

Higher education scale and employment relationship in China

ZHAO Gui-zhi

(School of Economy, Wuhan University of Technology, Wuhan Hubei 430070, China)

Abstract: This paper reviews Chinese management research since its beginning more than thirty years ago. It then discusses the possible interplay between higher education scale and employment relationship, and suggests that it is time to take the road less traveled rather than to over-travel the more popular road. We conclude that the practice will prove the final judge on higher education reform and employment relationship, and the insights from this paper will help sharpen the understanding of the higher education challenges of China.

Key words: higher education; employment relation; labor market

1. Introduction

Since its economic reform and opening to the outside world in 1978 and especially following its entry into the World Trade Organization (WTO) in November 2003, China has made great progress in economic development, changing not only its economic system and structures, but also reorganizing and restructuring its enterprises. Prior to 1978, no management research was conducted in China. From 1978 to the early 1990s, Chinese management research began to emerge concurrent with the transformation from a planned economy to a market economy. During that period, some scholars trained in western countries returned to China and conducted preliminary empirical studies, especially comparison studies, on Chinese organizations. For example, ZHAO published a Sino-US comparative study exploring Chinese and American universities' governance structures (ZHAO, 1990) and a book about human resource management in international business (ZHAO, 1991). However, at this embryonic stage of development, most Chinese management research was not comparable with the development of management research outside of China, especially in North America and Europe. Unlike western research, which was built upon a long history and foundation of studying organizations and the individuals working in them, Chinese management research was only in its beginning stage. Even though it has been more than thirty years since China first opened its door and undertook extensive economic reforms, active and serious management research, especially by Chinese scholars inside China, is still a relatively recent phenomenon.

Since the dawn of the twenty-first century, scholars have paid increasing attention to the study of organizations and management in China. The early efforts are giving way to an appreciation and recognition of the importance of systematic analysis and empirical testing. Researchers have realized that China's continuing period of significant social, economic, and organizational change not only provides a rich context for testing existing theories, but also offers the potential for discovering new or unique ways of organizing and managing in China.

In its infancy, the research on Chinese organizations and management systems suffered from inadequate training and skills in research methods. As a result, Chinese scholarship lacked an accumulation of papers based on research methods of higher education.

ZHAO Gui-zhi, assistant professor, Ph.D. candidate, School of Economy, Wuhan University of Technology; research field: educational economics.

2. Challenges of higher education in China

Throughout the world, educational systems, including higher education, are expanding. More job seekers with higher education qualifications are entering job market and this will obviously have an impact on supply and demand. This affects not only those with higher education qualifications, but also those without them. When the increments and the stock of higher education graduates are small, job seekers who have received higher education can secure satisfying and rewarding jobs more easily. However, with the expansion of higher education, fresh graduates from higher education may find it more difficult to obtain jobs with good terms and conditions, compared with those who entered the labor market earlier. For example, they may be offered similar positions, but with lower starting salaries or on short-term contracts; or they will have to accept positions at a lower rank; or, most seriously, they will face unemployment after graduation (Hungerford & Solon, 1987; Fields, 1995). Such a situation carries with it knock-on effects for college and secondary school graduates.

However, if we consider the relationship between the expansion of the American higher education system and the graduate labor market after the Second World War, we can find that, at that time, as higher education expanded rapidly in the United States, a large number of higher education graduates would face unemployment. As the number of positions in which graduates were interested would be far less than the number of job seekers with higher education qualifications. In practice, however, the growth in demand for higher education graduates in the USA between 1950 and 1970 continued to be greater than the growth in supply, a trend that has continued (Bishop, 1995). The question is whether China will have a similar expense (LI Feng-liang, etc., 2006).

Some contextual information is necessary. It is well known that over the last three decades, China has been in huge systemic transition, achieving tremendous economic progress since the end of 1970. The average annual increase of Gross Domestic Product (GDP) has been over 9% (MIN, 2005), while Chinese per capita incomes have increased eightfold (ZHENG, et al., 2006). It is forecasted that such economic development will continue well into the future (Development Research Centre of the State Council PR China, 2005). The country has other significant economic achievements, for example effectively suppressing inflation, maintaining a stable currency and beginning the reform of private property rights. Since the 1990s, China has carried out reform of state owned enterprises through the introduction of the shareholding system and the gradual formation of a capital market in China, and industrial and agricultural productivities have continued to improve (MIN, 2005).

With the development of the Chinese economy, the demand for highly educated workers has also increased dramatically. Most importantly, the classical Chinese notion that education is a consumption good has been replaced by a strong belief that education is an investment, a source of future income. What is more, individual living standards have also improved, together with expectations and aspirations. Individuals and families now want to invest in higher education as a mean to secure both a higher income and status in society, and they can afford to do so. With the twin pressures of demand from both the labor market and from individuals and families, the Chinese higher education system has been compelled to expand.

