

## Can Xi keep a lid on China's mounting social strains?

The authorities are increasingly concerned about rises in unemployment, mental illness and crime linked to the economic slowdown

Joe Leahy and Kai Waluszewski in Beijing and Sun Yu in New York 9 HOURS AGO

---

Keep up with the latest news on Asia's biggest economy.

### [Explore the China Focus hub](#)

In the predawn darkness, the Houba labour market in Guiyang is a sea of construction helmets as day workers seek temporary jobs in the south-western Chinese city.

But many of these so-called migrant workers, labourers who have left their homes in mostly rural areas to find jobs in the city, will leave disappointed.

China's property slowdown, coupled with a crunch in local government finances — Guizhou is among [several provinces](#) forced to curb spending after splurging on trophy infrastructure projects — has hit jobs.

“Those who can't find work just go home and sleep or do whatever they can to pass the time, like playing cards or drinking,” says one labourer surnamed Hu, wearing the white helmet of a state-owned hydropower company. He estimates about 70 per cent of the motley throng gathered there will be left empty-handed that day.

Across China, multiple indicators of social stress are flashing red as weakness in parts of the economy takes its toll. Official and unofficial data show rises in everything from labour market stress and housing foreclosures to labour protests, suicides, crime and random violence.

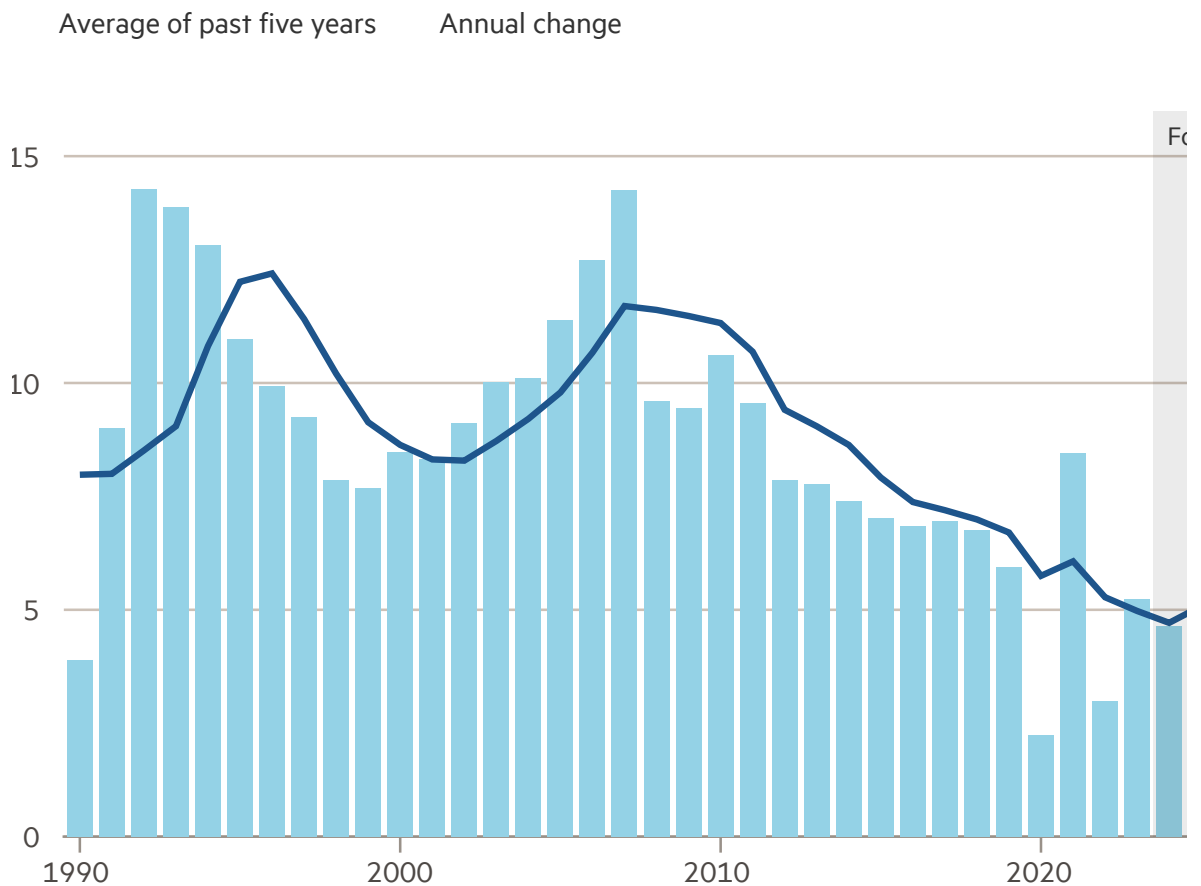
China's surveillance state, carefully nurtured since the 1989 Tiananmen Square massacre and strengthened under President Xi Jinping, has suppressed most unrest in recent decades while rapid economic growth has given the party what analysts call “performance legitimacy”.

