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LIFE & WORKIDEASSESSAY

China's Economy Is Leaving Behind Its Educated Young People

The government faces rising discontent as vast numbers of graduates find no place for their skills in the job market

By Keyu Jin

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Job seekers attend a career fair in Beijing, Aug. 26, 2022. PHOTO: JADE GAO/AFP/GETTY IMAGES

Early this year, two striking statistics emerged from China: The country's annual economic growth had slowed to just 3%, a low only seen twice in nearly 40 years, and its population had fallen for the first time since 1961. The two figures illuminate serious long-term challenges for Beijing, but a less-noticed statistic spotlights a more dramatic and immediate problem: China is failing to adequately employ its youngest, best-educated generation of workers.

Last year, Chinese unemployment for those between the ages of 16 and 24 reached 20%—a record high and more than double what it was in 2018. The job shortage is particularly acute for graduates with advanced degrees, people who had expected the most from the job

market because their families had sunk up to a third of their income into their education. During last autumn's hiring season, around 45% of recent college graduates in China received no job offers, according to one published survey.

The problem isn't that there aren't enough jobs in China. Rather, it is the acute mismatch between the education and skills of those entering the job market and the jobs that need to be filled.

The manufacturing sector in China is experiencing a severe labor shortage: Four out of five Chinese manufacturers report that their workforces are falling 10% to 30% short of their needs, and the education ministry forecasts a shortage of 30 million manufacturing workers by 2025.

In high-tech sectors, a similar talent gap threatens to hobble China's ambition to lead in cutting-edge technology and attain technological independence. The semiconductor sector reported 200,000 open jobs it couldn't fill this year. In the field of AI, the number of open jobs without talent to match is far larger, some 5 million positions. This is true even as China produces more graduates in the STEM fields—science, technology, engineering and math—than any other nation and nearly twice as many as the U.S.

Why aren't these young people filling the gaps? Born since the 1980s and known as the "new generation," they represent a radical break from the past. They grew up in relative prosperity and—thanks to a 10-fold expansion of the higher education sector over the past 20 years—have become the most educated generation in China's history. A quarter of the new generation has earned a bachelor's degree, compared with only 6% of those born in the 1970s.

This expansion of the education sector seemed like the right strategy for a country that lagged far behind on that score 20 years ago. But education has outpaced an economy that is still predominantly manufacturing-based. Rather than advanced degrees, what's needed is largely technical and vocational training for jobs such as operating complex equipment or running automated systems. That's why, in contrast to the fate of the best-educated, 95% of vocational graduates are landing jobs right after graduation. Meanwhile, high-tech companies compete for a narrow swath of graduates with the right technical talent while complaining that most job candidates lack industry-specific skills or hands-on experience.

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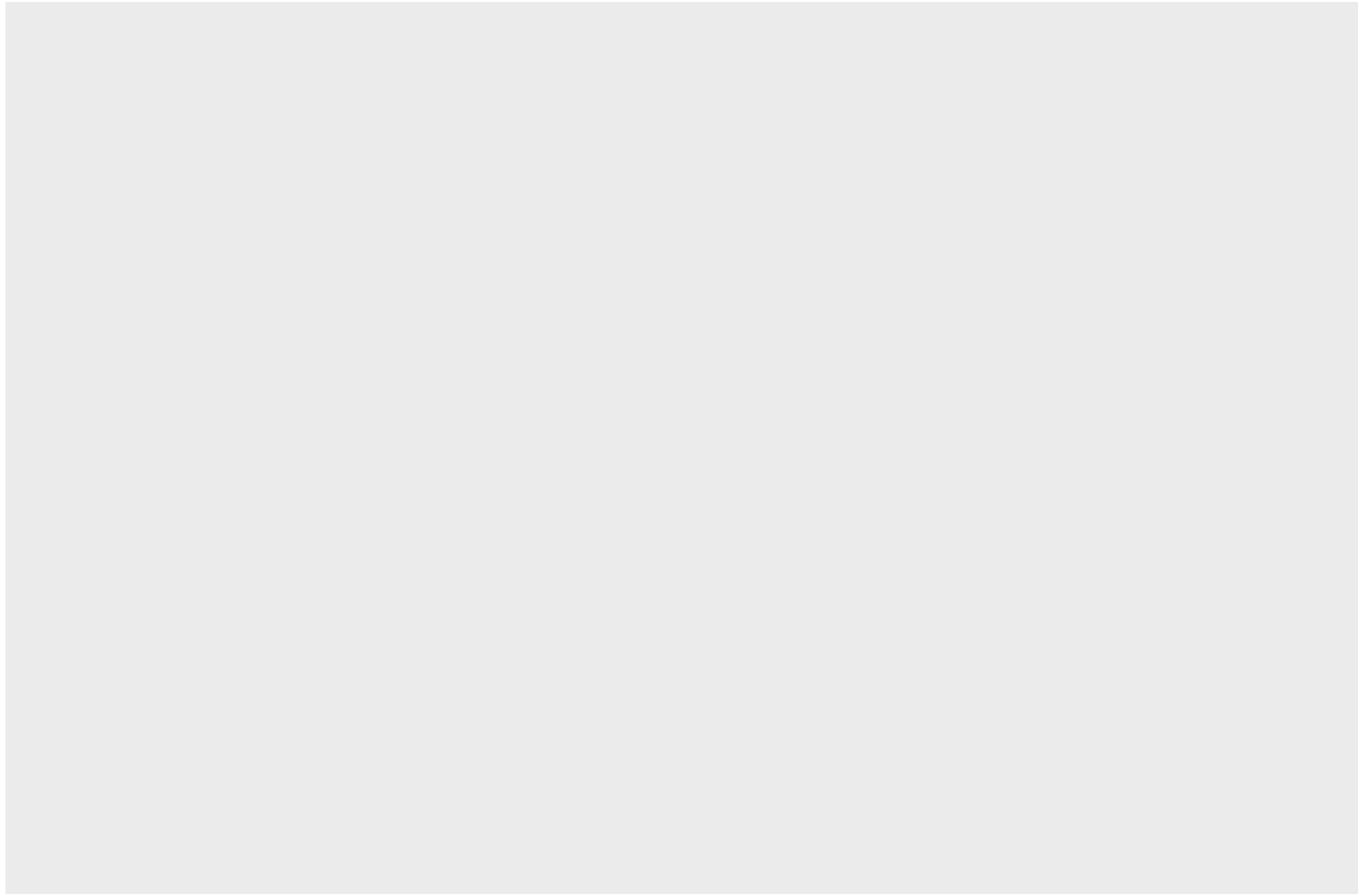
Diplomas, it turns out, have not necessarily translated into the skills sought by the high-tech sector or the smart-manufacturing companies that China aims to promote. The Chinese education system was designed during a period when most students would go on to work for state-owned enterprises. Today, their skills at standardized test-taking and their homogenous-looking CVs rarely meet the market economy's demand for real-world experience, mental flexibility and individual passion.

