

Decoding the Riddle of Youth Unemployment in China: Unveiling Culprits and Paving the Way for Progress

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Abstract. The continuous increase in China's youth unemployment rate reflects the challenges of the current job market and the severity of youth employment issues, and is also a typical manifestation of the decline in China's economic growth rate. This paper aims to identify the major catalysts of China's escalating youth unemployment over the past three years and provide practical solutions accordingly. The hypothesis before investigation is that there might be three leading factors contributing to the employment crisis: the economic downturn, shifts in the industrial landscape, and obstacles encountered by young entrepreneurs. Online questionnaires were distributed and collected 100 responses, with most participants favoring the same factors as hypothesized. The results validate the urgency for targeted interventions, emphasizing the pivotal role of government action in fostering job creation, supporting vulnerable demographics, and promoting innovation. Overall, this research offers a reference to address youth unemployment, aiming to provide resilience and prosperity for China's future.

Keywords: China's youth unemployment, Economic downturn, Industrial transformation, Young entrepreneurs, Government interventions.

1. Introduction

To most people's agreement, the unemployment rate serves as a vital indicator of economic health. A delightfully low unemployment rate typically signifies a buoyant economy, indicating that consumers' demand and confidence are both high, pushing up the prices, inducing producers to supply more goods and services, and subsequently hiring more workers or even expanding the business's scale to achieve this. On the flip side, a depressingly high unemployment rate tells people that the economy is "sick" and needs a remedy. Currently, China is grappling with the pressing issue of continuously mounting unemployment rates. In particular, the concerning upward-trending youth unemployment rate which is consistently 3 times higher than that of adults poses a challenge to China's future, as the youngsters are the ones with the most passion and potential to make their country prosper yet many of them were discouraged by the economy.

To begin with, the study carried out by Teng Li et al. in 2023 emphasizes the potential correlation between the pandemic and the subsequently rising unemployment rate. By controlling variables and taking the Guangdong province as the object of investigation, their study found that the unemployment rate in Guangdong rose by 72% and unemployment benefit claims went up by 57% due to the pandemic. What's more, it also pinpoints the degrees to which different industries were affected, illustrating that the least influenced industries were finance, health care, and education [1]. Xia et al. delve into several problems of the higher education system in China. The major ones include the deficiency of scientific innovation and the mismatch between supply and demand in the labor market. It believes that universities should be granted a higher level of autonomy and should pay more attention to their authentic education and research quality instead of their reputations [2].

A case study of young entrepreneurs in Shenzhen (one of the most developed and cutting-edge cities in China) performed by Yuyang Kang et al. expresses the main message that entrepreneurship has the potential to become a remedy for the unemployment issue in China. Yet those young business starters are challenged by several barriers, including entrepreneurial traits, resources, and culture. These obstacles are concluded after qualitative research [3]. The study conducted by Holmes et al. is set in the context of Ghana. It investigated why there has been a growing number of well-educated

youth engaging in artisanal and small-scale mining (ASM) and what influences they would bring to this field. The conclusions drawn by the researchers are that the graduates chose to work for ASM as there's been stagnation in other industries while ASM kept thriving, thus they joined this sector for a living; the youth are expected to collaborate symbiotically with ASM by employing practical skills learned in ASM in educational settings and infusing innovative ideas and vigor into ASM simultaneously. Altogether, the researchers concluded this was a win-win solution for the youth unemployment problem [4].

Atanu Ghoshray et al. examine the unemployment problem in European countries thoroughly using a comprehensive range of research methods. The study highlights the fact that the youth are usually more vulnerable in terms of employment during times of economic downturn, and thus effective policies aiming to alleviate this problem ought to be devised. It also points out that the youth unemployment rate is often associated with the performance of the education system, therefore, relevant educational and macroeconomic policies must be made in purpose to boost the overall youth qualification and assist graduates to complete a smooth school-to-work transition [5]. The final report specifically looks into China's youth unemployment crisis during the pandemic. It first highlights that around 10.8 million Chinese graduates entered the job market in a stagnant economy, and youth unemployment reached 18.4%. Interviews were done with worried graduates, company executives, and recruiters. To escape from the potential unemployment, several college students applied for post-graduate studies, while the rest faced a depressing crisis. The Chinese government announced that they had placed solving the youth unemployment issue as their top priority, and in order to create more jobs, they offered subsidies for firms that granted graduates internships and loans for young entrepreneurs. However, the effects of those measures were not recorded [6].

