There is often conceptual confusion about the labor market reaching a turning point and approaching the end of unlimited labor supply, with some people expecting employment problems to automatically resolve themselves as the labor market transforms. In reality, labor market transformation is more about fundamental changes in aggregate labor demand and supply as the economy develops. In reality, there are many different types of jobs in the labor market and the attributes of workers are also varied. As long as there is a mismatch between demand and supply in the labor market, there will always be employment problems. In other words, there will always be the need for proactive employment policies to resolve these issues.

However, as labor market conditions change, proactive policies should also keep up with the changes in order to maximize their effectiveness. First, when those who have employment difficulties begin to exhibit some group characteristics, proactive employment policies should focus on the group through targeted policy intervention. Second, as labor market conditions change, the types of people facing employment difficulties also change, thus proactive policies have to be adjusted accordingly.

The analysis on labor force participation and overall employment in the fourth chapter of this book showed that even with an improvement in the labor demand and supply relationship that raised the labor force participation rates of the working-age population above 40 years old, these people still faced employment difficulties and had the potential to further increase their participation. This chapter examines the employment and unemployment issues faced by this group and discuss how proactive employment policies can help them.

1 Groups with Employment Difficulties are Increasingly Valuable Human Resources

There is no one definition of those facing employment difficulties but it generally refers to the segment of the economically active population in the urban
labor market who are older, less educated, lack skills, and particularly those who are unemployed. An earlier concept had arisen during the period of state enterprise reform when those known as the “4050 personnel” (4050 人员, women aged 40 and above and men aged 50 and above) were laid off from state-owned and collective enterprises. Given their age, it was more difficult for them to be reemployed, and employment policies emerged to help them do so. Zeng Xiangquan and Li Lilin once classified those with employment difficulties in the labor market into two broad categories. One consisted of those who were employed but worked in unfavorable conditions, while the other consisted of those who wanted to work but could not find employment and thus experienced economic difficulties. Migrant workers and casual workers falling outside the system belonged to the former category, while retrenched workers belonged to the latter. As the labor market develops and especially when its conditions improve, these narrow concepts will no longer be adequate. In specific policy discussions, the definition of those with employment difficulties has progressively been expanded to include those who are on minimum living allowances, those who have been continuously unemployed for more than a year, destitute families, the disabled, and “zero employment” urban households (城镇零就业家庭人员). However, there is still no singular definition of those with employment difficulties.

Nevertheless, as far as the aims of proactive employment policies are concerned, there is still much practical significance in examining the employment situation of the “4050 personnel.” First, due to their unique demographic characteristics, they have a rather low employment rate and need more policy attention. Second, as the population ages faster, the problem of an aging working-age population would also worsen. This makes the human resource potential offered by this group increasingly important. According to calculations based on data from the one percent population survey in 2005 and the sixth national population census in 2010, there were 112 million women aged 40 to 64 and men aged 50 to 64 in the urban areas in 2005, comprising 26.3% of the urban working-age population aged 16 to 64. This figure increased to 149 million in 2010, comprising 29.2% of the urban working-age population aged 16 to 64 and is expected to rise further. With a shrinking labor pool, those with employment difficulties are increasingly valuable human resources that

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