China's Employment Market during Covid-19 Pandemic: Stylized Facts, Policies and Prospect

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Abstract: With the outbreak of COVID-19, the world labour market had been seriously affected, especially in China. This essay is written aims to analyse reasons that give rise to various types of unemployment by elaborating specific economic phenomenon's relating to them and the possible government policies that can relieve the difficulties of employment. From discussing the general trend of the market behavior and the problems derived from it, on the whole, consequence caused by frictional unemployment has the biggest scope. The research significance of this essay is to offer a better understanding of factors that play a vital role in creating the unemployment. In this way, knots of the matter are able to be distinguished clearly, which is beneficial to help government to design a more appropriate policy. Generally speaking, statistics during this pandemic depicts a relatively low rate of occupational mobility in China and the monotony of major industries. To alleviate the situation, government should pay attention to the training of reemployed labour such as providing a short stern schedule suitable for actual circumstances. In the meantime, a readjustment on the market to improve the efficiency of resource exploitation should also be taken into account.

Keywords: unemployment, COVID-19, economy

1. Introduction

Influenced severely by the outbreak of COVID-19 pandemic, the world market was changing in a dramatically quick speed, with significant rise in unemployment rate. According to the statistics collected from the World Bank, in 2019 when this infectious disease had not been spread out, the rate of unemployment worldwide was 5.5% [1]. This number, however, increased remarkably to 6.9%, which was a quarter more than that one year before. There were nearly 77.4 billion people, displayed by the data as well, living in the world in 2020 and 6.9% unemployment rate denotes the fact that 5.35 billion of them were facing the loss in occupations [1]. The pandemic prevention and control had made it difficult for many industries to fully resume work and production, and enterprises were facing great difficulties in their production and operation [2]. For the service industry, the recovery of passenger flow is crucial to its business activities. At present and even in the short term after the end of the epidemic when the passenger flow would not be able to meet its basic profit needs, some enterprises might consider layoffs to reduce economic losses [3].

Such kinds of the variation in demand for labour market do play a great impact on the normal people's lives.

Being a country with a large population, China was being affected severely. Statistics gathered by National Bureau of Statistics of China revealed that at the last quarter of 2019 the unemployment rate of China is 3.6 percent. Before the appearance of the pandemic, in 2018 this number had been 3.8 which then received a 0.2 percent cut one year later. Nevertheless, a rocketing trend souring up the data to 4.2 percent in the next year and eventually stayed in 4.0 in 2021[4].
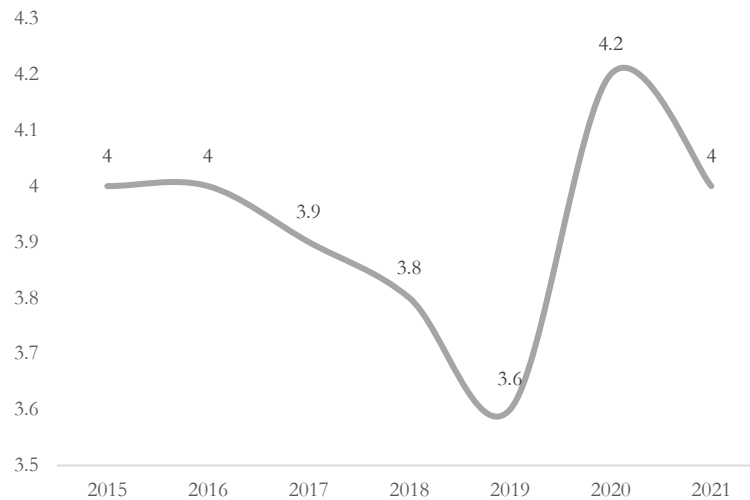

Figure 1: Registered unemployment rate (%) from 2015 to 2021.
Data source: National Bureau of Statistics
Photo credit: Original

Some existing research had revealed the basic patterns of how the economy was influenced by the viral disease through comparing the interactive relationship between the aggregate demand and aggregate supply. Apart from that, they also focus on this issue by categorizing the people in different income level. Discrepant outcomes, nevertheless, were led by the varying kinds of unemployment, whether it is the lasting period or the scope and impact of specific groups of people.

