

An Approaching Glut of Chinese Skilled Labor?

From reducing costs to seeking a talented workforce

Extracted from Watson Wyatt's global research publication Horizons

IN RECENT YEARS, the primary reason for offshoring has shifted from reducing costs to seeking a talented workforce that is not available at home. Among emerging economies, China is a frontrunner in the race for foreign investment and has become the offshoring location of choice for many multinational corporations. In 2006, only the United States, France and the United Kingdom received more foreign direct investment (FDI) inflows than China. Before long, China will have twice as much skilled labor as India, according to Watson Wyatt's projections of China's future skilled workforce. To learn more about China's evolving role in the competition, Watson Wyatt analyzed China's future skilled workforce in terms of both size and ability to meet future global demands.

China's educational system has undergone a remarkable transformation, with its government pouring vast resources into education, and more Chinese young people are attending colleges and universities than ever before. Between 2003 and 2004, the number of new graduates in China rose by 27.4 percent, and by 2005, there were 3.26 million new graduates from colleges and universities. With higher percentages of Chinese young people attending college and going on to obtain graduate degrees, the outlook for China's skilled labor is brighter than ever before. China's 10th Five-Year Plan projects that by 2010, 23 million students will be attending Chinese universities, 1 million of whom will be graduate students. In terms of career choices, Chinese students favor engineering, as well as management and literature – almost 65% of Chinese graduates earned degrees in these subjects. (See p.31 Figure 1)

Even though women have lagged behind men in both educational attainment and workforce participation, they are closing the gap. Workforce participation rates are twice as high for Chinese women as they are for Indian women. In 2004, skilled women made up a much smaller percentage of the labor force than skilled men – 4.91 percent versus 6.6 percent, respectively. But women are catching up. Between 1996 and 2004,



中国技术劳工供给—— 潜伏的浪潮？

从减低成本到吸引技术人才

华信惠悦研究刊物《Horizons》撰文之简本



近年，吸引技术人才已取代减低成本，成为境外生产企业最主要的考虑因素。环球新兴经济体系当中，中国吸引外资已位居前列位置，成为不少跨国企业境外生产的首选地点。2006年内，中国吸引外国直接投资额(FDI)仅次于美国、法国及英国。Watson Wyatt对中国技术劳工市场未来发展的研究指出，在不久的将来，中国技术劳工数目将为印度的两倍。WatsonWyatt从中国技术人才数目及技术水平两项因素作出分析，从中了解中国在全球人力资源竞赛中所扮演的角色。

中国的教育系统历经重大改革，政府投入的资源极为庞大，接受大专及大学教育的年轻人口比以往稳步增加。2003年至2004年期间，中国大学毕业生人数上升27.4%；截止2005年底，全国大专及大学毕业生人数达326万。随著拥有大专及大学资历的年轻人口比例不断上升，中国技术劳工市场前景比以往更具活力。中国「第十个五年计划」预测，至2010年全国大学学生人数将达到2300万，其中研究生占100万。中国学生最热衷的专业科目包括工学、管理及文学，其中65%的毕业生获取上述科目学位。(见第31页图1)

虽然女性的教育水平及就业率较男性为低，但当中差距正逐步缩窄。中国女性就业率为印度的两倍。2004年全国劳动人口中，女性技术劳工比例(4.91%)远比男性技术劳工(6.6%)为低，但前者增幅越趋明显。由1996年至2004年期间，女性技术劳工每年增长幅度比男性技术劳工高3%，与印度人力市场的趋势相似。

中国男女技术劳工劳动参与率相当，而男女愿意工作程度亦相当(见第32页图2)，而男女技术水平差距亦正缩窄；中国劳工市场女性比例相当高，而女性就业率为印度的两倍。

中国技术劳工市场面对的挑战

预计至2020年，中国技术劳工数目将占所有新兴经济体系之首，然而细心分析之下，中国亦面对若干潜在危机。中国各地资源及就业机会分配不均，加上国内劳工流动性较低，有可能引致劳动力失衡，例如某省技术劳工过剩，而其他省份则不足。

中国各省实行的「户口」制度将城市及农村人口划分，亦压抑了劳动力自由流通，例如来自二线城市的毕业生想到上海工作便面对极大障碍。雇主为了将员工流失率减至最低，一般不愿意聘用来自其他地区的人才，因此大部份雇主都倾向聘用本地毕业生，亦因而延续全国就业机会不均的情况。中国政府严格限制户口迁移，尤其以从二线城市迁往大都市为甚，因而限制了城市之间的劳动力流动。支持户口制

the average annual growth rate in the percentage of women categorized as skilled labor was 3 percent higher than the growth rate for men, similar to trends in India.

