

Employment Situation and Employment Policies in China

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I. Employment situation in China

To date and in the years to come, employment situation in China will be very challenging. This could be characterized by the following three features: (i) the imbalance between labour supply and labour demand in parallel with the employment structure flaws; (ii) the increasing of urban employment pressure with the outflow of rural surplus labour to non-agricultural sectors; and (iii) new labour market entrants and the high number of the unemployed. At present, reemployment for the unemployed is the focus, as many of them are aged, with monotonous skills and long period of unemployment. Their reemployment has become a very tough issue to be solved.

In terms of the aggregate figures, the yearly number of new labour market entrants will reach its peak. To top this would be the reemployment for the unemployed. This means that annual job openings have to be between 22 to 23 million. Take the assumption that the GDP growth could be

maintained at around 7%, under the current economic structure, annual employment creation stands between 7 to 8 million, meaning there is a shortfall of 14 to 15 million jobs. Labour supply exceeding labour demand has thus become a pressing employment pressure.

Looking at the employment structure,, on the one hand, there are a large number of the laid-off employees, many of them are faced with the difficulties of reemployment. In the first several years after China's accession to WTO, the imbalance of labour supply and labour demand in some regions and sectors in China has deteriorated, with the skills of the workers cannot meet the requirement of job vacancies.

Geographically, there are 150 million rural surplus labour force. In the years to come, with the rural economic restructuring, there will be a flow of rural labour force towards the non-agricultural sectors. As it has been already very difficult for the urban unemployed to be re-employed, the exodus of rural surplus labour into cities will only make employment and reemployment more difficult.

As to the unemployed and new labour market entrants, on the one hand, the new labour market entrants will remain at such high number, on the other hand, the UI beneficiaries has increased from 0.58 million at the end of 1998 to 4.41 million at the end of this June. If we add up the enterprise laid-off employees, the employment pressure caused by the new labour market entrants and the high number of the unemployed will only increase.

Starting from the beginning of 2003, employment in the service sectors and other labour intensive enterprises has been shedding employees, which makes the employment situation in China even more severe. By the end of the first half of 2003, the total number of urban registered unemployed persons stood at 7.95 million, which is an increase of 0.62 million than the previous year and an increase of a quarter million than the tail-end of last year. The urban registered unemployment rate is 4.2%, which is an increase of 0.4 percentage than the previous year or 0.2 percentage increase than the figure at the end of last year.

II. Active Employment Policies in China.

In order to alleviate employment pressure and promote the reemployment of the laid-off employees as well as the unemployed, the Chinese Authority held the National Conference on Reemployment in Sept. 2002, which raised the notion that employment is fundamental to people's livelihood and thereafter formulated active employment policies. As a consequence, long-term employment promotion strategies and measures were laid out. Employment is also used as one indicator measuring the establishment of a well-off society in China. In Aug. 2003, facing the current economic situation and the implications of SARS on employment, the Chinese Government held the National Symposium on Reemployment, which raised five strategies: (i) placing employment and reemployment as a high priority; (ii) raise economic competitiveness and encourage the development of industries and enterprises that can provide large number of jobs; (iii) continue to deepen SOE reform and take on various measures to downsize the surplus workers; (iv) strengthen HRD and enhance the business startup capacity and employability of the labour force;

(v) further opening-up initiatives and make the advantage of abundant labour resource by tapping international labour exchange. At present, the active employment policies that have Chinese characteristics have been shaped with the following 6 major contents:

2.1 Opening employment channels and actively creating jobs. The principle of adhering to the domestic demand shall be taken, whilst maintaining economic growth rate, adjusting economic structure, enhancing the elasticity of economic growth over employment. The following six channels should be tapped in terms of employment creation: (i) make efforts on industrial restructuring and encourage the development of service sectors, especially to development community service and tourism sectors, along with catering and trade sectors; (ii) adjust ownership structure and encourage the development of self-employment, private enterprises, foreign invested enterprises and share-holding companies that can provide high volume of employment; (iii) adjust enterprise structure and encourage the development of small and medium sized enterprises, continue support to the development of labour and employment service enterprises; (iv) make good advantage of abundant labour resources and develop labour intensive industries and enterprises that have good market demand; (v) given the labour demand from enterprises, encourage the laid-off employees and the unemployed to take on flexible forms of employment, such as part-time, temporary, seasonal jobs. Labour assignment and employment base could be used as forms to organize flexible forms of employment; and (vi) based on both domestic and international labour markets, trans-regional employment should be encouraged along with tapping international labour market potential.

2.2 Improve and implement supportive reemployment policies

Supportive reemployment policies aim at supporting self-employment and business start-ups and encouraging the reemployment of the laid-off employees and the unemployed in enterprises, facilitating the employment of the disadvantaged groups as well as job placement of the surplus workers in the process of enterprise downsizing. These policies include the following aspects: (i) there are tax exemption policy and micro-financing policy for the self-employment of the laid-off employees and the unemployed; (ii) encourage the service sectors to take on the unemployed by implementing social insurance subsidy policy and preferential taxation policy; (iii) carry out reemployment assistance program to assist the difficult groups; (iv) encourage the downsizing of the large and medium sized SOEs and the placing the retrenched into jobs in the subsidiaries of these SOEs by exempting enterprise revenue tax; (v) implement preferential taxation policy and micro-financing policy. As to the self-employment of the laid-off employees and the unemployed, if they open their small business, they shall be exempted from relevant levies. The government shall set up guarantee fund for the unemployed and the laid-off employees for their self-employment and business startup initiatives, they shall be entitled to interest free loan; (vi) implement social insurance subsidy and preferential taxation policies to enterprises. As to enterprises taken on SOE laid-off employees and the unemployed, social insurance subsidy shall be provided at a level, which is equivalent to the total amount of their pension insurance contribution and unemployment insurance contribution. In order to encourage service sector enterprises to take on more laid-off employees and the unemployed, if such employees make 30% of the total number of their employees, whilst these enterprises shall be accessible to social insurance subsidy, they