Some of the mismatch can also be chalked up to a generational change in attitudes toward work. Having grown up in an era of stability, rising prosperity and relative comfort, much of the new generation wants something more out of life than a career of long hours on a factory floor. Many of those who can't afford to stay unemployed end up taking jobs that they consider unfulfilling. When it was reported that a third of new hires in a cigarette factory had received master's degrees from some of China's top universities, the nation responded with shock and anxiety.

A great chasm has emerged between expectations and reality. The glut of diplomas has caused the average starting salary of college graduates to fall below that of workers in the gig economy, such as delivery people. Real estate, finance and IT receive more job applications than they can begin to absorb, and the major online recruiting site Zhaopin.com reports that 90% of applications go to sectors that provide less than 50% of the jobs. Young job seekers face disappointment after disappointment.

The consequences of reduced expectations among unemployed youth are profound. Members of the young generation increasingly are putting off getting married and starting a family, breaking the traditions of a Confucian society. In 2021, there were only 7.6 million new marriages registered, a 38% drop from 2015. Meanwhile the birthrate has fallen to the

lowest the country has ever seen.



A recruiter talks to a student at a job fair on a campus of China Agricultural University in Yantai, Shandong province, Nov. 20, 2022. PHOTO: TANG KE/FUTURE PUBLISHING/GETTY IMAGES

Discontent among the new generation also represents a threat to the nation's social stability. In the past, Chinese families, even in the bottom rung, felt content even as income disparities grew, because people believed that their children would have a better life. The erosion of such beliefs poses the risk of unrest.

The Chinese state has responded to this growing discontent by reining in the real-estate market in an attempt to make housing more affordable. Officials have also tried to alleviate the anxiety created by the education system—limiting the amount of homework and banning for-profit tutoring companies that tended to ramp up competition over grades.

Recognizing the job-market imbalance, the government last year adopted a policy to boost the capacity and quality of vocational schools. This will help to fill jobs in advanced manufacturing, but China's service sector, in fields such as healthcare, recreation and

public services, remains a problem. It currently provides only 47% of the country's jobs, compared with around 80% in advanced economies such as the U.S. Beijing could accelerate service-sector growth by lowering barriers to entry and allowing for more foreign participation to fill empty positions.

China's new generation will inevitably change China socially and economically. Though they are a smaller cohort than their forebears, they still number more than 350 million, with vastly different consumption habits and preferences. Those who once complained that China's households save too much now worry about the financial implications of a generation that borrows too much. Manufacturers that relied on low costs to win jobs from the U.S. will have to raise wages to attract young workers who are less hungry for the kind of work done by their parents. The tenacious generation that opted to work multiple shifts a day at Foxconn has given way to the social phenomenon known as "lying flat," or "giving up," which the government is trying hard to discourage.

Paradoxically, this dynamic could ultimately push China to become a more mature economy, with a workforce characterized by greater spending power, less raw ambition and more creative innovation. To get there, however, China will first have to figure out how to employ the vast numbers of young people left behind by the current economy.

Dr. Jin, who grew up in Beijing, is an associate professor at the London School of Economics. This essay is adapted from her new book, "The New China Playbook: Beyond Socialism and Capitalism," which will be published by Viking on May 16.

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