



Evaluation of Employment Policies

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CONTENTS

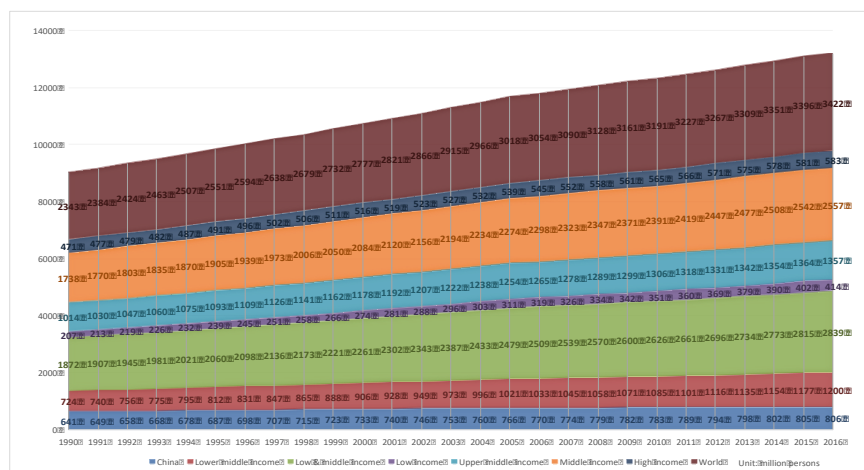
1. Introduction: the challenge for employment	3
2. Employment and labour force	54
2.1 Labour supply and demand over the years	54
2.2 Employment structure	86
2.3 Today's dilemma: employment structure and quality of work	108
3. Goal and outcome of employment policies at different phases	129
3.1 Policy indicators of economy, employment, and science, technology and innovation	129
4. Employment administration system and policy changes	1713
4.1 History of the employment administration system	1713
4.2 Policy Changes and the Possible Causes	2016
5. Impact of Recent Reform Policies on Employment	2419
5.1 Business system reform	2420
5.2 "Double-creation" Policy – Innovation and Entrepreneurship	2521
5.3 Supply-side reform	2621
5.4 Reform of the retirement insurance system	2722
6. Policy Evaluation and Some Remarks	2823
6.1 Characteristics of the policies	2823
6.2 Problems	3226
6.3 Policy suggestions	3627

China's Employment Policies: Evaluation Based on the 'Five-year Plans' since 1978

1. Introduction: the challenge for employment

Employment is the foundation of the people's livelihood. Under the economic "new normal"¹, China has been sparing no efforts in expanding employment and has insisted ~~neon~~ active employment policies based on the "jobs first" principle. While China has abundant labour force, employment has always been an important topic. In particular, both the international and domestic environments put tremendous pressure on the employment problem of China today. As commented by the National Bureau of Statistics, the world economy is undergoing deep re-adjustment, featured by emerging anti-globalization movement, slow growth of international trade, and turbulent global financial market; at the same time, the national economy of China has entered the stage of "new normal", marked by relatively slower growth rates than in the past decades, and thus the mission of deepening the reform has encountered great challenges.²

Figure 1.1: Employment in China and in the world (1990-2016)



Source: World Bank Database, Total labour force, data from bottom to top
<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&preview=on>

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¹ President Xi Jinping coined the "new normal" economy for China in February 2015 as a crucial rebalancing, one in which the country diversifies its economy, embraces a more sustainable level of growth, and distributes the benefits more evenly"- Hu Angang, Foreign Affairs magazine, May-June 2015.

² China National Bureau of Statistics, Comments on "2016 Statistic Report", Feb. 28, 2017,
http://www.stats.gov.cn/tjsj/sjld/201702/t20170228_1467357.html

* All web-links in this article were lastly accessed at Jun. 01, 2017, unless stated otherwise.

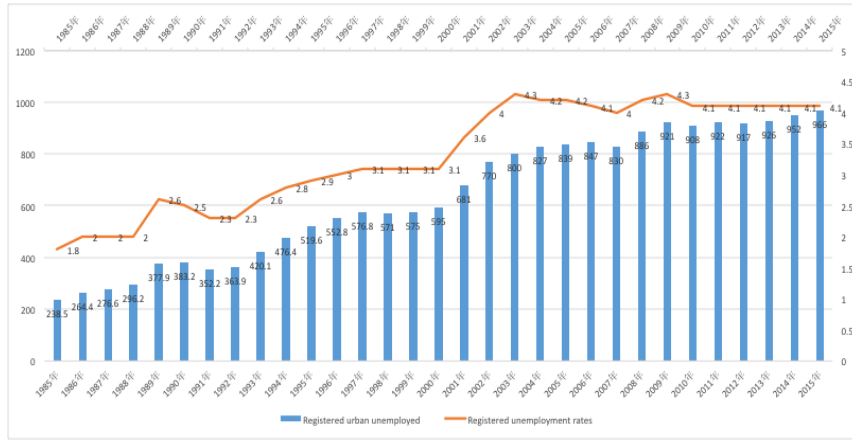
Nearly every country has to face the challenge of employment. This problem is especially prominent in China. As shown in Figure 1.1, the national economy had grown rapidly in the decade following the beginning of the economic reform. By 1990, the labour force was of 640 employees in China. This number further grew in the new century – 770 million by the end of 2007, and 806 million by 2016.³ Such an abundant labour force has provided strong driving force to the continuous economic development, but it has also led to tremendous pressure on employment. Although the numbers of the employed in China have increased constantly, the speed has become relatively slower than the aggregate growth rate of the world employment. In addition, the comparative advantage of China in the labour-intensive industries has gradually faded away, which will pose greater pressure on the task of enlarging employment. Therefore, it becomes an urgent and significant task to reduce unemployment and improve the quality of work in the “new normal”, in order to guarantee social stability and economic development.

Before this background, the Chinese State has taken different measures to create jobs through active employment policies, especially since the beginning of the 12th Five-year Plan. Employment has been expanded through stable economic development and restructuring as well as by encouraging entrepreneurship. Given the relatively high unemployment rates in many countries in the world, the employment policies in China have achieved prominent outcomes, at least the numbers and ratios of urban unemployment have been kept at acceptable levels (). Similar trends are found in the 13th Five-year Plan since 2016, which not only emphasizes employment promotion, supports start-ups, but also actively pushes forward industrial upgrading and technological innovations. These policies are expected to further activate the labor market and innovation capabilities, as well as to create more occupations and more jobs. Apparently, employment policies and industrial policies will become further connected and even intertwined.

Figure 1.2 Urban unemployment in China: 1985-2015

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³ World Bank Database, Labour force, total, http://data.worldbank.org/indicator/SL.TLF.TOTL.IN?contextual=aggregate&end=2016&locations=CN&start=1990&view=chart&year_low_desc=true ; Similarly, the data from the Ministry of Human Resource and Social Security of China shows that by the end of 2016, there were more than 770 million employed in China. See: People's Daily, More than 12 million newly employed each year in cities in the last 5 years, Jun. 19, 2017, <http://politics.people.com.cn/n1/2017/0619/c1001-29347580.html>



* Unit: 10,000 persons (Left); % (Right)

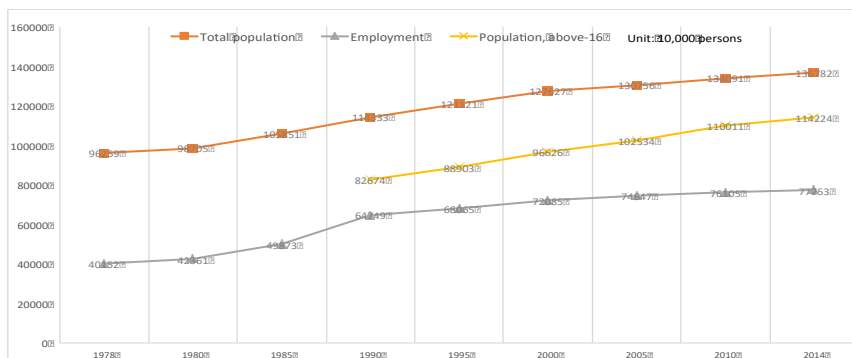
Source: China Bureau of National Statistics, <http://data.stats.gov.cn/easyquery.htm?cn=C01> (Last accessed at Sep. 10, 2017)

2. Employment and labour force

2.1 Labour supply and demand over the years

Regarding the labour supply, the 'one-child policy' has had a visible impact on the total population since the reform and opening-up. However, it shows a relatively lower effect on the numbers of labour force. As indicated by Figure 2.1, the growth of the total population had slowed down since 2000. The employment numbers have also increased at a lower speed since the late 1990s, but the population of 16 years old and above have kept growing. In the near future, the labour force will remain abundant in China.

Figure 2.1: Labour supply (1978-2014)



Source: China Statistics Publishing House, 2015 Statistic Digest, pp16 and 39; China Labour Statistics Yearbook, the total employment, <http://tongji.cnki.net/kns55/Nav/nahtml.aspx?page=1&filename=N2016030140000010>

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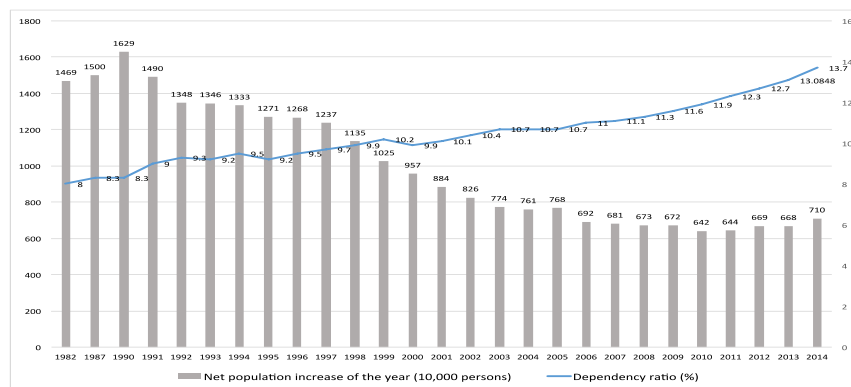
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The structure of the population has varied at different stages (Figure 2.2). From 1978 to the early of 1990s, the population in China had relatively high net increase rates; during the late 1990s, the strict implementation of “one-child policy” led to the slowdown of the absolute numbers of net population increases every year; and in 2011, the number raised again, but only slightly. Therefore, from 1986 up to now, the economically active population in China has increased for the most of the time, but the speed has become slower in recent years. Since 2012, the numbers started to drop slightly.⁴

In other words, the labour supply in the long run may further drop, although the “one-child policy” has not caused immediate trouble to the supply of labour force. At the same time, the Chinese society is rapidly ageing. The dependency ratio has risen visibly since the reform and opening up, and continued to increase in the new century. In a sense, the slowdown of the net population increase, combined with the rising dependency ratio, would mean that China may not be able to sustain the demographic benefit that it had enjoyed in the last decades.

