Chapter 7
Youth Chances and China’s Urban/Rural Divide

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1. INTRODUCTION

From the Western perspective, it is all too easy to view China from either of two extreme positions: China is exactly like ‘us’ or China is totally dissimilar from ‘us’. Defining ‘us’ produces an additional level of distortion: from which one of a multiplicity of Western perspectives do we address a particular question?

One purpose of this article is to find the wobbly but sensible middle ground, and with respect to issues of youth employment, to identify those broadly defined commonalities which China shares with other countries while at the same time not losing sight of its distinctiveness. To this end, a number of over-arching observations will be advanced to frame the discussion.

First, every society confronts problems of transitioning youth into productive adulthood, with negative consequences for both the individual and society if the

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transition is not made. Generally, youth unemployment, particularly among young males, is closely associated with drug abuse, crime, and social unrest.1

Second, even in democratic societies with full voting rights (which China is not), youth is at a disadvantage in the ordering of society because they are not participants in the political process. Decisions are made for them, rather than by them.

Third, economies – market, planned, or hybrid – do not maintain a steady state. The market(s) for the supply and demand for labour can vary radically from year to year. Life chances are forever affected by the state of the economy when one enters the job market.2 Adult educational opportunities ameliorate the situation of those who are initially prejudiced but are not completely compensatory.

Fourth, preparatory training for the job market requires time and investment, out-of-pocket costs and opportunity costs. Will there be suitable employment at the end of the training period which makes the investment worthwhile?3 The seesawing of labour markets makes an \textit{ex ante} guarantee impossible.

Fifth, the educational process can be extended without necessarily being improved. In terms of real skill acquisition, the college degree of today may simply equal the high school diploma of a generation or two ago. Educational administrators, seduced by the glamour of technology and facilities, underestimate the importance of the personal dynamic in the educational process, such as the student: faculty ratio.

2. CONTEXT: THE GLOBAL ECONOMIC CRISIS

In following today’s news, regardless of the medium, it is impossible for one to ignore the global economic crisis and its consequences for individual countries. Even those countries – including China4 – which did not permit their financial institutions to invest heavily in subprime mortgage securities are being affected by the collapse of consumer demand and rising unemployment in countries whose financial systems are deeply implicated. Neither political leaders nor, for that matter, Nobel Prize winning economists can say with assurance that the worst is over.5

2. During the period of the command economy, in regard to wages, workers who entered the labour force between 1958 and 1966 were disadvantaged relative to those who preceded them. Andrew G. Walder, \textit{Communist Neo-Traditionalism: Work and Authority in Chinese Industry} (1986), 201–205.
Whatever the causes of the global economic crisis, job loss is occurring everywhere and at an accelerated rate. Shrinking employment is especially worrisome for young workers, who become less and less employable the longer they are detached from the labour market.6

The United States, which spawned unregulated financial markets and neglected supervision of regulated entities, happens to be China’s largest export market.7 In turn, China is the largest holder of US government debt; it has total foreign reserves of over two trillion dollars.8 In effect, China has been lending to the United States so that US consumers had disposable income and easy credit to buy Chinese exports.

Under current circumstances, the question of whether China is ‘decoupled’ from the crisis in the United States is an interesting topic for academic debate, but not of much practical relevance. The Chinese leadership itself acknowledges that the fate of their country is linked to that of the international community as a whole.9 Indeed, the Preamble to the People’s Republic of China (PRC) Constitution states in pertinent part: ‘The future of China is closely linked with that of the whole world.’

Nonetheless, China is, relative to other countries, better positioned to weather the crisis in the short term. It entered the downturn with excellent economic indicators: high and sustained rates of growth in GDP; consistent rates of reduction in poverty and extreme poverty; high workforce participation by ‘vulnerable groups’ (youth and women); and low rates of unemployment among both adults and youth.10

China takes enormous pride in its long history as a unified nation-state, as a survivor among great civilizations.11 The memory of greatness itself is a valuable asset because it drives ambition in the contemporary society. The country has extensive experience in maximizing its resources, human and otherwise. The government, and the Chinese people, are accustomed to planning for adversity and accumulating a cushion of savings to tide them over during hard times. The society displays a genius for keeping its economically active population busy, though on average the quality of work does not meet the International Labour Organization

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8. Id. To give a sense of proportion, China’s total GDP for 2008 is estimated at $4.2 trillion.
10. ILO, Global Employment Trends, supra, at 14. China was ranked as a medium human development country by the UNDP in 2005. The Human Development Index takes account of life expectancy, literacy, school enrolments, and GDP per capita. The ILO also gives high marks to China (which the ILO groups into the East Asia region). See Global Employment Trends for Youth (GETY)(October 2008), at 29–32. China accounts for about 90% of the population of the East Asia region. East Asia had the lowest unemployment rate for young people at 7.5%.
(ILO) standard for ‘decent work’. Simply by taking care of 1.3 billion people China is doing the international community a great service.

