Analysis of Public Policy Effect on High-Quality Employment and Its Problems

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Abstract
Due to the industrial structure adjustment and scientific and technological progress, China is facing significant problems in employment. Public policies, as one of national macro-control tools, play an irreplaceable role in industrial structure adjustment and employment promotion and other fields. In this paper, public policy effect on high-quality employment in China is analyzed, in terms of finance, taxation, social security, science and technology and other policies, to detect problems existing in public policy effect on high-quality employment. To be specific, in terms of their effects on employment, public policies have following problems: insufficient investment in vocational education, huge gaps in tax preferential policies, low coverage of social security policies, and slow pace of commercialization of scientific and technological fruits.

Key words: Public policies; High-quality employment; Human resource; Policy effect

INTRODUCTION
China has gradually slowed down its economic growth, entered a new period of industrial structural adjustment, and shown a trend of stepping into Industrie 4.0, in recent years. Therefore, China has developed increasingly serious employment problems, which are reflected by following two aspects. On the one hand, the aging population in China has continued to increase, while able-bodied persons have shown an absolute decline in their number. The huge gap between supply and demand of labor has caused a market failure for spontaneous regulations. On the other hand, the Chinese employment structure has developed apparent contradictions, which are mainly reflected by three aspects: the employment structural imbalance, supply-demand imbalance of vocational and technical titles, employment contradictions of different social groups.

China’s employment problems have aroused widespread concern of both domestic and foreign scholars. Wei Chi and other foreign scholars (2012) used Chinese urban household survey data from 1989 to 2009, to investigate the relationship between job types of laborers and corresponding wage structure. Russell Cooper and other scholars (2012) built a model to predict the impact of China’s Labor Law on employment of laborers. According to the domestic scholar Rao (2005), the Chinese government should develop and implement proper taxation policies to adjust economic development imbalance in different regions, in order to ease structural employment. Sun Xiaoming and other scholars (2005) explored how to provide employment opportunities to the huge rural surplus labor in China, and concluded that technology could be applied to adjust the urban industrial structure, thus promoting employment. Wang (2008) introduced fiscal expenditure into the mathematical model to make a quantitative analysis and draw a conclusion that fiscal expenditure can promote employment. In summary, Chinese local and foreign scholars have conducted quite in-depth and extensive research of employment problems in China. However, few studies have been made on public policy effects on the employment quality. Therefore,
in this paper, public policy effects on high-quality employment are analyzed, and existing problems are detected.

The Chinese government pays high attention to employment problems. In “Report to the Eighteenth National Congress of the Communist Party of China”, the President Hu Jintao explicitly proposed the implementation of the strategy of giving priority to employment and active employment policies, to realize higher-quality employment. The Outline of “Twelfth Five-Year Plan” Draft identifies the strategic position of adhering to give priority to employment and stresses that an individual, market, and government-integrated employment promotion mechanism should be built, so as to promote full employment. Public policies, as one of national macro-control tools, have irreplaceable great effects on economic growth, industrial restructuring, employment promotion and other aspects.

Factors affecting employment are from many fields. Policies, institutions, education systems and many other objective factors would have some effects on employment. However, the Chinese government should develop proper policies and implement fiscal, taxation, social security and science and technology policies for a negotiated solution of the current severe employment situation. Public policies, as a “visible hand”, can make up for shortcomings of the labor market as an ‘invisible hand”, and actively guide and promote higher-quality employment of laborers. As a result, public policies are bound to have direct or indirect effects on employment.

**1. PUBLIC POLICY EFFECT ON HIGH-QUALITY EMPLOYMENT**

**1.1 Fiscal Policy Effect on High-Quality Employment**

**1.1.1 Active Fiscal Policies: Promoting Employment**

Fiscal policy is an important means to adjust the national economic structure, so effects arising from the implementation of fiscal policy would have some impact on employment. It has been proved by practices that active fiscal policies can greatly promote employment by means of expanding investment, simulating consumption, optimizing the economic structure and employing other strategies. The newly-increased employment figure in Chinese cities and towns had continued to increase from 1.13 million in 2008 to 13.33 million in 2014 (see Figure 1). In this year, the surveyed unemployment rate of 31 large cities remained at around 5.1%. According to statistical data of the Ministry of Human Resources and Social Security, as of the end of June 2015, the newly-increased employment figure in Chinese cities and towns was 7.18 million, which accounted for 71.8% of the original newly-added employment plan in 2015.