Figure 2.2: Net population increase and dependency ratio over the years



* Data since 2011 are self-calculated.

Source: China Statistics Publishing House, 2015 Statistic Digest, pp18; China Civil Affairs Statistic Yearbook, <http://tongji.cnki.net/kns55/Dig/DigResult.aspx?postZones=xj35%3B&postTar=当年净增人口%3B&postYear=full&areaSelType=null&postDefTar=>

Regarding the index of economically active population, the annual yearbooks of the National Statistics Bureau show that the absolute numbers of economically active persons have dropped for five years consecutively, since the number firstly declined the first time in 2012. In 2012, the number was 937 million, but it became 907 million

⁴ China National Bureau of Statistics, <http://data.stats.gov.cn/adv.htm?m=advquery&cn=C01> (last asseessed at: Sep. 10, 2017)

by the end of 2016, from 69.2% of the total population to only 65.6%.⁵ However, when asked about the problem of 'labour shortage', Wang, Peian – the deputy director of the National Health and Family Planning Commission – denied the existence of such 'shortage', both in 2015 and 2016. His answer was, 'China has no shortage of people, not just now, but for the next decades, or even in a hundred years.' By 2030, the Chinese population will become 1.45 billion and by 2015 still 1.4 billion. "The biggest problem is not the absolute number, but the oversupply in general and structural shortage in some aspects."⁶ In fact, even some relatively conservative estimations of the Chinese population admitted that the quality, rather than the quantity, of Chinese labor is a more urgent problem. For instance, as 'KELLY Global Workforce Index' of 2014 pointed out, 92% of surveyed Chinese enterprises believed that their core competence was affected by the shortage of numbers and capabilities of the workforce, particularly the capabilities of the workforce.⁷

Noticeably, China National Bureau of Statistics adjusted the measure of economically active population in 2013, expanding the range from 15 - 59 years to 16 – 60 years. Considering the trend of the ageing population, this range may be further broadened, e.g. the corresponding statistic measure in EU is 15 – 64 years old. In the case, the workforce population in China would look more optimistic than many scholars predicted, which makes 'labour shortage' less a problem. Consequently, the workforce would become even larger and unemployment would also be normal, given the inevitable market fluctuation, economic re-structuring, etc. In order to buffer these shocks, unemployment insurances will become urgently required.

Undeniably, the Chinese society is increasingly ageing. According to Figure 2.2, the dependency ratio has constantly increased since the reform and this trend has continued in the new century. This structure change of the demography implies that the demographic benefit that China had enjoyed during the early stage of the reform is coming to an end. As to the growing group of elderly, on one hand, their potential contribution, based on their long-term work experiences, to the new economic and industrial structures should be re-considered; and on the other, the time has come for a thorough reflection on the social security system in China. As the 2016 Bluebook of China Labour and Social Security Development pointed out,⁸ the basic retirement insurance scheme for urban employees had achieved greatly in the last 20 years, but

⁵ China National Bureau of Statistics, 2012 National Economic and Social Development Statistics Report, Feb. 22, 2013, http://www.stats.gov.cn/tjsj/tjgb/ndtjgb/ggndtjgb/201302/t20130221_30027.html; 2016 National Economic and Social Development Statistics Report, Feb. 28, 2017, http://www.stats.gov.cn/tjsj/zxfb/201702/t20170228_1467424.html (last accessed at Sep. 10, 2017).

⁶ Sina News, Deputy Director: China has no shortage of population, not even in 100 years, Mar. 11, 2017, <http://news.sina.com.cn/c/nd/2017-03-11/doc-ifychhus0648693.shtml> (last accessed at Sep. 10, 2017).

⁷ China Business News, Labour force reduced 20mn in 5 years, which pushed for industrial upgrading, Nov. 20, 2016, <http://www.yicai.com/news/5162791.html>; Also see: KELLY Global Workforce Index, <http://www.kellyservices.cn/CN/Resource-Centre/KGWI/Kelly-Global-Workforce-Index---CN/> (last accessed at Sep. 10, 2017).

⁸ Chinese Academy of Labour and Social Security, Social Sciences Academy Press, 2016 Bluebook of China Labour and Social Security Development, Sep. 2016, http://marx.cssn.cn/zk/zk_zkbg/201610/t20161013_3233176_1.shtml

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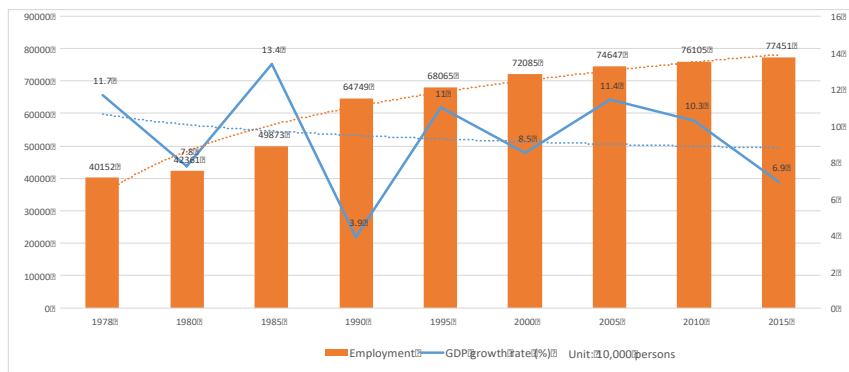
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the social security system was also under tremendous challenge due to the rapid ageing population, the growing social security expenses, and unsustainability of the funds.

2.2 Employment structure

The demand of the labour force, as shown by Figure 2.3, has been growing since 1978. From 1978 to 1990, China had provided jobs for about 151.77 million people. This period had witnessed the fastest growing employment in history.⁹ Along with the enlargement of the economy aggregate, the speed of GDP growth in China has gradually slowed down and thus the expansion of employment has also decelerated. China, as a developing country, has made great achievement since the reform, but it has also faced different challenges.

Figure 2.3: Employment and GDP growth rates over the years (1978-2015)



* The orange and blue dotted lines represent the logarithmic trend lines of employment and GDP growth rate (%)

Source: China National Bureau of Statistics, 2016 China Statistics Yearbook, <http://www.stats.gov.cn/tjsj/ndsj/2016/indexch.htm>, Table 4-3 Employment divided by three industries (1978-2015), <http://data.stats.gov.cn/ks.htm?cn=C01&zb=A0501>

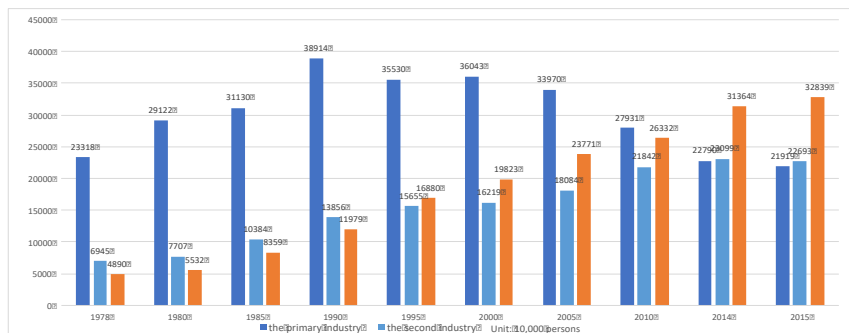
At different periods, the three industries have different capacity of creating jobs. Figure 2.4 shows that during the early years of the reform, the primary industry had employed the most people, and then came the second industry and the tertiary industry. At the time, the market economy was still under construction and the long-term split between the rural and urban areas remained distinctive. Afterwards, the primary industry had fewer and fewer labour force as China pushed forward the industrialization process. By 2014, the primary industry had employed the fewest persons among the three industries.

⁹ Tang, Ling (2007), The method and practice of employment policy evaluation: 1978-2007, unpublished NDRC report

Employment in the second industry has continuously grown since the reform, and only in 2015 it dropped for the first time. In general, the expansion of employment in the second industry has been relatively low. In particular, the speed has been far lower than the tertiary industry in recent years – the result of complex factors such as the global financial crisis in 2008, the raising labour costs and the transformation of many labour-intensive sectors in recent years.

Among the three industries, the tertiary industry has developed the fastest. From 1995, the numbers of employees in the tertiary industry began to exceed those in the second industry. Since 2014, the tertiary industry has employed the most persons, far more than those in the primary and second industries. In three decades, the shift of the employment structure has been resulted from the establishment of the Socialist market economy, which allows the labour force to flow from the primary industry to others. The tertiary industry has become the No. 1 drive for employment, and this is likely to be the future trend.

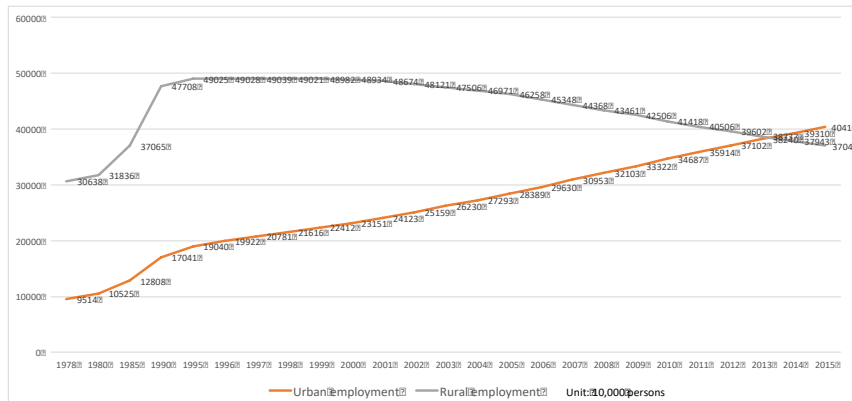
Figure 2.4: Employment by sectors (1978-2015)



Source: China National Bureau of Statistics, 2015 Statistics Digest, p39; 2016 China Statistics Yearbook, <http://www.stats.gov.cn/tjsj/ndsj/2016/indexch.htm>, Table 4-3 Employment by industry

The numbers of urban and rural employment have also shifted from 1978 to 2015. According to Figure 2.5, in the first several years after 1978, both the numbers of urban and rural employees showed remarkable growth. During these years, rural employment even raised faster than in the urban areas. However, while the urban employment has been increasing up to now, the numbers of rural employees began to steadily drop from 1996. By 2015, the number of rural employment was close to that in 1985. This shift resulted from the urbanization process in China, during which many rural people have entered cities and found jobs there. At the same time, such facts demonstrate that the primary industry has increasingly limited capacity of further absorbing new labour force. Nevertheless, the rural employment still accounts for about half of the total employment in China.