In a period of only thirty years, China has evolved from an impoverished outsider to the global economic and political systems, to a major presence in the G-20 circle of nations. It has the third largest economy in the world, after the United States and Japan. During the present global economic crisis, many look to China – with its large population, relative political stability, huge internal market, and high savings rate – as a calming influence.

On the downside, China’s per capita output, measured in purchasing power parity terms, is less than Albania’s. With more than half the population still classified as rural, its industrial revolution is still a work in progress.

The success of the one-child policy, instituted in the late 1970s, has proved a mixed blessing. As the median age has risen into the mid-30s, China supports an ever-increasing number of retirees on a shrinking economically active population. It struggles to balance the welfare of those exiting the labour market with those trying to enter it. Mandatory retirement ages free up positions for young people, but extend the number of years that the retired population will draw pensions and health benefits.

Therefore, China’s profile in the area of labour law and industrial relations does not conform to the developed country model, nor is it wholly representative of developing countries either. China presents an admixture of characteristics associated with the developed world together with features more typical of the developing world. For example, one finds unemployment among the highly educated (a developed country phenomenon) as well as large-scale exploitation of young workers and children (a developing country phenomenon). China, and other populous, so-called advanced developing countries such as India and Brazil, challenge the descriptive power of labour law models which dominate the policy-making process in advanced economies.

3. DEFINING THE PROBLEM: YOUTH UNEMPLOYMENT

ILO studies of youth employment (or unemployment) apply universal criteria which cut across the economic development spectrum. The ILO utilizes the UN

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13. Interview with Premier Wen Jiabao, supra.
definition of youth, as 15–24 years inclusive.\textsuperscript{19} The ILO definition of unemployment applies to someone who has not worked for more than one hour during the reference period (generally, the previous week or day) but who is available for and actively seeking work.\textsuperscript{20}

The lower limit of the UN definition of youth roughly corresponds to the legal working age in China, which is sixteen, or the end of the period of compulsory education.\textsuperscript{21} Because of China’s lock-step system of education, there is a major transition between lower middle school and high school, with those failing to qualify for higher education entering the work force.\textsuperscript{22}

Another major hurdle is the transition from high school to tertiary education, again with those failing to qualify being forced into the labour market unless their families can support them for an additional attempt at entrance examinations.\textsuperscript{23} Rural youth are far less likely to go beyond lower middle school or high school than are urban youth.\textsuperscript{24}

The single most important determinant of life chances in China remains the urban-rural divide. China practices segregation by place of birth, rather than by race, religion, or ethnicity. Since the 1950s China has separated urban and rural populations through the ‘household registration system’. Anyone of working age with rural household registration is automatically deemed to be employed in agriculture. \textit{Ipso facto}, there is no unemployment in rural areas.

Before the economic reforms commenced in the late 1970s, it was very difficult for someone with rural household registration to find work in urban areas. Outsiders were closely monitored by public security and local street committees. To buy food and other necessities, one had to pay with coupons only issued to local residents. It was virtually impossible for a person to change from rural to urban household registration, or even from one urban area to another.

Since the 1970s, the household registration system has been relaxed to allow over 100 million peasants to leave the land for ‘temporary’ wage employment in the cities.\textsuperscript{25} Some obtain residence permits but most do not. Migratory flows of both skilled and unskilled labour between cities are also much more common than previously. But comparatively few are able to make a permanent transition to urban


\textsuperscript{20} O’Higgins, supra, at 18.

\textsuperscript{21} Labour Law Art. 58.

\textsuperscript{22} China Statistical Yearbook 2008, Table 20–6 (Number of students enrolment by level and type of school), <chinadataonline.org> (last accessed 28 Dec. 2008).

\textsuperscript{23} Id.


