

Resilience and Its Reinforcement: How China's Labor Market Resists the COVID-19 Epidemic and Policy Efficacy

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1. Overall impact of COVID-19 on China's labor market
2. Impact of COVID-19 on different labor groups
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When COVID-19 broke out in Wuhan city, China, in February 2020, the Chinese government quickly took effective quarantine measures, sealing off the epicenter of the epidemic and restricting the movement of people. This epidemic prevention policy quickly brought the spread of COVID-19 under control. At this time, it was the Chinese New Year, and the majority of workers were enjoying the Spring Festival holiday in their hometowns. As a result, the labor market was significantly impacted by the nationwide shutdown due to home quarantine during the initial phase of the outbreak.

Therefore, the government adopted several policies to stabilize the workforce and return to work to bring the labor market back to normal levels. During this process, the Chinese labor market showed a certain degree of resilience, with new work patterns playing an important role, such as teleworking and flexible employment relying on the internet. With the overall stability of the epidemic prevention and control, the Chinese government's policy choices show further strengthening the labor market's resilience and enhancing the protection of labor rights and interests in flexible employment to cope with the employment pressure and economic uncertainty in the post-epidemic era.

1. Overall impact of COVID-19 on China's labor market

The impact of the COVID-19 epidemic on the economy and employment had two main stages.¹

The first stage was from the outbreak of the epidemic to the end of the Spring Festival holiday. The transportation was blocked on a large scale in various places, and the returning labor force could not go back in time to resume work. The home quarantine order made people's consumption demand drop drastically, and the reduced demand and labor shortage caused enterprises to be unable to start work usually, and the national labor market faced unprecedented pressure.² Some industries were in a period of high seasonal demand, and the immediate nature of consumption in the service industry made the epidemic's impact on it more prominent. Data released by the National Bureau of Statistics showed that GDP growth in the first quarter of 2020 was -6.8%, and the urban survey unemployment rate reached 6.2%.

The second stage was the epidemic spread from domestic into international. China's epidemic was nearly cleared at this stage, most regions resumed work and production in batches. However, the impact of epidemic prevention and control on industries such as transportation, retail and wholesale had not yet recovered, and front-line production staff, raw materials, and sales channels had been hindered, and the import supply side had also suffered a significant impact. The importation of the epidemic from abroad had affected resuming work and production in a few regions. The prevention and control of overseas importation had delayed or even interrupted the economic recovery in some regions, increasing the uncertainty of economic operation. China's labor market

1. Du Yang. 2020. "Labor Market Responses to the COVID-19 Pandemic and Employment Policy," *Studies in Labor Economics* 2020(2).
 2. Qiu Y, Chen X and Shi W. 2020. "Impacts of social and economic factors on the transmission of coronavirus disease 2019 (COVID-19) in China," *Journal of Population Economics* 2020 May 9: 1–46, doi: 10.1007/s00148-020-00778-2. Epub ahead of print. PMID: 32395017; PMCID: PMC7210464.

benefited from the effectiveness of epidemic control and employment support policies and returned to normal levels quickly. According to a study by Cai Fang's project team, the national rate of work resumption increased from 63.1% in early March 2020 to 84.2% in mid-June and recovered to 89.7% by the end of November; the unemployment rate decreased from 11% in mid-June to 4.4% at the end of November.³

2. Impact of COVID-19 on different labor groups

According to the data of resident monitoring and online survey of manufacturing enterprises conducted by the group of the Institute of Population and Labor Economics, Chinese Academy of Social Sciences, the impact of COVID-19 on different employment groups varied, mainly in the aspects of the industry, urban and rural areas, and gender.

(1) There were significant differences in the degree of impact of the epidemic on employees in different industries.⁴ According to the test data, the rate of work resumption in the construction, accommodation, and catering industries was low, with 43.4% and 39.6% of workers waiting to return to work in late February (as shown in Table 1). The proportion of those waiting to return to work still reached about 20% in late March, and the proportion of those actively hunting for work was also higher, so the risk of unemployment for workers in

