

## China's labour market: Characteristics and issues over the medium-term

ACE Conference, Hong Kong,  
December 12, 2007

A research funded by the European Commission -  
Views are those of the authors

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## Introduction

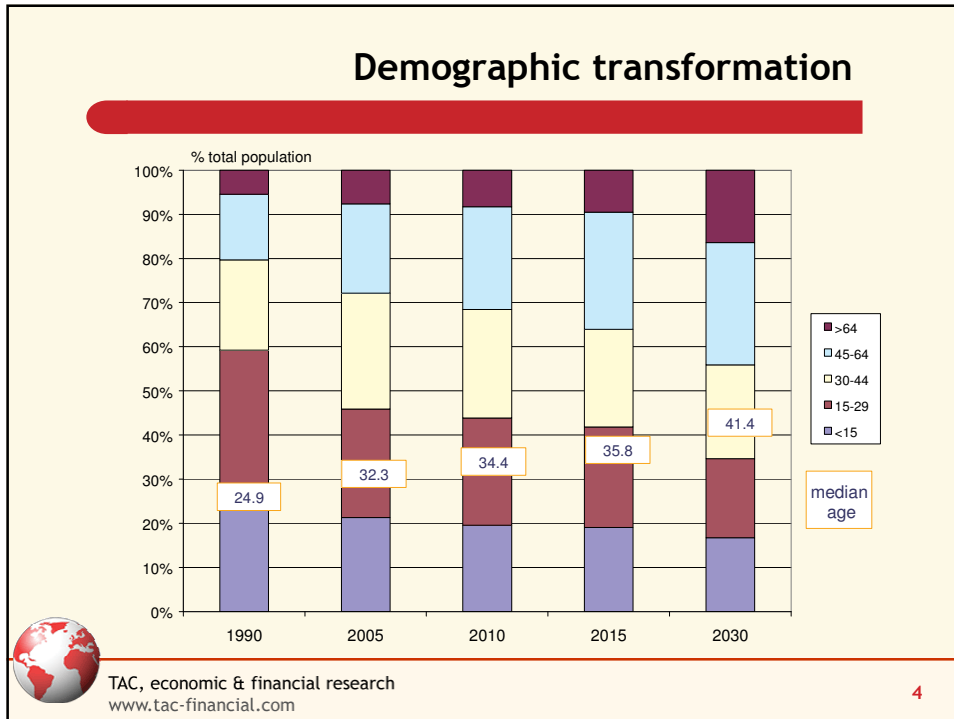
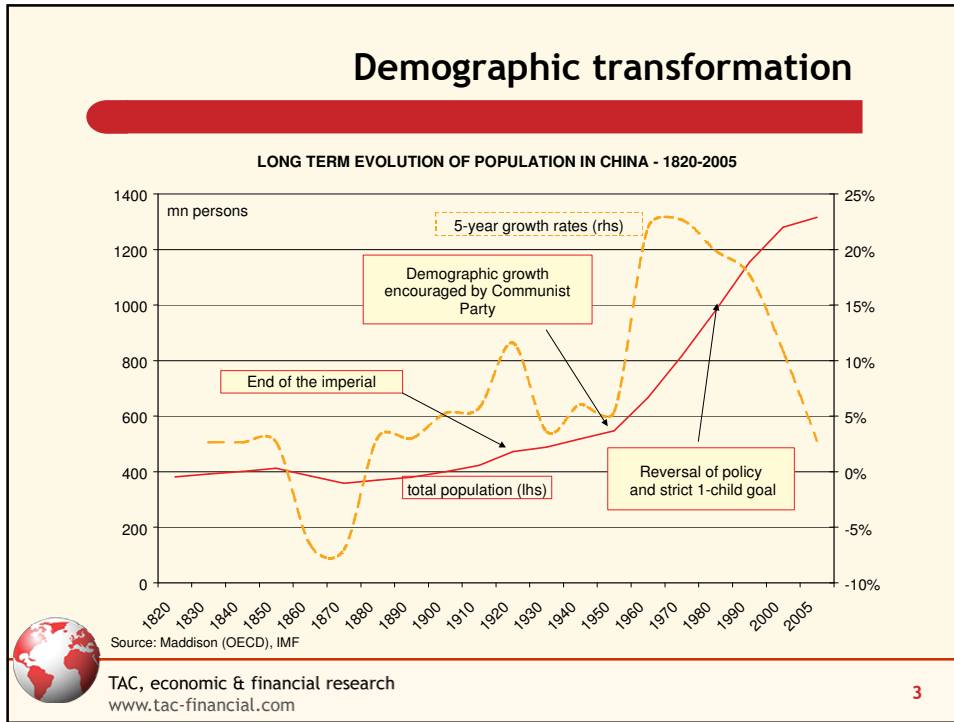
The rapid economic growth of China is intimately related to changes in the labour market conditions. Future trends in the labour markets are critical for the medium-term Chinese outlook