Figure 2.5: Changes of urban and rural employment (1978—2015)



Source: China National Bureau of Statistics, 2016 China Statistics Yearbook, Table 4-2 Urban and rural employment (year-end data), <http://www.stats.gov.cn/tjsj/ndsj/2016/indexch.htm>

2.3 Today's dilemma: employment structure and quality of work

The employment elasticity has been in decline. During the Planned Economy, China has a very high employment elasticity, which reached 0.42¹⁰. It is generally regarded as the model of “economic growth with job increases”. In the first decade since the reform (1978-1989), both the economy and employment had grown rapidly. The latter made a record of nearly 3% annually. In particular, the rural employment had expanded faster than the urban.

Since 1990, the model of “economic growth with job increases” had turned into a new model of “economic growth with low job increases”. The growth rate of employment during this period from 1990 to 2004 was less than 1.2%, whereas the economy growth rate was between 9.8. Thus, and the employment elasticity also dropped to only 0.12. It is fair to say that the Chinese economy since the 1990s has not actively created jobs, but it is more a process of capital deepening, or in other words, capital-intensive growth. The capability of the economy in creating new jobs has descended, as many industrialized countries have experienced soon or later during the process of industrialization.¹¹

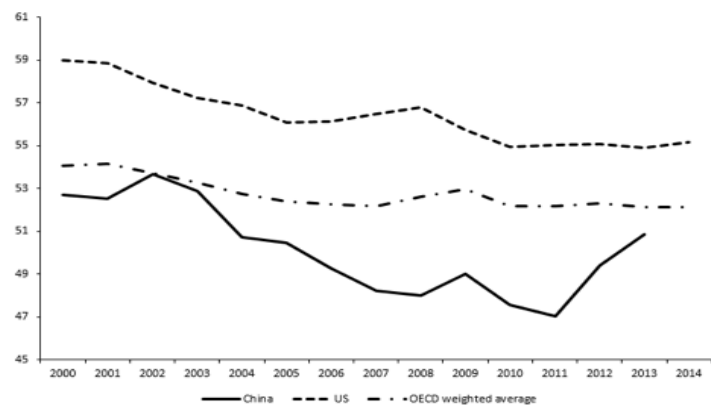
Chinese economy has maintained relatively high growth rates since the reform, but the pressure of unemployment has been increasing, which could be seen in the relatively slow expansion of employment even during the time of rapid GDP growth

¹⁰ The employment elasticity is a simply calculation of the percentage of employment growth to the percentage of economic growth. For instance, between 1952 and 1978, the employment had grown at 2.58% on average and the economy had grown at 6.2% annually. Therefore, the employment elasticity during this stage was 0.42. See: Tang, Ling (2007), The method and practice of employment policy evaluation: 1978-2007, unpublished NDRC report

¹¹ See above Tang, Ling (2007), The method and practice of employment policy evaluation: 1978-2007, unpublished NDRC report

(Figure 2.3). Some scholars¹² have pointed out that in China the labour-intensive sectors had dominated the national economy in long time, which has been featured by “low wages, high employment”. In consequence, many labour-intensive sectors become *de facto* capital-intensive, in the sense that the capital shares increasingly more benefits than the labour. Globally, the labour share of GDP in China has always been lower than in more advanced economies (Figure 2.6). In the last two decades, although the economy of China has grown rapidly, the labour share has further dropped about 3%.¹³ In April 2017, the chapter three of the World Economic Outlook stated that in advanced economies, half of the decline of the labour share could be explained by technologies. By far, the declining labour share in emerging economies including China was mainly due to economic globalization; nevertheless, as globalization is bringing more capital and technologies, without effective policies, the technology factor will worsen this problem.¹⁴ In other words, the high employment rates based on low wages lead to severely unbalanced income distribution in China; low-income population grow continuously; low mass consumption restrict the economic growth; and, economic slowdown causes difficulties for employment expansion.

Figure 2.6 Employee Compensation as a Share of Value-Added, 2000-2014



Source: China National Bureau of Statistics, OECD Data (2016). Quoted from Zixuan Huang and Nicholas R. Lardy, *China's Rebalance Reflected in Rising Wage Share of GDP*, PIIE (Peterson Institute for International Economics) China Economic Watch, October 13, 2016.

¹² Yin, Bibo and Zhou, Jianjun. High growth and low employment in the Chinese economy: empirical examination of Okun's Law in China. *Financial Science*. 2010,(01):56-61.

¹³ International Monetary Fund, *World Economic Outlook, April 2017*, p121-172, <https://www.imf.org/~media/Files/Publications/WEQ/2017/April/Chinese/.../textc.ashx>

¹⁴ See above

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As the reform is deepening, the industrialization of China is also entering a new stage. Figure 2.4 shows the higher capacity of the secondary and tertiary industries in employment than the primary industry. At the same time, the numbers of rural employment have been in constant decline. Previous research has also proved such trends¹⁵: between 2005 and 2010, 13.938 million non-rural jobs were newly created each year; and the prediction was further decrease of rural employment from 2010 to 2030 – in each period of “five-years”, the annual new jobs would be 10.57, 9.62, 8.4 and 7.016 million consecutively. In other words, the pressure of non-rural job creation will be alleviated as the peak time of rural labour force outflows has passed. Nevertheless, this migration process and the accompanied employment pressure will still continue in the long run.

In a nutshell, the future employment in China may face two main problems: first, how could the Chinese economy and industrial structure be adjusted and transformed, in order to solve the dilemma of “high economic growth, low employment” and increase non-rural jobs by improving the capacity of the second and tertiary industries; second, in what ways could the dominant “high employment, low wages” conditions in the labour-intensive sectors be changed and thus enable the mass consumption-driven economic growth. Therefore, the future employment policies of China shall not be limited to simple expansion, rather, more on improving the quality of work and transforming the employment structure.

3. Goal and outcome of employment policies at different phases

3.1 Policy indicators of economy, employment, and science, technology and innovation

Since the reform, although China has experienced different economic and employment conditions, a few goals and indicators are common in the policies for different phases. In general, three goals are inter-connected: economic growth; employment; and, science, technology and innovation (STI). Thus, this report analyzes the three goals in the policies and the outcomes respectively.

¹⁵ Lu, Feng and Yang, Yewei. The changing proportion of agricultural labour force in China and its prediction: 1990-2030. *Chinese Journal of Population Science*. 2012,(04):13-24+111.

Table 1: Economic, employment, and science, technology and innovation goals & outcomes (1981-2015)

	Policy goal	Indicator	Actual outcome	Evaluation
Sixth Five-year plan: 1981-1985	National income growth	4% annual growth	10.8% on average	Over-fulfilled
	Employment growth	29mn new jobs in cities and towns	75.12 million jobs created in five years – 22.83mn urban jobs and 52.29mn rural jobs	Unfulfilled
	STI improvement	The expenses for science, education, culture, health, and sports account for 15.9% of national public expenses.	The national finance spent 117.2 billion RMB on these	Fulfilled
Seventh Five-year plan: 1986-1990	GNP growth	7.5% annually	7.9% annually	Fulfilled
	Employment growth	29mn new jobs in cities and towns	148.76mn new jobs in five years – 42.33mn urban jobs and 106.43mn rural	Over-fulfilled
	STI	/	/	/
Eighth Five-year plan: 1991-1995	GDP growth	6% annually	11.8% on average	Over-fulfilled
	Employment growth	32mn new jobs in cities and towns	33.16mn new jobs in five years – 19.99mn urban jobs and 13.17mn rural	Unfulfilled
	STI	/	/	/
Ninth Five-year plan: 1996-2000	GDP growth	8% annually	8.7% annually	Fulfilled
	Employment growth	40mn new jobs in cities and towns; and 40mn out-going rural labour force	40.20mn new jobs in five years – 41.11mn increased in cities and towns	Fulfilled
	STI	/	/	/
Tenth	GDP growth	7% annually	9.5% annually	Fulfilled

Five-year plan: 2001-2005	Employment growth	40mn new urban jobs and re-allocated rural labour force respectively in five years; Registered urban unemployment rate around 5%	42mn new jobs in five years – 40mn rural labour force re-allocated; Registered urban unemployment rate 4.2%	Fulfilled
	STI	R&D expenses - 1.5% of GDP	R&D expenses - 1.3% of GDP	Unfulfilled
Eleventh Five-year plan: 2006-2010	GDP growth	7.5% annually	11.2% annually	Over-fulfilled
	Employment growth	45mn new urban jobs and re-allocated rural labour force respectively in five years; Registered urban unemployment rate below 5%	57.71mn new urban jobs and 45mn re-allocated rural labour force in five years; Registered urban unemployment rate 4.1%	Fulfilled
Twelfth Five-year plan: 2011-2015	STI	R&D expenses - 2% of GDP	R&D expenses - 1.75% of GDP	Unfulfilled
	GDP growth	7% annually	7.8% annually	Fulfilled
	Employment growth	45mn new urban jobs in five years; Registered urban unemployment rate below 5%	64.31mn new urban jobs in five years; Registered urban unemployment rate 4.05%	Fulfilled
Thirteenth Five-year plan: 2016-2020	STI	R&D expenses – 2.2% of GDP; 3.3 invention patents per 10,000 persons	R&D expenses - 2.1% of GDP; 6.3 invention patents per 10,000 persons	Nearly fulfilled
	GDP growth	At least 6.5% annually	6.7% in 2016	Under implementation
	Employment growth	50mn new urban jobs in five years	13.14mn new urban jobs in 2016; and registered urban unemployment 4.02%	
	STI	R&D expenses – 2.5%	In 2016, more than	

		of GDP; 12 invention patents per 10,000 persons; and, science and technology progress contribution rate ¹⁶ – 60%	1mn valid invention patents in the country; and science and technology progress contribution rate reached 56.2%.	
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Source: self-complied information based on the 'Five-year Plans' and government annual work reports released by Xinhua Press. See: China CCP News, Five-year Plan Database, <http://dangshi.people.com.cn/GB/151935/204121/>; Chinese Government Website, Government work reports by the State Council over the years, http://www.gov.cn/guoqing/2006-02/16/content_2616810.htm

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¹⁶ Science and technology progress contribution rate (STPCR) is a concept that measures the contribution of broadly-defined technological progress on economic growth. The rate reflects the relative significance of investment, labour and science & technology in economic development, according to the China Statistic Yearbooks. Against the "old" concept of total-factor productivity (TFP), the Ministry of Science and Technology proposed a more "up-to-date" concept of STPCR. In China, the STPCR had improved from 48.8% in 2008 to 51.7% in 2011. See: Ministry of Science and Technology, 2013 National Science and Technology Work Conference is held in Beijing Jan.09.2013, http://www.most.gov.cn/tpxw/201301/t20130119_99242.htm (assessed at July 10, 2017)

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The 'Five-year Plans' and the government work reports since the 1980s show some clear trends in the policy-making and the actual implementation of these three goals.

