China’s employment situation, which has been affected by the financial crisis since 2008, was not simply reflected in the impact on the labour market, but also in a series of complicated and confusing phenomena comprising the impact on employment and labour shortages, rural migrant workers’ return to their villages or towns, and the rise or drop of the unemployment rate. Unless these ever-changing surface phenomena are analysed, it will be difficult to accurately grasp the current and future trends of the labour market. This paper attempts to analyse the laws governing changes in the employment situation from the perspective of the long-term trends and short-term contradictions of labour supply and demand in China, thus providing a reference for a full understanding of the macro economy.

I. Who Knows First: Employment during Macro-Economic Fluctuations?

I once used a line of a poem, “The duck knows first when the spring river becomes warm”, to describe the feelings and response of coastal export-oriented enterprises to the shortage of labour which began to appear from 2004 onwards. This sentence can now be paraphrased to read, “The duck knows first when the spring river is still cold”, to describe the impact of the global financial crisis on the coastal export-oriented economy in terms of the reduction of orders. China’s economists and policy-makers may not place primary reliance on labour market indices such as the unemployment rate to get an understanding of the macro-economic situation, but for enterprises and workers, first-hand experience relating to employment is more timely, accurate and important than recondite macro-economic indices such as the GDP growth rate, M2 circulation, etc.
In the United States, the federal government releases the latest employment figures on a monthly basis, the main indices being institutional employment and unemployment information, based on household surveys and enterprise surveys. On the morning of the first Friday of each month, a group of selected reporters obtain this labour market information when it is exclusively released by the Bureau of Labour Statistics, and report it—this usually has a major impact on the macro economy and the capital market. China’s labour statistics also include the results of household surveys and enterprise surveys, but the summarisation and release of these results is slow, and therefore unable to meet macro economic and the labour market situation assessment needs. Usually, the only information obtained is ad hoc quarterly registered unemployment rates and lagging post supply and demand information for certain labour markets. Therefore, macroeconomic regulation and control decisions are in most cases made based on rough assessments of employment.

With the completion of the laid-off subsidy as an unemployment guarantee, the laid-off worker segment began to disappear from the statistics in 2003. Laid-off workers who failed to return to employment began to receive unemployment insurance payments. The registered unemployment rate that year reached a record high of 4.3 percent before then declining with the year, dropping to 4.0 percent in 2007. In 2008, the registered unemployment rate rose to 4.2 percent due to the impact of the financial crisis; and this rate continued to rise to 4.3 percent in the first quarter of 2009 (see Figure 16.1). Similarly, the ratio of the number of jobs available to the number of applicants in the labour market (hereinafter referred to as “job opening-to-application ratio” showed an increasingly recovering trend from the late 1990s onwards, reaching 0.98 in 2007 and 2008. The impact on employment starting from 2008 onwards however led this ratio to drop to 0.85 in the fourth quarter of 2008, and 0.86 in the first quarter of 2009.

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