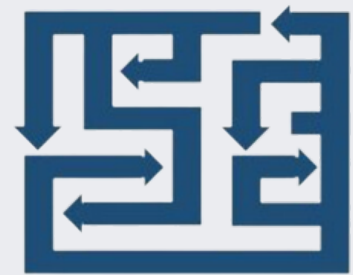


# POLICY BRIEF



Precarious  
Work and  
Future  
Careers

## TRAPPED IN PRECARIOUSNESS: LABOUR MARKET TRAJECTORIES OF YOUNG PEOPLE IN PRECARIOUS WORK IN CHINA



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## EXECUTIVE SUMMARY

In China, although the term 'precarious employment' is a relatively new concept that was first introduced by the labour authority of Shanghai in 1996, it has been gaining increasing attention in China since the late 1990s as a result of the massive downsizing in the state sector, the rapid expansion of the private economy, and the migration of surplus rural labour to urban areas. Over 60% of the Chinese workforce was engaged in precarious employment (e.g., contingent, part-time, hourly-paid) (Wu and Cai, 2006; Zhou, 2013). Young migrant workers and university graduates are prominently affected by job informality (Schucher, 2015). The predicament faced by young precarious workers has attracted scholarly attention (e.g., Chan, 2015; Wang et al., 2017; He and Mai, 2015; Chan et al., 2015). However, far less is known about the consequences of precarious employment on young people's subsequent labour market outcomes. Using nationally representative panel data (China Family Panel Study), we close the gap providing key features of young precarious workers and explore whether precarious early work opportunities lead to longer-term secure employment in the neoliberal Reform Era, a time when the labour market has been experiencing heightened deregulation and precarisation. We found that the majority (84%) of young precarious workers hold rural hukou (household registration) and nearly 40% of them work in the more prosperous and urbanised east coastal areas. While the annual income for precarious young workers increased significantly from 2014 to 2018, they earned 40% less than that of permanent/secure workers. The rate of participation in social insurance of young precarious workers is low, especially for those with rural hukou (less than 15%). They are excluded from social insurance schemes provided by formal employment as well as the benefits based on hukou status financed by local government. They remain one of the most under-protected groups within the social insurance system in China (W. Chan, 2015; Zhou, 2013). As for their transitions, 22% of the young precarious workers made a positive transition, i.e. transitioning from precarious to stable work, while nearly half of them remain in precarious work, and 25% to 30% of them became unemployed. Hukou (rural/urban) and education are two significant factors that influence these transitions.

The deregulation and precarisation of the labour market in the neoliberal Reform Era have played an important role in creating jobs and enhancing China's economic competitiveness (Zhou, 2013). However, being excluded from social protection, young precarious workers may tolerate excessive workload and substandard working conditions because of fear of job loss (Ren and Peng, 2007). In the Reform Era, economic success may have been achieved at the expense of workers, particularly of the most vulnerable part of the labour force (Harvey, 2005; Zhou, 2013). The growing service sector and increasing dependence of the Chinese economy on precarious labour may indicate a relatively high likelihood of young people being caught in a 'precariousness trap', i.e. they may remain in precarious jobs which do not offer them the opportunity for professional development that could contribute to a further transition.

## THE CHINESE CONTEXT

Since the launching of sweeping economic reforms in 1978, China has transformed ‘from a closed backwater to an open centre of capitalist dynamism with a sustained growth rate unparalleled in human history’ (Harvey, 2005, p. 1), with the market playing an ever more significant role in the Chinese society. The Reform Era saw a dramatic shift in the structure of the Chinese labour market, with the aim of tapping into economic and labour resources (Chan, 2018). There has been a shift away from a well-supported socialist system, with young people transitioning to the ‘iron rice bowl’ [1] jobs upon completing their education (Hoffman, 2006), to a system which promotes creating ‘your own rice bowl’ (Bray, 2005; Wang et al., 2020).