But as the leadership tries to pivot from its old economic model of borrowing to finance heavy investment in real estate and infrastructure, the party is facing new challenges in terms of maintaining what it values most — social stability.

---

## Slowing growth underpins China's social stress

Growth in Chinese real GDP (%)



FINANCIAL TIMES

Source: IMF

As the leadership meets this week for the third plenum, an important quinquennial meeting that in the past has produced far-reaching policies, pressure is mounting to strengthen welfare provision. Some in the party are also calling for stronger social controls.

“The [social control] system has worked so far but in a relatively tranquil environment,” says Minxin Pei, professor of governance at Claremont McKenna College in California and author of a new book, *The Sentinel State: Surveillance and the Survival of Dictatorship in China*.

“It’s actually pretty hard to scale up the surveillance apparatus,” he says, predicting that in the new environment of growing social stress, there will be “a lot more incidents of instability or unrest”.

---

**Officially, China’s economy** is doing well. Gross domestic product grew 5.3 per cent year on year in the first quarter, a solid rate that Beijing says validates its [strategy](#) of redirecting resources away from property and local government infrastructure projects, which once drove nearly a third of the economy, and into advanced industry instead.

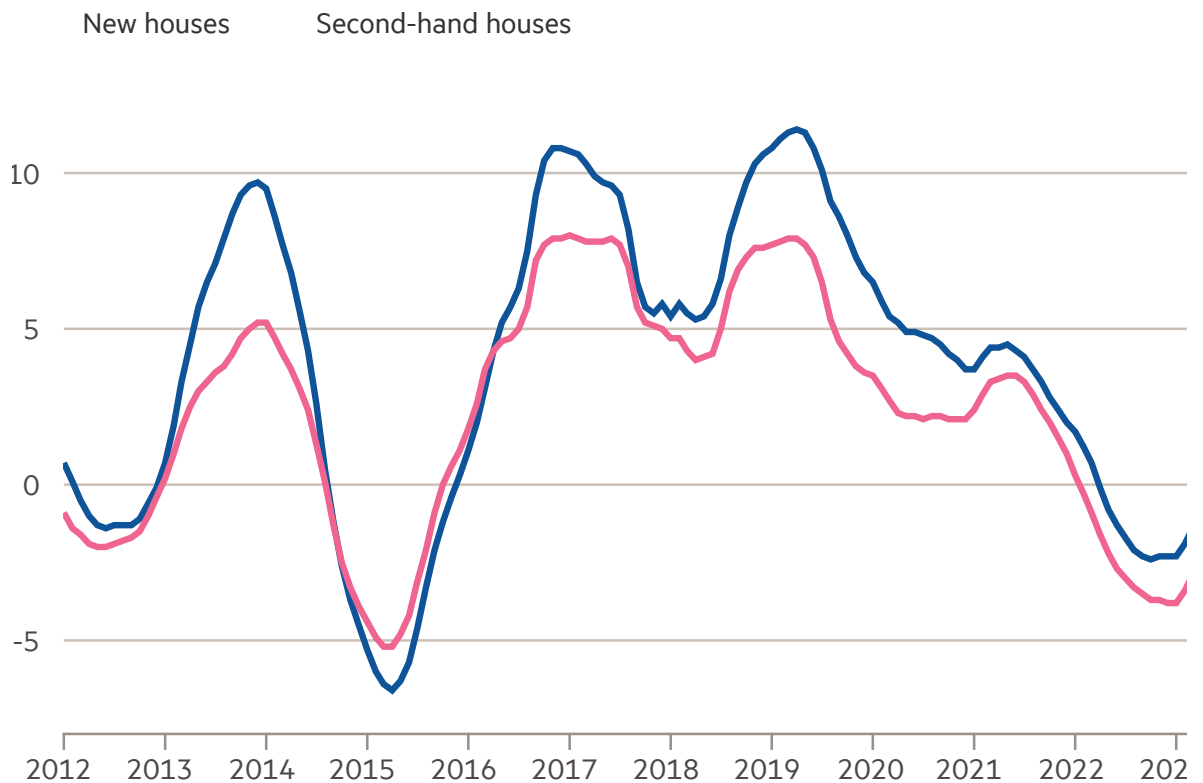
Proof of the success of the new model is China’s emerging dominance of green energy transition industries such as electric vehicles, officials say.