Primarily, economic growth has been the top priority. Since the reform, the economic goals have always been fulfilled. In practice, the national economy of China has made great achievement. In particular, the period between the eighth and the eleventh 'Five-year Plans' had witnessed the fastest growth – more than 8% of annual GDP growth on average. The growth rates during the eleventh 'Five-year Plan' even reached 11.2%. Since the beginning of the twelfth 'Five-year Plan', the economic goal has been set relatively lower by emphasizing the stability of the economy.

In contrary to the economic goal, the STI indicators are a much newer policy goal. Since the tenth 'Five-year Plan', the STI goal has been repeatedly highlighted. In fact, no 'Five-year Plans' before 2000 mentioned any concrete index of scientific and technologic development. However, every Plan in the new century has explicitly put forward this goal. In particular, the twelfth and thirteenth 'Five-year Plans' began to have more all-sided and various indicators of STI, which indicated the raising attention that the State pays to scientific and technologic development. One of the indicators is the ratio of R&D expenses to GDP. The targeted ratio has increased in the policies. Nevertheless, the STI goals in both the tenth and eleventh 'Five-year Plans' were un-fulfilled. During the twelfth Plan, much more resources had been invested into STI and thus for the first time the policy goal was almost fulfilled. In the near future, this trend of increasing STI importance will directly impact on the industrial structure and employment conditions of China.

Third, from the perspective of social development, the scales of both urban and rural employment have grown steadily. Except the periods of the sixth and eighth 'Five-year Plans', all other phases had fulfilled the ~~quantitative~~ employment policy goals. To a large degree, this fact implies that the employment policies of China have positively promoted employment in practice.

Regarding the specific employment indicators, the policies firstly emphasized cities and towns, then expanded to both urban and rural areas, and recently shifted back to urban employment. For instance, the sixth Plan only referred to employment in cities and towns. At that time, the market economy just began to develop, so the numerous under-employed labour force were yet to be freed from the broad countryside. From the seventh to the eleventh Plans, employment policies set clear indicators for both urban and rural sides. Again in the twelfth Plan, the rural employment was left out. Apparently, at the current stage, the State has shifted its employment policy focus. This also shows that the urbanization of China has been relatively developed and the future goal becomes clearer.

It should also be noted that in 2016 - the first year of the thirteenth 'Five-year Plan' – both GDP and employment growth goals were fulfilled. The latter was over-fulfilled in the sense that the registered urban unemployment rate was 4.02%, the lowest since

2008. In ~~the same year~~ 2016, the number of valid invention patents reached 1 million and the contribution rate of science and technology progress to GDP raised up to 56.2%, which basically met the goal of the year.¹⁷

4. Employment administration system and policy changes

4.1 History of the employment administration system

The employment administration system in China has experienced great changes in history. Before the reform, State-owned enterprises (SOEs) had been the fundamental economic basis of the Socialist China and also the mainstay of the urban employment.¹⁸ In the Planned Economy, employment was also centrally planned and administered by the State.

Since the reform, the employment administration system has changed dramatically. It can be divided into four different stages:

The first stage was from 1978 to 1994 – the transition period of the employment administration system. After 1978, the “centralized allocation of labour” under the Planned Economy began to shift towards the direction of marketization of labour. In the late of 1980s, labour contract system had gradually replaced life-long employment. To further promote this trend, the central government put forward that “...to gradually establish the labour market ... to form an employment mechanism that enables both the employing units and employees to choose mutually and to re-allocate reasonably” in “Decisions on Several Questions regarding the Construction of Socialist Market Economy”. This change was further confirmed in the 1994 Labour Law.

The stage of 1995-2006 was marked by continuous improvement of the labour market system. A series of measures were taken, such as broadening the coverage of unemployment insurance, setting up unemployment aid, and re-employment policies. The economic restructuring at this stage was centered on the SOEs.¹⁹ Consequently, the employment policies paid great attention to the re-employment of former workers laid off from SOEs as well as from bankrupted enterprises. The central government allocated large amounts of financial funds on this mission. Until 2006, the re-employment problem of SOE laid-offs had been generally solved and the basic living guarantee of laid-off workers was integrated to the unemployment insurance scheme.²⁰

¹⁷ Chinese Government Website, 2017 Government Work Report, Xinhua Press Mar. 16, http://www.gov.cn/premier/2017-03/16/content_5177940.htm

¹⁸ Tang, Ling (2007), The method and practice of employment policy evaluation: 1978-2007, unpublished NDRC report

¹⁹ This part is a summary of the related content in the annual Government Work Reports – the sections of “work achievement of the last year” and “work plan for the current year”. See: Chinese Government Website, the Government work reports by the State Council over the years, http://www.gov.cn/guoqing/2006-02/16/content_2616810.htm

²⁰ Chinese Government Website, 2007 Government Work Report, released by Xinhua Press on Mar. 17, 2007, http://www.gov.cn/test/2009-03/16/content_1260188.htm

In rural areas, employment policies in the 1990s emphasized the potential of township and village enterprises for non-agricultural employment. The township and village enterprises were the main place for rural people to look for non-agricultural jobs, particularly before the divided rural-urban Hukou (resident permit) system became loosened. For instance, the 1996 Government Work Report stated: “the reform and development of township and village enterprises is important for the prosperity of the rural economy, the expansion of employment and the income increases for peasants.”²¹ During the tenth ‘Five-year Plan’ (2001-2005), this direction had changed towards “developing labour-intensive industries to increase jobs and pushing forward the re-allocation of the agricultural population to non-agricultural areas.” In the 2001 Government Work Report, “(we shall) enlarge employment by developing labour-intensive sectors with comparative advantages, particularly those with large employment capacity in the tertiary industry, and broadening employment channels.” More concrete guidance was provided by the 2002 Government Work Report, “making great efforts to develop labour-intensive sectors, service sectors and especially small and medium-sized enterprises which may have large employment; and promoting highly elastic, flexible and diversified forms of employment”. Besides “labour-intensive sectors, small and medium-sized enterprises, flexible employment, particularly in the non-public economy”, the 2004 Report also pointed out “... to encourage independent entrepreneurship and self-employment”.

The third stage started with the important laws passed in 2007 and ended around 2010. In August 2007, the National People’s Congress promulgated the Employment Promotion Law, which legally confirmed the policy and systematic guarantee of employment; the Labour Contract Law was enacted in the same year to ensure the signing and implementation of labour contracts. The Labour Contract Law stipulates that in certain conditions, employees have the right to sign labour contracts with open-ended term, and restricts the use of dispatched labour in enterprises, which refers to a large number of migrant workers. These two laws do not only officially establish the long-term mechanism of promoting employment and re-employment, but also further improved specific market regulations on labour contracts. To a certain degree, they also help to promote equal employment between urban and rural workers.²²

This stage basically covered the period of the eleventh ‘Five-year Plan’ (2006-2010). During this period, the employment structure of the three industries had changed greatly. Although the employment expansion remains to be a significant goal of the socio-economic development, the State started to encourage the development of service economy while continuing the promotion of labour-intensive sectors.²³ As

²¹ Chinese Government Website, 1996 Government Work Report, on Mar. 05, 1996, http://www.gov.cn/test/2006-02/16/content_201115.htm

²² Chinese Government Website, 2008 Government Work Report, Mar. 19, 2008, http://www.gov.cn/test/2009-03/16/content_1260198.htm

²³ People’s Daily Online, Outline of the eleventh Five-year Plan, Oct. 11, 2005 <http://theory.people.com.cn/GB/40746/3781965.html>

stated in the eleventh 'Five-year Plan', "the structures of industries, products and enterprise organizations shall become more reasonable; and the proportions of the service industry in GDP and the total employment shall raise 3% and 4% respectively". In 2007, the State Council issued another "Opinions on accelerating the development of service sectors", which contained more concrete measures on this regard.

The fourth stage started from the beginning of the twelfth 'Five-year Plan' (2011-2015) to the present. The State has made great efforts in supporting the high-tech and innovative enterprises, encouraging the development of high-tech service industry, and promoting entrepreneurship based on innovation. During the time of the twelfth 'Five-year Plan', the newly emerging sectors and scientific and technological innovation had become more important. This focus has been highlighted by a series of policies, such as the Opinions of the State Council on Supporting the Healthy Development of Micro- and Small-sized Enterprises, the Guidance and Opinions of the State Council on Promoting the Mass Innovation and Entrepreneurship, the Opinions of the State Council on Strongly Supporting the E-commerce and Cultivating New Economic Drive, and also the Announcement of the State Council on 'Made-in-China 2025' in May 2015.²⁴

According to the work agenda of the twelfth 'Five-year Plan', China shall "... achieve breakthrough in developing strategic emerging industries, and to raise 4% of the value added of the service industry in GDP," and "... depend on STI to push forward industrial upgrading".²⁵ The emphasis of the high-tech service sector was confirmed by the 2011 Guidance and Opinion of the State Council on Facilitating the Development of Science and Technology Service Industry, which required "the revenue of the high-tech service sector become a key point of growth by 2015" and "... to form relatively mature high-tech service sector as the leading force of the service industry by 2020". In 2014, the State Council again issued the Opinions on Facilitating the Development of the Science and Technology Service Sector.

In the latest government documents, in the example of the thirteenth 'Five-year Plan' since 2016, the focus of the Chinese State on innovation, entrepreneurship and industrial upgrading has continued and even been deepened. For instance, the requirement of the ratio of R&D expenses to GDP has increased ~~to 2.5%~~ to 2.5% and the target of invention patents is set at 12 per 10,000 persons, a huge leap from only 3.3 patents per 10,000 persons in the twelfth Five-year Plan (Table 1). In addition, the STI indicators become more diversified. Science and technology progress contribution rate has been introduced to replace the 'old' concept of TFP. Following this trend, the importance of STI will be likely to grow further in the future. It should be noted that the changing industrial policies aim at actively addressing the existing problems of resource and

24 All documents are referred to from the Chinese Government Website. For instance, the Announcement of the State Council on 'Made-in-China 2025', May 08, 2015, http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm

25 Chinese Government Website, Outline of the twelfth Five-year Plan, Mar. 16, 2011, http://www.gov.cn/2011lh/content_1825838.htm

environment constraints and the slowdown of investment and exports; at the same time, the rising labour costs in recent years are also regarded as a controversial factor which may be one of the causes for the industrial policy shift.