shall be exempt from relevant taxation and levies; (vii) implement reemployment assistance program to assist the difficult groups. With regard to those unemployed and laid-offs who are willing and capable to be employed, if they are over 50 years for males, and 40 years old for females, they are the subjects for reemployment assistance, including instant job placement assistance etc. The State shall make financial input to create jobs that are for the well being of the society and place these people into such jobs. For communities developing such public well-being jobs to place the aged employment difficult groups, they shall be also accessible to social insurance subsidy and employment post subsidy.

2.3 Improve employment services and strengthen reemployment training. Firstly free employment placement and vocational training shall be provided; secondly, improve public employment services, strengthen labour market information system development, provide one-stop service to the clients. The one-stop service includes: job seeking registration, vocational guidance, employment placement, training application, social insurance record keeping etc. Thirdly, provide integrated services to the self-employed and the unemployed who are about to start up their business. If the conditions permit, commercial departments, taxation offices and labour and social security departments may provide integrated services together. Fourthly, provide reemployment assistance. While providing free job placement services and reemployment training to the employment difficult groups, developing public well-being jobs, offer regular policy advice, social insurance contribution and living assistance. Fifthly, strengthen reemployment training. Develop multiple forms of reemployment training to enhance the employability of the unemployed and the laid-off employees. As to those who have the potential to start up their own business, relevant

guidance and assistance should be provided.

2.4 Increase the reemployment financial input. Governments at various levels should make budgetary adjustment to increase financial input in the field of reemployment. As to the central and western areas and old industrial bases, reemployment subsidy fund should be increased to support the reemployment in these localities.

2.5 Development new industrial relations mechanism. The Chinese Government actively presses ahead bipartite bargaining and the government adjusts the labour relations in accordance with laws and regulations. Labour contract practice has taken root in China as a basis for labour relations. Labour contract system has been implemented in various enterprises in urban enterprises. The government encourages enterprises to strengthen the roles of their Employees' Representative Conference and trade unions. Improve the democratic participation of the employees and explore collective agreement through equal footing collective bargaining. Based on pilot programs, starting from August 2003, China will comprehensively start tripartite consultative mechanism, which shall be compatible with the country context, over major labour relation issues.

2.6 Strengthen macro monitoring and supervision over employment and set up government target system. Employment creation and unemployment rate should be two key indicators for the nation and various localities. These indicators should be listed in the national development plan. On the one hand, while formulating economic and social policies as well as development projects, employment promotion should be regarded as a key factor. On the other hand, nationwide urban

labour force sample survey should be conducted on regular basis for the understanding of employment and unemployment dynamic situation. Unemployment pre-warning system should also be established. When the total unemployed reach or exceed the warning level, some contingency measures should be taken to alleviate the pressing unemployment situation. Secondly, substantiate measures should be taken to put unemployment under check. As to the placement of employees of the bankrupted enterprises, if they do not have elaborate retrenchment and social security plans, it will not be allowed to go into bankruptcy procedure. Guidance shall also be provided to large-scale retrenchment. If enterprises cannot not meet the requirement to pay for economic compensation fee and settle their debt to the employees, they shall not be allowed for retrenchment action. In addition, if it involves a large number of the retrenched workers, it has to be reported to the local government. Thirdly, while making efforts in promoting the reemployment of the unemployed, arrangement should also be made on the employment of the new labour market entrants and rural migrant labour. With regard to the employment of the new labour market entrants, labour preparatory polices should be improved and vocational training should strengthened. As to the employment of the rural surplus labour force, discrimination policies of employment against rural farmers have to be abolished. In this connection, information service and vocational training should be strengthened to facilitate the orderly movement of rural surplus labour force.

2.7 Continue efforts on the Two Guarantees in the field of social security. Social security makes the basis for the promotion of reemployment. First, efforts should be continued to ensure the basic living of the laid-off employees in enterprise reemployment service centers. As to the new laid-off

employees and those leaving enterprise reemployment centers, their unemployment insurance provisions should be ensured; and if this proves to be inadequate, they should be entitled to the minimum living benefits. If the time for the laid-off employees to be released from their employment relationship with the enterprises and yet they still could not find jobs, various financing channels should be motivated for their basic living provisions. As the laid-off employees and the unemployed who are not covered by medical insurance, social medical assistance should be accessible. Second, their social insurance portability should be ensured. So wherever they move, they are covered by social insurance schemes. While the unemployed are released from their original enterprises, their entitlement to social insurance shall be preserved. Should they continue to pay for pension insurance, their total duration of contribution should be accumulated. If the unemployed are recruited by enterprises, the employer together with the employees shall make their social insurance contribution in accordance with the regulatory provisions. With regard to the self-employed and those taking on flexible forms of employment, they could be treated as the small business owners to participate in pension insurance. Third, flexible social security provisions should be provided to those taking on flexible forms of employment. As to the unemployed taking on part-time, temporary and flexible forms of employment, employment relations, payment and wages and social insurance provisions should also be suitable to their employment so as to protect their legitimate rights and interests.