- I. Demographic transformation
- II. Labour market characteristics
- III. Economic growth and employment
- IV. Medium-term issues



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## Demographic transformation

Changes in number of persons in each age group in China, 1990-2030

Number of persons	<15	15-29	30-44	45-64	>64
<b>2005 (/1990)</b>	-48 476 243	-31 857 536	107 990 740	94 037 300	36 255 081
<b>2010 (/2005)</b>	-15 414 137	5 846 128	-10 132 387	48 954 473	11 995 609
<b>2015 (/2010)</b>	1 774 398	-9 655 680	-24 346 228	56 535 358	21 545 887
<b>2030 (/2015)</b>	-20 578 167	-55 511 855	2 035 456	35 513 233	106 652 189



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## Labour market characteristics

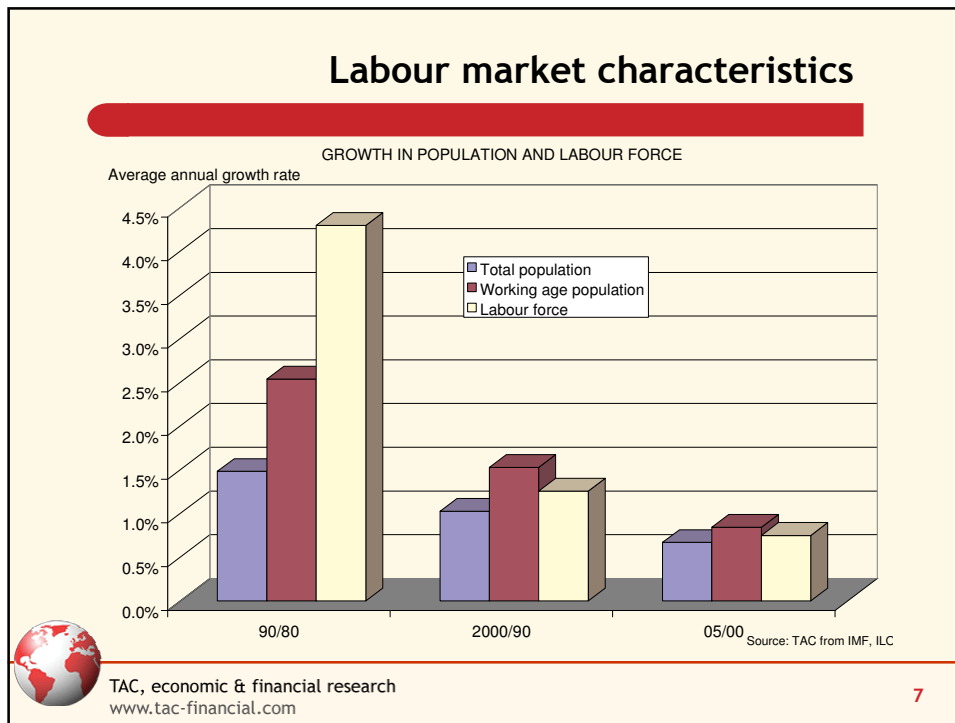
Data in million persons at the end of the year	1980	1990	2000	2004
Total population	987.1	1143.3	1265.8	1299.9
Urban	191.4	301.9	458.4	542.8
Rural	795.7	841.4	807.4	757.1
Working age population	594.1	763.1	888.0	903.0*
Labour force	429.0	653.2	739.9	751.3*
Participation rate (%)	72.2	85.6	83.3	83.2*
Employment	423.6	647.5	720.9	752.0
Unemployment	5.4	5.7	19.1	
Urban employment	105.3	170.4	231.5	264.8
Urban registered unemployment	5.4	3.8	6.0	8.3
Laid-off ( <i>xiagang</i> )			9.4	13.0
Unemployment rate (registered and <i>xiagang</i> ) (%)	4.9**	2.5**	6.0	5.4*
Rural employment	318.4	477.1	489.3	487.3