The deregulation of the labour market has significantly enhanced China’s economic competitiveness (Ren and Peng, 2007; Zhou, 2013). Despite the country’s economic success, the past 30 years has witnessed growing tensions in terms of employment relations, which reflect in particular the prevalence of precarious work across all sectors of the economy (Zhou, 2013). The number of officially reported ‘mass incidents’ increased rapidly throughout the early 2000s and these have been associated with precarious workers’ protests and labour disputes (Cooke, 2008). Precarious employment is significantly under protected as the majority of the precarious workers do not possess a work contract (Cooke, 2008), which makes it easy for employers to increase work hours, delay payments, and dismiss workers at will. A lack of protection by labour laws and a weak trade union [2] influence mean that precarious workers in China are subjected to higher risks of unemployment (Zhou, 2013). The plight of young precarious workers is manifested by the employee suicide tragedy at Foxconn in 2010[3]. Chan and Pun (2010) argued ‘the labour and human rights issues raised by this tragedy go far beyond the specific conditions at Foxconn and demand wide-ranging changes at both the industry and governmental levels’.

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[1] ‘Iron rice bowl’ refers to the job assignment system that comes with the lifetime guarantee of steady salaries and the benefits of a socialist welfare package (Hoffman, 2006, p. 551).

[2] In China, ‘trade unions’ existed in the form of the ACFTU (All-China Federation of Trade Unions). Most of the union organisation at the workplace were either ‘shells’ without effective substance or wholly dominated by management (Lee, 2009). While the reported number of collective agreements increased, collective bargaining remained a ritualistic formality, without any real bargaining process or substantive improvements for the workers (Chan and Hui, 2012). The ACFTU does not constitute a voluntary association of workers as set out in International Labour Organization (ILO) Convention 87, but it is a part of the Chinese state. In the absence of freedom of association, the ACFTU, which has official monopoly of workers’ representation, does not face credible challenges which can trigger genuine union development (Lee et al., 2016). The absence of official recognition of the right to strike makes it hard for unions to put collective pressure on employers in order to break deadlocked negotiation (Lee, 2009).

[3] Between January and May 2010, 13 young workers attempted suicide at two Foxconn production plants in southern China. The suicides have received much public attention to the issue of quality of working life among young precarious workers.

## OVERVIEW OF THE RESEARCH

Using a nationally representative dataset, we closed a gap in existing research. We provided some key features of labour market outcomes of young precarious workers. We investigated whether precarious early work opportunities lead to longer-term secure employment in the Chinese Reform Era, a time when the labour market has been experiencing heightened deregulation and precarisation (Zhang, 2021), as well as what kind of demographic inequalities mediate longer-term career outcomes. The study used data from the China Family Panel Study (CFPS 2014–2018) to analyse young precarious workers' labour market trajectories. In this dataset, a sample of participants who were between the ages of 16 and 30 years and engaged in any form of precarious work in the earliest waves of data were selected to track over subsequent waves of data.

## DATA AND VARIABLES

### DATA

The longitudinal data from the China Family Panel Study (CFPS) provides information on individuals and households. CFPS is a nationally representative, biennial longitudinal survey of Chinese communities, families, and individuals. It applies a multi-stage stratified sampling strategy and covers 25 provinces/autonomous regions (excluding Hong Kong, Macao and Taiwan). It provides detailed information on respondents' type of education, income, and employment, along with many other socio-demographic variables.

### DEPENDENT VARIABLE

Precarious employment was characterised by lack of job contract (Zhou, 2013; Du et al., 2009). We used a question in the CFPS questionnaire where respondents indicate their employment status. The answers were given in three categories: (a) employed with a contract (code 2), (b) employed without a contract (code 1), (c) unemployed (code 0). We focused on precarious workers who were between the age of 16 to 30 and investigated their labour market trajectories: (a) they progressed to permanent/secure employment (positive transition), (b) became unemployed (negative transition) or (c) they remained in precarious employment (no transition). We also aimed to find out what kind of demographic factors may influence these transitions.

### INDEPENDENT VARIABLES

In addition to the main variables of interest, our analysis included a set of independent variables denoting certain demographic factors and socio-economic characteristics such as gender, age, ethnicity, region, and party-membership. Several studies have found that hukou and level of education influence young people's likelihood of being in precarious employment (Stainback and Tang, 2019; Wang and Wang, 2022; Zhou, 2013, Schucher, 2015).

For this reason, we included variables that take this into account. These include respondents' hukou status, which is a dichotomous variable (rural=0) and highest level of education completed. For this project, in order to analyse young people's labour market trajectories, we use multiple logistic regression analysis, which attempts to determine whether a group of variables predict a given dependent variable and attempt to increase the accuracy of the estimate (Mugenda and Mugenda, 2003).

