

Original Paper

Analysis of the Impact of Unemployment and Reemployment on China's Economic Growth

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Abstract

Unemployment and employment issues have consistently held significance in the context of a country's economic development. In the aftermath of the pandemic, it becomes imperative for China to effectively address future employment pressures while concurrently enhancing people's quality of life. This article aims to analyze the underlying causes of unemployment in the post-epidemic era, while also delving into the challenges associated with re-employment and its subsequent impact on economic growth. The findings of this study reveal that re-employment plays a crucial role in driving economic growth. Although China's existing reemployment policies have yielded certain positive outcomes, there remain several policy-related concerns that necessitate macro-level adjustments and concerted efforts from enterprises.

Keywords

Unemployment, Reemployment, Economic growth, Post-pandemic era

1. Introduction

The issue of employment and unemployment holds significant importance in the field of macroeconomics. Prior to the outbreak of the COVID-19 pandemic, employment stability was already prioritized when analyzing the development of major economies worldwide. In the case of China, unemployment stands as a broad and significant macroeconomic concern. In order to sustain a high-speed economic growth rate of over 5%, China must effectively address future employment pressures while simultaneously enhancing the quality of life for its people.

The Political Bureau of the CPC Central Committee, during its meeting on July 31, 2018, explicitly emphasized the importance of stable employment as the foremost priority among the "six areas of stability". This recognition underscores the significance of employment stability as a vital factor in

ensuring people's livelihoods and national security. High economic growth is typically positively associated with employment growth, as employment serves as the foundation for economic expansion. As a developing country, China confronts the challenge of maintaining rapid and stable economic growth while simultaneously grappling with an increasingly complex employment situation. Therefore, conducting in-depth research on the employment situation within the context of China's economic growth and advocating for the establishment of an economic development strategy centered around stable employment holds excellent practical significance. This article will adopt a case study approach, focusing primarily on China as the research subject. It will analyze the current employment situation in China, closely examine the impact of unemployment and reemployment on China's post-pandemic economic growth, and further explore the implications of China's relevant economic policies.

2. Analysis of the Causes of Unemployment in the Post-Epidemic Era

Over the past three years, the outbreak of COVID-19 has severely impacted the economy, causing many businesses to face closure and operating difficulties. Due to the deteriorating economic situation, companies have to take measures such as layoffs, salary cuts, and reductions in human resource expenditures. Under such circumstances, the recruitment needs of enterprises have dropped significantly, leading to an increase in the number of unemployed people in society. The losses caused by the epidemic to enterprises are more reflected in the imbalance of the economic system, such as reduced consumption, difficulties in unemployment and reemployment, and interruption of supply chains. Unemployment in reality can be attributed to various factors, with the COVID-19 pandemic serving as a significant catalyst for the deterioration of employment and economic development. The epidemic has emerged as a decisive factor, exacerbating the challenges faced by individuals and businesses. It has caused a collapse in employment opportunities and disrupted economic growth. Unemployment can be broadly categorized into two main types: active unemployment and passive unemployment. Regardless of the type, both are influenced by external factors such as the state of the market economy and the prevailing trends in industry development.

2.1 Active Unemployment

Active unemployment, as defined, encompasses various scenarios where employees voluntarily leave their jobs or are unable to secure employment due to personal preferences, dissatisfaction with existing working conditions, or incompatibility with company culture and requirements. Some common examples of active unemployment include employees resigning voluntarily, being unsuccessful in job assessments conducted by new companies, becoming victims of internal corporate politics, experiencing conflicts with colleagues, engaging in frequent job switches without valid reasons, lacking the necessary skills or attitude for job requirements, suffering from severe illnesses or significant liabilities, and facing disciplinary actions for serious violations of company regulations.

2.2 *Passive Unemployment*

Passive unemployment refers to those who are able to work and are willing to accept the current wage level but still cannot find a suitable job. This kind of unemployment is caused by uncontrollable objective reasons, leading to large-scale layoffs in enterprises, which can be alleviated through appropriate economic measures and policies. For example, unemployment due to economic adjustment or misallocation of resources, structural unemployment due to technological change, changes in consumer preferences, poor labor mobility, unemployment due to recession or depression due to economic cycle fluctuations, artificial intelligence, etc. These unemployment phenomena are closely related to economic development, industry changes and individual behavior. Therefore, corresponding financial measures and policies should be adopted to deal with different types of unemployment problems to promote the increase of employment opportunities and the stable development of the economy.