Source: IMF, ILO    \*: for 2002    \*\*: excluding *xiagang*



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### Labour market characteristics

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**UNEMPLOYMENT RATE IN DIFFERENT PROVINCES**

	1990	2001
Beijing	0.4	1.2
Zhejiang	2.2	3.7
Heilongjiang	2.2	4.7
Guangdong	2.2	2.9
Sichuan	3.7	4.3

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## Labour market characteristics

### A very specific role of migrant workers

- Related to differences in job opportunities (urban/rural, provinces) and the Hukou system
- Large uncertainties on the exact number: 100 to 150 mn persons (up to 40% of the total urban labour force)
- 70% in the 15-29 age group - highly flexible, low-pay, poor working conditions and low skills
- 70% of the workforce in manufacturing, 80% in construction, 50% in trade

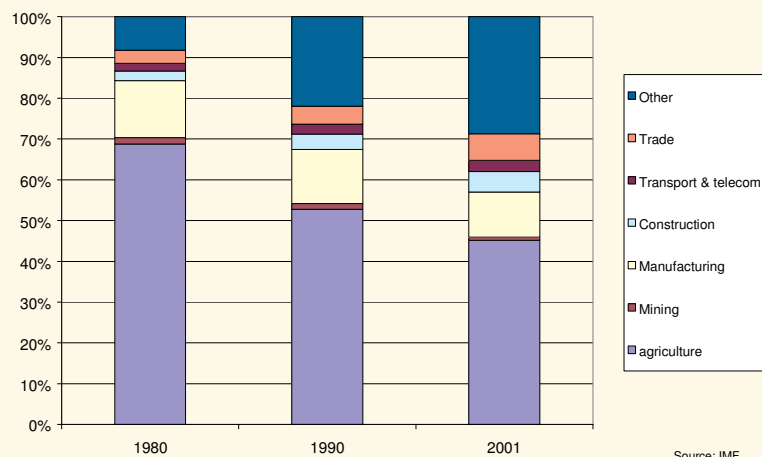


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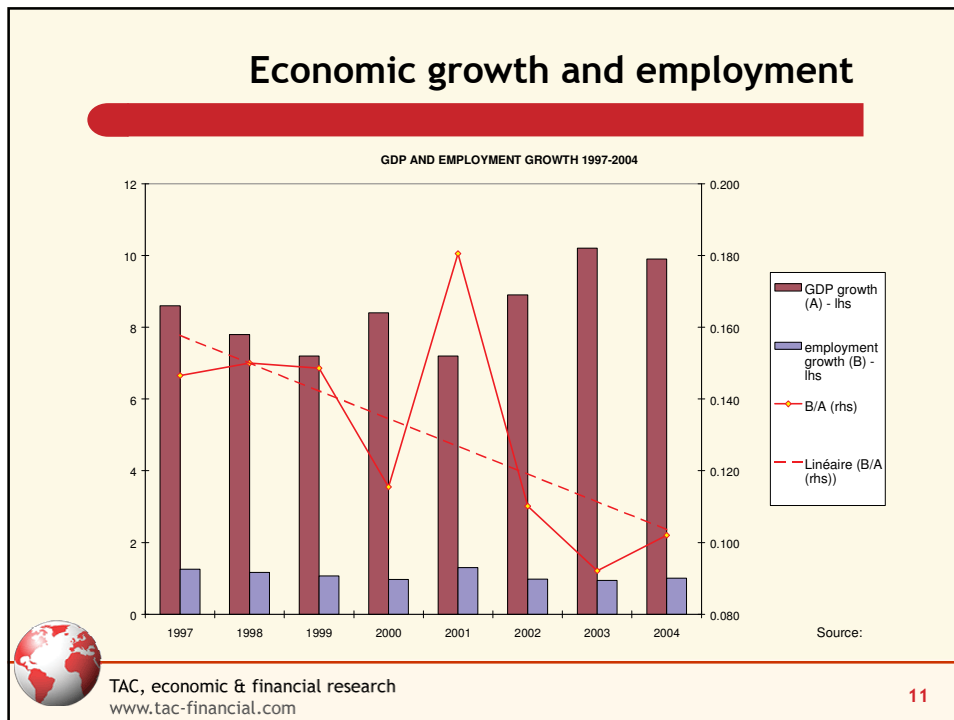
## Economic growth and employment

STRUCTURE OF EMPLOYMENT BY SECTOR



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### Economic growth and employment

#### URBAN EMPLOYMENT BALANCE, 2004 (mn persons, source: ILO)

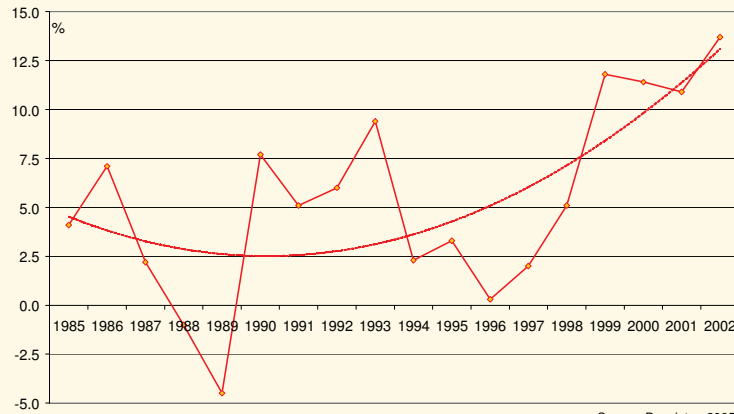
• Newcomers in the working age group and looking for a job:	7.7
• Farmers shifting to non-agriculture:	1.4
• Laid-off workers + registered unemployed:	15.0
• Total job seekers:	24.0
• Jobs created:	9.8
• Jobs shortfall:	14.2

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## Economic growth and employment

Change in average real earnings of urban manufacturing workers in China



Source: Bannister, 2005



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## Economic growth and employment

A segregated labour market enabling wage growth and higher unemployment ?

- Segregation between urban and rural labour market, with increasing skill issues for moving from one to the other
- Segregation between provinces
- Segregation between migrants / non-migrants
- Segregation between types of companies (FIEs, private, SOEs, large versus small, etc.)



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- Segregation between skills



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## Medium-term issues

### PROJECTION OF URBAN UNEMPLOYMENT TO 2010

	Sum for 2003-2010, million persons
New jobs	115
Increase in working age population	93
Increase in labour force	77
New jobs less increase in labour force	38
Surplus labour seeking jobs	54
SOE re-employment	11
Rural migrants	44
Change in urban unemployment	16

With a more negative assumption on the elasticity of employment to GDP, the cumulative increase in urban unemployment could reach 38 mn persons



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## Medium-term issues

- Move to higher value added industries requires a substantial improvement in skills
- Productivity gains in manufacturing may not remain as large than in the past, if only because of a change in industry structure and symptoms of excessive investment
- Decline in migrant population would create a larger shock on wages
- Employment elasticity to economic growth has declined; even with an improvement, likelihood of higher unemployment



Thank you for your kind attention

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