## FINDINGS

Drawing on the CFPS nationally representative dataset, we explored key features of young precarious workers, such as their demographics, income, job satisfaction, insurance status as well as their labour market trajectories. This generated several noteworthy findings. Firstly, approximately 84% of the precarious young workers have rural hukou (household registration) and nearly 40% of them work in the more prosperous and urbanised east coastal areas. Secondly, while the annual income for precarious young workers increased significantly from 2014 to 2018, they earned 40% less than that of permanent/secure workers. The rate of participation in social insurance of young precarious workers is low, especially for those with rural hukou (less than 15%). People with rural hukou are excluded from social insurance schemes provided by formal employment as well as the benefits based on household registration status (hukou) financed by local government (W. Chan, 2015). Therefore, they remain one of the most under-protected groups within the social insurance system in China (Chan, 2015; Zhou, 2013). As for their transitions, 22% of the young precarious workers made a positive transition, i.e. transitioning from precarious to stable work, while nearly half of them remain in precarious work and 25% to 30% of them became unemployed.

Urban household registration status (hukou) appears to be an important factor for young precarious workers making a positive transition. This state sanctioned segregation of rural and urban population has not only created a deeply segmented labour force but also provided unequal life chances for young people with rural hukou (Harvey, 2005; Stainback and Tang, 2019). Despite the welfare system reform initiated by the Chinese government, hukou has continued to create boundaries and discriminate against rural migrant workers in the urban labour market. As Chan and Pun (2010) argued, 'China's emergence as a global economic power could not have occurred without the painstaking efforts of the older and younger generations of migrant workers', who still remain under-protected within the Chinese social insurance system when compared with their peers with urban hukou.

Education, especially higher education, is also a significant factor for young people in precarious work when making a positive transition. Based on the data collected in 2003 and 2008, Hu's (2013) research demonstrated that there was a significant increase in the number of jobs which required post-secondary credentials between 2003 and 2008, as well as a significant decline in the economic returns for a post-secondary credential. Educational credentials remain a significant differentiating factor in employer hiring decisions in the Chinese Reform Era (Hu, 2013). Precarious work is more likely to be a 'stepping stone' for those who possess a higher education degree, while it may appear to be a 'dead end' for those with limited human capital accumulation.

## STAKEHOLDER ENGAGEMENT

Hosted by Tianjin University, a series of three panel discussion sessions took place in August 2023, involving policy makers, policy practitioners, and educators in Tianjin and Beijing. The panel included Dr Haisheng Pan, chair of vocational skill development centre in Tianjin, Dr Xinqiao Liu, executive officer at the Ministry of Education, and officers from centre of human resources in Tianjin. The themes for the discussion sessions included social protection for the precarious workers, employer involvement in training, and upskilling the precarious workforce.

## POLICY RECOMMENDATIONS

- The introduction of informal employment in China within an institutional framework marked by scant protection of informal workers has created a deeply segmented labour force. We need more social protection for precarious workers in terms of housing, health care, education and unemployment.
- Precarious workers need to be properly protected by labour laws, and have access to a stronger trade union influence.
- Employers need incentives to invest in the skill development of the informal labour force as such workers are seen to have short-term value to the organization. Low levels of investment can lead to a progressive deskilling of the workforce and result in the persistence of low-quality jobs.
- There are grounds for expecting that the sustainable growth of the Chinese economy is likely to depend on skills, creativity, and production or service quality in the long run. This cannot be achieved by the continuous exploitation of workers trapped in low-skill, insecure, and dead-end jobs. Therefore, upskilling the workforce is needed for the Chinese society.

## FUTURE RESEARCH

In the academic literature on precarious young workers, little attention has been paid to contemporary China, a society undergoing comprehensive and rapid transition over recent decades. The purpose of our project is to open up a space for debate around the characteristics of young precarious workers and their labour market trajectories in China. Inevitably, there are limitations to what this project is able to yield. Whilst it offered a quantitative examination of the status of young precarious workers and the basis for a more extensive study, the relatively small sample of precarious young workers in the CFPS dataset limits our ability to examine other dimensions of their labour market outcomes. In some ways, the analyses in this project raise more questions than they answer. It would be informative and revealing to further investigate the factors contributing to the low participation rate of social insurance among precarious workers as well as the relationship between the quality of skill training and the labour market trajectories of young precarious workers.

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