But behind the scenes, Chinese officials recognise the growing risks from a transition that does little to address unemployment or flagging domestic demand. Battered by strict zero-Covid policies during the pandemic as well as falling property prices and reduced employment opportunities, ordinary Chinese are curbing their spending.

One of the biggest sources of this stress is the property market. Three years on from a crackdown on excess leverage in the industry, the official measure of new home prices is falling at its fastest pace in almost a decade while the number of foreclosed houses listed for auction in the first quarter increased 35 per cent from a year ago, according to the China Index Research Institute.

## Chinese house prices are falling at their fastest pace in almost a decade

Year on year % change



Official figures show about 10mn of China's 300mn migrant workers left the construction industry in 2022 and 2023. At the Houba market, a labourer named Wang says many nearby construction sites have shut down. "When the bosses invest money and can't get it back, [we] don't get paid," he complains. With three children in school and a daughter at university, he says his earnings of around Rmb2,000-Rmb3,000 (about \$300-\$400) a month are "useless".

Others are nearly homeless. Zeng, a woman in her sixties who carries most of her life with her in a bag, says her family abandoned her after her husband passed away. "I feel like I'm going to die here," she adds.

At a seminar in an eastern Chinese city last year, dozens of municipal and provincial level officials gathered to discuss social risks and possible solutions.

Although they claimed street protests were lower last year than before the pandemic, they said online protests were proliferating.

These were mostly “apolitical” and uncoordinated but were driven by the “social mood”, delegates were told.

Protests centred on unpaid wages in the property and construction sectors, lay-offs in service sectors hit by ecommerce, and wage reductions in the gig economy.

Worryingly for the party, perceptions about inequality “between rich and poor, cadres and the masses, have become general beliefs”, delegates heard.

Although China does not publicise reliable official figures on protests — and none were provided at the seminar — US-based think-tank Freedom House said that during the first quarter of this year, it logged 655 “dissent events”, up 21 per cent from a year earlier.

**Plenty of young Chinese people are now having psychological problems due to the bad economy, but many don't show it outwardly**

Separately, China Labour Bulletin, a worker advocacy group, noted almost 1,800 incidents across China last year, more than double that of 2022 and exceeding pre-pandemic levels. The construction industry accounted for the majority of incidents, followed by manufacturing.

At the seminar, cadres acknowledged that public sentiment was very fragile — especially given the narrow channels to voice anger — and that conflicts between officials and ordinary people had become

widespread.

“Rioting is the language of people not listened to,” said one slide, in a possible echo of a famous Martin Luther King quote.