**Figure 1**

**Newly-Increased Employment in Chinese Cities and Towns From 2008 to 2014**

Data Source: Statistics by the Ministry of Human Resources and Social Security.

Employment promotion is an outcome of effects of various factors. However, active fiscal policies have been implemented to promote economic growth, thus promoting employment in China. According to statistics, during the period from 2008 to 2013, active fiscal policies had contributed to an average of 8 to 9 million annual increase in the quantity of job opportunities. Continuous increases in job opportunities are attributed to social resource reconfiguration through fiscal policies, which promote enterprises to expand investment and simulates consumptions, thus creating new industries and job post, so that more job opportunities are created.

**1.1.2 Fiscal Policy Effect: Affecting Employment Structure**

Fiscal policy effects can contribute to the adjustment of industrial structure, thus affecting the employment structure. At the present stage, the Chinese government pays high attention and gives great financial support to the development of the tertiary industry. In today’s society, the tertiary industry creates the most job opportunities and shows the most rapid growth in employment. In addition, the labor elasticity coefficient of capital investment in the tertiary industry is quite large, so the best choice is to vigorously develop the tertiary industry, in order to adjust the industrial structure. The tertiary industry takes an important part in prompting industrial development and absorbing labor force. In terms of the industrial structure, in 2013, the tertiary industry accounted for 46.9%; the second industry accounted for 43.7%; the first industry accounted for 9.4%. The value added of the tertiary industry in China experienced an 8.1% increase. According to statistics, every 1% increase in China’s GNP can bring 800,000 more job opportunities, while every 1% increase in output values of the tertiary industry can bring 1.5 million more job opportunities [1]. At the end of 2012, the number of employed persons in the tertiary industry reached 276.9 million, experiencing a 1.5% increase over the last year and accounting for 36.1% of the overall number of employed persons in China. This figure (36.1%) was 0.4% greater than 2011, 2.5% greater than the primary industry, and 5.8% greater than the second industry. Besides creating a large number of job opportunities, the rapid growth of the tertiary industry has
also greatly affected the current employment structure. In the perspective of employment elasticity, employment elasticity is significantly higher than the second industry. Newly-increase job opportunities in Chinese cities and towns are closely related to the rapid growth of the tertiary industry. Therefore, fiscal policy effects have not only changed the industrial structure, but also produced some impact on the employment structure.

1.1.3 Fiscal Investment: Increasing Employability of People

Governmental fiscal investment in reflected by many aspects of social life. It is a compelling obligation for governments to initiate education cause, in the public service sector. The Chinese government has continued to increase investment in education and cultivated a large number of qualified personnel for society. At present, specialties offered by higher education in China have covered all areas related to social and economic life, thus laying a foundation for the social labor division and industry subdivision. Education development helps to improve the quality and employability of laborers, so that people can acquire sufficient professional knowledge and get more job opportunities. As a result, education development can improve the employment quality. Governments’ investment in education accords with the core idea of Schultz’s Human Capital Investment. Specific situations of the Chinese governmental investment in education in the past 8 years can be seen in Figure 2.

![Figure 2](image)

**Figure 2**
Chinese Government’s Annual Fiscal Investment in Education and Year-On-Year Growth Ratio

Data Source: *China Statistical Yearbook*.

From Figure 2, the Chinese governmental investment in education showed a rising trend on a year-over-year basis. Chinese governmental investment in education experienced a nearly 310% increases, from 981.531 billion yuan in 2006 to 3.036472 trillion yuan in 2013. Thus it can be seen that the Chinese government made huge investments in improving the quality and skills of laborers, thereby helping laborers to find suitable jobs and producing a profound impact on the employability of laborers.

