

How Much Unemployment in China?

WASHINGTON – The WSJ just had a front page story on China, focusing on factory closings, jobs losses, strikes and workers protests. However, it is very difficult to place all this context. Unfortunately, there is no reliable official Chinese data on unemployment, bankruptcies and industrial actions.

Official statistics

Indeed, Chinese official statistics indicate that the unemployment rate in China is always the same: between 4.1% and 4.3%. Of course, this is impossible.

But why would it be important to know more? Well, because growing unemployment, if this is indeed the case, combined with workers' protests after factories closings, is the social –and potentially political– consequence of China's economic slow down.

New jobs in services?

If the slow down is moderate and gradual –this is the official line coming from the Beijing political leadership– and if it is indeed true that China is successfully shifting from manufacturing to services, then its vast labor market will have time to adjust. Laid off factory workers may be able to find good or even better employment opportunities elsewhere.

But if the contraction in manufacturing is fast and severe, then the labor market cannot adjust, and this may create new problems. Citing various studies, the WSJ indicates that between 2014 and 2015 the number of labor related protests and strikes has doubled in China. If true, this is a remarkable development.

For the moment, the issue of labor protests seems to be contained. There are no politically explosive situations. But if this trend continues, if there are more and more public protests related to plant closings and jobs losses, then it becomes more complicated. In other words, what may begin as an economic issue will become a political problem.

Unlucky migrant workers

The WSJ goes into some detail on Chinese joblessness by telling the stories of unlucky Chinese migrant workers who left a life of poverty in rural areas and got factory jobs in cities. This change was definitely an improvement for them and literally tens of millions of others just like them.

But now many factories have shut down. These migrant workers are jobless. They cannot go back to villages where there is no opportunity. They are poor and frustrated. On occasion they stage public demonstrations.

Again, how many factories have closed nationwide? We do not know, because there are no official statistics on this. (We know however that at least 1/3 of all the factories owned by Hong Kong companies in the adjacent Guangdong region in mainland China have shut down).

How many jobless workers?

So, here is the politically relevant question. How many migrant workers are jobless and potentially desperate? Are the protests staged here and there just local events of no real consequence? Or do they represent a trend?

In other words, what if China's economic slow down is worse than we are told by Beijing? Will unemployment levels grow to a point in which this will become a political issue?

Unemployment trending up?

We really do not know. While unofficial statistics indicate

that the real unemployment rate in China is probably closer to 10%, (as opposed to the official 4% to 4.3%), this does not tell us much. What would be really important to know is how it is trending. Is it going higher, at a fast clip, or is it stable or going down?

We have no idea. But it is hard to believe that China will be able to maintain its present level of employment while the overall economy slows down, construction is down, manufacturing is down, and exports are down.

More protests ahead?