and overwhelming economic stress can cause a variety of social problems, such as nightmares, sleep deprivation, and, in extreme situations, self-destruction, in addition to major mental and mental health problems like unhappiness, madness, and neurasthenia. The labor force saw a 4.3% reduction in working hours in 2021 compared to pre-pandemic levels, resulting in a shortage of 125 million regular posts [4]. This decline directly translates to a decline of over 700,000 new job openings in urban areas, which significantly affects pupils' chances of finding jobs. According to the stress cooperation hypothesis, pressure develops from the exceptional communication between people and their current situation, leading to weariness or exceeding a person's mental resources and posing a threat to their prosperity. Business stress among undergraduates results from the association of inside and outer circumstances as well as specific workplace factors [5]. The coronavirus pandemic functions as a possible stressor that may have a substantial effect on students because it is a huge cultural event. Those who are especially sensitive to changes in the gig economy may feel more desperate and under more strain at work. From an external perspective, the public authority has always been concerned in undergraduates' work because it directly affects their careers.

#### **3.2. Inadequate Skills Matching**

The success of job searchers is greatly influenced by their skills. The possibility that more people, particularly young people and those with minimal skills, may get detached from the labor market has increased as a result of the global economic crisis [6].

At the individual level, wages can be severely affected, especially by penalizing overqualification, which ultimately affects job and life satisfaction. In China, for example, being overqualified should not be a problem because of the favorable learning atmosphere to which they are subjected. However, recently graduated university students who have received good training are still unable to find jobs commensurate with their skill level, meaning that they are not utilizing their full productive potential. In addition, inadequate skills can reduce the chances of finding a job and thus facing unemployment.

For companies, skill mismatches can have a negative impact on efficiency and core competitiveness. In addition, skills mismatches can lead to higher employee turnover and unsatisfactory work organization. Ultimately, skills mismatches can lead to a loss of profits and markets. Skills mismatches also have detrimental effects on countries and regions, including higher unemployment and reduced competitiveness, which makes them less attractive to investors. This, in turn, hampers their ability to transform production and create new jobs. Both public and private resources are used to train individuals in the expectation that the qualifications they acquire will lead to favorable outcomes in terms of employment and wages. However, when there is a skills mismatch, these expectations are often not met, resulting in lower than expected returns on investment.

#### **3.3. Structural Adjustment of Employment**

The rapid and extensive development of artificial intelligence in the near future is causing countries around the world to face the uncertainty of displacement in various industries, leading to significant challenges in the employment landscape.

Recent undergraduate graduates, especially those with a liberal arts education, are experiencing increasingly precarious employment prospects due to the unfavorable state of the labor market.

Traditional industries are witnessing job losses, resulting in an oversupply of positions that offer flexible working hours, such as courier and delivery services. Conversely, emerging sectors require a limited pool of highly skilled individuals. As a result of industrial restructuring, there are fewer job opportunities available, putting more pressure on college students to find employment.

Furthermore, the growth of the digital economy is leading to the widespread replacement of labor and other production factors with digital goods. This, in turn, will lead to the displacement and elimination of traditional jobs, particularly those that involve repetitive and procedural tasks. Digital technologies are already replacing jobs in certain areas, and this trend is expected to expand and deepen in the coming years. According to the World Economic Forum's Future Jobs 2020 report, by 2025, automation and the reorganization of labor between humans and machines will result in the loss of 85 million jobs across 15 industries [7]. Job titles such as data entry clerks, accountants, bookkeepers, payroll clerks, and administrative assistants are most likely to be replaced by AI and machine automation. The financial services industry is expected to see a 21% reduction in these roles, followed by a 9% decline in the automotive industry and a 20% decrease in the mining and metals industry.

### **3.4. City Preference on Migration of College Graduates**

With independent work looking for turning into the standard method of business, the decision of the work environment for Chinese school graduates has gone through tremendous changes.

In 2005, around 90 percent of college undergraduates chose to work where they considered; in 2009, over 90% of university graduates in the eastern and waterfront areas decided to locally work, while this rate dropped to 60.2 percent in 2009. The extent of college graduates in the focal and western areas was just 55.8 percent and 62.0 percent, respectively [8]. The decision-making process of college graduates regarding their preferred work environment is often driven by financial considerations, particularly the assumption of higher salaries in top-tier cities with rapid economic development. Additionally, the level of support from family background also influences their choice of work environment, with a preference for their hometown or cities of origin. As the level of family support decreases, the likelihood of college graduates opting for less flexible work environments, such as lower-ranking cities, increases. This suggests that when making decisions about their initial employment, college graduates take into account the opportunity to maintain connections with their family and hometown.