Table 1. Work status of people employed in different industries⁵

	(%)					
	Late Feb		Late Mar		Late Apr	
	Work	Wait	Work	Wait	Work	Wait
Agriculture, forestry and fishery	26.2	9.8	67.2	3.3		3.0
Mining	41.7	25.0	73.1	3.9	66.7	10.0
Manufacturing	51.3	31.9	79.9	8.9	89.1	0.9
Electricity, gas and water production and supply industry	48.2	22.2	85.4	4.2	84.1	3.3
Construction	23.5	43.4	59.1	18.7	79.8	3.9
Wholesale and retail trade	33.0	22.8	64.5	7.9	69.3	2.7
Transportation, storage and post and telecommunications	51.7	18.8	71.2	6.4	80.6	1.3
Accommodation and catering	24.5	39.6	45.0	19.9	59.1	7.0
Information transmission, computer services and software	36.3	12.3	60.5	7.1	75.5	0.8
Finance	29.7	6.1	67.2	4.8	74.3	2.9
Real estate industry	43.9	19.5	69.2	5.3	77.8	2.8
Leasing and business services	18.4	22.9	69.3	5.3	60.5	3.7
Scientific research, technical services and geological exploration	16.9	7.7	63.8	3.8	73.5	1.7
Water, environment and public facilities management	51.3	18.0	79.0	10.5	93.2	2.3
Residential services and other services	49.4	21.7	61.3	9.8	79.1	4.1
Education	10.0	21.0	11.9	15.4	35.1	10.7
Health and social work	65.6	9.2	83.0	6.1	88.3	2.7
Culture, sports and entertainment	18.6	21.7	43.3	15.4	56.4	3.2
Public administration, social security and international organizations	67.3	4.3	84.0	2.5	92.5	0.8

3. Cai Fang, Zhang Dandan and Liu Yaxuan. 2021. "The Impact of COVID-19 on the Chinese Labor Market—A Comprehensive Analysis Based on the Individual Tracking Survey," *Economic Research Journal* 2021 (2).

4. Zhang Ping and Yang Yaowu. 2020. "The Impact of COVID-19 on the Growth Path of Chinese Economy and the Policy Response—An Analysis Based on the Unbalanced Impact on Enterprises," *Economic Perspectives* 2020 (3).

5. Qu Xiaobo and Cheng Jie. 2020. "Impacts of COVID-19 on the Labor Market and Policy Responses," *Journal of Hebei Normal University* (Philosophy and Social Sciences Edition) 2020 (4).

these industries was higher. The work resumption in the rental and business services, wholesale and retail trade, and culture, sports, and entertainment industries were also slow, and workers were at greater risk of unemployment.

(2) Rural migrant workers were hit harder by the epidemic. Although the epidemic mainly occurred in the cities, the impact on rural migrant workers was even greater. According to the monitoring survey, the proportion of rural workers waiting to return to work in late February was close to 30% (as shown in Table 2), which was significantly higher than that in urban areas, and by late March, the proportion of rural workers working normally had just reached about 50%, while the proportion of those still waiting to return to work was about 15%, while the proportion of urban workers fully returning to work had reached 2/3, with only about 7% waiting to return to work, and by late April, there was still a difference of about 15 percentage points between the proportion of rural workers and urban workers working normally. In late February, the proportion of unemployed people in rural areas was close to 9%, while the proportion in urban areas was only 2.6%, and in late March, the proportion of unemployed people in rural areas and towns exceeded 10%. Most of the rural unemployed people were migrant workers with poorer employment stability and quality of employment, inadequate employment protection, and more vulnerable to unemployment risk.

(3) From a gender perspective, women were relatively more affected by the epidemic. The proportion of women in the subject group who working normally was lower than that of men. By late March, the proportion of female workers who working normally was only 55.1%, and the gap with men widened from 3 percentage points in late February to 13 percentage points, and the proportion of women who were hunting a job increased significantly

Table 2. Work status of urban and rural employed people⁶

	(%)								
	Late Feb			Late Mar			Late Apr		
	Village	Town	City	Village	Town	City	Village	Town	City
Regular work	25.7	38.5	41.8	52.8	53.6	65.5	57.6	71.2	73.5
Flexible work / Rotating shifts	5.6	9.8	14.9	4.2	4.1	7.1	6.3	7.7	6.7
Work from home / Web based	11.3	18.3	22.9	9.8	13.1	13.0	7.8	8.4	8.7
Working, waiting to return to work	29.6	23.9	12.3	14.8	9.8	6.9	8.5	3.9	2.3
Trying to find a job	8.9	4.3	2.6	10.2	13.4	4.6	9.7	3.3	3.5
Freelance	18.9	5.2	5.4	8.2	6.0	2.9	10.2	5.5	5.3

Table 3. Work status of employed persons by gender⁷

	(%)					
	Late Feb		Late Mar		Late Apr	
	Male	Female	Male	Female	Male	Female
Normal work	39.4	36.2	67.9	55.1	76.8	66.0
Flexible work / Rotating shifts	13.0	11.1	5.6	6.6	5.4	8.2
Work from home / Web based	17.3	21.7	8.4	16.4	6.1	11.0
Waiting to resume work	18.0	18.2	9.1	8.4	3.2	3.3
Job hunting	4.3	4.2	5.3	8.6	4.1	4.2

6. Qu Xiaobo and Cheng Jie. 2020. "Impacts of COVID-19 on the Labor Market and Policy Responses," *Journal of Hebei Normal University* (Philosophy and Social Sciences Edition) 2020 (4).

