

CHINA'S EDUCATED UNDEREMPLOYMENT

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Executive Summary

1. As employment and average salary for college graduate rise consistently, graduate unemployment no longer poses a grave challenge to the Chinese government. Instead, graduate underemployment emerges as a more salient problem in the labor market.
2. Graduate underemployment comes in many guises and unemployment is only the extreme case. More often, it is manifested in the mismatch between the qualification and job expectations of college graduates and the jobs they are in.
3. According to surveys done in the last three years, despite significant rise in average salaries, 70% of college graduates still earn less than RMB2,000 per month. This is only slightly higher than that of average migrant workers.
4. More seriously, 73% of college graduates report a mismatch between their academic training and the job they secure. Of these 35% report a serious mismatch where their jobs are totally unrelated to their undergraduate training.
5. Most college graduates work in generic types of service sector jobs that do not require much professional skills such as sales, product services and daily administration, whereas only 3-4% manage to find a job in the modern service sector.
6. In consequence, the public sector becomes the ideal choice for college graduates. In the last decade, civil service examinees have expanded tenfold and the entry to public sector jobs has become more difficult.
7. This unique underemployment phenomenon is commonly attributed to structural factors in the education system and the economy.

8. The education system is one source of this structural problem, as the decade-long expansion in higher education has led to a decline in the quality of education and the lack of professionalism among average college graduates.
9. As China's economic structure today is still state-dominated and lacking in institutional foundations necessary for a vibrant knowledge-based economy, there is an undersupply of modern service jobs suitable for college graduates.
10. Although educated underemployment is unlikely to undermine social stability in the short-run, it has serious negative consequences for the economy and society, apart from indicating an obviously inefficient allocation of human resource.
11. As part and parcel of China's socio-economic dilemmas, educated underemployment could only be solved through structural reforms in both higher education and the overall economic system.