1.2 Tax Policy Effect on High-Quality Employment

1.2.1 Tax Preference Policy: Boosting Labor Demands

Governments give tax preference to some enterprises (small meager-profit companies) to promote their development, in order to increase job opportunities and boost labor demands. After the enterprise scale is built, labor demands will naturally increase.

China’s tax preferential policies to small meager-profit companies specifically touch upon three categories of taxes: income tax, business tax and stamp tax. According to the “Circular on Issues Concerning Income Tax Preferential Policies for Small Meager-profit Companies (No.23 Notice of the State Administration of Taxation)”, small meager-profit companies are entitled to a preferential policy of reducing income tax by 20%; enterprises or non-enterprise units with taxable monthly sales lower than 20,000 yuan (including 20,000 yuan), can be temporarily exempted from valued-added tax; enterprises or non-enterprise units, whose monthly turnovers do not exceed 20,000 yuan, can be exempted from business tax. Such tax incentives would greatly facilitate the development of small meager-profit companies. According to statistics, the labor population in China is nearly 800 million, while the employment population reaches 769 million, including 150 employment populations owned by small meager-profit companies. The labor-absorbing ability of small meager-profit companies is 4 to 5 times of large and medium-sized enterprises. These figures reflect that the Chinese government’s tax preference to small meager-profit enterprises can not only promote the development of small and micro-sized enterprises, but also boosts labor demands.

1.2.2 Tax Policy: Affecting Labor Income

Tax policy can regulate the labor income. Tax policies can be implemented to lower the excessively high labor income, eliminate or normalize implicit incomes, ban unlawful income, increase the excessive low labor income, boost the proportion of middle-income populations, and narrow urban-rural, inter-regional and inter-industry income gaps to guarantee the fairness of labor income. With improved living standards, a large number of low-income people have to pay personal
income taxes, although they suffer great living pressures caused by rising prices of various articles. However, after a tax policy was implemented to raise the personal income taxation threshold, people, with an income lower than 3,500 yuan, are exempted from personal income tax. In this way, the tax policy improves the labor income of low-income people, thereby increasing their enthusiasm for working and ensuring that laborers can exert all their energies at work to create values for society, as well as their employers.

1.3 Social Security Policy Effect on High-Quality Employment

1.3.1 Increasing Welfare and Employment Level of Laborers

Social insurance policy, as an important part of social security policies, produces special effects on employment of laborers. China’s current social insurance system is mainly composed of pension, medical, sickness, disability, unemployment, maternity, death and wills insurance programs. These social insurance policies can bring stable anticipated incomes and reduce worries related to sickness, unemployment and maternity of laborers in employment, so that laborers can be more focused on their work, thus working at a higher production efficiency and promoting the rapid development of the economy. Meanwhile, laborers do not need to deposit much savings for emergency needs, which, to some extent, can boost consumption and simulate domestic demands, thereby increasing labor demands.

Table 1: Proportion (%) of Each Item in the Total Social Security Expenditure

<table>
<thead>
<tr>
<th>Year</th>
<th>Retirement pay for administrative institutions</th>
<th>Financial aid to social insurance funds</th>
<th>Employment subsidy</th>
<th>Subsistence allowance to urban residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>28.77</td>
<td>23.41</td>
<td>6.81</td>
<td>5.43</td>
</tr>
<tr>
<td>2008</td>
<td>26.64</td>
<td>23.97</td>
<td>6.09</td>
<td>6.05</td>
</tr>
<tr>
<td>2009</td>
<td>27.51</td>
<td>23.36</td>
<td>6.72</td>
<td>6.81</td>
</tr>
<tr>
<td>2010</td>
<td>25.78</td>
<td>25.29</td>
<td>6.84</td>
<td>5.90</td>
</tr>
<tr>
<td>2011</td>
<td>24.64</td>
<td>28.37</td>
<td>6.03</td>
<td>6.07</td>
</tr>
</tbody>
</table>

Note: Only main items are listed in the table, so the sum total of proportions of the four items is less than 1
Data source: Calculations based on relevant data in China Statistical Yearbook from 2008 to 2012.