To study this trend in a clear way, and in order to analyse it systematically, this essay will discuss how the pandemic had altered the selection of labour during this period through finding different types of unemployment. Their causes, sphere of influence and order of severity are included in the following passage. By analyzing those factors, people can distinguish which unemployment they are in thus making a useful decision about their future career plan. Government may also be helped to implement the more appropriate policies to tackle the problem.

The rest of this paper is organized as follows: Part 2 Frictional unemployment; Part 3 Structural unemployment; Part 4 Cyclical unemployment; Part 5 Seasonal unemployment; Part 6 Conclusion.

2. Frictional Unemployment

Starting with the frictional unemployment, which is caused due to the frictional time interval between the stage when the supply side is searching for a job and the stage when it does get a job. Contributed by the information failure in the reality, this temporary phenomenon of being unemployed can never be eliminated entirely. Generally speaking, other factors such as the iteration in technical state, the variation of seasonal demand, the transformation of economic and social development stages and the change on macroscopic system play a big role on it as well.

At this particular time of the COVID-19 outbreak, larger proportion of people underwent the aggravate frictional unemployment. Policy aspect was one of the most responsible factors that led to this obstacle of seeking to job opportunities. Aiming towards the minimization of risk of being

infected, China central government implemented the strict home quarantine policy that tied with the justice system. To be more specific, if the consequences are serious, the offender who spread the virus on purpose shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years. Meanwhile, the government restricted the flow of population in crowded places, such as shopping malls, restaurants, cinemas and other entertainment venues. Demand of customers, consequently speaking, experienced a dismal recession. Another factor that diminishing the consumer demand is the decline in income thanks to the shortened working hours, reduced positions and other reasons.

Additionally, the duration and negative impact of the global pandemic exceeded the expectation. International market downturn caused by the sustained impact of external imported risks gave rise to a high uncertainty in trade and there was a continuous declination in export. Consequently, some domestic enterprises that relied on exports found it more difficult to receive order-forms, thus their operations have been greatly affected. Besides, under the situation of decrease of revenue, many small and medium-sized firms were not able to cope with the large amount of staff salaries and the bank loans at the same time. Their seriously influenced cash flow denoted the circumstance that the cut of expenditure allowed of no delay. Because of these, part of them were forced to downsize, which increased the unemployment. The rise in unemployed population accompanied with a descend in demand led to the fact that these people were less likely to find another appropriate job.

Taking the catering industry, one of the most economically stricken fields, as a good example. The catering industry itself belongs to people's livelihood industry, affected by seasonality and external environment. Due to the appearance of the COVID-19, rising requirements towards the sanitation hold no brief for the thorough development of this industry, and the implementation of policies, moreover, that prohibits group dining also came as a heavy blow to the it. The winter in business greatly shrunk the demand in this industry that gave rise to a significant frictional unemployment.

Comparing to the Spring Festival in 2019, data collected by the China Cuisine Association, during the pandemic period, 78 percent of catering enterprises in China lost more than 100 percent of their operating revenue; 9 percent restaurants suffered a loss more than nine-tenths and only 5 percent of them conserved the revenue higher than 30 percent of its origin [5]. To sum up, during the first two months in 2020, the national revenue of the catering industry was 419.4 billion, which was 43.1% less than the data one year before [5].

However, people who were confronting with this dilemma could opt to a flexible job, such as the deliverymen in the take-out industry. There were about 3 million of deliverymen and nearly 60 percent of them were full-time deliverymen in the first half of the year of 2020, which is 16.4 percent more than that in the former year [6]. Not restricted by a fixed time schedule, this type of workers owns a flexible working scheme and obtain a higher wage from accepting temporary bill by others. They will complete their tasks within a short time then turn to the next. Benefited from this, employers were able to take advantage of the time in the lag of time to make a living and received abundant financial support.

3. Structural Unemployment

To illustrate the structural unemployment as the product of the pandemic, the definition should be given first. Affected by the personal factors such as the knowledge, age, gender, subjective intention skills, experience etc and accompanied with the developing in economic structure, system and mode of growth, the supply structure is inconsistent with the demand structure. Structural unemployment is, generally, appears as the result of this phenomenon.

