

**“YOUTH DRAIN” AND ITS IMPLICATIONS
FOR CHINA’S LABOR SHORTAGE**

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Executive Summary

1. “Youth drain” refers to a particular pattern of migration by working-age workers from the rural areas to cities and from the poor regions to the rich ones. This pattern of migration is evident in China’s population census data.
2. Between 2000 and 2010, the elderly dependency ratio (i.e. the ratio between those aged 65 years old and above and those aged 15-64 years old) increased more in less developed regions than in more developed regions. The poor regions also saw their population age faster than that in the rich regions.
3. China’s “youth drain” phenomenon is distinct from the rural-urban migration in other countries. The majority of China’s rural migrant workers who work and live in urban sectors have left behind their junior and elderly dependents in home villages. Many of them plan to return and retire in their homeland after spending their prime years in cities.
4. This particular pattern of labor migration aggravates inequality of development opportunities across regions. In the past, it allowed the coastal and urban areas to gain the most from the “demographic dividends”, i.e. the changes of population structure that are favorable to economic growth.
5. Now as its labor force starts to shrink, China is facing daunting challenges of an aging society. The “youth drain” favors rich and developed regions and helps them cope with these challenges.
6. Since the mid-1970s, China’s population has been aging at a pace comparable to or even faster than that of Japan and other earlier developed Asian economies. China is projected to see its population median age exceeding US level by 2015 and Japan’s level before 2050.
7. China’s recent adjustment of its one-child policy is unlikely to produce a significant baby boom that could reverse the long-term demographic trends. In contrast, the impact of population aging and pattern of labor force movement will

be far more important in determining China's development prospects in the coming years.

8. Empirical evidence from international data suggests that China's population aging has reached a level that its further rise will slow down productivity growth. This impact of aging can be moderated by "youth drain" in favor of the regions at its receiving end.
9. The phenomenon of "youth drain" is rooted in two institutions in Chinese society: The *hukou* (户口, household registration) system denies rural *hukou* holders' access to key public services in urban areas. The rural land tenure system ties rural residents to a piece of collectively owned land in their home village.
10. The Chinese Communist Party has pledged to overhaul these two institutions. The promised reforms will remove or reduce some institutional barriers to allow rural migrants to settle down more freely in towns and cities to become full-status urbanites. Without the privatization of rural land, however, the effects may be uncertain and limited.