



The Consistency of China's Statistics on Employment : Stylized Facts and Implications for Public Policies

文章作者：蔡昉 发布时间：2004-10-10 14:22:08

1. Introduction

Since the late 1990s, China's labor markets have experienced great pressure characterized by several million workers being laid-off from the state-owned enterprises (SOEs). The causes of the severe unemployment are threefold. First, due to the downturn of macro economy and rapid industrial structural change in late 1990s, SOEs, which lost their comparative advantage and competitiveness, have been unable to fully utilize their production capacity and became loss-makers. Second, the radical reform of SOE employment system, known for "breaking up the iron-rice-bowl", has worsened the situation. Third, massive rural laborers have migrated to cities, seeking urban jobs and bring competition into urban labor markets. In addition, since China is in its peak of working age population, new entrants keep entering the labor force every year.

However, the official statistical system so far has not been able to provide sufficient information to depict this situation. Officially used indicator of unemployment is the registered unemployment rate, but it is widely believed as underestimating the actual unemployment and therefore questioned by domestic and international scholars (e.g. Solinger 2001). Trying to fill the statistical gap, researchers have utilized indirect measures to estimate the "real level" of unemployment, producing various figures much higher than what officially admitted¹. Meanwhile, researchers have observed a contradiction between the declines in all sectoral employments and increase in aggregated employment of the economy as a whole, and this phenomenon puzzles some researchers. Because of the existence of household registration (or hukou) system that socially and statistically divides rural and urban residents, there is a lack of overall statistics on how many migrant workers there are in urban job markets and what role they play in urban sectors. As of new entrants, while the Chinese media overstate the difficulty of employment that college graduates face, they fail to capture the virtual matter behind it.

In general, since the late 1990s, there have been widely existing doubts and confusions in research circle about statistical figures on employment and unemployment, which leads to misunderstanding of the real situation in labor market developments and leads to a conclusion that the current situation of unemployment in China is not manageable. On the other hand, these confusions prevent policy-makers from identifying policy priority to coping with the situation. To understand China's statistics on employment requires us to bear in mind that the Chinese economy is a fast growing and drastically transitional economy. That way various and sometimes seemingly unreal statistical sources on employment can be consistent, and finding this consistency will give us different notions on the situation and reveal implications to policies coping with it.

By exploring the authenticity and consistency of China's official statistics on labor markets, this paper examines real developments of the labor market, discusses whether or not the severe unemployment is manageable and suggests appropriate policies related to

fostering the expansion of employment of the economy.

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电话：+86(010)59868185 传真：+86(010)59868226
电子邮箱：iple@cass.org.cn