3. Analysis of Factors Affecting Re-Employment Difficulties

3.1 *The Oversupply of the Labor Market*

The outbreak of the epidemic, coupled with ongoing economic transformation, has led to a surplus of labor in the market. Many businesses had to suspend operations or reduce production during the pandemic, resulting in a significant increase in unemployment. While the situation has improved with the gradual resumption of business activities, supply chain disruptions and logistics bottlenecks have hindered the full recovery of enterprises. As a result, many employers have been cautious in recruiting new employees, leading to a decrease in available job positions and downward pressure on wages.

China's rapid economic development over the past few decades has resulted in improved education levels and labor skills among the population. However, employment opportunities in traditional manufacturing industries have declined, while emerging industries are still in the process of maturing. This imbalance between supply and demand in the labor market has created challenges in terms of unemployment and re-employment. The mismatch between the skills possessed by job seekers and the skill requirements of available positions further exacerbates the difficulty of finding suitable employment opportunities.

3.2 *Imperfect Social Security System for Reemployment*

3.2.1 Challenges in Unemployment Security Policies and Laws

China has implemented an unemployment security system comprising social insurance and social assistance to support unemployed individuals. The Regulations on Unemployment Insurance and the Social Insurance Law outline the eligibility criteria for unemployment insurance benefits and assistance. The "Interim Measures for Social Assistance" also provide social assistance measures such as employment assistance and minimum living security for the unemployed. However, despite the establishment of this system, certain issues remain that need to be addressed. One problem is the imperfect design of the unemployment insurance system and the ineffective implementation of

re-employment measures, which is an objective reality. From a legal standpoint, there is a lack of regulation and clarity in managing labor contracts, particularly in the context of full-time and part-time employment. This can lead to difficulties in guaranteeing the legitimate rights and interests of workers. Furthermore, age discrimination in re-employment poses a significant challenge. Cases like that of Mr. Wang, a highly educated executive in Shanghai, who faced difficulty finding a job due to age-related factors, highlight the issue. Age often becomes crucial for re-employment opportunities, overshadowing factors such as education and gender. Job advertisements with age restrictions are common, with some not accepting applicants over the age of 40 or even 35. Several countries have enacted legislation to address age-based selection criteria as a form of discrimination. It is crucial for China to engage in legislative or judicial discussions to tackle age discrimination and formulate tailored policies that consider the characteristics of different demographic groups.

3.2.2 Enhancing Employment Platforms and Vocational Training for Effective Reemployment

The current employment platforms have yet to fully utilize the potential of community-based labor security and employment service platforms in the new era. To address this, it is crucial to focus on strengthening the construction of these platforms. This can be achieved by implementing targeted management of unemployed individuals' profiles, improving standardized procedures, and enhancing vocational training, identification, guidance, and job placement services. By establishing a comprehensive reemployment service system, the employment platform can better cater to the needs of the unemployed. Additionally, it is essential to foster collaboration with public employment agencies to facilitate data sharing, extend service coverage, establish comprehensive networking, and facilitate precise job matching. This collaborative approach will ensure a more efficient and effective reemployment process for individuals seeking job opportunities. Furthermore, in order to adapt to the new employment landscape of the digital age, emphasis should be placed on promoting vocational training programs. Private educational institutions and vocational training projects should be actively encouraged to provide training that equips the unemployed with the necessary skills required by emerging industries and sectors. Providing financial support tailored to different forms of employment interruption is crucial to assist individuals in their transition to new career opportunities. To facilitate successful reemployment, it is vital for relevant departments to implement targeted measures such as job training, career guidance, and personalized support for re-employees. By offering comprehensive reemployment services, individuals can receive the necessary assistance and guidance to effectively reintegrate into the workforce.

4. The impact of Reemployment on China's Economic Growth

China's long-standing family planning policy has resulted in a significant decline in birth rates and a substantial population aging issue. The consequences of an oversupply in the labor market and the simultaneous increase in labor costs have compelled the country to expedite industrial upgrading and foster an innovative economy. To ensure the sustainable development of the innovation economy, it is

imperative to harness the full potential of high-quality talent.

While historical statistics may not explicitly demonstrate the impact of economic growth on employment, the changing dynamics of the labor market structure have made the relationship between economic development and labor supply and demand more pronounced. Previously, the focus was primarily on analyzing capital, product, and industrial development. However, it is now crucial to shift people's attention toward comprehending the intricate relationship between employment, unemployment, and economic growth.

4.1 The Significance of Reemployment for Economic Development

Maintaining a high level of employment is crucial for driving economic growth. Even during periods of economic slowdown, full employment creates a conducive environment for deepening supply-side structural reforms and accelerating transformation and upgrading. Conversely, a combination of high unemployment and low growth severely restricts the potential for economic expansion.

