

Youth unemployment in China hits record-high levels

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High structural unemployment among young people is a serious challenge for the Chinese government. The jobs available to the educated generation do not match their aspirations, and the government's ideologically motivated struggle against the private sector is escalating the problem. Apparently, the Chinese leaders do not know how to solve it.

In June, China's official unemployment rate in the 16–24 age group exceeded 21%, the highest level since at least 2018. It is likely to go even higher in July as college graduates enter the labour market. However, even these figures do not fully reflect the scale of the problem, because people who are economically inactive have not been taken into account. If the calculations included young people who do not study and are not looking for a job, the figure would increase to around 50%. In addition, these statistics do not include people migrating from cities to rural areas, and are sometimes distorted by false declarations of employment (see Appendix).

This situation is having a negative impact on both the economy's current condition and its prospects for the future. The single-child generation, who have been raised to believe that education is a ticket to success and that China's prosperity is constantly and rapidly growing, is faced with a shortage of appealing jobs. As a result, they are holding back from entering the labour market, and feel discouraged and pessimistic about their financial future. This attitude is undermining one of the pillars of China's economic success: it suppresses people's energy, ambitions and hunger for economic success. It also deepens the negative demographic trends by contributing to the decline in the birth rate due to the lack of financial stability or a clear career path for young people. In addition, a large group of jobless people is a potential source of social unrest. One of Xi Jinping's main priorities is to ensure economic security in China. This is why Beijing is moving away from large economy-boosting programmes that used to stimulate activity during periods of slowdown in the past, but raised debt substantially and increased the risk of destabilising the financial sector. However, the high rate of unemployment among the young justifies considering a return to the old methods, such as stimulating GDP growth by the government.

The causes of high unemployment

The most important reasons which are exacerbating the problem of high unemployment among young people include the slowdown in economic growth, the structural mismatch of the labour market escalated by the growing aspirations of young people in China, and the government's measures affecting sensitive sectors of the economy.

In times of prosperity, the demand for employees expanded consistently, so people entering the market generally had no difficulty in finding a job. The 'zero COVID' strategy

implemented since 2020 has strongly suppressed economic activity, which was already slowing down after years of rapid growth (see [China: the consequences of the 'zero COVID' strategy](#)). This was particularly evident in the service sector, where young people are employed relatively often. Many private enterprises in China did not survive the hard times: for example, over 200,000 small and medium-sized enterprises were closed in Shanghai in 2022, (for comparison, in 2018 the figure was about 50,000). Since the lifting of restrictions at the turn of 2023, the recovery has been weaker than expected (see [Disappointing post-COVID-19 recovery. China on the path of a protracted slowdown](#)), and the persistent mood of pessimism discourages investment. As a result, relatively few new jobs are being created, and employers prefer experienced workers.

However, this is not a temporary 'blip', but represents a structural and long-term problem. There is a noticeable mismatch between the jobs available on the Chinese market (for example, blue-collar workers) and young people's capabilities and expectations. On the one hand, China's advancement in global supply chains means that workers must have greater skills than in the past, which is a barrier to inexperienced people who are just entering the labour market. On the other hand, young people who are well-educated and brought up in better conditions than their parents and grandparents manifest higher aspirations. They do not want to take up hard, monotonous and low-prestige jobs, and they are not forced to take on just any job available because they are still being financially supported by their families. In addition, the government has made the structural mismatch even worse since 2020 by tightening the regulations on the consumer technology, education, real estate and finance sectors, where appealing white-collar jobs were created. Meanwhile in recent years, the informal economy and the labour-intensive service sector have been growing, with flexible forms of employment, low wages and long working hours.

As a result, many young people choose not to work. Some of them continue their education; only 40% of them now stop at the secondary school level. Others compete for the few available positions in the public sector or bureaucracy. Some forms of contestation of the cult of work have already become iconic, such as *tang ping* ('lying upside down') or *bailan* ('rotting'), wherein Chinese people give up the race for a career and money in the face of the enormous difficulties linked to entering and functioning on the labour market.

The government's response

Beijing does not understand the problems faced by young Chinese. In numerous speeches, Chairman Xi Jinping has appealed to the young to endure hardships and be persistent (*chi ku*) and to consciously choose a path full of challenges (*zizhao kuchi*) just as their ancestors did. Party propaganda draws upon the image of the literary character Kong Yiji (a failed scholar from the turn of the twentieth century) and examples of the alleged financial successes of certain street food sellers in an attempt to convince young people at the start of their professional careers to reduce their expectations. Beijing sees the young people's inaction as a waste of the resources that are needed to build a strong, self-sufficient state under the leadership of the party.

