

# China's Employment Policies and Strategies

--By Yan DI, Research fellow,  
Chinese Academy of Labour and Social Security,  
Ministry of Labour and Social Security, P.R.China

## **Introduction**

China is the most populous country boasting of tremendous workforce in the world. Since its pursuance of reform and opening-up policy in late 1970's, Chinese national economy has witnessed a sound, sustainable, and rapid growth. Nevertheless, the employment issue, resulted from economic system reform, industrial structure adjustment and technological innovation, remains a strenuous, arduous and pressing task for Chinese government.

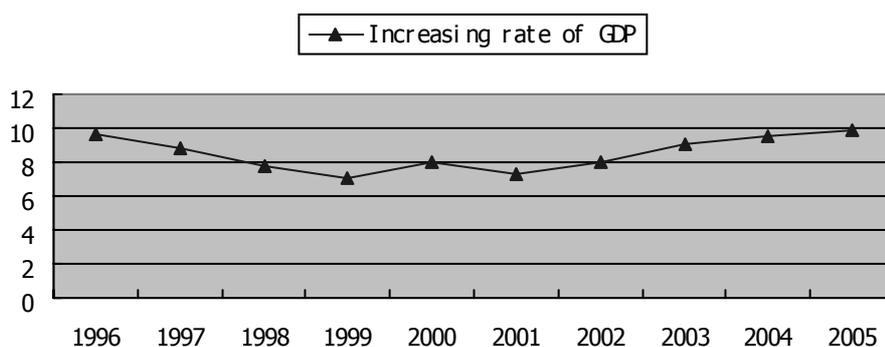
The Chinese government attaches great importance to the issue of employment, and takes employment as the first priority of people's livelihood and as the top strategy for ensuring the stability of its society. Proceeding from the national conditions, the Chinese Government has explored and drawn on international experiences in its practice, gradually improves its relevant legal system, and formulated and implemented a set of proactive employment policies. The Chinese government adheres to promote employment through developing national economy, adjusting industrial structure, furthering the reform on its political and economic system, harmonizing economic development between urban and rural areas, and improving social security system. It has adopted various effective measures and done everything possible to increase job opportunities, expanded the scale of employment, and kept the unemployment rate within a socially tolerable range.

## **Basic Employment Situation**

According to the statistics of National Bureau of Statistics, in 2005, Gross Domestic Product (GDP) in China reached 18.2321 trillion Yuan (2.23 trillion USD),

with an increase of 9.9 percent than in 2004. In the last ten years, Chinese GDP has been increased at an annually average rate of 8.5 percent in a sustainable and stable manner (see Chart 1).

**Chart 1 Increasing rate of GDP from 1996 to 2005**



**Source: National Economy and Social Development Statistical Bulletin,  
China National Bureau of Statistics**

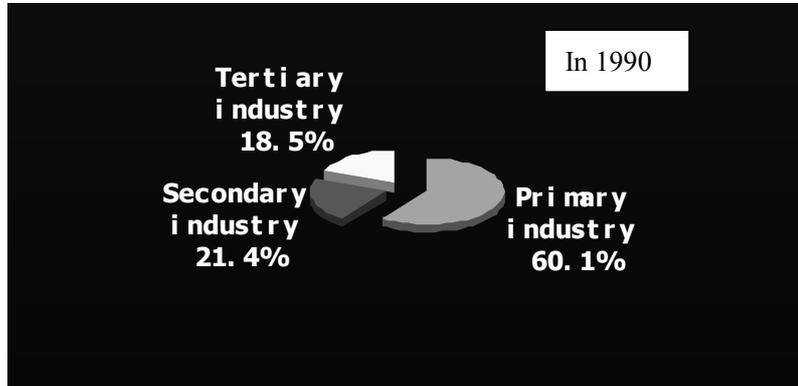
In 2005, the total population of China reached 1.30756 billion (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Province). The total urban and rural employed population reached 758.25 million, of which the urban employed population was 273.31 million, and the rural employed population was 484.94 million. The annual growth of the new entrants reaches 10 million. There are over 150 million workforces migrating from rural to urban areas for employment.