Therefore, the literature regarding youth unemployment or unemployment as a whole looked into multiple aspects and offered insightful opinions. However, very few of them addressed the operable solutions to mitigate the detrimental effects of such crises in the future. Thus, this paper aims to enhance scholarly reference in these areas by implementing a more thorough exploration and proposing pragmatic remedies.

2. Delving into the Reasons

To start with, the paper hypothesizes that there might be 3 major factors catalyzing the youth unemployment rate to mount incessantly over the past several years, which are the economic downturn, industrial transformation, and the hardship faced by young entrepreneurs. However, considering there isn't much up-to-date literature that thoroughly analyzes China's economy and its employment situation in the labor market, this paper devised an online questionnaire and encouraged volunteers of all age groups to fill it in. The questionnaire gathers respondents' basic information (age, location, and employment status quo) as well as their rankings of all potential catalysts of China's mounting youth unemployment rate. A total of 100 responses were collected.

Regarding the samples' basic personal information, the age span is between 18 and 50 years old, and the average age is 28.8. Most of them are either students or employees living in first-tier cities in China, such as Beijing, Shanghai, Guangdong, or Shenzhen. Thus, it can be inferred that most respondents are well-informed about the latest economic dynamics in China, as they are either being educated in top schools or employed in large companies and are most probably able to access news and up-to-date articles.

Next, as shown in Fig.1, amongst the 6 factors potentially leading to China's rising youth unemployment listed, 61.7% of the participants believe that the option "due to the gloomy domestic economy, a lot of companies choose to dismiss employees and tighten the number of slots available for new graduates to reduce production costs" is the most important factor. The second most favored explanation which 51.9% of the participants voted for is that "the industrial structure has changed a lot, graduates and other more aged employees are leaving the sunset industry for sunrise industries, yet there's a skill mismatch." The third reason which 42% of the sample agreed upon is that "the

young entrepreneurs find it difficult to start their own businesses due to the hostile entrepreneurial environment and challenges such as the difficulty of raising funds, lack of safety net, high entry threshold, and so on.” This result matches the author’s hypothesis seamlessly, consolidating the validity of the assumption that the current unemployment might belong to the category of structural unemployment, caused majorly by external factors. Each of the 3 causes will be analyzed later on in the article.



Figure 1. Participants’ rankings of potential causes of youth unemployment

Furthermore, most of the participants believe that the government should shoulder the responsibility of improving the domestic education system and the competitiveness of future employees, providing more career-planning services to reduce the information gap faced by graduates, and finally, implementing fiscal and monetary policies to encourage and safeguard youth entrepreneurship. Surprisingly, these three solutions, which are most championed by the participants, correspond exactly with the causes of unemployment mentioned above, aiding the following investigation.

3. Factor Analysis and Solution

3.1. Economic Downturn

Now, the pressing question is, who is to blame for China's gloomy economy during the past several years? The answer may be evident to those who read the news regularly: tensions between countries, or rather, politics-related factors. The United States, as universally known, has been the biggest trade partner of China from the 1980s to the early 2000s. However, during the past few years, the relationship between the two countries has grown rather strained because of events such as the trade war commenced by the U.S. in 2018 and the outbreak of COVID-19. In the year 2020, President Trump of the United States got even tougher on China, imposing a trade embargo and declaring the country's opposition towards China. Specifically, an array of China's high-tech companies were added to the State's trade blacklist and were inhibited from U.S. investments [7].

It's quite understandable that the U.S. sees China as a threat. China's rapid economic growth and industrial development have undoubtedly made it a formidable competitor to the United States. What's more, China's ambition of becoming one of the global leaders in advanced technologies such as artificial intelligence, quantum computing, and 5G telecommunications is alarming news to the United States, shaking its confidence in its place in the world. Nevertheless, the consequences of the wars between the two countries' politicians were endured by innocent civilians on both lands. China's mounting youth unemployment rate is evidence of people's suffering and the country's darkening

status quo. Citizens should not be the ones to bear the costs of political battles. Therefore, people expect that the Chinese government make endeavors to soothe the tension with the United States in order to brighten the country's economy and the youth's future.

3.2. Industrial Transformation

Secondly, structural unemployment might have been caused by two key factors, one of them being industrial transformation and the other being skill mismatch. The manufacturing industry in the secondary sector has long been the backbone of China's economy. However, as environmental protection grew to become one of the government's priorities, excessive production capacity was made redundant as a result of the closure of outdated production methods and the rise of energy-saving plans. Granted, the renewal of such industries may also create new jobs. Yet the side effects outweigh the positive effects brought by an industrial transformation so far [8].