Being as the field severely affected contributed by the appearance of the pandemic, the labour market revealed a similar pattern. Take the SARS as an example, the labour market in China at that time frame (2003) had shown a drop in bath supply and demand. In the second quarter of 2003, the

number of people demanded in the labor market and the number of job seekers decreased by 10.2% and 12.8% respectively, compared with the first quarter [7]. To elaborate clearly, some background information needs to be offered. The biggest pressure on unemployment rate in China at the year of 2003 was the great number of laid-off workers that left "reemployment center" and the newly dismissed workers who were no longer able to enter the economic centre. The unemployment rate in urban areas had already been in a rising stage. The emergence of SARS resulted in the reduction or even cessation in economic activities, which made the affected enterprises reduce their number of staffs to downsize the financial pressure, resulting in an increase in unemployment. In 2003, the registered urban unemployment rate rose significantly, reaching 4.3%, an increase of 0.3 percentage points over 2002 [7].

When it comes to the COVID-19 pandemic, there was an increasing in the unemployment rate as well. On the early stage, hordes of labour were in a state of unemployment. Restricted by the pandemic-related policies, workers in the rural migrant worker were isolated in their hometown away from their working places.

According to the report, the number of jobs and job requirements in China's job market fell by 27 percent in the first quarter from a year earlier, with low-income groups severely affected by the pandemic [8]. Then the unemployment compensation paid by central government increased that gave more financial burden to the budget and diverted the original proportion that could be invested on the other fields like infrastructure and education. Without an extra training scheme provided by the government, less unemployed workers are likely to be imparted the knowledge about a more practical skill so the whole society suffered a loss in labour mobility. The data collected from China Institute for Employment Research depicted that CIER in the first season of 2020 decreased in a significant amount, while in the second season received a gradually upswing month by month. Within the first period, CIER dropped to 1.43, which was a 34 % (3 significant figures) shrinkage compared to the last season in 2019 [9]. In the following season, statistically speaking, CIER was rising from 1.02 on March to 1.65 on May in average of 1.35 [10]. This showed an improving situation in labour market thanks to the national macroeconomic policy adjustment. Overall, the unemployment rate peaked in the first season and fell slightly in the second, while still running in a high level.

Though the online APP like ZOOM had already been adopted by many enterprises, there were still a number of staffs cannot accept this online alternation in working style, especially for those over-aged employees or the one who were in a highly physical-related position. Aiming to tackle down this economic problem in a more efficient way, government is responsible for implementing some macroscopic readjustment to control the unemployment rate. Firstly, the government can fulfill the training schemes on vocational skills. Trough classifying the categories of different workers, a more specific and is more connected to their original experiences project will be able to be designed. This all-round specialized training can enhance their level of expertise in short run which is Conducive to their reemployment. Their work-life issue will also be improved. Secondly, the government can create job opportunities through various ways. Restrictions in both state-owned enterprises and private companies about recruitment can be made to enforce them to take social responsibility, hiring more people even if it betrays one of the basic rules:profit maximization. Government can improve information files on the unemployed people so that the unemployed person with a higher family pressure or limited condition on age and physical health are able to be given a priority to be assigned for a job.

4. Cyclical Unemployment

The cyclical unemployment is the result of recession, in other words, the shortage in aggregate demand. It usually increases when the economy undergoes a decline in the growing rate. Aggregate demand is the sum of the consumption, investment, government spending and the net export. During

the time frame of the boom economy, the cyclical unemployment rate is lower since the growing disposable income gives consumers incentive to purchase greater amount of goods and services that encourage the producers to increase their output aims to cater for this direction of consumption. To achieve this goal, manufacturers will hire more labour so the cyclical unemployment is low. On the contrary,at the low ebb of the economic activities, the confidence towards the future is relatively less optimistic hence the desire to invest will be lower. Meanwhile, for the fear of the gloomy prospect, customers are more willing to save money in banks to against potential dangers in the future. In this way, producers that face the decrease in demand will choose to decrease their output and downsize their company numbers. At the moment, the cyclical unemployment is at a higher rate. In 2019, GDP of China was 98651.52 billion and increased to 101356.7 in 2020 and had the rate of growth 2.2%, which was lower than the number 6% in 2019 [4].