With the adjustment of industrial structure and the accelerating of urbanization, the distribution pattern of employment in primary, secondary, and tertiary industries has changed accordingly. From 1990 to 2005, the proportion of those employed in tertiary industry rose steadily from 18.5 percent to 31.4 percent; the proportion of those employed in secondary industry rose slightly from 21.4 percent to 23.8 percent; and the proportion of those employed in primary industry dropped from 60.1 percent to 44.8 percent (see Chart 2).

**Chart 2**

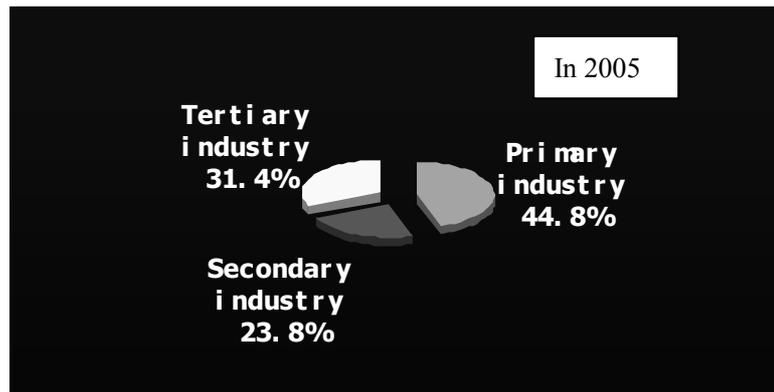
**Employment Pattern in primary, secondary and tertiary industries**

**(In 1990)**



**Source: White Paper of China's Employment Situation and Policies (2004)**

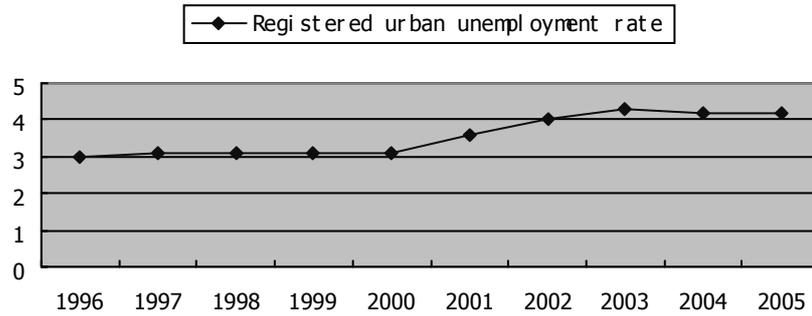
**(In 2005)**



**Source: Labour and Social Security Development Statistical Bulletin in 2005,  
Ministry of Labour and Social Security**

In the context that the employment pressure has been continuously increasing, the Chinese government has adopted many measures to curb the sharp rise of urban unemployment. By the end of 2005, the registered unemployment population in urban areas reached 8.39 million, and the registered unemployment rate in the urban areas was 4.2 percent (see Chart 3).

**Chart 3 Registered urban unemployment rate from 1996 to 2005**



**Source: Labour and Social Security Development Statistical Bulletin,  
Ministry of Labour and Social Security**

### **Proactive Employment Policy**

The Chinese government has enacted *Constitution of the People's Republic of China*, *Labor Law of the People's Republic of China*, and other relevant laws and regulations so as to protect the laborers' right to employment. Under the above legal framework, according to the domestic national situation in China and drawn on the international experiences, Chinese government has established the employment principle of "workers finding their own jobs, employment through market regulation and employment promoted by the government", and formulated and implemented a set of proactive employment policies, mainly including:

#### **Macroeconomic Policies**

The Chinese government has always regarded promoting employment as a strategic task for socio-economic development. It takes controlling unemployment rate and increasing job opportunities as one of its principal macro control targets and incorporates it in its plan for economic and social development. It adheres to the principle of expanding domestic demand, exercises a stable fiscal and monetary policy, maintains a steady and fairly rapid development of the national economy, actively adjusts the economic structure and enhances the motive power of economic growth in driving employment.