Researchers have found that in different periods in different countries, under different conditions, the interactions between the expansion of higher education and the labor market have followed different patterns. Consequently, they have proposed corresponding theoretical explanations and models (Fields, 1995). What may we say about the pattern of experience and development in China? How do the higher education system and the labor market interact? What kinds of higher education graduates are at an advantage in the labor market? And what impacts will the present demand situation and the likely future trends in the Chinese labor market have on

the higher education system? We wish to emphasize that this paper does not attempt to use sophisticated econometrical techniques. Its purpose is to describe and comment on the connections between the expansion of higher education and the labor market for graduates in contemporary China. To do this we draw upon a number of economic and sociological theories, but do not have the space in the paper to establish cause affect econometric models to test them. We will attempt this in a further paper. Here, the author's intention is to use theories and related research, some of them not previously available to a non-Chinese readership, to offer some explanations of the interaction between the system of higher education and the labor market in China. This will form the basis for further specialist work and, we hope, will be informative to a more general readership.

3. Higher education reform countermeasures in response to the labor market

The relationship between the higher education system and the labor market in China is becoming ever closer, while the autonomy of universities and colleges is also growing. This process will be accompanied by adjustments as supply and demand attempt to come into equilibrium. Based on the analysis given in this article, we suggest the following changes or reforms as appropriate for the Chinese higher education system. Again, we wish to emphasize that our suggestions are based on logical reasoning from existing data, rather than as a consequence of detailed cause affect econometric tests.

Firstly, more attention needs to be paid to the quality of higher education. In the current job market, graduates from institutions with a good reputation not only have greater probabilities of being successful job seekers, but can also get job offers with higher starting salaries. Those who have a strong academic record, supplemented by holding a National Standard English Certificate, for example, are at an advantage both in job-seeking and in starting salary. These criteria will be noted by higher education students and institutions, while the responses from the job market will stimulate students, institutions and even governments to improve the quality of higher education. Meanwhile, to a large extent, improving the quality of education is also useful in reducing over-education; therefore, it will drive governments to push institutions to improve the quality of higher education.

Secondly, liberal or general education, the credit system, and the system of minors or second degrees should continue to be popular with both students and employers. We have shown that the effect of the job match on starting salary is insignificant, while the depth of knowledge accumulated during higher education study has a significant and positive impact on probability of employment. This evidence is supportive of the success of higher education reform focusing on general education since the 1990s (WEN, 2004). In fact, since the mid 1980s, the Chinese higher education system has reduced the number of specialisms from over 1400 to about 200 through combining narrow specialisms (MIN, 2005). Meanwhile, the higher education system will continue to improve the credit system, the major/minor options and the first degree/second degree system. This will provide more study options for higher education students so that students can take the initiative to acquire vocational skills in their expected occupations, according to their own characteristics and preferences, but need not be restricted by their initial academic major.

Thirdly, the diversity of higher education provision needs to be enhanced. At present, from the perspective of employment, the most underprivileged groups are graduates from colleges and from private higher education. College graduates have no apparent comparative advantages in their corresponding occupational domain and are easily squeezed out or replaced by university undergraduate students; this also results in the over-education

phenomenon. If the Chinese higher education system is to grow steadily and healthily, and to play its essential part in national development, this issue must be resolved. The current policy of the Ministry of Education is to encourage college education and its relationship with the labor market. This may be expected with more direct interactions between the labor market and educational institutions. It may also be expected that college education will continue to be distinguished from university undergraduate education in type, but less and less in level. This would be a significant contribution to the pluralism and diversity of the Chinese higher education system as a whole. Again, comparative experience from the United States and from the United Kingdom may be instructive to policy (Morgan, 2000).

Fourthly, information channels about potential employment need to be developed step by step. Currently, graduates who can get adequate employment information from their universities or college shave significant advantages both in employment probability and in starting salary. This may mean that the employment information through universities or colleges is helpful in diminishing information asymmetries between graduates and employers, as well as improving the self-selection of graduates and the optimal assignment of the labor market. In this way, graduates, institutes and employers would all have strong motivations to construct more transparent and effective channels of employment information.

Fifthly, the external and independent evaluation of the quality and the reputation of universities and other institutions of higher education should and could be developed, as higher education expands to meet the brisk demands of the whole society. The rise of mass higher education in China will weaken the signal of the higher education diploma as it has done elsewhere. However, the labor market still needs the informative function of education because the labor market itself cannot play the role of sorting and assigning as effectively as the educational system (Groot & Hartog, 1995). We argue that in China, as elsewhere, the quality and reputation of institutions will replace educational level as signal and screening mechanisms. Therefore, it may not be surprising that as in occidental developed countries, a series of intermediary agencies which evaluate independently the performance of higher education institutions, specializations and academic journals will emerge in China to provide information about higher education, quality and reputation to individuals and to society in general.

4. Conclusion

The rapid expansion of higher education in China has been accompanied by the problems discussed in this paper. Nevertheless, the evidence shows a steady increase of the rate of return to higher education and a lower percentage of highly educated workers in China compared with the corresponding international average that are encouraging for further development. If the Ministry of Education monitors the rate of expansion of higher education, as well as encourages structural educational reform and the relationship with the labor market, it is reasonable to be optimistic about the future of Chinese higher education and the contribution of its graduates to Chinese economy and society.

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