The government has not as yet been able to come up with an effective recovery plan. The solutions it has currently implemented include subsidies to employers for employing young people, creating one million places for trainees, increasing recruitment in state-owned companies and the bureaucratic apparatus, and providing training and career guidance. The

plans by the government of Guangdong province to send 300,000 students to the countryside as part of 'volunteer' programmes to 'revive the countryside' by 2025 has sparked controversy, as they recall the measures taken during the Cultural Revolution, when young people were forced to leave the cities *en masse* and settle in the countryside.

The private sector, which creates about 80% of jobs in Chinese cities, has a key role to play in solving the problem. However, under Xi Jinping this sector has become more subordinated to the interests of the party and is being forced to pursue more actively the goals set by it. This is being done at the cost of slowing down economic expansion, which in turns leads to cutting down recruitment. Therefore, given the current difficult market situation, the government is refraining from tightening the regulations even further and extending its control over private companies, and has even attempted to stabilise some sectors (such as real estate and consumer technologies) and encourage entrepreneurs to increase employment.

Forecasts and consequences

By the end of this summer, as this year's graduates gradually find jobs, the government's recovery plan continues and the service sector (possibly) recovers, unemployment among Chinese youth is likely to fall from the record-high levels. However, there is no indication that Beijing has any idea how to solve the fundamental problem: the mismatch between the structure of available jobs and the aspirations and skills of people looking for employment.

In the short term, this will adversely affect the pace of China's economic recovery since the cancellation of the 'zero COVID' strategy, as young people who usually spend relatively large amounts on consumer goods or services are forced to cut their spending. In the longer run, high unemployment and the poor bargaining position of employees will prevent the transformation of the country's economic model into one based less on investments and exports and more on consumption, something the Chinese government has been promising for years.

The structural and long-term problems on the labour market will lead to the popularisation and consolidation of a passive lifestyle in Chinese society, a further decline in the birth rate, and a 'brain drain' (the emigration of the educated workforce). This may be a major obstacle to fulfilling Beijing's global ambitions, which are underpinned by internal stability and a strong economy.

Appendix

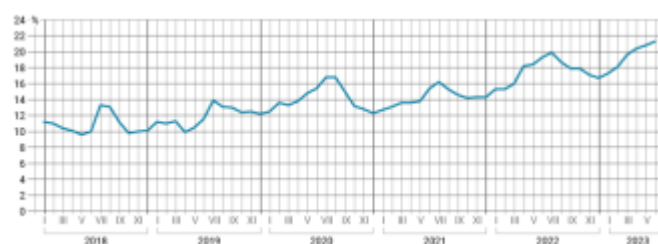
According to official data, the number of unemployed residents of China within the 16–24 age group is over 6 million, while 33 million people in this group are economically active and about 48 million are students. The entire 16–24 age group consists of 96 million people. The unemployment rate is an indicator illustrating the percentage of unemployed in the economically active group. As a result, it does not take those who are outside the labour market into account. Professor Zhang Dandan from Peking University notes that over 22 million Chinese who are not in education are unemployed, and if they were included in the calculation, the share of unemployed people in this age group would have reached 46.5% a few months ago. When nearly 12 million students graduate from colleges and universities at the turn of July, the number of jobless people who do not study will increase.

Since tertiary education has become widespread, there has been a drop in labour force participation in the 16–24 age group. This makes it difficult to interpret the data, as it is not clear what share of young people are continuing their education because they genuinely want to and what share does so because they have to, for example, due to the unfavourable situation on the labour market. However, neither group is classified as unemployed, because they are not economically active.

The unemployment rate in China cannot be compared to similar indicators in other countries because the National Bureau of Statistics of China defines an unemployed person differently. Firstly, the surveys are carried out in cities, so they do not take into account those internal migrants who have been forced to return to the countryside, for example, because they could not find a job. Secondly, in China a person is considered unemployed if they have been looking for a job in the last three months and would be ready to start working within two weeks. In the case of the European Union, these criteria are four weeks and immediate readiness respectively. When researchers from Peking University applied the EU standards, it turned out that the unemployment rate in 2020 in the 16–24 age group was 6.8%, and not 14.6% as reported by the statistical office. However, this calculation does not take people who are economically inactive into account. Thirdly, the Chinese and foreign media as well as users of Chinese social networking sites report that sham employment is a popular practice since graduates of some schools must prove that they are working in order to receive a school diploma.

The unemployment rate in the 16–24 age group is not directly comparable internationally, but it can be compared over time. Currently, it is in fact the highest in history – but the history only dates back to 2018, when the statistical bureau started reporting such data. It is also significantly higher than the official unemployment rate for the total population (5.2%).

Chart. Unemployment rate in China in the 16–24 age group



Source: National Bureau of Statistics of China.