The rural migrant workers in cities are one type of workers that their native places are not in cities. Their major source of income comes from the wage paid from working in the cities, being as a building worker, for example. Because of the attribution of their native places, in the job market, the rural migrant workers in cities are sometimes encountered with discriminatory treatments. To be more specific, their salaries are delayed paying in many situations and the jobs they have are likely to be short of a legally certified contract, which means that there are more vulnerable when they undergo the cyclical unemployment. Take the financial crisis in 2008 as a good example. Influenced seriously by the financial crisis, many rural migrant workers in cities lost their jobs just in the weeks before the Spring Festival and led a large number of them went back to their homes in the countryside reluctantly. In the period of the COVID-19, thousands of firms were limited by the pandemic-related policies that working in groups was likely to encourage the spread of diseases and the operation of firms were negatively affected. Being as the employees that were lack of legal protection, rural migrant workers in cities was the first option for many bosses to dismiss.

Take the reality of China's society into account, the solution taken by the government should reform the division in the labour market that gives rise to the amplification effect on the cyclical unemployment. The participation rate of rural migrant workers in cities on the social security system needs to be pay more attention on. The higher it is, the more powerful of the power of speech of the rural migrant workers in cities. From a personal point of view, the average quality of rural migrant workers in cities is also vital enough. Improvement in individual quality is the key point to follow developing in the industrial structure. The increase of risk resistance capacity depends on the education. Economic actives who drop out of the school early are short of competitiveness in the future market and will be the new generation of employment difficulty.

5. Seasonal Unemployment

Belonging to the natural property of commodity, the process of the production in some goods and services is intermittent. The demand for labour waxes and wanes from season to season and triggers the seasonal unemployment.

Tourism is one of the industries which operation depends heavily on the seasonal factors. It has a strong seasonality; existence of peak and slack period does prove it. At the same time, there is also a relatively strong localization. The variation on the local weather, the regional characteristics of the cultural attribute and the confidence in public health cause the change in consumers' demand. For this reason, the uncertainty of natural factors together with human factors that are impossible to be adjusted by artificial means determines the high risk of the tourism industry. The vulnerability towards external shocks of it generates the expanded coverage of the potential seasonal unemployment. The proportion of gross domestic tourism revenue in GDP has been rising year by year since 2013, growing from 2.95 trillion at the beginning to 6.63 trillion six years later [4]. In 2019, the total revenue produced by tourism industry in China was 10.94 trillion that occupied 11.05% of

the whole GDP [4]. Nevertheless, in 2020 during the outbreak of COVID-19, the tourism industries suffered a severe strike on its income. The revenue of tourism industry fell 60 percent to approximately 2 trillion in 2020 [5]. Negative impacts came up with it can be divided into the macroscopic and microscopic aspects, influencing from the total efficiency on utilizing the resources to the depreciation on human capital. From a macro point of view, the raise in seasonal unemployment is intimately tied with the increasing waste in resources, as the deviation on a larger scale away from the full employment would lead a more serious waste in manpower. In micro side, the individual human capital would be subjected to a shrinkage due to the forgetting of the skills they had already obtained.

To smooth out similar seasonal characteristics, government may carry out some expansionary fiscal policies like investing more on infrastructure financed from tax revenue. The construction on it will give a significant convenience on the development of tourism industry. Besides, the companies in this field can enlarge their coverage of goods and services in order to minimize the seasonal unemployment by offering more options. Even if they are facing the downward economic conditions and the aggregate demand is decreasing, the multi-level and personalized features of the products will at least stimulate part of the market, which enables them to reserve a segment of employment.

6. Conclusion

As a global pandemic, the spread of COVID-19 had affected millions of people and generated numerous variations to the human society. Unemployment, the economic issue that is impossible to get rid of completely, is a general product. In order to express the specific impact more pertinently, this essay opts to take China, the second biggest labour market in the world, as the focus of the analysis. To elucidate the topic in a clear way, five kinds of unemployment are discussed respectively, aims to find out how does the pandemic play a vital role in affecting different groups of employees. To sum up, the biggest area of growth in unemployment is the frictional unemployment, contributed by the impact imposed from the pandemic on consumption habit. Meanwhile, the future development trend of the industry is also affected by the changes brought about by the pandemic, shifting from the offline to virtual industries. In order to alleviating the severe unemployment situation, macroeconomic regulations published by the government can put emphasis on the labour itself, since it is irrational to against the general trend of industries a little through using excess resources. The specialized training schemes for major unemployed groups needs to be intimately bounded up to recent popular fields, and the time lasting should also be restricted in a short period. In this way, these understaffed companies will receive timely supplement of manpower and the workers who used to be non-employed can get back to work as quick as possible.

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