

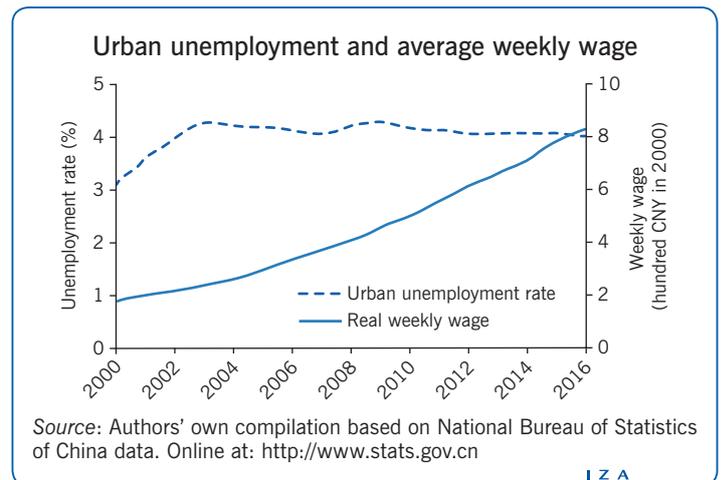
The Chinese labor market, 2000–2016

The world’s second largest economy has boomed, but a rapidly aging labor force presents substantial challenges

Keywords: Chinese labor market, rural migrants, urban residents

ELEVATOR PITCH

China experienced significant economic progress over the past few decades with an annual average GDP growth of approximately 10%. Population expansion has certainly been a contributing factor, but that is now changing as China rapidly ages. Rural migrants are set to play a key role in compensating for future labor shortages, but inequality is a major issue. Evidence shows that rural migrants have low-paying and undesirable jobs in urban labor markets, which points to inefficient labor allocation and discrimination that may continue to impede rural-urban migration.



KEY FINDINGS

Pros

- + Unemployment is at its lowest level in 20 years, implying that the Chinese economy is close to full employment.
- + The youth labor force is abundant in rural areas and should serve as an important factor in dealing with China’s aging population.
- + Real earnings for both rural migrants and urban residents increased over the last 20 years.

Cons

- China’s population is aging rapidly, which will strain public finances.
- Due to a low proportion of youth, the working-age population may decrease in the future.
- Governmental policy divides rural and urban workers into two tiers in urban areas; rural migrants earn less, have higher unemployment rates, and are not eligible for many social benefits, which impedes rural-urban migration.
- The labor force in China is more expensive than in many other developing countries, and numerous foreign firms have relocated their operations outside of China as a result.

AUTHOR’S MAIN MESSAGE

China’s remarkable economic growth during the last three decades enabled the country to surpass Japan as the world’s second largest economy. One of the leading factors behind this growth has been its very large working-age population. However, as this population ages, a potentially insufficient labor force may threaten future economic growth. Rural youth may present the answer to this challenge, but the government must begin treating rural migrants equally by offering them full citizenship rights in urban areas. Further relaxation of fertility control will also be important to prevent future decreases in the youth labor force.