The Chinese government regards persistently the development of the tertiary industry as a major orientation for the expansion of employment. It encourages the development of community services, catering, commercial and trade circulation, tourism, and so on, for the purpose of creating more job opportunities in these industries. The Chinese government has paid great attention to exploiting its advantage in labor resources, and actively developed labor-intensive industries and enterprises that have relative advantages and whose products enjoy market demands, particularly private and self-employed businesses, and medium/small enterprises (SMEs) with big employment capacity.

### **Fiscal, Taxation, and Financial Policies**

Central and local governments set up special funds to support and help urban and rural laborers to be employed and receive proper training. Using favorable taxation policy, the governments at all levels support the unemployed to realize self-employment or start up their own businesses, at the same time, encourage SMEs to absorb the unemployed. The governments provide small loans and give interest subsidies to support the unemployed to start up their own businesses, and support SME's development in order to expand employment. The assistance policies for urban vulnerable people mainly include:

(1) Encouraging the unemployed to realize self-employment or start up their own businesses. Through reducing and exempting taxes and administrative charges, small security-backed loans and loans at discount interest should be available when they meet specified qualification, and within some certain term and number of loans.

(2) Encouraging enterprises to absorb laborer. Especially for small processing enterprises in service, commercial and trading sectors, labor employment service enterprises as well as small entities with processing nature in neighborhoods and communities, they shall enjoy relevant tax reductions and exemptions, social insurance subsidies within some certain specified qualification and term, when they recruit the urban vulnerable people reached prescribed amount.

For small labor-intensive enterprises met certain specified requirements, the loans

at discount interest, with a maximum of 1 million Yuan, should be available when they recruit the urban vulnerable people reached to prescribed amount.

(3) Offering certain social insurance subsidies and post subsidies to the “4050” urban vulnerable people (laid-off men over 50 years old and women over 40 years) when they realize re-employment in a flexible form.

### **Developing non-profit Public Posts**

Laid-off men over 50 years and women over 40 years, who have difficulties finding new jobs but have working ability and a desire to be employed, should be regarded as a major targeting group for employment assistance and promptly provided with offers of posts and other kinds of help. The government invested in the development of public posts, through re-employment assistance, to help the most vulnerable people to get their jobs. Regarding posts for the public good developed by neighborhoods and residential communities for the former laid-offs from state-owned enterprises (SOEs) who have difficulties finding new jobs because of their age disadvantage, the government will extend social insurance subsidies and post subsidies.

### **Social Security Policy**

The Chinese government has taken various measures and actively explored the possibilities for the establishment of a social security system independent of enterprises and public institutions, with diversified fund sources, standardization in security system, and socialization in management and service delivery. In the mid-1980s, an unemployment insurance system was established in China to provide unemployment relief and medicare subsidies for the unemployed, facilitate the administration of and services for the unemployed, and give full play to the role of unemployment insurance in promoting employment and re-employment. For laid-offs who get re-employed in a flexible form, such as a part-time job, temporary job and flexible working-hour job, a preliminary social insurance system suited to their job characteristics has been established. The government granted social insurance subsidies to encourage and solicit SMEs to absorb the unemployed.

In 1998, the Chinese government established the system of *three guarantees*,

namely, guarantee of basic subsistence allowance for laid-offs from state-owned enterprises, guarantee of unemployment insurance, and guarantee of minimum subsistence allowance for urban residents.

### **Improving the Public Employment Service System, and Fostering and Developing the Labor Market**

The Chinese government actively fosters and develops the labor market and has gradually established the enterprises' status as the major employers and the laborers' status as the major labor suppliers.

Since the late 1990s, the Chinese government has made great efforts for the building of scientific, standardized and modernized labor market, and established a public employment service system. The public employment service agencies at all levels provide free job placement and employment guidance to the urban unemployed and rural migrant workers. For laid-offs and the unemployed, they provide a "one-stop" service ranging from registration of laid-off and unemployed persons looking for jobs, to providing employment consultancy, job placement, social insurance coverage, and vocational skill training.

The Chinese government encourages laborers to seek employment through flexible and diverse forms, and actively develops labor-dispatch organizations and employment bases to provide services and assistance for flexible employment.

By gradually improving information system of labor market, the Chinese government provides convenient information services for job seekers and enterprises so as to enhance the efficiency in matching supply and demand of labor market.