\textsuperscript{25} Murphy, supra, at 1. The total number has been variously estimated at 130 million, 150 million, and 200 million.
household registration and the full panoply of benefits that it affords, including eligibility for unemployment benefits.\(^{26}\)

In order for an urban resident to qualify for unemployment benefits, one must have been previously employed, have become unemployed involuntarily, be permanently separated from one’s previous employer, and be willing and able to take up a new job. One may not collect unemployment compensation if the employer has not paid into the fund. Those who are registered as unemployed and reported as such in official statistics represent only a fraction of those who are de facto without regular work. Someone who has been placed on ‘indefinite furlough’ (xiagang) is still deemed connected to his/her previous employer, though it is highly unlikely that s/he will be recalled to work.\(^{27}\)

4. RURAL YOUTH

The economic reforms over the last three decades have presented rural youth, usually those who have completed junior high school or senior high school, with opportunities to work in the burgeoning manufacturing sector, mainly in China’s special economic zones (SEZs). The first SEZs were established in Guangdong province in 1979; by 2003, there were over 100 investment zones recognized by the central government under various rubrics, as well as hundreds of investment zones created by local governments without central approval.\(^{28}\)

Quite a few empirical studies of migrant labour have been published, focusing on the decision to migrate, the means of migration, and migrants’ remittances home.\(^{29}\) The primary motivation for rural youth to leave home and take up factory work appears to be wage employment. Working for wages, even under exploitative conditions, provides a more ‘assured and immediate income’ than agricultural labour.\(^{30}\) In addition, village life is seen as a dead-end with absolutely no prospect for future advancement.\(^{31}\)


\(^{28}\) Naughton, supra, at 410.


\(^{30}\) Ching Kwan Lee, Against the Law: Labor Protests in China’s Rustbelt and Sunbelt (2007), 225. Exploitative conditions include unpaid wages, below legal minimum wages, unpaid overtime, unpaid sick days, charges for food and other basic amenities, deductions for minor disciplinary infractions, and dangerous or toxic working conditions.

\(^{31}\) Id. See also Tom Mitchell, ‘An Army Marching to Escape Medieval China’, Fin. Times (16 Apr. 2009), at 9.
Research shows that certain socio-economic groups in the countryside are more likely to encourage their young members to leave the community for factory employment. Migrants tend to come from middle-income families, which have the material resources to defray initial transportation and resettlement expenses. While patently illegal, it is common for factories to withhold payment of wages from new workers for months, in order to keep them captive and reduce turnover.\(^{32}\) Better-off families also can do without the marginal value of each additional pair of hands.

China exhibits the phenomenon of chain migration observable in other societies. Successive waves of migrants rely on the personal connections of their predecessors in order to find jobs.\(^{33}\) In the early years of reform, village officials entered into contractual arrangements with destination companies to supply suitable candidates.\(^{34}\) Nowadays so many people have migration experience that introductions from local government are no longer necessary.\(^{35}\)

The remittances which rural youths send back to their home communities tend to be spent on consumption – housing and consumer durables – rather than investment in land acquisition or farm machinery.\(^{36}\) Under Chinese property law, peasants enter into long-term leases with local government for the land they farm, but they do not have a fee simple, fully alienable interest in such land.\(^{37}\) Sub-leasing is permitted, subject to the temporal limitation in the prime lease.\(^{38}\) The effect is to keep landholdings small and discourage investment in labour-saving equipment. On the other hand, the system of land tenure avoids the growth of a landless peasantry, a flood of uncontrollable migration to the cities, and the proliferation of urban slums one finds in other developing countries.\(^{39}\)

Remittances by young women to defray the costs of educating their siblings, particularly their brothers, are an investment in human capital. But such investment comes at the expense of the migrant worker herself, who is unlikely to develop fully her own human capital because of the tedious, repetitive, exhausting nature of her work.

Documentary films about young women working in export zones graphically demonstrate how little time or energy is left for self-improvement. The film ‘China Blue’ (Zhongguo zheng lan) follows the travails of a young woman employed in a

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33. Murphy, \textit{supra}, at 40–41.


35. \textit{Id.}

36. Zhao, \textit{supra}, at 388. The distinction between consumption and investment is admittedly very crude, because housing could be regarded as either. The same can be said for machinery. A tractor can be used for both farm and non-farm purposes. \textit{Id.} at 385–386.


blue jeans factory, cutting loose threads from finished garments. She is educated enough to keep a diary, and because she and her co-workers are literate, they are able to keep track of wages due.