Among China's skilled workforce, workforce participation rates are high for both men and women, with women almost as likely to be working as men (See p.32 Figure 2). Moreover, women are closing the gender gap in terms of skill levels. Workforce participation rates are twice as high for Chinese women as they are for Indian women. Chinese women make up a considerable share of the labor market.

Challenges of China's Skilled Labor Market

By 2020, China is projected to have the largest skilled workforce among the emerging economies, but a closer look reveals some potential pitfalls ahead. Uneven resources and opportunities throughout the country — compounded by the low mobility of China's workforce — may create labor imbalances, such as too many skilled workers in one province but not enough in another.

The free flow of the Chinese labor market is curtailed by the regional restrictions imposed by China's "Hukou" system, which distinguishes urban from rural populations in every province. For example, a graduate from a second-tier city who wanted to work in Shanghai would have to overcome considerable obstacles, including mobility restrictions. In general, employers are discouraged from hiring workers from other regions, mostly to minimize turnover. As a consequence, many employers tend to hire mostly local graduates — a phenomenon that perpetuates uneven opportunities throughout the country. Because the Chinese government forcefully restricts the regional transfer of Hukou, especially from a second-tier city to a megalopolis, it is difficult for workers to move from one city to another. Supporters of Hukou cite the need to balance the distribution of resources, but the system has become increasingly ineffective and extremely unpopular among workers.

Most Chinese students who study abroad choose to emigrate rather than to return home. In fact, in 2004, almost 24,750 students returned to China after graduating abroad, while approximately 114,700 left the country that same year.

Both China and multinational corporations would benefit from more students returning home after graduating from colleges and universities abroad, since most have become fluent in foreign languages and developed skills valued by multinational corporations.

Poor English skills could be one of the biggest obstacles to China's becoming the premier offshoring location for multinational corporations. China's results are lower than India's in all subjects (although higher than worldwide averages), especially in listening comprehension. These relatively low scores may be because Chinese students begin to study English later than students in other countries. Also, resources in China are limited, so teachers and students focus more on exams than on deep assimilation of the language. Far more attention is paid to reading and writing than to speaking and listening.

Figure 1: Chinese degree qualifications by subject in 2004
2004年中国大学毕业生主修科目

Professional degree & diploma 专业学位及文凭	Number of graduates 毕业生人数	Percentage of graduates 毕业生比例
Engineering 工学	812,148	34.0%
Management 管理	381,061	15.9%
Literature 文学	367,133	15.4%
Science 理学	207,490	8.7%
Medicine 医科	154,187	6.4%
Education 教育	146,685	6.1%
Law 法律	133,364	5.6%
Economics 经济	113,687	4.8%
Agriculture 农业	59,564	2.5%
History 历史	14,502	0.6%
Philosophy 哲学	1,331	0.1%
Total 总计	2,391,152	100%

Source: China Statistical Yearbook, 2005. 资料来源:《中国统计年鉴2005年》

度的人士认为这有助平衡资源分配,但实际上这制度已效能渐失,而且完全不获劳工阶层的支持。

中国海外留学生毕业后选择移居外地的数目远高于回国学生,2004年回流中国的毕业生约24,750人,但同年移居海外的人数约114,700人。如果更多留学生毕业后选择回国发展,本地及跨国企业将会直接受益,因为大部份留学生外语流利,并拥有跨国企业最著重的专业技术。

英语水平偏低,或许是跨国企业以中国作为境外生产地首选的最大阻力之一。中国学生所有英语科目成绩虽然比高于全球平均水平,但全部低于印度,尤以听力理解为甚;个中原因可能是学生开始学习英语比其他国家学生较迟,加上资源不足,教师及学生较注重考试及英语读写能力,而忽略听讲能力。

除英语水平不足外,雇主亦要面对管理及行政人员持续短缺的现状;各行各业,尤其是制造业及资讯科技界人才流失率极高,更削弱中国对跨国企业的吸引力。中国的管理阶层相对较为年轻,就算技术及管理经验不足亦期望短时间内获得晋升。他们为了尽快爬升事业阶梯,未累积足够经验便另觅新职。面对这情况,跨国企业必须提供极高薪酬及/或退休保障、延期补偿计划或其他福利,始能吸引及挽留顶尖人才。