### **Establishing and Improving the National Vocational Training System**

In 1999, the Chinese government called upon all social sectors to adopt the system of paying attention to both school diplomas and vocational qualification certificates for the sake of enhancing the laborers' capacity to be employed, start up their own businesses, and adapt to job transfer. In 2000, the framework of the Employment Permit System was preliminarily set up. At present, China has basically set up a vocational qualification training system of five levels, from elementary-,

intermediate- and advanced-grade skilled workers to technicians and senior technicians, that corresponds to the national vocational qualification standards and forms an important part of a life-long learning system for workers.

By developing higher vocational institutions, advanced technician institutions, advanced technical schools, secondary polytechnic schools, technical schools, employment training centers, non-governmental vocational training institutions and in-enterprise employees' training centers, the state endeavors to develop an all-round and multi-level national system of vocational education and training and strengthen training for the new urban workforce, laid-off workers, rural migrant workers and working employees.

Since 2002, the state began carrying out a widespread skill-enhancement action by implementing a "Plan for Strengthening Vocational Training to Improve Employment Qualifications" and a "National Project for Training Highly Skilled Personnel." Meanwhile, a program for training 500,000 new technicians in three years was also launched. All these were aimed at cultivating rapidly a large number of skilled workers, especially workers with advanced skills, so as to improve the employment qualifications, work competence and job- transferring capacity of the workforce as a whole.

To help laid-off workers to find new jobs, from 1998 to 2000, the state carried out the "Three-Year Plan for Training 10 Million Laid-off Workers for Re-employment."

The Chinese government is vigorously promoting long-distance training programs by means of information network and satellite data transmission technology. The government has expedited the formulation and implementation of an overall plan for long-distance vocational training, with a view to steadily bringing into shape a socialized and open training network.

### **Unemployment Monitoring Policy**

By comprehensively using legal, economic, and administrative measures, the Chinese government are making efforts in controlling unemployment from origin and prevents such problems like, rapid growth of the unemployed in total, concentrating

of the unemployed in some areas, and the bigger proportion of the long-term unemployed in the total unemployed.

In the course of SOEs reform, to avoid the laid-offs rushing into the labour market in large number, measures have been taken such as separating the core business from the side business, and changing the ownership of the side business entities. In such restructuring and shutdown or bankruptcy process, guidance is provided to both enterprises and trade unions in displacing the workers. The Chinese government is also making efforts in regulating the laid-off activities, raising the awareness of social responsibility among enterprises' owners and management, making more efforts in developing collective bargaining system. To coordinate the benefits balance between the management and the labour, and enhance the stability of employment, a tripartite, namely, the government, the trade union and the enterprise, labor relations regulatory mechanism has been initiated in China, which is characterized by "autonomous consultation by both the trade union and the management and regulated by the government according to law".

### **Challenge to Employment in China**

The above-mentioned policies have achieved positive results in practice. But Chinese government is also fully aware that in a country with a large population, solving the employment problem will take a long time. Currently the employment pressure is mainly from three areas: First, the over supply of labor and the irrational structure of employment coexist; Second, the pressure of urban employment and the transfer of surplus rural labor to urban speed simultaneously; Third, the demand of jobs by new entrants and the re-employment of laid-off workers interlace.

During the upcoming years, the employment situation in China will be still rigorous, and employment mission will be still heavy, which could be seen mainly as follows:

Firstly, total supply of labor force will not decrease, and employment pressure remains great. In the coming years, the labor force will be increased by 10 million annually in urban areas. And those unemployed and laid-off workers who could not

seek re-employment in the previous year are around 14 million. In addition, a large number of surplus work forces from rural areas need displaced.

Secondly, some outstanding employment problems need to be resolved. Some laid-off workers from SOEs and the collective-owned urban enterprises have not been re-employed. In the coming three years, quite a few workers in the SOEs need displacement due to structure reshuffling and bankruptcy for policy reasons. Those laid-offs seeking re-employment may remain in an unstable employment situation.

Thirdly, the new employment contradictions gradually emerge. The employment problems of new entrants in urban areas, in particular that for college graduates becomes more and more obvious. The surplus laborers from rural areas are shifting in a quicker pace to non-agriculture sectors and urban areas.