4.2 Policy Changes and the Possible Causes

Since the reform, China has made tremendous achievements in terms of both industrialization and urbanization. The national economic aggregate has continuously grown and people's life has greatly improved. In responding to the rapid development of the economy, the employment policies and industrial policies have also shifted. The table below gives a list of significant documents since the tenth 'Five-year Plan'.

Table 2: Policy documents since the tenth 'Five-year Plan'

	Year	Important policies
Tenth Five-year Plan	2002	Announcement of the State Council on the Preferential Fees for the Laid-offs Engaging in Self-employed Business
	2003	Announcement of the State Council on Facilitating Re-employment
		Announcement of the State Council on Implementing Employment Management and Service for Migrant Workers
	2004	Announcement of the State Council on Further Improving Employment Environments for Migrant Workers
	2005	Decision of the State Council on Implementing 'Temporary Regulations of Promoting Industrial Restructuring'
		Announcement of the State Council on Further Improving the Employment and Re-employment work
		Opinions of the State Council on Encouraging and Guiding the Development of Non-public Economy including Self-employed
Eleventh Five-year Plan	2007	Employment Promotion Law
		Labour Contract Law
	2008	Opinions of the State Council on Facilitating the Development of the Service Industry
		Announcement of the National Development and Reform Commission on the Preferential Fees for the Self-employed Business
		Announcement of the Ministry of Human Resource and Social

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		Security, the Ministry of Finance, and the National Taxation Bureau on Actively Alleviating the Burden of Enterprises and Stabilizing Employment
		Regulations on Employment Service and Employment Management
	2009	Opinions of the State Council on Further Promoting the Development of Small- and Medium-sized Enterprises
		Announcement of the State Council on the Promoting Employment in Existing Economic Conditions
	2010	National Plan of Middle- to Long-term Human Resource Development
Twelfth Five-year Plan	2011	Guidance and Opinions of the State Council on Accelerating the Development of High-tech Service Sector
	2012	Announcement on Learning and Implementing the Employment Promotion Plan (2011-2015)
	2013	Announcement of the State Council on Strengthening the Dominant Position of Enterprises in Innovation and Upgrading the Innovation Ability of Enterprises
	2014	Opinions of the State Council on Supporting the Healthy Development of Micro- and Small-sized Enterprises
		Opinions of the State Council on Accelerating the Development of the Science and Technology Service Sector
	2015	Guidance and Opinions of the State Council on Promoting the Mass Innovation and Entrepreneurship
		Opinions of the State Council on Strongly Supporting the E-commerce and Cultivating New Economic Drive
		Opinions of the State Council on Deepening the Reform and Accelerating the Implementation of Innovation-driven Development Strategy
		Announcement of the State Council on 'Made-in-China 2025'
		Opinion of the State Council on Supporting Migrant Workers to Return to the Rural Areas to Start Businesses
Thirteenth Five-year Plan	2016	Announcement of the State Council on Issuing the Development Plan for National Strategic New-emerging Industries during the 'Thirteenth Five-year Plan'
		<u>Strategic Outline of the Central Committee, the State Council on National Innovation-driven Development</u> <u>Opinion of the State Council on Establishing Mass Innovation and</u>

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		Entrepreneurship Demonstration Base Opinion of the State Council on Supporting Returnees to the Rural Areas to Start Businesses and Innovation and Promoting the Integrated Development of the Three Industries
	2017	Opinions of the State Council Office on Further Guiding and Encouraging University Graduates to Work at Grassroots Levels Opinions of the State Council Office on Establishing the Second Batch of Mass Innovation and Entrepreneurship Demonstration Base Opinions of the State Council on Strengthening the Implementation of Innovation-driven Development Strategy and Further Promoting Mass Innovation and Entrepreneurship

Source: self-compiled information based on the official documents released at the Chinese Government Website, www.gov.cn

Primarily, the employment administration system of China has transformed from the State-led life-long employment towards market-oriented labour contract system and from central planning to indirect policy guidance. As early as in Aug. 1980, a national meeting put forward the new principles of employment: the government labour departments introduce jobs, people voluntarily form collective organizations, and independently look for jobs under the state's plan and guidance. The Decisions on Constructing the Socialist Market Economy System in 1993 affirmed the reform of labour system by gradually establishing the labour market.²⁶ In the government work reports, a variety of employment forms was encouraged in 2001 and the re-employment of the SOE laid-off workers remained to be a key question until 2005. The year of 2007 was a critical time when the Employment Promotion Law and the Labour Contract Law finalized the regulations on market-based employment, particularly the labour contract system. In addition, the central planning at the early stages has shifted towards indirect policy guidance. In particular, since the twelfth 'Five-year Plan' (2011-2015), there were fewer documents directly addressing the employment problems, rather, the government has encouraged the expansion of employment through industrial policies, such as supporting the development of micro-, small- and medium-sized enterprises, science and technology service sector and innovation-based entrepreneurship.

Second, the goals of employment policies have changed, marked by the types of indicators - from singular to multiple and back to singular. In the 1980s, the 'Five-year Plans' only mentioned the numbers of new urban employment; and in the 1990s, the key indicators became the numbers of new urban employment as well as the registered urban unemployment rates. During the tenth 'Five-year Plan'(2001-2005),

²⁶ Tang, Ling (2007), The method and practice of employment policy evaluation: 1978-2007, unpublished NDRC report

a new indicator of “re-allocation of the rural labour force” was added to the former two indicators for urban employment. By the eleventh Plan (2006-2010), there were four major indicators: new urban employment, registered urban unemployment rate, re-allocation of the rural labour force, and the proportion of the service industry.²⁷ Interestingly, the indicators were cut to two during the twelfth ‘Five-year Plan’ (2011-2015) – new urban employment and registered urban unemployment rate. Again the latest thirteen ‘Five-year Plan’ (2016-2020) reduced the indicator to just one – new urban employment, as in the 1980s. Such policy shift has been closely connected to the changing numbers of the rural employment and labour force, and also corresponded to the gradual development of the labour market-based employment system.

Third, the focus of the employment policies has been on the expansion of employment in general and now it becomes more specific – the innovation-driven and entrepreneurship-led employment. The 2002 Government Work Report pointed “... to actively increase employment and re-employment, broaden the employment channels and create more jobs”, and “... to encourage diversified employment forms”. Since 2004, the Reports had particularly highlighted the “flexible employment, independent business and self-employed”. By 2012, the policies became even more specific that “the key is to support the service sector, innovative high-tech enterprises and micro- and small-sized enterprises to create more jobs...” This was interpreted as “innovation-driven entrepreneurship and entrepreneurship-led employment” in the 2014 Government Work Report. In the latest Government Work Report for 2017, besides “insisting the ‘jobs first’ strategy and implementing more active employment policies”, there were also concrete measures such as “improving employment policies, increasing training, and supporting flexible and new forms of employment”. In particular, the report put forward that in the rural areas “(we shall) improve the ‘innovation and entrepreneurship promotion’ system, educate more new-style professional peasants, support migrant workers to return to the rural areas to start businesses, and take further measures to attract university graduates, veterans and scientists and technicians to use their talents in the countryside.”²⁸ At the same time, new policies particularly encourage university graduates to work in the rural areas and underdeveloped regions, in all kinds of public service organizations at grassroots level and in small- and micro-scaled enterprises, and also to join the army or to start their own business.²⁹

These changes in the last decades were firstly following and responding to the development of the market economy in China. After the reform, the SOEs and

²⁷ See above

²⁸ Chinese Government Website, 2017 Government Work Report, Mar. 16, 2017, http://www.gov.cn/premier/2017-03/16/content_5177940.htm

²⁹ Central Committee and State Council, Opinion on Further Guiding and Encouraging University Graduates to Work at Grassroots Levels, Jan. 24, 2017, http://www.gov.cn/zhengce/2017-01/24/content_5163022.htm

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collective enterprises were no longer the dominant employers, but enterprises with different ownerships sprung up. In consequence, more and diversified employment opportunities emerged. Along with the establishment of the market system, non-public economy has played increasingly important role both in the economy and employment. The labour market and the related market regulations on employment have also gradually become mature.

As the world economic environments have changed greatly especially after 2008, the long-term development of China is in need of the improvement of the economic and industrial structure. In this context, industrial transformation and upgrading based on STI has become the strategic choice of the State. It should be noted that this may impact the employment numbers and conditions in the secondary and service industries greatly. In addition, to a certain degree, the ongoing industrial restructuring and the “consumption-driven” economic development may demand further coordination.

5. Impact of Recent Reform Policies on Employment

After the Decisions of the Central Committee of the Communist Party of China on Several Major Issues Concerning Comprehensively Deepening the Reform were issued in Nov. 2013³⁰, the Chinese government has taken a series of concrete reform measures. Among many measures, some have visible impact on the employment administration system. First, the business system reform and the favorable policies for innovation and entrepreneurship are supporting and facilitating the development of the emerging service sector and micro- and small-sized enterprises. This has directly enlarged the numbers of employment in the tertiary industry. Moreover, the supply-side reform aims at deepening the economic reform and upgrading the industries, but it would also inevitably lead to redundancy in some enterprises and in the meanwhile lack of talents in others. At the end, the latest adjustment of the retirement insurance system may alleviate the concerns of workers to a certain degree, especially when faced with the high uncertainties of employment during the ongoing industrial transformation.

5.1 Business system reform

The business system reform started from 2014 by following the ‘Opinions of the State Council on Promoting Fair Market Competition and Maintaining Good Market Order’. Since then, the administration departments for industry and commerce have made great efforts in facilitating the business registration by integrating three certificates – business license, organization code certificate and taxation registration certificate – into only one. By 2016, the reform has integrated five different certificates into one

³⁰ Chinese Government Website, the Decisions of the Central Committee of the Communist Party of China on Several Major Issues Concerning Comprehensively Deepening the Reform, Nov. 15, 2013, http://www.gov.cn/jrzq/2013-11/15/content_2528179.htm

single license, and further cleared up the institutional barriers in order to encourage innovation and entrepreneurship.³¹

The core of the business system reform is to accelerate the registration as well as to improve the supervision. More transparency of the business operation is required and the government departments also use innovative methods, such as big data and risk differentiation, to effectively monitor the operation.³² The supervision is no longer limited to remedy afterwards, but also includes in-process check-ups, according to the Opinion of the State Council on Strengthening the Supervision During and After the Events in the “License first and Certificate second” Reform.³³ In 2017, the State Council pushed forward the reform of “integrating different certificates into one” and highlighted the role of the government as creating convenient and loose environment and open, transparent, and fair competition conditions in the market-dominated system.³⁴

It is predicted that the business system reform could effectively improve the business environments in China. According to the statistical data of the State Administration for Industry and Commerce, new economy, especially the emerging service economy, has continuously grown since Dec. 2016³⁵. The rapid expansion of the service industry would result to more jobs. In addition, this reform leads to active and diversified economy, which may facilitate the industrial transformation and upgrading and thus improve the quality of work in the long run.