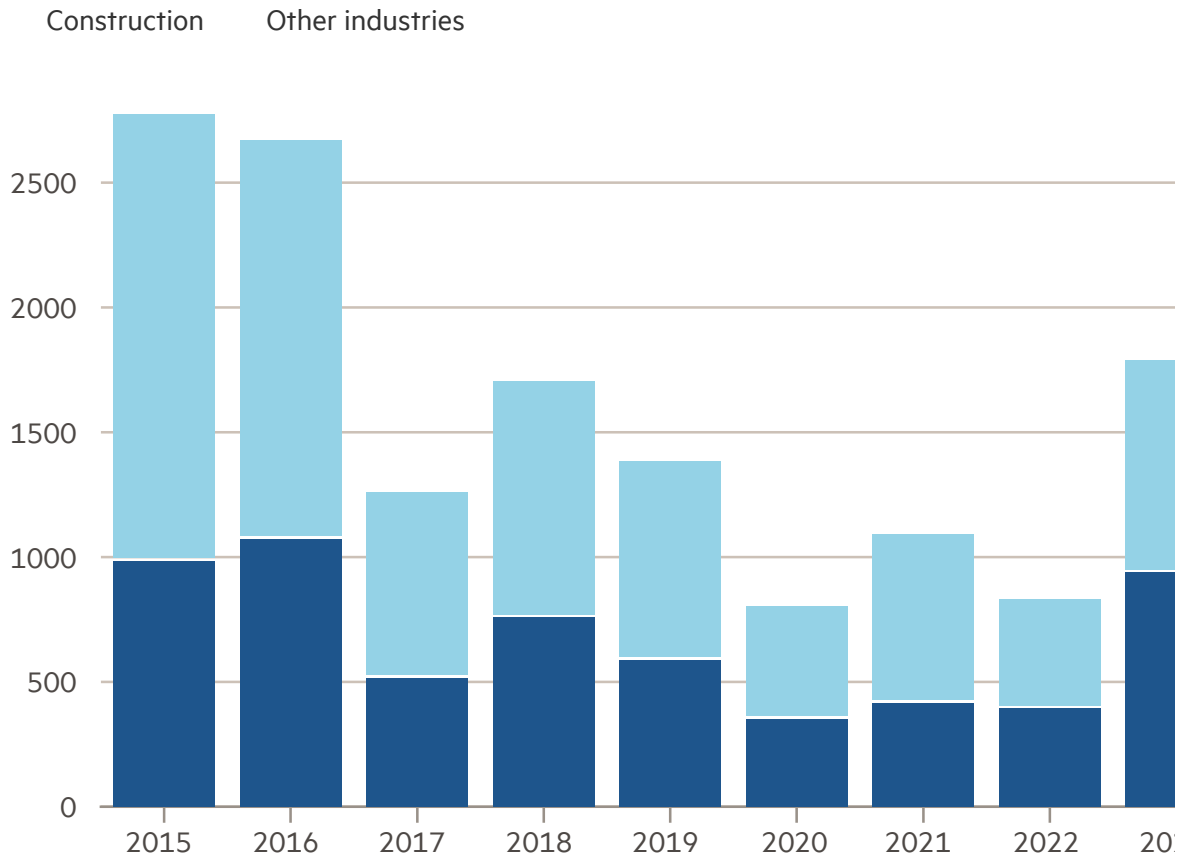
Issues of particular concern at the seminar included the plight of young people, who attendees worried were feeling “deprived”, and unemployment in general.

This year nearly 12mn Chinese students are expected to graduate from university but many complain they cannot find jobs commensurate with their qualifications. “Lots of young people have lost hope,” said one government adviser at the seminar.

China’s official data on unemployment put the jobless rate at a relatively low 5 per cent in May. But unofficial measures tell a different story.

## Labour disputes more than doubled last year, mostly in the construction sector

Number of disputes noted by China Labour Bulletin



FINANCIAL TIMES

Source: China Labour Bulletin

Kanzhun, a listed company that owns Boss Zhipin, China's largest online recruitment platform, said in its annual report that average monthly users on the Boss platform rose more than 47 per cent last year.

Another talent-recruitment site, Liepin, has reported that the numbers of jobseekers applying for positions overseas jumped by 92.9 per cent in the first half of last year.

Academics say the methodology used in China's official unemployment data does not pick up the large number of unemployed who return to their villages in rural areas.

"The unemployment situation is very serious compared to the [official] survey," says one academic at a think-tank in Beijing, who asked not to be identified. "It's more serious than in 2019 [prior to the pandemic]."

After July 2023, the National Bureau of Statistics temporarily stopped reporting youth unemployment data for 16-24 year olds when it jumped to a record 21.3 per cent. A few months later, it resumed publication with a new methodology that does not include students. Under this measure, youth unemployment was 14.2 per cent year on year in May.

A 27-year-old former analyst at a software development company in Beijing quit in October 2023 after bosses began setting employees' key performance indicators higher and cutting salaries to force them out.

“Plenty of young Chinese people are now having psychological problems due to the bad economy, but many don't show it outwardly,” she says. “They choose to ‘lie flat’ or become cynical instead,” she adds, referring to the trend of [dropping out](#) to escape work and family pressure.

