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CHINA REAL TIME REPORT

Seeking Help — For China's Labor Market

May 23, 2013 4:49 pm HKT



AGENCE FRANCE-PRESSE/GETTY IMAGES A laborer working in a textile factory in Huaibei, China's central Anhui province.

China's labor markets are flashing a warning sign, with new job adverts on a leading recruitment website sharply down in April, and job losses in manufacturing spreading to the services sector.

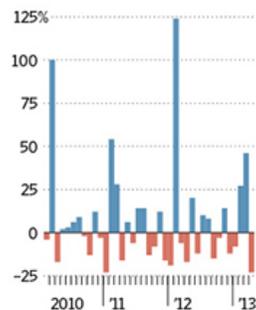
With the official data on labor markets infrequent -- and, in some cases, misleading -- alternative indicators take on an added significance. China Real Time took advantage of China's glut of recent graduates to have an unpaid intern find the best guides to the state of hiring and firing.

Check out the charts. It's more fun than trawling the "help wanted" ads.

China's Labor Markets Weaken

New online job adverts decline...

Zhaopin.com adverts, change from previous month

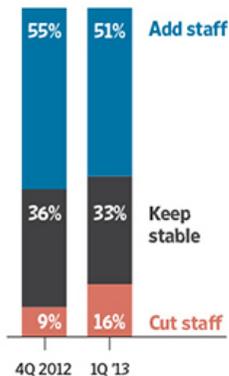


...as factories start to shed workers...

PMI employment index
Readings below 50 mean redundancies



...and hiring intentions weaken



Sources: Zhaopin.com; NBS; Markit; Mercer

With China's white-collar workers taking their job search online, recruitment websites like Zhaopin.com have become one measure of labor market strength. In April, the number of new

job opportunities on Zhaopin.com plunged 23% from the previous month. With the first quarter a seasonal peak for hiring, some decline in April is normal. But Zhaopin still saw warning signs.

“Slowing growth in economy and industries has resulted in job cuts. Since the second half of last year, waves of job cuts were seen in several industries, including IT, telecommunication, power, manufacturing, financial and online retailers. Companies that cut jobs range from large multi-internationals to state-owned enterprises,” a Zhaopin spokesman said.

China's purchasing managers' indexes also pointed to job losses. The official PMI employment index came in at 49 in April, down from 49.8 in March and the 11th straight month below the 50 mark that separates hiring from firing. The preliminary HSBC Markit PMI for May showed factories shedding workers for a second month.

In a worrying sign, the HSBC survey also showed service sector firms starting to shed jobs in April, the first time they have done so since January 2009.

A survey of more than 600 firms conducted in March by human resources consulting firm Mercer also pointed to a slowdown in hiring plans. The survey found 51% of firms planning to add to their headcount, and 16% planning layoffs, a move in the wrong direction from 55% and 9% respectively in the fourth quarter of 2012.

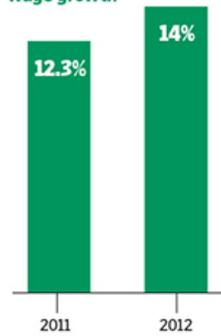
Cherry Xu, senior consultant at Mercer China, said employers are more cautious than the same period of last year, when the demand for hiring was notably higher.

If China's labor markets are turning down, they are doing so from a position of strength. Real wages in the private sector rose 14% in 2012, higher than the 12.3% growth in 2011, the National Bureau of Statistics said last week.

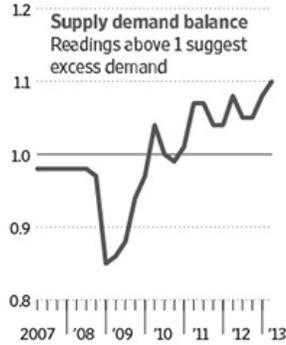
Starting from Strength

Wages rose strongly in 2012...

Real private-sector wage growth

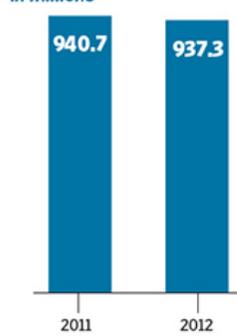


...and labor markets were tight in first quarter...



...as working-age population shrinks

Population aged 15-59, in millions



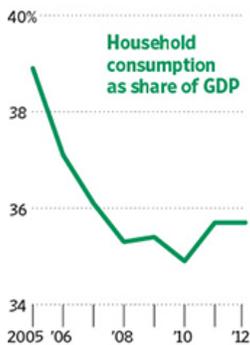
Sources: NBS; Ministry of Human Resources and Social Security; CEIC

The labor market supply and demand balance ratio was 1.1 in the first quarter, up from 1.08 at the end of 2012 and a record high, suggesting labor markets at the start of the year were tight.

A shift in demographics – with China's working age population now shrinking, and reduced flows of migrant workers from the farm to the factory -- means there is less need for the creation of millions of new jobs a year to stave off unemployment. The number of people aged 15-59 shrank by 3.5 million in 2012 according to data from CEIC, a turnaround from many years of an expanding work force.

Rising Wages - Costs and Benefits

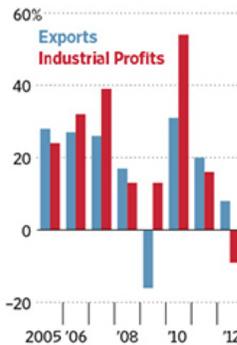
Higher wages should help boost consumption...



...but they hit manufacturing competitiveness...



...denting export and profit growth



Sources: CEIC; Economist Intelligence Unit; NBS

Rapid increases in wages help Beijing push forward rebalancing of China's economy, giving a bigger slice of the pie to households and increasing funds available for consumption.

But they also come at a cost, denting the competitiveness of China's manufacturers compared to other low-wage countries and hurting business profitability. China's unit labor costs have risen 68% since 2005, compared to a 12% rise in Mexico and 8% in the U.S., according to data from the Economist Intelligence Unit.

That contributes to the diminished appeal of China's exports, which decelerated to 7.9% growth in 2012 from 28.4% in 2005. It also eats into business profitability, which fell for much of last year.

Not all the latest signs from China's labor markets have been negative. Another leading recruitment website, 51job, reports strong growth in hiring in finance, health care and media in the first four months of the year, suggesting that some parts of the services sector remain strong. A third site, 58.com, also saw growth in new job adverts in April.

Still, China's leaders seem to be taking signs of a slowdown in hiring seriously enough. On a visit to the northern city of Tianjin last week, China's top leader, Xi Jinping, signaled a continued focus on employment by visiting a local job-training center and pledging to improve services for job seekers. "Employment is fundamental to people's livelihood," Mr. Xi said.

During a State Council meeting chaired by Premier Li Keqiang last week, the cabinet pointed to increased pressure in finding enough jobs for college graduates, saying it was "critical to economic upgrading, improvement of people's livelihood and social stability."

"My sense is that the recovery is slow and there is some slack in labor markets," said Albert Park, director of the Institute for Emerging Market Studies at Hong Kong University of Science and Technology, "The broader perspective is that they don't want to pump [up] growth, but if they think there's a real unemployment problem they will stimulate."

--*Liyan Qi and Tom Orlik. Charts by Nick Shearman.*

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