Fourthly, the situation that laborers' capacity does not meet job requirements needs changing. In many regions and some sectors, the supply of skilled workers falls behind the demand, even in serious shortage.

### **Employment Strategy in the Future**

Though employment in China faces above-mentioned pressures and challenges, resolving the employment problems in China also have a lot of favorable conditions:

First of all, the Chinese government has always attached great importance to the issue of employment and re-employment, and put it at more outstanding position for socio-economic development.

The second, the sustainable and rapid economy growth in China will continuously drive the increase of employment. During the 11<sup>th</sup> Five-year Planning period, the Chinese economy is expected to keep the favorable trends of sustained and rapid growth. Economic structure will be adjusted continuously, which will be inducible to extending employment in terms of industrial / sectional pattern, and economic organizations will come into existence gradually.

The third, the system of proactive employment policies will be further improved. In

the context of a steady socio-economic development, the guidance and support to employment will greatly push forward the undertaking of employment and re-employment.

China's guiding ideology of solving employment and re-employment problem in future several years is: according to the general requirements for building a harmonious socialistic society, to carry out a scientific concept of development, implement the planning of national economic and social development in 11<sup>th</sup> Five-year Planning period, continuously regard the employment issue as the top task of socio-economic development, insist on the employment principle of "workers finding their own jobs, employment through market regulation and employment promoted by the government", emphasize the resolving of the remains problems in re-employment resulted by economic mechanism reforming and simultaneously make great efforts to promote the employment of new growth workforce in urban areas and surplus workforce transferred from rural areas, coordinate the employment between urban and rural areas step by step, enhance laborers' quality, and explore and establish the sustained development mechanism of promoting employment adapting to the context of market economy.

China's 11th Five-year Planning period commence from this year. Chinese goal in employment is to realize an increase of 45 million new jobs in urban area, and a transfer of 45 million agricultural labor forces. In addition, the registered urban unemployment rate should not be more than 5 percent. To achieve these goals, the Chinese government will focus on strengthening the followings:

First, to carry out the implementation of proactive employment policy; continually make its efforts to resolve the remaining issues of re-employment for laid-off and unemployed workers that caused by the restructuring of economy, strive to address the employment issue of the new labors, that is youth employment, in urban area.

Secondly, to create employment opportunities by promoting economy development and extend employment scale by every possible means, persist in resolving the employment problems in the process of socio-economic development, make great efforts to realize the favorable interaction between promoting economy development

and extending employment scale; encourage, support and guide non-state-owned economic industries development such as self-employed business, private business, and so on, extend employment scale by promoting the development of tertiary industries and multi-ownership economic entities; formulate accordingly assistance and supporting policies so as to encourage the development of labor-intensive industries with comparative advantages and SMEs, increase employment capacity; give impetus to trans-regional cooperation of employment services, guide the employment of transferring laborers; encourage the workforce to realize employment passing through various channels, speed up the improvement and implementation of policies relating to flexible employment, including labor relation, wage distribution, and social security, in order to provide assistance and services for the flexibly employed workers.

Thirdly, to strengthen the transfer and employment of rural surplus labors; 2/3 of Chinese laborers live originally in rural areas. In accordance with the objectives of building a new socialist countryside, the Chinese government, on one hand, is actively restructuring agriculture and rural economy, and developing the rural non-agricultural sectors, with the building up of small towns, to promote the local transfer employment of rural labor force; On the other hand, the government introduced equal employment policy to ensure the legitimate rights of workers that move from rural to urban areas and to ensure their enjoyment of public services, so that the integration of urban and rural employment could be achieved gradually.

Finally, vigorously to improve the quality of the laborers; In accordance with the strategy of vitalizing the country with talents, more efforts have been put to strengthen vocational training. Respectively targeting young people, such as the unemployed, business starters, highly skilled professionals and migrant labors, the Chinese government proposed five training programs, and promoted full implementation of the national occupational qualification certificate system so as to prepare human resources reserves to facilitate China's sustainable economic and social development, as well as enhance the international competitiveness.