Mei, a young former investment banker from mainland China in Hong Kong, was fired in January as the Chinese market soured. She lost her voice completely for more than a week because of the stress, and did not want her full name used.

“I think many young Chinese people are now becoming disillusioned — they are not getting what they were promised by the country in their youth,” she says.

---

**At the seminar** in eastern China, officials also expressed concern at the state of general public mental health. “The public has growing psychological problems,” said an official from Shandong province. Extreme cases of violence involving random killings were becoming “increasingly frequent”, he added.

Unofficial data supports the official's thesis. Internet searches on Chinese search engine Baidu related to mental health rose 35 per cent on average in each year between 2018 and 2023.

In 2023, the viewership of mental health-related videos jumped 83 per cent against a year earlier while searches for solutions to anxiety, depression and pressure grew by up to 224 per cent on Bilibili, China's equivalent of YouTube.

**[The evidence] does not suggest the popular anger about the unfairness of inequality is likely to explode in a social volcano of protest activity**

While China's headline suicide rate declined an average 5.3 per cent annually between 2010 and 2021, according to a recent study from the Chinese Centers for Disease Control and Prevention, the number of children aged 5 to 14 who died by suicide jumped nearly 10 per cent each year during the same period.

For people aged 15 to 24, the suicide rate fell 7 per cent annually until 2017 but then jumped nearly 20 per cent over the next

four years.

The researchers said children and adolescents suffered from intense competition at school; half of all people suffering from a depressive disorder are students, according to a 2022 national survey.

There are indications that crime is also rising. Last year China's courts accepted nearly 16 per cent more cases than the previous year, though this might have been partly due to the end of Covid lockdowns.

The top five crimes by number of cases included dangerous driving, up by 15 per cent; theft, up by 18 per cent; and fraud, which rose 33 per cent.

China has also suffered a spate of apparently random multiple killings this year including [knifings of American, Japanese and local Chinese nationals](#) and other incidents. In March a man, reportedly a failed student, ran a car into a group of students in Taizhou, eastern Zhejiang province, killing three and injuring 16.

A report on Chinese news site Sina quoted classmates as saying the alleged perpetrator had warned on the social media platform WeChat that he would "randomly select a lucky audience" and "you will be unlucky if you meet me".

---

**A survey in** China Quarterly, titled "Getting Ahead in Today's China: From Optimism to Pessimism", captures how attitudes in China have changed to inequality and economic opportunities, particularly among low-income groups.



Previous similar surveys conducted in 2004, 2009 and 2014 had shown that most ordinary people were not overly concerned about growing income gaps and most were optimistic that their families would improve their living standards in the future. Many indicated a belief that upward mobility depended on individual merit.

## Chinese no longer see hard work as a key route to success

Per cent of respondents who answered 'large or very large influence' to factors for why some people are poor

2023      2004-14 average\*

FINANCIAL TIMES

Source: China Quarterly • \*mean percentage across surveys in 2004, 2009 and 2014

The 2023 survey showed a marked change: respondents now saw “non-merit-based features of the social order, such as unequal opportunities, discrimination, and relying on connections, as relatively more important determinants of whether one is poor or rich” compared with the past.

The authors, Scott Rozelle of Stanford University and Martin King Whyte of Harvard University, noted that the results “do not suggest that popular anger about the unfairness of current patterns of inequality is likely to explode in a social volcano of protest activity”.

“They do suggest, however, that the performance legitimacy accumulated by the leadership through decades of sustained economic growth and improved living standards appears to be beginning to be undermined,” the study said.

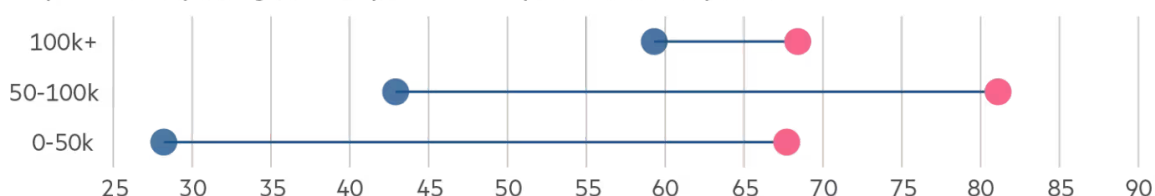
The question for Xi and the top leadership as they meet for the third plenum is whether these problems are urgent enough for them to divert more scarce resources into welfare programmes, such as improving pensions and healthcare.