## **4. Possible Solutions**

The qualitative gap between the demand for employment among university students and its supply can be attributed to the lack of coordination and unbalanced development among the labor market and employment factor. In order to address this issue, this paper proposes several solutions to alleviate the challenges faced by college students in finding employment.

### **4.1. Training Program and Career Planning**

The content of vocational courses in colleges and universities is closely related to career planning. Therefore, colleges and universities should effectively link the content of vocational courses, fully play the role of career guidance and vocational counseling, and do a good job of providing skills support to improve the employment rate of college students in order to solve the current problem of a gap between career planning and the construction of vocational courses in colleges and universities. Teachers in institutions should instruct students on career planning, emphasizing topics like how to set future goals and how to boost employment rates. They can present students movies and graphic materials in specific education, using the students' majors as an example [9]. Hence, college students

can fully understand the development prospects of their own majors in the next few years, and then they can have a clearer understanding of the goals of their own professional studies. At the same time, teachers can also popularize the contents of professional courses to students in the form of practical lectures on career planning outside school. For example, for economics and management majors, teachers can organize students to go to relevant enterprises for field visits and practical exercises to understand the market economy and the current work situation, and then provide ideas and guidelines for students to choose employment fields in the future.

#### **4.2. Government Policies**

Employment policy alludes to the government authority's approaches pointed toward expanding work interest and advancing business. It is a bundle of measures normally embraced by the government authority to ease employment pressure.

The first is to vigorously develop the modern service industry and provide more jobs suitable for college graduates. The Government should support small, medium and micro enterprises in taking on more college graduates for employment, and give them social insurance subsidies, tax breaks and other supportive policies in accordance with regulations.

The second is that in view of the imbalance in regional development, it is necessary to make overall use of the resources of all parties, and give priority to recruiting or taking out a certain number of college graduates in the event of vacancies in full-time jobs in the community. The Government should continue to implement basic security service programmes, such as rationalising the scale of recruitment. For college graduates who go to the central and western regions and grass-roots units for employment, the Government provides policies such as tuition reimbursement and national student loans in accordance with regulations.

Finally, the government should support self-employment and flexible employment. When schools and colleges complete designated preparing for school graduates, the Public authority might give professional preparation sponsorships and backing school graduates in beginning their own organizations, as per the guidelines. Around 30% of the scenes put resources into and created by the Public authority will be made accessible for nothing to school graduates.

#### **4.3. State-Owned Enterprises and Public Institution could Absorb College Graduates**

The government recognizes the significant role that institutions and state-owned enterprises play in promoting graduate employment through flexible and innovative job creation. After analyzing targeted policies, it is evident that provincial governments are taking four main approaches to encourage graduate employment in areas where the country has a demand. These approaches include promoting college students' enlistment in the military, encouraging grassroots-level work, creating more positions for scientific research assistants, and facilitating graduate employment in state-owned enterprises. Grassroots employment policies have successfully encouraged more college graduates to serve the community at the grassroots level, effectively alleviating the employment pressure on graduates. Additionally, in order to mitigate employment risks, certain local governments have set specific targets for the growth of college students enlisting in the armed forces, such as aiming for a 10% increase in the number of college students enlisting. Furthermore, state-owned enterprises are a key avenue for graduates to secure employment. Beijing and Tianjin have taken the lead in carrying out strategies that help the foundation of logical exploration collaborator positions, consequently facilitating business pressures and advancing innovative work in colleges and examination organizations [10].



## 5. Conclusion

This paper assesses and summarizes the findings and discussions in the existing literature. It also highlights the current phenomenon of graduate employment rates in China and the various mismatches between supply and demand in the labor market. The conclusion of this paper suggests that the failure of recruiters to adequately match the skills of job seekers with the required positions may be one of the most important problems. However, there are other factors as well, such as city preference and mobility implications.

In addition, the paper also discussed the problems and challenges in the labor market, which can be divided into four parts. The content includes employment pressure, inadequate skills matching, Structural adjustment of employment and city preference on migration of college graduate Based on this, this paper proposes analysis and solutions, which also mentioned three different points.

The limitation of this study is that due to the complexity of the labor market, this paper may need to narrow down focus and analyze college graduates of the labor market. While this approach allows for more in-depth analysis, it may limit the generalizability of findings to the broader labor market. At the same time, the labor market is subject to constant changes, influenced by factors such as economic cycles, technological advancements, and policy reforms. A study conducted in the last few years may not capture the dynamic nature of the labor market and its potential fluctuations in the employment rate over time. Moreover, this paper is more about information integration and explanation, but there are not too many realistic cases study. Further research could undertake a more in-depth analysis by categorizing workers by age group and perform analyses that have already been predetermined and analyses of the reactions of various employers under various job pressures, which will be the empirical research goal in the future.

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