In the current macroeconomic landscape, overcoming the constraints of labor shortage and rapid wage increases is essential to further increase the economic growth rate. The pressure on labor market supply compels the government and society to prioritize the development of innovation capabilities and improvements in production efficiency. Thus, maintaining a relatively high level of employment becomes a vital factor in promoting economic development. This not only ensures a stable labor force for the economy but also creates favorable conditions for deepening structural reforms and facilitating transformation and upgrading. Moreover, the pressure on labor market supply encourages a greater focus on enhancing innovation capabilities and production efficiency. By addressing the bottleneck in labor supply, we can elevate the economic growth rate and achieve sustainable development.

4.2 The Imperative of Reemployment for Economic Development

Unemployment exerts a significant impact on the economy, particularly in an era of low unemployment and sluggish growth following the pandemic. Formulating macroeconomic control policies becomes increasingly challenging under such circumstances. The global economic system has been disrupted by the COVID-19 pandemic, with developed countries implementing unprecedented monetary easing policies. This has resulted in excess global liquidity, triggering unprecedented high inflation and economic stagflation in some regions.

Currently, there are lingering employment imbalances, and rapid economic growth may further exacerbate structural unemployment. In essence, the issue of employment reflects the underutilization of labor resources. With a population of 1.4 billion, China's pursuit of stable employment encompasses not only aggregate concerns but, more importantly, structural considerations. Relying solely on stimulating overall employment levels yields limited effects and may even lead to stagflation. In this context, the significance of reemployment becomes even more pronounced. By promoting reemployment, we can achieve more comprehensive utilization of labor resources, alleviate pressure from structural unemployment, and enhance employment quality. Reemployment not only provides individuals with economic income and social security but also fosters a virtuous cycle of economic

development. Encouraging reemployment will boost consumer demand, invigorate the market, and create additional opportunities for enterprise development.

5. Discussion

The “high growth, low unemployment” phenomenon in China, with an average annual economic growth rate of 9.5% and an annual average registered urban unemployment rate of less than 4.5%, results from various contributing factors. China has implemented a series of necessary measures to achieve this outcome.

Firstly, China recognizes the positive correlation between economic growth and employment expansion. This understanding has allowed China to pursue dual goals during its economic development process. Compared to other countries, China has maintained rapid and stable economic growth over an extended period, leading to the expansion of industries and a steady increase in employment demand.

Secondly, China prioritizes stable employment and considers it a fundamental aspect of people’s livelihood. Employment has become the foundation and starting point for various economic policies. Through policies that encourage self-employment, China has witnessed a rapid decrease in the unemployment rate. Notably, during the international financial crisis in 2008, China promptly implemented policies and measures to stabilize growth, ensure employment, and promote people’s livelihood. As a result, it successfully avoided a sudden economic decline and a sharp increase in unemployment.

Furthermore, industrial upgrading has played a crucial role. China’s industrial development has transitioned from labor-intensive to capital-intensive and technology-intensive sectors. The overall quality of the labor force has significantly improved, resulting in enhanced labor productivity and capital-output efficiency. This has effectively prevented the mismatch between labor and technology and mitigated the occurrence of “jobless growth” in China. The emergence of new economic forms and businesses, particularly within the tertiary industry, has not only become a new driving force for economic growth but also created numerous new occupations and jobs. The process of industrial upgrading has transformed the labor and employment system from “all-in-one contracting” during the planned economy era to a market-based employment system where independent job selection plays a significant role. The market mechanism has become decisive in allocating labor resources, and various labor markets, including state-owned, non-state-owned, rural, and urban labor markets, have played unique roles in regulating employment.

Despite the evident policy effectiveness and China’s entry into a new era of economic development, the labor market still faces new challenges and constraints. Challenges persist for college graduates, migrant workers, unemployed individuals, entrepreneurs, and middle-aged and elderly workers. In recent years, with the advancement and application of intelligent manufacturing technology, China’s structural employment contradictions have become more pronounced. It is necessary to continue prioritizing employment, implementing an employment-first strategy, and addressing long-term issues

in the labor market faced by different segments of the population. Existing employment stabilization policies and measures should be reviewed, refined, and adjusted according to the new circumstances and tasks to ensure the sustainable coexistence of stable economic development and low unemployment.

6. Conclusion

In conclusion, this paper has discussed the current status of unemployment and reemployment difficulties in China in the post-epidemic context. The study highlights the importance of reemployment for economic growth and acknowledges the existing challenges and shortcomings in China's reemployment policies. It emphasizes the need for macro-control of national policies and the active participation of enterprises to address these issues. While the analysis primarily focuses on the Chinese case, it provides valuable insights that can be applicable to the reemployment situation in other countries. However, it is important for other countries to conduct specific analyses considering their unique circumstances. In future research, the author intends to delve deeper into the topics of unemployment and reemployment in different countries and conduct comparative analyses to further enhance understanding in this area.

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