

# **CHINA'S CURRENT LABOR SHORTAGES AND THEIR IMPLICATIONS**

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## **Executive Summary**

1. Since February 2011, the labor market in China has been experiencing severe labor shortage and radical wage increases for migrant labor.
2. Shortage is most severe in the export-oriented sectors of the coastal industrial region in the Yangtze and Pearl River Delta regions; most inland labor-exporting provinces such as Hubei and Anhui are, however, equally hurt.
3. As a possible preamble to prolonged shortage, the current tightening of labor markets nationwide underlies the demographic shift and generation change in China's migrant labor force, with the new values and expectations of young migrants playing a key role.
4. Moreover, shortage means that the coastal regions have largely lost their former competitiveness. As industrial structures and demands for labor converge for inland and coastal economies, migrant workers have more leeway to make their choices.
5. While affected enterprises are employing different methods to attract labor, mostly through wage increases, governments have also responded with minimum wage and welfare standards, including comprehensive welfare packages to integrate workers.
6. The current shortage does not mean that China's demographic dividends have ended. The key issue is still a mismatch between demand and supply, since extreme shortage of skilled workers exists side by side with massive underemployment of college students.
7. Although there is no simple and fast solution to the shortage apart from a difficult and painful industrial restructuring, the government can address the mismatch by encouraging students to pursue technical education as an easy way to securing a job in the labor market.