

China's Economic Development and the Change in Production and Employment in China

I would like to speak on the following four topics:

1. China's economic development
2. Overview of employment in China
3. Relation between China's economic development and employment
4. Several new trends in employment in China

1. China's economic development

(1) In 2003, China's GDP was 11 trillion 689.8 billion Chinese renminbi, or \$1 trillion 412.3 billion, which was the sixth largest in the world after the United States, Japan, Germany, Great Britain, and France. However, because China has a large population, per capita GDP was only \$1,092, which was one fifth of the world's average per capita GDP.

(2) Investment in fixed assets. Investment in fixed assets, which has been maintained at high levels for some time, has been a dominant driving force for China's economic growth. In the last 20 years, China had three economic cycles marked by economic expansion in 1984 to 1985, 1987 to 1988, and 1992 to 1993. Each time, the economic expansion was led by increased investment in fixed assets.

(3) Consumption. The average annual growth rate from 1978 to 2003 was 8.4 percent. Consumption contributed about 53.2 percent to the economic growth, a significant plus. As the economy continues to grow and personal incomes rise, consumption is expected to further increase.

(4) External trade. External trade grew from \$20.6 billion in 1978 to \$851.2 billion in 2003. The average annual growth rate was 16.1 percent. In 2003, exports amounted to \$438.4 billion, which was the world's fourth largest after the United States, Germany, and Japan, and imports amounted to \$412.8 billion, which was the world's third largest after the United States and Germany.

2. Overview of employment in China

(1) Population and size of the labor force. In 2003, China had a total population of 1.292 billion (not including Hong Kong and Macau Special Administrative Regions and Taiwan Province; the population today already exceeds 1.3 billion people). The population of those who are 16 years old or older is 998.89 million, of which 423.75 million are in urban areas and 575.14 million in rural areas. The total labor force is 760.75 million. The labor force participation rate is 76.2 percent.

(2) Total employment volume. In 2003, the population of the employed, regardless of urban or rural, was 744.32 million, of which 256.39 million, or 34.4 percent, were employed in urban areas, and 487.93 million, or 65.6 percent, were employed in rural areas. From 1990 to 2003, the population of the employed increased by 96.83 million, a yearly average of 7.45 million.

(3) Employment structure. There was a significant change in the employment structure. From 1990 to 2003, the number of workers employed in the tertiary industry increased considerably, as the percentage of such workers among all workers rose from 18.5 percent to 29.3 percent. The number of workers in the tertiary industry increased by 98.3 million from 119.79 million to 218.09 million. The tertiary industry expanded employment more than any other industries. By international comparison, however, the percentage of those in the tertiary industry is far below 75 percent in advanced countries and 40 percent in developing countries.

The percentage of workers in the secondary industry remained stable at 21.6 percent. The number of workers increased by 22.21 million from 138.56 million in 1990 to 160.77 million.

The percentage of workers in the primary industry declined from 60.1 percent in 1990 to 49.1 percent in 2003. The number of workers decreased from 389.14 million to 365.46 million, a decline of 23.68 million.

(4) Unemployment rate

As of the end of 2003, the registered unemployment rate in urban areas was 4.3 percent. The number of unemployed persons reached 8 million. From 1998 to the end of 2003, an accumulated total of 28.18 million employees were laid off by state enterprises, of which 2.6 million have still not found employment as of the end of 2003. The registered unemployment rate for 2004 fell slightly to 4.2 percent, but the severe employment situation remains unchanged.

3. Relation between economic development and employment

I would like to examine the relation between China's economy and employment in two phases.

(1) First phase (1978-1996). A major feature of the relation between economic development and employment during this phase was that economy and employment grew simultaneously. Regular employment and atypical employment existed side by side, and at the same time, supported the growth of employment. Atypical employment gradually began to play the role of increasing employment.

(2) Second phase (1996-today). A major feature of the relation between economic development and employment during this phase is that economy and employment are no longer growing simultaneously. While the momentum of economic growth has been maintained, the increase in the number of workers is slowing. The number of regular employees is declining,

and atypical employment is absorbing an increasing number of workers.

4. Several new trends in China's employment

(1) The employment situation remains difficult. China has oversupply of labor. For example, in 2003, 10 million people reached the working age in urban areas, another 6 million workers were laid off by state-owned and collective enterprises, and another 8 million were registered as unemployed persons in urban areas. Together, China must provide job opportunities for 24 million people every year in urban areas alone. But, in reality, China can only provide employment opportunities for 10 million people. This imbalance between supply and demand in the labor market is expected to continue.

(2) Atypical employment, such as employment of part-timers and job-hopping part-timers, continues to increase.

(3) The number of workers employed by foreign-affiliated firms continues to increase. FDI into China is also on the increase. By October 2001, 221 million people have found employment at 180,000 foreign-affiliated firms in China. This number is expected to increase in the future.

(4) The issue of young people's employment has come to the surface.

(5) The issue of surplus labor in rural areas becomes an increasingly difficult issue.

In sum, China's working-age population will increase by 5.5 million every year on average until 2020. In 2020, China will have a working-age population of 940 million. With this labor force, China must maintain a certain level of economic growth. For the Chinese Government, the employment issue is very important, and employment promotion is one of the Chinese Government's long-term national policies.