


China's jobless rate likely much worse than official numbers say

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China's unemployment rate – people seen here at an entrance to a labour arbitration office in Beijing on April 9, 2020 – only measures certain people in cities, and there are signs the real situation is far worse, an unfolding disaster that offers a preview of the scale of problems likely to face countries around the world, including Canada.

Martin Pollard/Reuters

Jinjiang, the city that calls itself China's Shoe Capital, is one of the country's most celebrated cradles of manufacturing and entrepreneurship. It was here that Adidas and Nike began making shoes almost four decades ago and here that some of China's own sportswear brands took birth: Anta, Xtep and 361 Degrees. Local officials say the city boasts almost 5,000 companies in the shoe business, employing one in three people.

But there is no one left at Jinjiang Senke Shoe Co., which once made soles and uppers. Until recently, the company employed more than 100. "Our factory is out of business. I'm just waiting for the bankruptcy notice," said Zhuang Mingfa, its founder and general manager. China's shoemakers were hit by escalating tariffs in the trade war with the United States. But Mr. Zhuang's company exported mainly to South America and Southeast Asia.

For him, it was the pandemic that dealt the death blow. "Things got nasty only recently. The biggest problem is that we can't get any orders now," Mr. Zhuang said. The problems aren't just outside China, either. "The domestic situation isn't that good," he said.

Judging by the official numbers, China's vast work force has escaped the virus relatively unscathed. Factories and workplaces across the country are open, travel has partly resumed and both restaurants and tourist attractions are back in business. On Friday, the National Bureau of Statistics reported an unemployment rate of 6 per cent, adding that industrial output rose 3.9 per cent in April compared with last year.

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Economists have estimated China's job losses at 20 million – and perhaps as high as 70 million. On social media, the list of people describing work lost because of the virus includes movie extras, advertising agency functionaries, housekeepers, tour guides, hotel workers and garment makers.

Some problems are apparent in China's largest cities, such as the upscale Shanghai shopping mall near the home of Andy Xie, an independent economist, where roughly a third of storefronts are shuttered. But bigger problems lie out of sight in rural areas, where large numbers of people have returned to ancestral farming plots after losing work in factories and shops, Mr. Xie said.

"There is an unemployment crisis going on," he said. It's reasonable to think that 20 million people have already been laid off, he added, but many more hang in the balance.

"With people on the front lines being severely affected, we're talking about close to 100 million jobs," he said. People in the service sector, in particular, are walking "a fine line." Governments have leaned on businesses to keep paying their workers, but that can only last so long.

In the south-central city of Chengdu, Celia Chen lost her job at a tourism company three months ago. "With the exception of a very small number of staff with big clients in hand, most of the rest of us will undoubtedly be laid off," she said. "Many travel companies have just gone directly into bankruptcy."

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She has been unable to find other work – in tourism, few are hiring, and in other fields she is unqualified and outnumbered. "The number of job seekers at the moment is way bigger than the number of positions, which makes a hard thing even harder."

But as Jinjiang has seen, manufacturers have also struggled, creating losses across a broad swath of the economy that has formed the core of China's rise.

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"Because of the huge reduction in foreign orders as a result of the epidemic, many factories and manufacturers across the entire southern China region have halted their business," said a manager at one of China's biggest employment agencies. The Globe and Mail is not identifying the manager because they were not authorized to speak publicly.

They estimated that in China's manufacturing heartland, unemployment has increased 30 per cent. The main impact is on export-oriented companies, the manager said, as those that primarily do domestic business continue to look for workers. The extent of the job losses has become obvious: Salaries for temporary workers have fallen, while job postings attract three to five times more applications.

58.com, a Chinese digital portal with a large job-listing service, had less pessimistic numbers, although it reported only on the country's 15 richest, first-tier cities. In those places – including Beijing and Shanghai – the number of job postings has reached 82 per cent of last year's figures, while job searches are at 98 per cent. It described the job market as "gradually recovering."

Unemployment is a sensitive subject for the Communist Party of China, and there are signs the country's leadership is worried.

Pressure from unemployment remains "relatively big," Liu Aihua, a spokeswoman for the National Statistics Bureau, said Friday, reporting that only 90 per cent of migrant workers had returned to big cities from their hometowns in April. Western economists suggested the real number could be considerably lower.

On Thursday, Finance Minister Liu Kun said China would use a co-ordinated response to boost the country's economy, including the issuance of special treasury bonds and cuts to taxes and fees. The top two priorities this year, he said, are safeguarding employment and people's livelihoods.

China is expected to release the new measures next week at the annual meeting of the Two Sessions, its rubber-stamp parliament.

But there is evidence of pressure to limit public revelations about economic stresses. The Globe spoke with a businessman who was told that local authorities in Beijing had ordered companies to keep quiet about any problems. State media rejected a report about employment by one foreign contributor. And a securities analyst whose research suggested job losses have reached 70 million refused an interview request, saying the topic was too sensitive.

Without comprehensive and reliable official statistics, said Hu Xingdou, a prominent independent economist, "I can only say that I predict unemployment to be high." He drew a comparison between the current situation and the late 1970s, after the turbulence of the Cultural Revolution, and the Tiananmen Square massacre of 1989.

He worries that the pandemic's heightening of tensions between China and Western countries could prevent some jobs from ever returning, particularly as foreign leaders – Donald Trump chief among them – threaten economic withdrawal from China.

"The clash with Western countries, once it hurts the supply and industrial chains, would cause many companies to go bankrupt. And once the trade co-operation with foreign countries is halted, large number of orders will vanish, and it's extremely hard to get them back."

Mr. Xie said China's weak social safety net means people will be driven to find work.

The labour market has become "a race to the bottom," he said. "People are accepting lower and lower pay. That's what we're seeing now."

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