One night the weary heroine and a co-worker sneak out of the factory to buy a ‘power drink’, in order to sustain themselves through the graveyard shift. Upon their return, they are discovered by factory management, and their (already very low) wages docked a full two days’ pay. Towards the end of the film, in order to meet a production deadline, the heroine works 27 hours without a break.

The only person in the heroine’s immediate circle of friends to advance to a semi-skilled job is an older, naturally self-assured, and extroverted young woman. She has found a boyfriend (whom she eventually marries), and the couple nurtures ambitions of starting their own business. But she too originally went to work in the factory to help pay for her brother’s education.

Another documentary film gives a somewhat more positive outlook about youth employment opportunities. In ‘Up the Yangtze’ (Chang jiang) the heroine, daughter of a day labourer, is hired on a cruise ship as a dishwasher. Before starting her new job, she is shown doing geometry lessons by candlelight.

Despite the girl’s menial position, she is included at classes on board to learn rudimentary spoken English and lessons in etiquette. Under the patient, watchful eye of her roommates and co-workers, she hopes to advance to the position of waitress. However, progress much beyond waiting tables would require further formal education. She desperately wants to attend high school, but her wages are necessary to sustain her family.

5. URBAN YOUTH

The vast expansion of mass higher education, especially since 1999, inured to the benefit mainly of urban youth. This expansion, however, was facilitated by pre-existing cultural values. Unlike many countries, China has the advantage of a long tradition of respect for education and willingness of parents to sacrifice for their children’s future. Considering its low level of development in the pre-reform period, and a written language which is excruciatingly labour intensive to master, China had already achieved very high levels of literacy before the reforms began.40

In the pre-reform period, tertiary institutions closed during the tumultuous decade of the Cultural Revolution. When normalcy returned, access to higher education was extremely limited, though essentially free for the privileged few. Graduates were compelled to accept post-graduate employment assigned by the government (tong’yi fenpei).41

In the post-reform period, a ‘user-pays’ system was introduced and the practice of job assignment largely eliminated. In 1978 approximately 850,000 people were enrolled in ‘regular institutions of higher learning’ (putong gaodeng

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By 2007, enrolment had leaped to almost 19 million. Expansion of tertiary education helps to explain lower rates of youth unemployment among those aged 18–24.

However, the post-reform approach has not done much better in matching the supply and demand for trained manpower. Vocational education is neglected in favour of university, or comprehensive, education; even when it is made available, there are empty seats at vocational schools. Influenced by the traditional cultural disdain for manual labour, parents want their children to get an academic education.

Moreover, the socialization of industry in the 1950s destroyed independent craft guilds. Unlike Japan or Germany, rapid modernization did not accommodate the preservation of traditional crafts. Then, as part of a plan to diversify the economy away from dependence on heavy industry, the state enterprise sector was abruptly downsized in the late 1990s, and the state enterprise workforce shrank by tens of millions. These discontinuities probably have had a detrimental effect on master-apprentice relationships and the on-the-job learning process.

Meanwhile, competition for entrance to prestigious universities is even more intense, and graduates would rather remain unemployed or underemployed than relocate to less developed areas of the country. One survey estimated the jobless rate of college graduates in 2008 at 25%.

A new term for describing young atypical workers has entered the Chinese vocabulary, ‘freeter’ (fei te zu), imported from Japan. The term is used to describe young people, often with backgrounds in information technology or the arts, who roam major population centres and work at temporary jobs in the service sector which pay just enough to support themselves. While a succession of short-term jobs could be viewed as beneficial, youthful experimentation, such a pattern may...
never lead to stable, permanent employment and its perquisites. For example, as in the United States, health insurance is tied to the job.

Recently, the US-based political scientist Pei Minxin made an interesting proposal to meet the severe shortage of teachers in rural areas and at the same time mop up unemployment among college graduates: adopt the US model of a Teach for America Corps. Investment in human capital is far less expensive than projects for physical infrastructure which China is touting as part of its economic stimulus package. Pei envisions that migrant workers made jobless by the current global slow-down would be encouraged to go back to their home villages and enrol in continuing education programmes.