7. Qu Xiaobo and Cheng Jie. 2020. "Impacts of COVID-19 on the Labor Market and Policy Responses," *Journal of Hebei Normal University* (Philosophy and Social Sciences Edition) 2020 (4).

from 4.2% in late February to 8.6% (as shown in Table 3), reflecting that the epidemic had a greater impact on female employment, and women were more vulnerable to external shocks in the labor market and suffered higher risks of losing their jobs. By late April, although the epidemic was under control and the resumption of work and production was accelerated, the gender gap in the employment situation still existed, as the proportion of women going to work normally still about 10 percentage points lower than that of men, and the proportion of women using flexible work was relatively higher.

3. Major employment policies of the Chinese government in response to the epidemic

(1) Promote enterprises to resume work and production. Adhere to zoning and grading precision prevention and control, improve the convenience of resumption of work and production services, cancel unreasonable approvals and unreasonable regulations that restrict workers from returning to work. Accelerate significant engineering projects, key enterprises to resume work. Take manufacturing, construction, logistics, public services, and agricultural production as the breakthrough, and make every effort to promote employment in critical industries and low-risk areas, and thus gradually drive employment in other industries and areas. Provide enterprises' daily protection materials in resuming work and urge them to implement preventive and control measures such in workplaces, canteens, and dormitories.

(2) Reduce labor cost and stabilize job positions. Accelerate the implementation of phased and targeted tax and fee reduction policies. To increase the unemployment insurance stabilization rebate, for small and medium-sized enterprises without layoffs or fewer layoffs, the rebate standard can be raised to a maximum of 100% of the unemployment insurance premiums paid by the enterprise and its employees in the previous year; for the participating enterprises with temporary production and operation difficulties and recovery prospects, insisting on no layoffs or fewer layoffs, the criteria for determining the stabilization rebate policy are appropriately relaxed, with emphasis on enterprises affected by the epidemic. The rebate standard can be determined according to the local monthly per capita unemployment insurance payment and the number of insured employees for not more than six months, or according to the social insurance premiums payable by the enterprise and its employees for not more than three months. Before the end of June 2020, engineering construction projects are allowed to suspend the deposit of migrant workers' wages, and enterprises with good payment records can be exempted from payment. Effectively implement policies such as fixed tax exemptions, guaranteed loans, interest subsidies, and employment subsidies for enterprises to absorb the employment of critical groups. Accelerate the implementation of the phased reduction and deferral of social insurance premiums policy, the period of social insurance subsidies for enterprises absorbing people with employment difficulties during the period of reduction and deferral can be extended.

(3) Improve the employment ability of investment and industry. Implement primary industrial employment impact assessment, clarify important industrial planning to drive employment targets, prioritize investment in industries with employment-driving solid capacity and conducive to local employment of rural labor and employment of college graduates. Accelerate the development and improvement of policies and measures to guide the transfer of relevant industries to the central and western regions. For the projects with strong employment-boosting capacity and controllable environmental impact, develop a positive list of environmental impact assessment approval, advance the environmental assessment "management and service" reforms.

(4) Optimize the market environment for independent entrepreneurship. Deepen the "separation of licenses" reform, promote "license reduction," simplify the approval, simplify the residence registration procedures. Give full play to the unique role of venture capital to promote business innovation and drive employment. Increase the

support for guaranteed business loans, expand policy coverage, prioritize support for critical groups affected by the epidemic, and waive counter-guarantee requirements for high-quality business projects. Government investment in developing incubation bases and other entrepreneurial carriers should arrange a certain percentage of sites, open to college graduates, migrant workers, and other key groups. All kinds of urban high-ranking projects should drive the employment capacity of the “small store economy,” the development of pedestrian streets as an essential condition.