5.2 “Double-creation” Policy – Innovation and Entrepreneurship

From 2012, the Chinese government has announced many policies focusing on the “double-creation”, which include innovation and entrepreneurship. For instance, the Announcement of the State Council on Strengthening the Dominant Position of Enterprises in Innovation and Upgrading the Innovation Ability of Enterprises in 2013 clearly targeted at creating technologic innovation system by 2015, and upgrading the innovation capabilities of enterprises in general and cultivating a group of innovative leading enterprises by 2020.³⁶ The decisive role of the market has been confirmed in all documents and the government is in charge of guaranteeing the functioning of the market, e.g. by simplifying registration procedures, building supportive platform for entrepreneurship, and providing low-cost and professional service to the emerging start-ups.³⁷

³¹ State Administration for Industry and Commerce, Background materials on the business system reform, Feb. 27, 2015, http://www.china.com.cn/zhibo/zhuanti/ch-xinwen/2015-02/27/content_34903439.htm

³² Chinese Government Website, A summary of the “Fang-Guang-Fu” reform by the State Council, Jun. 11, 2017, http://www.gov.cn/xinwen/2017-06/11/content_5201594.htm

³³ State Administration for Industry and Commerce, Highlights on the business system reform in 2015, Dec. 31, 2015, http://www.saic.gov.cn/qyjg/gzdt/201512/t20151231_195050.html

³⁴ Chinese Government Website, Opinion of the State Council on facilitating the reform of “Integrating multiple certificates to one”, May 2017, http://www.gov.cn/zhengce/content/2017-05/12/content_5193122.htm

³⁵ People’s Daily, Every day 40,000 market entities registered in the first quarter, Apr. 13, 2017, Page 09

³⁶ Chinese Government Website, Opinion of the State Council on Strengthening the Dominant Position of Enterprises in Innovation and Upgrading the Innovation Ability of Enterprises, Feb. 04, 2013, http://www.gov.cn/zhengce/content/2013-02/04/content_5547.htm

³⁷ For instance, Chinese Government Website, Opinion of the State Council on Encouraging Social Capital in New

In a press conference in Aug. 2016, the Information Office of the State Council announced the good development of the mass innovation and entrepreneurship, marked by increasing micro- and small-sized enterprises as well as the exploding employment demand of start-ups. By tracing the recruitment information of start-ups in 248 cities, the official analysis shows that there were 1.46 million jobs provided online by these start-ups in the first half of 2016, among which there were 230,000 only in June.³⁸ In another report by the National Development and Reform Commission, it is shown that the current momentum on entrepreneurship, innovation and development is good, with small and micro enterprises representing about 71.4% of the openings with the average numbers of employees having grown from 7.7 to 8.5 persons. These enterprises have provided a lot of opportunities for university graduates and the unemployed.³⁹ The year of 2016 has kept this trend that the number of newly registered enterprises increased by 24.5% over that of 2015. Every day, about 45,000 new entities appeared in the market.⁴⁰

5.3 Supply-side reform

The Central Economic Work Conference in 2015 mentioned the supply-side structural reform for three times, which was centered on five tasks - to address over-capacity, reduce inventory, decrease scrutinizing, lower costs, and bolster areas of weakness.

By 2017, the State Council has further pointed out that the purpose of the supply-side reform is “to meet demand”, the direction is “to improve the quality of supply” and the fundamental means is “to deepen the reform”.⁴¹

The supply-side reform emphasizes quality, effectiveness and competitiveness. In order to achieve these goals, the Chinese government has been promoting the industrial upgrading and economic transformation driven by innovation. In this process, there are high risks of structural unemployment, when the labour supply and demand cannot easily match with each other. On one side, many enterprises may reduce the numbers of their labour force, and thus some employees have to face the challenge of being laid-off and seek to get re-employed. For instance, about 1.8 million employees in the steel and coal industries are in such situations⁴². On the other side,

Innovative Fields, Nov. 26, 2014, http://www.gov.cn/zhengce/content/2014-11/26/content_9260.htm; Opinion of the State Council on Facilitating the Construction of Supportive Platform for Mass Innovation and Entrepreneurship, Sep. 26, 2015, http://www.gov.cn/zhengce/content/2015-09/26/content_10183.htm; and, Opinion of the State Council on Accelerating the Development of Mass Entrepreneurship and Industrial Upgrading, Feb. 18, 2016, http://www.gov.cn/zhengce/content/2016-02/18/content_5043305.htm

38 Chinese Government Website, the Information Office of the State Council introduced the development of “double-creation” trend, Aug. 25, 2016, http://www.gov.cn/xinwen/2016-08/25/content_5102251.htm

39 Chinese Government Website, Mass innovation and entrepreneurship are in good shape, May 11, 2016, http://www.gov.cn/xinwen/2016-05/11/content_5072249.htm

40 Chinese Government Website, 2017 Government Work Report, Xinhua Press on Mar. 16, 2017, http://www.gov.cn/premier/2017-03/16/content_5177940.htm

41 Chinese Government Website, Announcement of the State Council on Approving the Key Work of Deepening Economic System Reform by the National Development and Reform Commission, Apr. 18, 2017, http://www.gov.cn/zhengce/content/2017-04/18/content_5186856.htm

42 People's Daily, Postponed retirement plan will be announced in the year, Mar. 1, 2016, http://paper.people.com.cn/rmrb/html/2016-03/01/nw.D110000renmrb_20160301_2-03.htm

the enterprises may require higher-qualified workforce during the course of upgrading. This reform may accelerate the adjustment of the enterprises, e.g. improving the quality of work, and lead the labour force to relocate reasonably.⁴³

Therefore, in the long run, the supply-side reform may create more effective supply to meet the consumption needs, expand and improve employment, and optimize the economic structure. In this sense, the supply-side reform will become the future drive for employment, but the possible challenges in the short- to medium-term shall also be addressed timely and properly.

5.4 Reform of the retirement insurance system

According to the National Demographic Development Plan (2016-2030), the population at above 60 will increase steadily during the period of the thirteenth 'Five-year Plan'. The speed will become faster during 2021 and 2030 and by 2030 the population at above 60 will account for 25% of the total population, among which the number of those at 80 years and above raises constantly. Thus, the ageing problem is apparently severe in China. Recently, the government has made grand plans for the retirement insurance.

The retirement insurance reform mainly consists seven aspects⁴⁴. For instance, the individual accounts will be designed to provide better incentives; the retirement ages will be postponed gradually; and a radical measure is taken regarding the retirement insurance fund – the national finance and SOEs would compensate the “historical debts” of the social security fund caused by the relatively late establishment of the national social security system. In particular, the promotion of universal coverage, national (currently at the provincial level) coordination of the insurance funds, and multiple levels of insurance system would reduce the potential risks of employment insecurity for workers, particularly when the policies emphasize the industrial transformation and encourage flexible forms of employment.

As a whole, the latest reform policies have sent positive signals in terms of activating the economy, increasing jobs and improving work quality. At the same time, they also pose new pressure and challenge on employment. In the short term, the business system reform and 'double-creation' policy could rapidly increase the economic aggregate and broaden the diversified forms of employment; and in the long run, the supply-side reform will push for the optimization of the economic and industrial structure. In practice, these policies have resulted to new sectors, new enterprises and new forms of employment.⁴⁵ Nevertheless, the quality and the sustainability of micro- and small-sized enterprises that the 'double-creation' policy has created remain to be

43 China Labor Security News, Supply-side reform: a new drive for stable employment, Jan. 12, 2016, http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/buneyiaowen/201601/t20160112_231548.htm

44 People's Daily, Postponed retirement plan will be announced in the year, Mar. 1, 2016, http://paper.people.com.cn/rmrb/html/2016-03/01/nw.D110000renmrb_20160301_2-03.htm

45 People's Daily, 13.14mn new urban jobs in 2016, Jan. 24, 2017, page 02

a question. Besides, the supply-side reform and industrial upgrading has also posed certain risks to the fluctuation of employment. In this sense, the reform of retirement insurance further improves the social security system and provides certain 'safety net' for workers, which may lead to more reasonable allocation of labour force in the near future. To a certain degree, this may help stabilize the general employment condition in 2017 and after.

6. Policy Evaluation and Some Remarks

6.1 Characteristics of the policies

China has made great achievements in industrialization, urbanization and marketization since the reform and opening-up. The national economy has grown rapidly and people's livelihood has also constantly improved. Employment, as the foundation of people's livelihood, is a key factor of the national development strategies. The policy goals at each phase have basically been fulfilled, especially since 1996 (Table 3). Since the 18th CPC National Congress (Nov. 2012), more than 12 million new urban jobs were created each year and in the last five years more than 65 million people became employed.⁴⁶ The ongoing Thirteenth Five-year Plan put great emphasis on the national strategies of science, technology and innovation as well as industrial upgrading. This, in the long run, may positively respond to the new demographic structure, featured by the decline of total workforce and the ageing population. However, in the short term, it can also cause fluctuation on the labour market. Employment policies in the last two years, on one hand, have addressed some critical problems such as the underdevelopment of rural areas, the different attraction of different regions, and the difficulties of university graduates to find jobs; on the other hand, current policies have not taken adequate proactive measures regarding the mismatch between the incoming new industrial structure and the prevailing labour market.