Pei’s recommendation makes such good sense on so many levels that it is no surprise that the idea has already been adopted and put into practice. Yet, in recent years, even though the government guarantees salaries and other fringe benefits to volunteers, few graduates avail themselves of the opportunity.

The main obstacle to large-scale recruitment of tertiary graduates is that urban youth was ‘sent down’ to the countryside during the Maoist period, to relieve pressure on the urban job market and to disseminate skills. Ultimately, the project was abandoned as a failure and sent-down youths were permitted to return to their families.

Having themselves experienced, or witnessed as children, forcible relocation to rural areas, the parents of today’s crop of college graduates would prefer to support their children at home until the storm passes. Furthermore, urban household registration is such a precious commodity that no amount of assurance from the government will allay fears that ‘temporary’ relocation to rural areas will somehow become permanent.

6. CONCLUSION

There is no denying the slowdown of economic activity in China’s export industries, its adverse impact on employment opportunities, and the pressures to downgrade working conditions for those who have jobs. However, ‘temporary’ work has become a way of life for many rural residents. They will continue to accept substandard working conditions in manufacturing and construction, rather than eke out a marginal existence on the farm. At the same time, as conditions improve, because workers have their own informal channels of communication, they will gravitate to those areas and those factories which pay more and provide better fringe benefits for comparable work.

52. China to send university graduates to rural areas to ease job shortage, BBC Asia Pacific – Political, 7 Feb. 2009 (available on Lexis).
53. China to send 20,000 graduates to work in rural areas, BBC Asia Pacific – Political, 12 Apr. 2007 (available on Lexis)(only 23,520 graduates signed up out of 1.24 million graduates who were not likely to get immediate job offers).
The ‘trickle down’ effect of manufacturing from the SEZs back to migrants’ villages was not spectacular in the best of times. Few migrants were able to realize their ambition of entrepreneurship. The financial system supports major companies and is not effective at providing seed capital for small and medium size businesses. Rural entrepreneurship is further discouraged by the attitude of local governments, which view successful enterprises as ‘cash cows’ to be exploited for revenue collection.

Having slimmed down the state enterprise workforce through restructuring, the government is not likely to expand employment significantly in the public sector. Unemployed urban youth faces fierce competition for civil service positions and post-graduate programs. ‘Youth meccas’ such as Beijing and Shanghai will protect their own permanent residents, through preferential admissions to institutions of higher education, limitations on temporary residence permits, and hiring restrictions. Those unemployed college graduates who do accept jobs in remote or rural areas will do so only as a temporary expedient until the economy improves.

Foreign employers, especially those based in developed Western countries, will come under greater pressure to hire and to retain employees. The 2007 Employment Contract Law arguably re-introduces a bias towards long-term or indefinite employment. State Council regulations issued in February 2009 authorize cost-cutting measures in lieu of lay-off, but no blanket exemption from the stiff requirements applicable to mass redundancies. Small companies, operating on thin profit margins, will simply close, leaving local governments with the responsibility for settling unpaid claims.

55. Id. at 229.
56. More than 770,000 Chinese sit nationwide government recruitment tests, BBC Monitoring Asia Pacific – Political, 30 Nov. 2008 (available on Lexis)(only 13,500 positions open, about the same as in previous years); More Chinese apply to graduate schools as unemployment worsens, BBC Monitoring Asia Pacific – Political, 10 Jan. 2009 (available on Lexis); Raymond Li, supra (plan by one university to employ graduates as research assistants).
58. Shanghai hukou policy, supra; American Chamber of Commerce – Shanghai, 2007 White Paper: American Business in China 134 (difficulty hiring employees who do not have their household registration in Shanghai).
60. Josephs, Measuring Progress, supra, at 382, 387. An employee is entitled to a contract of indefinite duration upon the signing of a second successive contract, or if the employee works for one year without a written contract.
In the short term, the incidence of strikes, demonstrations, and other acts of civil unrest may rise in response to deteriorating economic conditions. Worsening crime rates, for both adults and youth, may also be expected. However, on a macro level, there is no serious threat to social or political stability. Acts of protest are sporadic, isolated, uncoordinated, and therefore easily contained by the government. Fundamentally, the regime still enjoys ‘performance legitimacy’ with the overwhelming majority of the population: ‘[i]f the government governs well, it is perceived as legitimate’.

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64. Mitchell & Waldmeir, supra (quoting Hong Kong-based labour activist Han Dongfang).