

Job Preferences and Employment Outcomes of China's College Graduates

Hongbin Li, Lingsheng Meng, Yanyan Xiong, and Sinclair L. Cook (2023). **Job Preferences and Outcomes for China's College Graduates**. *The China Quarterly*.

Non-state enterprises employed the vast majority of all urban workers in China in the 2010s. Nevertheless, over half of China's workers with college degrees were employed by the state sector, suggesting that state sector jobs exert a strong pull in attracting college graduates. As China's workforce becomes increasingly educated, job preferences of the college-educated will play a crucial role in the allocation of China's most highly skilled labor and, consequently, its economy. This research highlights the employment preferences and job opportunities presented to China's college-educated workers in state and private sectors.

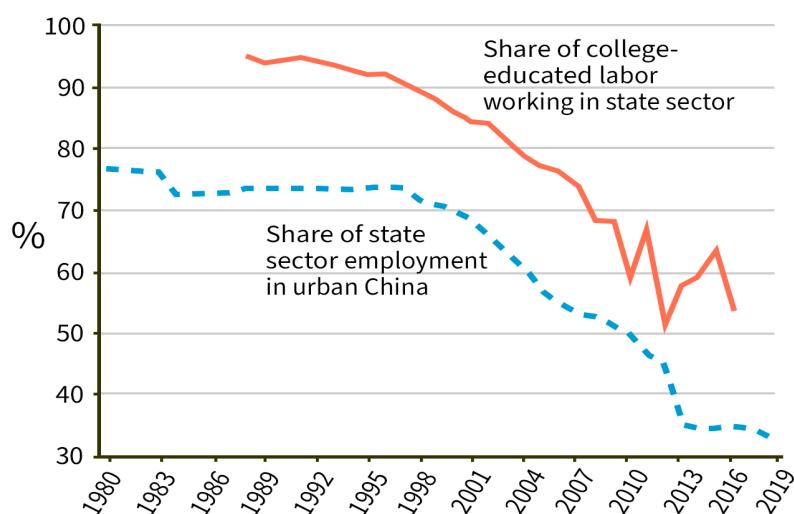
The data. This study utilizes data from the Chinese College Student Survey, which was conducted annually by the China Data Center at Tsinghua University between 2010 and 2015. The sampling method involved a random selection of 100 colleges from a list of 2,300 colleges in China, stratified by geographical regions and college tiers to ensure that different types of colleges were represented. Each college was also weighted by its student population, making the sample representative of the population of all college students in China. In the end, the research team surveyed a sample of over 40,000 graduating college students on a wide range of characteristics including their desired jobs, job search behaviors, and best job offers, as well as their educational and demographic data, such as their standardized test scores, activities in college, and their socioeconomic characteristics.

INSIGHTS

■ Despite non-state enterprises dominating China's labor market, survey analysis of over 40,000 graduating college students reveals that 64% of students desire employment in the state sector.

■ The strong preference for state sector jobs persists over time despite state sector corruption crackdowns since 2012 and significant declines in formal public sector positions.