⁴⁶ People's Daily, Annual increases of more than 12mn new urban jobs in the last 5 years, Jun. 19, 2017, <http://politics.people.com.cn/n1/2017/0619/c1001-29347580.html>

Table 3: Evaluation of the Employment Goals (1981-2015)

	Policy goal	Outcome	Evaluation
Sixth Five-year Plan	29mn new urban jobs	22.83mn	Un-fulfilled
Seventh Five-year Plan	29mn new urban jobs	42.33mn	Fulfilled
Eighth Five-year Plan	32mn new urban jobs	19.99mn	Un-fulfilled
	Registered urban unemployment below 3.5%	2.9%	Fulfilled
Ninth Five-year Plan	40mn new urban jobs	41.11mn	Fulfilled
	Re-allocating 40mn rural labour force		
	Registered urban unemployment about 4%	3.1%	Fulfilled
Tenth Five-year Plan	40mn new urban jobs	41.80mn	Fulfilled
	Re-allocating 40mn rural labour force	40mn	Fulfilled
	Registered urban unemployment about 5%	4.2%	Fulfilled
Eleventh Five-year Plan	45mn new urban jobs	57.71mn	Fulfilled
	Re-allocating 45mn rural labour force	45mn	Fulfilled
	Registered urban unemployment below 5%	4.1%	Fulfilled
Twelfth Five-year Plan	45mn new urban jobs	64.31mn	Fulfilled
	Registered urban unemployment below 5%	4.05%	Fulfilled
<u>Thirteenth Five-year Plan</u>	<u>50mn new urban jobs</u>	<u>26.26mn (2015-2016)</u>	<u>Fulfilled (52.5% of five-year goal in two years)</u>
	<u>Registered urban unemployment below 5%</u>	<u>4.05% (2015); 4.02% (2016)</u>	<u>Fulfilled</u>

Tableau mis en forme

Source: self-complied information based on the 'Five-year Plans' and government annual work reports released by Xinhua Press. See: Chinese Government Website, Government work reports by the State Council, <http://www.china.com.cn/chinese/ch-zgwunianguihua/index.htm>

These employment policies have a few distinctive characteristics. First, the policies have clear goals and always target at key groups and areas of the respective phase.

The focused targets vary from time to time. In the 1980s, there was only one indicator – urban employment, and up to four indicators by the eleventh ‘Five-year Plan’ (2006-2010). Interestingly, the employment policies during the twelfth ‘Five-year Plan’ (2011-2015) returned to the two ‘classic’ indicators – new urban jobs and registered urban unemployment rates.

Such shifts are directly related to the economic reform and industrial restructuring at different times. In the early years, when the rural labour force was in excessively over-supply and there was shortage of labour in the urban areas, the employment policies were centered on enlarging the employment in cities by attracting the rural population gradually moving into the cities. However, since the twelfth ‘Five-year Plan’, the industrial upgrading has led to slowdown of employment growth in cities and even negative growth is foreseeable in the future. Thus, the re-location of rural labour force into cities is no longer encouraged. Rather, rural people may gain official support if they start businesses in the countryside. The policies even provide incentives to some urban citizens to develop the rural areas. At this stage, the new urban employment is mainly to promote “new-type of urbanization”, which means the relocated rural population flows to small and medium-sized towns and cities, rather than a few over-burdened large cities. In addition, employment policies at different periods have clear focuses, such as the laid-off workers during the state-owned enterprise reform and the university graduates after expanding the university enrollment.

Second, the policy-making process and the content of the employment and labour market system have increasingly improved. The policy-making process is more democratic than in the past, during which the participants are not limited to government departments and related research organizations but involve multiple actors through different ways of participation, such as social bidding, online consultation, and discussion among stakeholders. In this sense, the process is more scientific, democratic, and human-based. Moreover, the policies contain more feasible content. The existing employment policies not only contain the basic principles and directions of employment, but also provide the details of support, training and service as well as some policies favorable for disadvantaged groups.⁴⁷ In addition, after the Employment Promotion Law and Labour Contract Law were promulgated in 2007, the labour market system has become mature.

Third, the ways of fulfilling the employment goals have multiplied and achieved good outcomes. From the sixth to the tenth ‘Five-year Plan’ (1981-2005), the employment policies focused on solving the basic problems of getting a job and making a living. Since the eleventh ‘Five-year Plan’ (2006-2010), the policies have been strategically designed for industrial upgrading and human resource development. This does not only reflect the higher levels of the national economy, but also result from the long-term strategy of “developing the country through science and education”.

47 Tang, Ling (2007), The method and practice of employment policy evaluation: 1978-2007, unpublished NDRC report

The concrete measures of creating jobs have also changed. In the past, the governments mainly promoted the labour-intensive sectors to absorb relocated rural population and newly increased urban citizens. Since the eleventh 'Five-year Plan', the State began to tactically support high-tech and innovative enterprises and enhance the proportion of manufacturing-related service sectors. Moreover, individuals are given opportunities to create their own businesses – so called 'actively being employed'. In 2016, the innovation-driven development strategy has been widely implemented. New sectors and enterprises are rapidly emerging, while the transformation of the traditional industries is accelerating.

6.2 Problems

The employment policies have greatly expanded employment in the last three decades, but there are also a few problems.

Primarily, the gap between the urban and rural still exists, but the attention that the policies pay to rural employment is inadequate. Although both the working age population in the rural areas and the employment in the primary industry have dropped steadily, they still account for about half of the national population and labour force. The policies in the latest 'Five-year Plan' have attempted to encourage entrepreneurship in the countryside, but the attraction is limited. The majority of migrant workers are unlikely to return to their hometowns, not to mention stay there for long time. Unfortunately, the existing industrial policies and the process of industrial upgrading seldom benefit the rural employment either. In the near future, the huge gaps of productivity and income between the primary industry and the second and tertiary industries will result to further urbanization. As the rural employment opportunities are absent or unattractive, there will continue to be great pressure on urban employment.

Second, the short-term and long-term employment policies are often lack long-term plans, particularly on two fundamental systems – vocational training and unemployment insurances disconnected or un-coordinated. Most policies are trying to solve most urgent problems and provide strong support to deal with the short-term issues. Relatively speaking, policies that may only take effect in the long run are largely absent. The government does not invest sufficiently to those policies. Thus, many important issues are un-addressed or not well planned; for other issues, there may be some research and discussion but not yet concrete policies, such as workforce training, unified rural and urban labour market, flexible employment and protective mechanism of labour rights.

In the process of industrial upgrading, training and vocational education will become increasingly important. Technologies and capital will inevitably play key roles in economic development. In China, two questions are worthy considering: how could the quality of the workforce be improved in order to support the industrial and technological upgrading; and in which way can human labour improve or maintain its value. From 1990 to 2007, OECD countries had mainly relied on total factor productivity and capital deepening in their economic growth, which explained 80% of the causes for declining labour shares in these countries.⁴⁸ In China, a country with low labour share in GDP and a majority of low-wage workers, this problem is even more urgent for decision-makers.

In the meanwhile, the supply-side reform will result to many layoffs or job-changes, which requires the policies to provide basic protection. It means besides active

⁴⁸ International Labour Organization, Organisation for Economic Co-operation and Development, The Labour Share in G20 Economies, Report prepared for the G20 Employment Working Group, Antalya, Turkey, 26-27 February 2015, p17-18

employment policies in vibrant labour markets, social security system, particularly unemployment insurances, should be further perfected – expanding the coverage, increasing the expenses and encouraging re-employment or entrepreneurship, etc.

Third, the employment policies in the new round of industrial restructuring are insufficient. Since the twelfth 'Five-year Plan' (2011-2015), the State has pushed for industrial upgrading based on STI and listed innovation-driven and intelligent manufacturing as key national strategies. Regarding employment, the policies mainly support service sector, micro- and small-sized enterprises, and self-employment.

In fact, the manufacturing industry still employed 28.8% of the total workforce in China by the end of 2016, and the manufacturing workers have always been the mainstay of the working class in terms of employment and incomes. In contrast, the tertiary industry, which currently provides more than half of the jobs in the society, is often featured by high turnover and low incomes. Nevertheless, the current employment policies have not responded to the related questions, for instance, how would the numbers and structure of the manufacturing jobs change? And, can the quality of service jobs be guaranteed? In order to solve the overcapacity problem, the State Council issued "1 + 8" policies, one of which offered four channels for redundant employees, such as internal allocation, job transfer, internal retirement, and public jobs. However, these measures were only designed for those in the SOEs.⁴⁹ The majority of non-public enterprise employees, especially migrant workers as the main force of the manufacturing industry, have no similar policies.

Another employment promotion measure – the 'double-creation' of mass innovation and entrepreneurship – is good in activating the economy and society in principle, but at the same time, it requires necessary training and support accordingly. A potential risk is the huge economic bubble that too many people hastily engage in new business without enough preparation, which may lead to socio-economic costs in the following year. Noticeably, compared to "entrepreneurship", the "employability" remains to be the core of employment policies in many other countries, e.g. 9 out of 10 employment policies in the EU are targeted on employability of workers.⁵⁰

~~Last but not the least~~Fourth, the policies mainly pay attention to the numbers rather than the quality of employment. It is fair to say that as the Employment Promotion Law and Labour Contract Law were promulgated in 2007, the labour market system in China became mature and the government began to regulate the term of employment and protection of basic labour rights. The policy goals by far have usually been fulfilled, but the indicators are only quantitative. In a long time, the incomes of Chinese workers had increased much slower than GDP. Although in recent years, wages raised rapidly in South China, there is a trend of polarization among different industries and enterprises. Along with the process of industrial transformation and upgrading, this

49 People's Daily, Postponed retirement plan will be announced in the year, Mar. 1, 2016, http://paper.people.com.cn/rmrb/html/2016-03/01/nw.D110000renmrb_20160301_2-03.htm

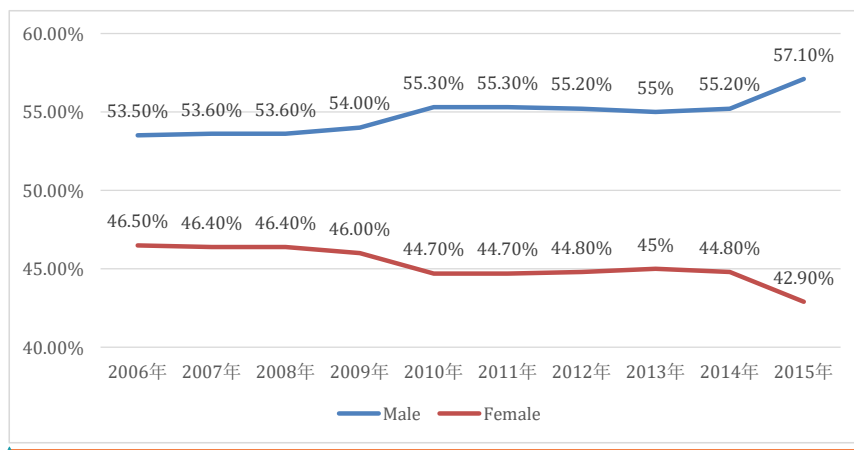
50 Sabrina Regent, The open method of co-ordination: a supranational form of governance? International Labour Organization discussion paper, DP/137/2002

polarization trend is likely to develop. In particular, the support of flexible forms of employment and service jobs may result to a mixed picture. On one hand, the employment pressure may be alleviated as the numbers of jobs grow; on the other, a large number of manufacturing jobs at the middle level of the labour market may disappear, replaced by relatively insecure and lower-paid service jobs. Because the government is investing heavily in industrial upgrading, the employment policy-makers should also consider the accompanied problems of work quality and polarization in the labour market.

