



NEW REPORT: The Chinese labor market 2000-2016: The economy has boomed, but a rapidly aging labor force presents substantial challenges

One of the leading factors behind China's remarkable economic growth during the last three decades has been its very large working-age population. However, a new [IZA World of Labor report](#) shows as this population ages, a potentially insufficient labor force may threaten future economic growth.

China experienced significant economic progress over the past few decades with an annual average GDP growth of approximately 10% and unemployment today at its lowest level in 20 years. The country's rapid growth benefitted from the so-called "demographic dividend," referring to its large proportion of working-age people during this time. However, the economists Junsen Zhang of the Chinese University of Hong Kong, and Jia Wu of Jinan University find this situation is changing.

According to the UN, China is aging more rapidly than almost any country in recent years. A large increase in the proportion of those above the age of 70 is expected by 2030. The baby boom in the 1960s and 1970s and the subsequent one child policy distorted the country's population structure. As a result of these demographics shifts labor shortages in urban areas have already become evident in recent years. And China's aging population is becoming a massive problem that extends beyond the issue of labor shortages, because expenditures on social security and medical programs will be high.

One of the key issues that may help to alleviate China's demographic challenge is the situation of rural migrants in urban labor markets. While the urban labor force is aging rapidly, an abundant supply of youth labor exists in rural areas. However the prominent Hukou policy, which was established in the 1950s and was intended to anchor peasants to the countryside, persists. 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 migration of rural workers into cities once helped keep wages low in urban areas but this is no longer the case. The authors find that wages have been rising stronger than productivity in recent years. This has led to a situation in which labor in China is now more expensive than in many other developing countries. According to the ILO, the monthly earnings of an employee in China's manufacturing sector was US\$740 in 2015, compared with US\$581 in Brazil, US\$138 in Indonesia, US\$312 in Thailand, and US\$210 in Vietnam. As a result, many foreign firms have moved their factories to other Asian countries with lower labor costs.

The authors suggest: *"Policymakers should devote substantial attention to reducing segregation in urban labor markets...the government must begin treating rural migrants equally by offering them full citizenship rights in urban areas."* Furthermore, a *"further relaxation of fertility control will also be important to prevent future decreases in the youth labor force.."* And: *"The Chinese government must provide abundant funding to care for its elderly in the future."*

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Notes for editors:

IZA World of Labor (<http://wol.iza.org>) is a global, freely available online resource that provides policy makers, academics, journalists, and researchers, with clear, concise and evidence-based knowledge on labor economics issues worldwide.

The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

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