EMPLOYMENT EXPANSION: THE ANTI-CYCLE STRATEGY WITH CHINESE CHARACTERISTICS

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I. Introduction

From 2008 onward, the global financial crisis impacted the job market in China. Many exporting companies suddenly faced a reduction in orders and enterprises nationwide were forced to shut down. As many of the employees at these enterprises were migrant workers without the proper household registration, they had no choice but to return to their rural hometowns to seek new employment. Faltering enterprises were unable to hire new graduates looking for work. The gross impact of the financial crisis on employment in China can be manifested through the rise in unemployment, the lack of opportunities for job seekers, and the slowdown of economic growth.

A. Rise in Unemployment

At present, the unemployment rate announced by the Chinese government reflects those individuals registered in urban areas, making it impossible to comprehensively reflect the status of the labor market nationwide (Cai Fang, 2005). Table 3.1 provides the registered urban unemployment rate since 1997. Before 2003, unemployment rose unceasingly, but after 2003, it dropped. In 2008, the unemployment rate rose to 4.2% once more. This rise illustrates the impact of the global financial crisis on employment in China.

Table 3.1 provides data from both the registered unemployment rate and what we believe to be the actual unemployment rate. We estimate this rate according to data issued by the National Bureau of Statistics.
and the International Labor Organization. Solid data was collected from 1997 to 2005, while data had to be estimated after 2006.

First, we observed the actual unemployment rate data collected between 1997 and 2005. The unemployment rate rose unceasingly from 1997 to 2000, and peaked at 7.6% in 2000. This reflected the impact of the state-owned enterprise labor employment system reform on the labor market. After the improvement of labor market conditions, the unemployment rate dropped to 5.2% in 2005. The estimated unemployment rate from 2006 and 2007 was thought to rise and fall in the same fashion as previous years, so we merely added 1 percentage point based on the registered unemployment rate in 2006 and 2007 (5.1% and 5%, respectively).

We found it unsuitable to estimate the unemployment rate for 2008 using the same method as 2006 and 2007. This is because an important characteristic of the registered unemployment rate is that

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1 Note: Data was collected from the China Labor Statistical Yearbook. The registered unemployment rate in 2008 data was issued on the website of the Ministry of Human Resources and Social Security, while the unemployment rates from 1997 to 2004 were calculated according to data from the China Statistical Yearbook and China Population and Labor Yearbook. The unemployment rate from 2005 was calculated according to a survey of 1% of the population conducted in 2005. The unemployment rates from 2006, 2007, and 2008 were estimated by the writer.

2 To learn more about the computing methods used, see Cai (2004).