Last but not the least, existing policies rarely address the discrimination problems in the labour market and at workplaces. Up to now, employment policies pay more attention on direct index, such as the total employees and unemployment rates, but seldom touch detailed issues which may contain significant meanings, e.g. employment discrimination. Politically speaking, in a socialist country which highly values traditional moralities, the discrimination based on gender and age are unacceptable. In practice, women have always been a major pillar of the Chinese workforce. The employment of elderly could not only ease the financial burden of an ageing society, but also may provide valuable experience for industrial upgrading.

The proportion of women's participation in the labour market has always been lower than men and it continued to decrease from 2006 to 2015 (Figure 6.1). In 2015, only 42.9% women were employed, which was at the lowest point in the last decade. As the 'two children' policy is put into practice, the participation rate is expected to further decline.

Figure 6.1 Gender composition of the workforce: 2006-2015



Source: China Statistics Press, 2007-2016 Yearbooks of China Demography and Employment.

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Mis en forme : Police : 10 pt, Non souligné, Couleur de police : Automatique

<http://navi.cnki.net/KNavi/YearbookDetail?pcode=CYFD&pykm=YZGRL&bh>

Mis en forme : Police par défaut, Police :10 pt

Mis en forme : Police :10 pt

Moreover, women often have lower incomes than men at comparable positions. The China Labour Market Report of 2016 pointed out that the wages of Chinese women were generally lower than men. This report was based on the 1995, 2002, 2007 and 2013 data of Chinese Household Income Project (CHIP). In 1995, women earned 85.9% of the wages of men. This ratio became 84.5% in 2002, 73.9% in 2007, and 78.2% in 2013. In general, the gender gap has fluctuated in recent years, but women's income remain substantially lower than men and the gap has relatively expanded.⁵¹

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Although some local governments began to encourage women to work or to start businesses, e.g. Heilongjiang Province issued an Opinion on Promoting Fair Employment for Women, which clearly stated the prohibition of gender discrimination during recruitment.⁵² However, the practice has not changed much. Thus, policies should consider more on the gender equality and also encourage men to participate the childbirth and childcare process in implementing the 'two children' policy.

Another question is discrimination based on ages. The policies have yet provided clear guidance on the labour market for the elderly. Considering the demographic changes, the government does not only need to adjust retirement insurance system, but also to encourage people to work more. For instance, Japan has a system that if he/she agrees, enterprises are obliged to guarantee the employment; the government offers subsidies to enterprises which employ those up to 70 years old; enterprises shall abandon the age limits in recruitment process; and the government sets up elderly talent center which help them to find temporary and short-term job opportunities⁵³.

Nevertheless, such policies are still lack in China. The 2013 Law of the People's Republic of China on Protection of the Rights and Interests of the Elderly did not stipulate on the right to work.⁵⁴ In practice, they face great barriers due to many limitations, e.g. weak physical strength. China has been actively discussing the policy of delayed retirement⁵⁵, which is a positive sign in the long run. At the same time, the final policy should be based on a thorough investigation of the changes of labour supply, employment and sustainability of the social security funds. In fact, as the economic and industrial transformation is ongoing, new industries and occupations are likely to lower demands on physical strength, but brain and

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Mis en forme : Police : (Par défaut) + Corps (Cambria), (Asiatique) + Corps asiatique (宋体), 12 pt, Non souligné, Couleur de police : Automatique, Motif : Transparente

⁵¹ People's News, 2016 Report on China Labour Market is issued.

<http://society.people.com.cn/n1/2016/1124/c1008-28894171.html>

⁵² China Government Net, Heilongjiang Province issues Opinion on Promoting Fair Employment for Women.

http://www.gov.cn/xinwen/2016-09/20/content_5109837.htm

⁵³ 163 News, Japan promotes elderly (60-70) to work, and what would China do?

<http://money.163.com/16/0627/13/BQIPGBAD00253B0H.html>

⁵⁴ Law of the People's Republic of China on Protection of the Rights and Interests of the Elderly.

<http://www.mca.gov.cn/article/gk/fg/shflhcasy/201507/20150700848507.shtml>

⁵⁵ People's Daily, Further research on delayed retirement policy, Mar. 2, 2017.

http://www.gov.cn/xinwen/2017-03/02/content_5172358.htm

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working experience may become more valuable. In this context, it is a win-win solution both for the elderly and the industries, if those who are capable and also willing to would have the free will to choose whether to work or not.

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6.3 Policy suggestions

The CCP and the government highly value employment. The central governments often refer to employment as the “foundation of people’s livelihood”, the “permanent theme”, etc. In Apr. 2015, President Xi, Jinping emphasized that “the Party and the State would actively promote employment, improve work environment, and enhance work quality” on the May Day celebration conference.⁵⁶ In the long run, the principle of “jobs first” will not change and the employment policies will “seek for progress while emphasizing stability”. Given the demographic structure and industrial strategy of China, the employment policies should continue to expand employment, at the same time, more attention should be paid to improve employment structure and enhance work quality.

At the top, **there should be proactive policy design and coordination among different departments at the national level**, particularly between economic, industrial and employment policy-makers. Labour and employment cannot be separated from economic and industrial development. It may become positive driving force for innovation and growth, but in case of mishandling, may also severely block economic and industrial development. When the macro-level economic policies are decided, particularly in restructuring like industrial transformation and upgrading, the impact of the industrial policies should not only be compensated afterwards. Rather, when the policies are planned and in the making process, employment should be considered as one of the evidences for decision. “Job first” means a virtuous interaction between economic development and employment growth and shifting the pure industrial upgrading towards a process of upgrading employment through economic and industrial upgrading. In order to do so, the Ministry of Human Resource and Social Security needs to closely cooperate with the Ministry of Industry and Information and the Ministry of Science and Technology, in order to proactively predict the labour market changes. The policies should be co-decided by different ministries, so that the social policies and industrial and technologic policies can be balanced.

In terms of concrete policy measures, three types of coordination should be taken into consideration.

First, **the employment policies shall emphasize the long-term development, but also stabilize short- to medium-term employment**. The new round of industrial restructuring can enhance the national competitiveness and develop new comparative advantages for Chinese industries, and it fits the long-term tendency of slower labour

⁵⁶ Xinhua Net, Xi Jinping: The Party and State will carry out active employment policies, Apr. 29, 2015

supply in the next years. However, the long-term goal cannot be achieved at the expenses of short-term sacrifice. As an essential livelihood issue, employment requires steady planning. In the manufacturing industry, rising labour productivity means the decline of total employment. If following the strength of the existing industrial policies, especially some local programs like the “robots replacing men”, large-scaled unemployment may occur in a short time. In the meanwhile, the employment expansion in the tertiary industry may seem to be a solution. However, it is still debated whether the tertiary industry is capable of fully absorbing the new labour force and redundant ones from other industries. Thus, the State should take active labour protection measures on top of social security policies in order to control the speed of transformation, especially to prevent large-scale unemployment in a short time.

The second is **the balance between industrial and social upgrading**. The essence of employment policies is to guarantee livelihood, so the human-based principle is a confirmation of the value of human and human labour. In the course of industrial upgrading, some economic and industrial policies are distinctively promoting automation and robots, and explicitly dismissing the potential of human labour. In fact, there are different approaches of industrial upgrading. Even in Western countries, man-less automated factory is only one of many choices, and it is actually a choice with extremely high costs and strictly confined by market conditions. In addition, man-less factories may not be the best fit for the development stage of China. At least, the domestic industries have not yet explored the great potential of relatively educated and disciplined rich labour force, through which the labour productivity can still be improved greatly. In this regard, social policies including employment policies can provide training through public funds and institutions, particularly to the 280 mn migrant workers, and realize the economic and industrial goals through a more economic, fast and steady way of improving human skills.

Third, **while stabilizing the numbers of jobs, the governments should also improve the quality of work on the basis of social security schemes**. If only looking at the total employment, the rapid economic growth of China has absorbed the labour force steadily. However, the changing employment structure may lead to the downward trend of work quality and aggravate the polarization of the labour market. The quality of work, mainly evaluated by wages, incomes and skills, is not only the goal of employment policies, but also the foundation of a healthy industrial economy and strong social cohesion. Moreover, this is the realistic path of “consumption-driven” economic development. However, in practice, the high labour costs and low skills of migrant workers are actually excuses for many manufacturing enterprises to reduce jobs. New jobs created elsewhere are often not high skilled either. When the unemployment rate is high, many low-skill or unskilled jobs would appear first. In the foreseeable future, it can be predicted that the Chinese economy will be highly mixed – there are not only high-tech companies and those involved in international trade, but most labour force will work in organizations with lower productivity and

experience low wages and high employment insecurity. Thus, public policies still matter. The market or the enterprises alone cannot improve the quality of work or increase the consumption, and they may not be willing to do so. The public sector should coordinate employment policies and social security policies system with higher coverage and better protection, particularly unemployment insurances schemes, and guide enterprises in the legal framework of labour laws; and, the tripartite negotiation mechanism at the industrial level and collective negotiation in enterprises should be further improved.

Last but not the least, there should be **more flexibility between the central plan and local policy implementation**⁵⁷. Employment is no doubt the responsibility of the State, but the local governments can be entitled with more flexibility. Huge gaps exist among different regions and between urban and rural areas in China, although the policies have tried to address this problem in a long time. Moreover, the specific problems that different regions may face in the new round of industrial restructuring vary greatly. For instance, in some earlier developed regions in the South or East China, the structural unemployment may become an urgent question, while the newly-developed inland cities or those accepting relocated industrial parks can be challenged by low wages and working condition problems. This makes it hard for the national employment policies to set unified quantitative indicators for local employment promotion work. Therefore, it is recommended that the Ministries at the national levels cooperate to decide the directions by defining the core questions, setting goals and establishing relatively a consistent policy framework; and, the local governments may target at their own key problems according to the local context and rely on local public resources and expertise to determine and evaluate the specific policies.

⁵⁷ More details on employment and demographic diversity at the provincial level: SPRP, China Social protection in figures – Economic growth and demographic trends: a regional perspective, 2017.