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CHINA REAL TIME REPORT

Beijing's Latest Worry: College Grads

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REUTERS Job seekers at a job fair at the Nanjing International Exhibition Center in Nanjing on Nov. 17.

You don't need an advanced degree to see that China's policy makers are worried about job prospects for college graduates.

In the last week or so top leaders have weighed in on the issue --

including Communist Party chief Xi Jinping, who met with graduates at a placement center, and Premier Li Keqiang, who chaired a cabinet meeting zeroing in on the issue. The cabinet later announced an action plan and the nation's media jumped on the bandwagon, giving the issue extensive coverage.

One reason for all the high anxiety about higher education is the fear of social instability. Even if they don't have to face an angry electorate anytime soon, the prospect of large numbers of better-educated urban youths facing employment problems is enough to make the new leadership team sit up and listen.

"Support from the urban elite is critical," said Albert Park, an economist who looks at labor issues and is now the director of the Institute for Emerging Market Studies at the Hong Kong University of Science and Technology.

Part of the problem is that the ranks of college students have been growing at a fairly fast pace for some years, adding to the manpower supply. Now that economic growth is slowing, the

stresses are painfully obvious.

“The expansion of higher education has created much more real pressure for finding jobs,” said Mr. Park.

Ding Dajian, a professor at Renmin University who also closely follows labor issues, said that years of expanded college enrollment have contributed to the difficulties.

“This has been an issue that has been building for more than a decade,” he said. “We are now at a very high level [of graduates]. Now that we have slower economic growth, this issue has become very apparent.”

He said that in the 2002-2009 period the growth in the new enrollment of college students increased by 500,000 to 800,000 students per year, though more recently growth has been slowing to around 200,000 per year.

“Since 2010 we’ve actually seen a decline in the growth of graduate totals.”

So perhaps it is partly a matter of when things are going well, problems get overlooked.

The government anticipates 6.99 million university graduates nationwide this year – and that would be up from about 6.8 million last year, according to the Ministry of Education (though official figures vary considerably -- if you look at National Bureau of Statistics data, the total is considerably lower at 6.3 million last year after 6.08 million in 2011.)

It’s more than a little ironic, though, that college graduates are having more problems finding a job while workers overall are still generally in short supply. The labor market overall is tight as China’s work force is ageing and shrinking.

While employment looked somewhat weaker in the preliminary HSBC Purchasing Managers’ Index for May, the decline was from relatively high levels. China’s private-sector wages rose 14% in real terms in 2012, the National Bureau of Statistics said. And demand for workers outstripped supply by a record amount in the first quarter of this year, according to government data.

The State Council, China’s cabinet, is trying to make previous measures aimed at helping college graduates start to work. It is letting graduates use training centers for a longer period. It is also lowering costs for start up their own business and offering one-time subsidies for provincial governments to dole out payments “according to the local situation.”

Beijing has also been tilting tax and other policies to help the service sector – which hopefully results in more jobs in an area that the government sees as critical to its own plans for rebalancing the economy.

But sometimes government efforts have unintended consequences. The Global Times pointed out that some efforts to track employment success have led to prospective graduates feeling compelled to buy fake employment contracts in order to get their diploma in a timely fashion. Apparently, the pressure on universities to meet administrative targets is encouraging them to make the numbers look just a bit better.

The numbers also don't explain whether graduates have the right background for the job market or whether their employment expectations need to be brought more in line with reality.

But if policy makers are paying closer attention to the graduate employment issue, that should earn a few extra credits for the nation's leaders. But delivering on the policy front is what will determine whether they deserve a passing grade

--*William Kazer and Liyan Qi*

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CHINA COLLEGE EMPLOYMENT GRADUATES UNIVERSITIES

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