## Chinese, especially the poor, have become more pessimistic about their situation

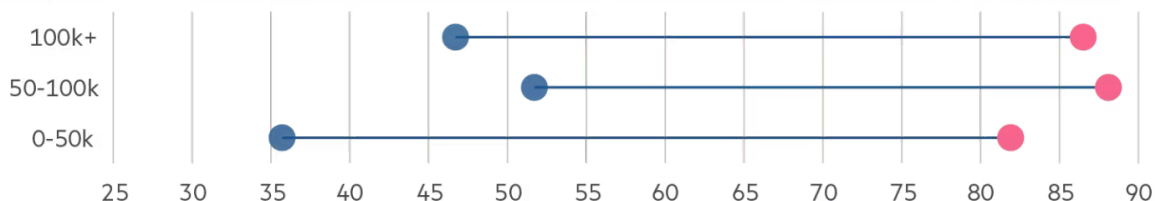
Per cent of respondents, by family income level (Rmb), who answered 'better or somewhat better' about the following questions

● 2023 ● 2004-14 average\*

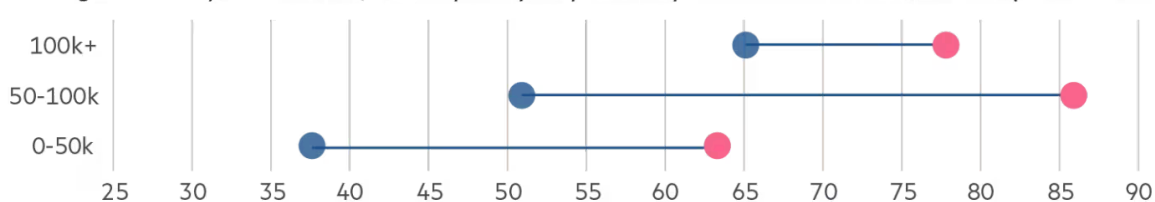
Compared to five years ago, how do you feel about your current family situation?



Compared to five years ago, how do you think the economic situation of most people around you has changed?



Thinking about five years from now, how do you expect your family's economic situation will be compared to now?



Source: China Quarterly • \*Mean percentage across surveys in 2004, 2009 and 2014  
© FT

China has already broadened its pension and health systems but the payouts, especially for rural residents, are small and families are often still threatened with bankruptcy by the medical costs arising from severe illness.

One man, a subcontractor who led the renovation of a hotel near the Houba market, says he was left with Rmb100,000 of debt after developers failed to pay him and borrowed another Rmb200,000 when his father fell terminally ill in 2021.

Now the family struggles just to pay the interest but cannot default lest it compromise their two sons' future education. "Life has been tough since the pandemic," the man says at his village house surrounded by Guizhou's picturesque mountains. "Everyone is just scraping by with no business to speak of, either farming or working outside the village . . . People earn little but at least they don't starve."

Many believe the answer is to reinvigorate China's private sector, which has lost confidence after regulatory crackdowns on high-profile tycoons.

"The biggest social challenge for Xi is youth unemployment," says a Chinese history professor at a prominent Beijing university. "To fix this problem, you need the private sector, basically a lot of new private companies to hire over 10mn Chinese graduates, but Xi's policies have stifled this part of the economy."

But he too says the pressing social problems are unlikely to threaten Xi's rule because he has total control over the senior leadership of the party and "technological surveillance" means he can control society. "He is unlikely to face serious challengers before he dies," the professor concludes.

But Pei, at Claremont McKenna College, says the problem with relying on surveillance is that it is extremely expensive. At the moment, the system could directly monitor about 1 per cent of the population, he calculates. If social stress lifted that number to 2 per cent, this would hit cash-strapped local governments, which bear most of the cost of Xi's surveillance state.

"Xi will hold up," Pei says. But if a prolonged slowdown in economic growth undermined social cohesion, the party will be entering uncharted waters with few precedents since Deng Xiaoping opened China to rapid development at the end of the 1970s.

"We don't know how this will play out because we don't have a lot of parallels in the post-Mao period," he concludes.

*Data visualisation by [Keith Fray](#) and [Cleve Jones](#)*