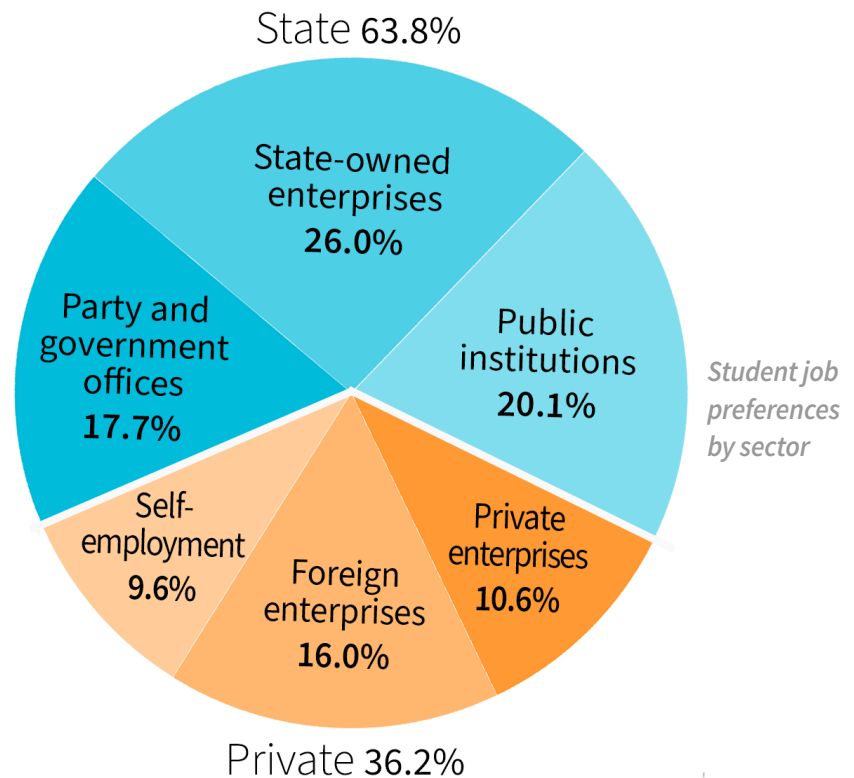
Share of employment in the state sector



College students prefer state sector jobs. Although an overwhelming majority of the Chinese labor force was employed in the private sector in the 2010s, 64% of college students in the sample seeking jobs between 2010 and 2015, on average, still aspired to work in the state sector. Moreover, despite the government's sweeping anti-corruption campaign initiated in 2012, which resulted in significant cuts to employment benefits for state sector employees, students nevertheless maintained a consistent preference for state sector jobs. After peaking in 2012 (at 66% of all students), student interest in jobs within the state sector remained consistently strong, and in the years following 2013, interest in Chinese Communist Party (CCP) and government office jobs as well as jobs in state-owned enterprises (SOEs) gradually returned to levels similar to those before the anti-corruption campaign. Despite the year-to-year fluctuations, the proportion of students favoring state-sector employment has consistently remained above 60% throughout the sampled years.

■ State sector employment is highly competitive: among students seeking work in the state sector, only 51% actually received job offers from public employers.

■ Male students, urban residents, elite university graduates, CCP members, students with strong standardized test scores, those from higher-income families, and students with college-educated or CCP cadre parents, as well as those with social connections to the state sector, were more likely to find state sector jobs.



Higher wages and benefits. As for why college students in China prefer state sector employment, this survey makes clear that entry-level positions in the state sector offer higher pay than their average counterparts in the private sector. In 2015, the average monthly wage in the state sector was over 12% higher than that in

the private sector. State sector jobs also provided a wider offering of benefits relative to private sector jobs, including local urban residential status, pensions, various types of insurance, and housing benefits. In addition, state jobs are often associated with greater job security and higher levels of prestige.

Intense competition for state sector jobs. The steady supply of college students that aspire to state sector jobs coupled with significant declines in public employment opportunities have intensified competition for such jobs. Among all sampled college students who explicitly desired employment in the state sector, only 51% received state job offers.

Who gets state sector jobs? According to the analysis, significant variation existed as to who receives employment offers from the state sector based on individual characteristics. Male students, urban residential status holders, CCP members, strong standardized test-takers, elite university students, and students with higher household income or more elite parental backgrounds were more likely to receive job offers in the state sector. Students with at least one parent who was a CCP cadre, for example, had a higher chance of receiving a state sector job offer (66% compared to 50% of those without a cadre parent). Moreover, students with a college-educated parent, coming from high-income families, or with social connections to the state sector were also more likely to receive state job offers. In addition, female students faced greater challenges in securing state sector jobs compared with male students (57% of men versus only 45% of women).

Implications for China's economy. Strong preference among college-educated job candidates for state sector jobs suggests challenges for private firms in attracting top talent. This brain drain to the state sector may limit the pool of highly skilled human capital available to private firms, potentially hindering their growth and competitiveness. On the other hand, China's government and SOEs may benefit from the ability to attract and retain highly educated workers, contributing to their improved economic management and technical efficiency. However, this concentration of human capital in the state sector raises concerns about the overall efficiency and innovative potential of China's economy, because the private sector is most likely to be the source of innovation, like any other country.