(5) Support multi-channel flexible employment. Reasonably set the management mode of vendors without fixed business premises, set free street markets, stall groups, and other business outlets. Support workers to rely on internet platforms for employment. Platform employment personnel can apply for guaranteed loans and interest subsidies for business start-ups and necessary tools. Guide the platform enterprises to relax the conditions of entry, reduce management service fees, and establish institutionalized and normalized communication and coordination mechanisms with platform employment personnel on labor wages, working hours, labor protection. Abolish the provincial urban and rural household registration restrictions for flexibly employed persons to participate in the basic pension insurance for enterprise employees. Necessary social insurance subsidies should be given to the flexibly working persons with employment difficulties and college graduates who have not been employed within two years after leaving school.

(6) Guide the labor mobility orderly. Strengthen the guarantee of labor dispatching for key enterprises, provide “point-to-point, one-stop” return-to-work services for migrant workers, promote the mutual recognition of health information and other mechanisms, and enhance the ability to transport and guarantee workers returning to work in a concentrated manner. Guiding workers to seek employment in an orderly manner, collecting and releasing employment information in a timely manner, strengthening the docking of information between exporting and importing places, and encouraging migrant workers in low-risk areas to return to work as soon as possible. Support for the organization of centralized return to work, labor export involving transportation, health and epidemic prevention. Provide employment and entrepreneurship services subsidies to the human resources service agencies, labor brokers in operating cross-regional organized labor mobility.

(7) Support local and nearby employment. Using the spring agricultural production, vigorously develop new agricultural business entities, organize migrant workers who cannot go out temporarily to work in spring plowing and preparation, and engage in particular breeding, deep processing, ecological tourism, and other industries. In the county and central towns, local jobs could be supplied by urban infrastructure and public service facilities, agricultural infrastructures, rural habitat improvement projects, and other food-for-work projects.

(8) Give priority to support the employment of poor laborers. Enterprises should give priority to employ poor labor in starting significant projects and building logistics systems. Support leading enterprises and workshops for poverty alleviation to resume work as soon as possible. Provide more local and nearby employment opportunities through public welfare jobs for poor laborers. The government should increase support for the most poverty areas. Local government can give one-time incentives to enterprises with large-scale employment of poor laborers through special financial poverty alleviation funds.

(9) Broaden employment channels for college graduates. A one-time employment absorption subsidy will be given to small and medium-sized enterprises for recruiting college graduates in the graduation year and sign an employment contract for more than one year. State-owned enterprises should expand the recruitment scale of college graduates for two consecutive years this year and next. The ratio of special recruitment of college

graduates for vacant positions in all institutions will be increased this year and next year. Develop public and social service positions at the grassroots level, such as urban and rural communities. Expand the scale of recruitment for grassroots service projects. Expand the scale of enrollment of master's degree students and college graduates in public universities in 2020. Expand the scale of enlistment of college students into the military. Support enterprises, government investment projects, and scientific research projects to set up apprenticeship positions. For the temporary interruption of internship due to the epidemic, extend the subsidy period for internship units accordingly.

(10) Protect the primary livelihood of the unemployed. Smooth the channels for unemployment insurance claims, relax the deadline for unemployment insurance claims, and realize online claims for unemployment insurance benefits by the end of April 2020. For the unemployed people who are still unemployed after the expiration of unemployment insurance benefits and unemployed people without insurance benefits, a six months unemployment benefits will be granted at a rate not higher than 80% of the local unemployment insurance benefits. The unemployed people who are in living difficulties, could be promptly included in the scope of social assistance, such as minimum living standards and temporary assistance.

(11) Provide employment assistance for people in difficulty. Dynamically adjust the criteria for identifying employment difficulties, promptly include people affected by the epidemic. For those who have difficulties in employment through market channels, use public welfare jobs to support bottom placement. Develop some temporary public welfare jobs such as epidemic elimination, cleaning, sanitation, and give certain job subsidies and social insurance subsidies according to the work tasks and working hours.

(12) Conduct large-scale vocational skills training programs. Increase the unemployed, migrant workers, and other vocational skills training, implement special training for migrant workers and other key groups and appropriately extend the training period. Vocational training subsidies are provided to the enterprises who organize workers to participate in online and offline training, organize newly recruited migrant workers and college graduates to participate in pre-job training.

(13) Optimize employment services. Open online unemployment registration by the end of March 2020. Promote online applications for employment services and subsidy claims. Continuously carry out online recruitment services and play the role of public employment service agencies, college employment guidance agencies, and operating human resource service agencies to increase the supply of job information, career guidance, online interviews, and other services. Older and low-skilled workers could enjoy specialized job search and application services. Low-risk areas can orderly carry out small-scale labor supply and demand matching activities. Optimize employment guidance services, encourage enterprises to negotiate with workers to adopt salary adjustments, rotating shifts, flexible working hours, and other ways to stabilize positions, and regulate layoffs.



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