整体回报

根据Waston Wyatt WorkGreaterChina™研究,中国员工不满薪酬福利的程度高于其他亚太区国家。2003年,只有27%的中国大陆工人满意整体薪酬福利安排,2005年更下降至21%;薪酬满意程度亦由2004年的38%下跌至2005年的33%。

在可见未来,跨国企业需要加强人才培训投资,例如透过实习计划让学生掌握企业实际运作经验。目前,越来越多机构为中国大学研究生及本科生提供实习机会,让其掌握必备技术,以符合未来市场的要求。

In addition to insufficient English skills, employers have run up against an ongoing shortage of high-level managers and executives. High turnover rates, especially in the manufacturing and IT sectors, diminish China's appeal to multinational corporations. Chinese leaders tend to be very young and to expect promotions quickly, sometimes without mastering essential skills, processes and capabilities. To scale the career ladder faster, they often switch jobs without having fully mastered their current positions. To attract and retain top performers, multinationals must offer very high salaries and/or add pension plans, deferred compensation or other benefits to employees' compensation packages.

Total Reward

According to Watson Wyatt's WorkGreaterChina™ employees survey, Chinese workers are more dissatisfied with their pay and benefit packages than workers in other Asian-Pacific countries. In fact, only 21 percent of Mainland Chinese workers were happy with their total compensation and benefits in 2005 compared with 27 percent in 2003. Moreover, satisfaction with pay declined from 38 percent in 2004 to 33 percent in 2005.

In the foreseeable future, multinational corporations will need to invest more in training and developing the talent they need, such as internship programs that enable students to gain practical business experience. More companies now offer these opportunities to graduates and undergraduates in Chinese universities to help them develop into the skilled workers of tomorrow.

Implications for Business

This analysis of China's current and future workforce suggests the possibility of an oversupply of Chinese labor, at least in some cities and provinces. This prognosis, coupled with current market trends, has implications for both China and multinational companies.

Skilled labor might become more expensive in some areas, even while becoming cheaper in others, which would make labor costs more difficult to predict and control. Market trends suggest increasing competition for talent arising from different factors. First, the higher compensation paid by national companies, along with the investment in developing specific skills, could push compensation costs higher in some areas. Second, even though China offers a large young base of skilled workers, high turnover rates, driving ambition among workers and inadequate management skills may introduce additional costs into the offshoring equation. Finally, the stark regional differences and low mobility of skilled workers create wide swings in costs and skill levels among different cities. Offshoring companies may need to pay particular attention to variations in costs and talent in choosing a location. If talent is the first priority and costs are a secondary concern, then cities like Beijing, Shanghai and Shenzhen would be the top choices. A company seeking to maximize talent while also containing costs may prefer an emerging city, such as Wuhan, Tianjing or Suzhou. **W**

— Original article written by Zheng Boyang, an alumnus of Watson Wyatt's research center in Wuhan.

对商界的启示

本文对目前及未来人力资源供应的分析，显示中国有可能出现劳工过剩的情况，至少部份城市及省分将出现这问题，加上目前市场发展趋势，对本地及跨国机构有参考的价值。

部份地区的技术劳工成本将越趋高昂，但其他地区却相反，企业预算及控制劳工成本将更加困难，加上多项因素将引致争夺人才的情况越趋炽热。首先，国际性企业愿意提供更高薪酬福利及增加特别技能培训资源，有可能推高部份行业的薪津成本。另外，虽然中国提供大量年轻技术劳工，但高流失率、员工间晋升竞争及管理经验不足等因素，有可能增加境外生产的成本。最后，城乡之间的差距、技术劳工的低流动性，将引致不同城市的成本及技术水平出现大幅波动或差距。企业选择生产地点时必须特别注意当地劳工成本及人才供应状况。若果企业以人才为首要考量、成本为次，则北京、上海及深圳三地将是首选；如招揽人才之余又要严格控制成本，则应考虑武汉、天津或苏州等新兴二线城市。 **W**

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To download the full Horizons publication, go to: www.watsonwyatt.com/pubs/horizons/default.asp

Figure 2: Unemployment by age and gender in Chinese urban areas
中国城市地区失业率：性别及年龄组别比较