Other fields such as the service sector and technology and innovation are also experiencing drastic changes, leading to problems of skill mismatch and the prevalence of the gig economy. Skill mismatch occurs when existing human capital knowledge cannot keep up with the skills demanded by employers and emerging industries, resulting in higher unemployment. Although the gig economy provides people with temporary jobs and a source of income, it poses risks to labor rights, protection, and social stability. Thus, the government is expected to improve services such as training programs that prepare labor for unprecedented industrial transformations and implement buffers to protect people when they are made redundant. In other words, more effective and promising supply-side policies are desired.

3.3. Challenges Faced by Young Entrepreneurs

Lastly, since entrepreneurship can create jobs and alleviate the problem of unemployment, many young graduates may attempt to start their own businesses. However, they often encounter multiple setbacks on their path to success. Studies have shown that young entrepreneurs are facing a growing number of difficulties, even though they are more educated and capable than their predecessors [9].

As shown in Fig.2, one of the major reasons why it has become even more difficult for graduates of 2022 to raise funds is that commercial banks are now more prudent when lending money, lacking confidence during times of economic stagnation in the current situation [10]. Thus, it is likely that they will reduce the number of lenders, making it tougher for graduates to obtain funding as they possess neither collateral nor impressive entrepreneurial experiences. This creates a vicious cycle for society, as youth seek help from banks, only to be rejected, resulting in fewer entrepreneurial activities and a deteriorating economy. Altogether, the government is encouraged to provide young entrepreneurs with support and safety nets to boost their abilities and confidence. A nation's future lies in the hands of youth, whose dreams ignite the flames of tomorrow's truth.

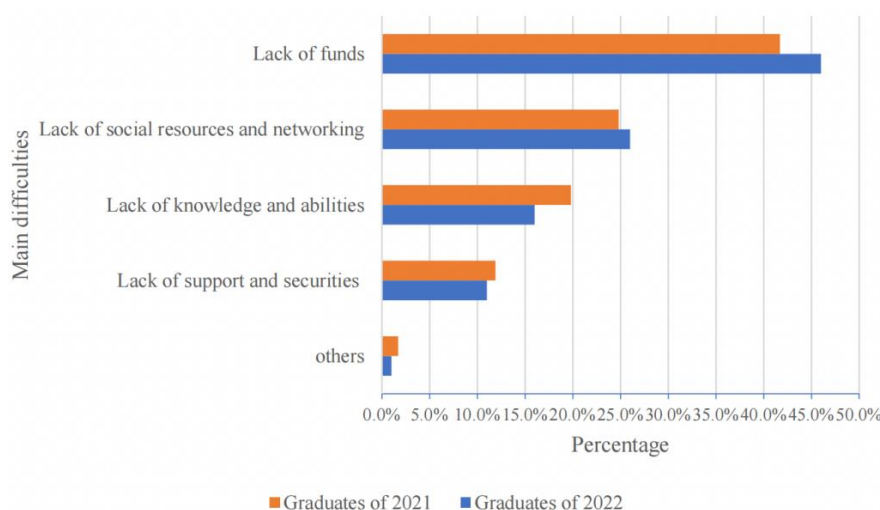


Figure 2. Difficulties faced by young entrepreneurs in China

4. Conclusion

The increasing rate of youth unemployment in China is a significant concern for the country's future prosperity. Through a thorough review of relevant literature and careful analysis of both quantitative and qualitative data gathered from surveys, this study has uncovered several factors contributing to this challenge. These include the economic downturn worsened by the COVID-19 pandemic, changes in the industrial sector, and the obstacles encountered by young entrepreneurs.

Dealing with these issues demands comprehensive solutions. We need short-term actions to alleviate immediate effects and long-term strategies to tackle underlying structural problems. Actions such as improving vocational training opportunities, fostering closer ties between education and industry sectors, and implementing supportive policies to encourage entrepreneurship ought to be taken as soon as possible.

Last but not least, government intervention is especially crucial in solving the employment crisis. The Chinese government is expected to make endeavors to facilitate job creation, support vulnerable populations, and create an enabling environment for innovation. By adopting a comprehensive method, policymakers may tackle the root causes of youth unemployment and, hopefully, ensure a resilient economy for the future.

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