As can be seen from Table 1, retirement pay for administrative institutions accounted for a large proportion of the overall social security expenditure of China. The proportion of retirement pay for administrative institutions accounted for a large proportion of the overall social security expenditure was the highest in 2009, reaching 28.77%. And this figure had shown a decline trend on a year-over-year basis, ever since 2007. Meanwhile, the proportion of the financial aid to social insurance funds in the overall social security expenditure showed a rising trend, which indicated that the Chinese government was increasingly focused on giving financial aids to social insurance funds. Proportions of both the employment subsidy and subsistence allowance to urban residents were around 6%, which was much lower than developed countries, and did not conform to the current development situation in China.

Currently, bearing increasingly great pressures from the economic downward, the Chinese government is required to reduce the burden on enterprises to simulate the vitality of enterprises, so that enterprise can better complete the task of absorbing laborers in the employment market. As clearly stipulated in the Third Plenary Session of the 18th, the Chinese government should lower the social security rate properly and timely and implement the policy of adjusting and perfecting work-related injury insurance rate to decrease the lowest industry benchmark rate from 0.5% to 0.2%, the highest industry benchmark rate from 2% to 1.9%, the average policy rate from 1% to 0.75% (with a 0.25% decrease) and the actual average rate from 0.9% to 0.7% (with a 0.2% decrease). According to preliminary estimates, favorable social security policies can reduce a total expenditure of 15 billion yuan for enterprises. As a result, with alleviated burdens, enterprises can increase employee benefits, thereby improving the level of employment. In addition, work-related injury insurance benefits of injured workers have continued to grow. For example, the one-off work-related death insurance benefit has a unified national standard, and would increase along with the improvement of the per capita disposable income of urban residents in the previous year. Each area has built a mechanism ensuring that work-related injury benefits increase along with economic development. During the period from 2009 to 2014, the one-off disability insurance benefit experienced an average of a 28.7% increase on a year-by-year basis; 25.1% for the disability subsidy; and 28% for life care allowance. Benefits of injured workers are provided by law, so their benefits would not be reduced due to insurance rate decreases. As a result, the employment level of laborers is improved.

1.3.2 Increasing Human Capital Amount in Labor Supply

Human capital, one of important forces to promote modern economic growth, has effects which cannot be ignored. Along with social development and technology advancement, modern enterprises have paid growing great attention to the quality of their employees. Improvement of the laborer quality can alleviate frictional and structural employment caused by scientific and technological progress, industrial structure upgrading and other factors. Improvement of the laborer quality can be realized through training, education, practices and other ways, so that laborers can gain more job opportunities and higher incomes and improve their quality of employment.
China’s social security expenditure in vocational training has increased annually. According to rough estimates, in 2013, the total investment of funds for vocational training was about 345 billion yuan, with a nearly three times increase over 93.9 billion yuan in 2005, which indicated an average of 18% annual increase. In 2013, the fiscal education budget for vocational training was 254.3 billion yuan, experiencing a nearly 5 times increase and indicating an average of a 25% annual increase [13]. Increases in vocational training expenditures have improved the post qualification of laborers, thereby further increasing the amount of human capital.

1.3.3 Stabilizing Labor Market and Balancing Labor Supply and Demand
At present, China’s social security policies can offer sufficient securities to laborers in pension, medical care, unemployment, work-related injury, maternity and other aspects, so that all laborers can be free from worries arising from illness, retirement and unemployment, and throw themselves fully into work. Specific insurance situations are shown in Figure 3.

As can be seen from Figure 3, the number of persons joining the social insurance system showed a rising trend in the past 5 years. At the end of 2014, the number of persons joining the pension insurance system reached 842.32 million, which was 22.63 million greater than the same period in 2013. In addition, the bulletin also showed that the year-around pension insurance fund revenues reached 2.762 trillion yuan which showed an 11.7% increase over the previous year and included 2.11 trillion yuan of pension insurance fund collection revenues, with a 9.5% increase over the previous year. The year-round pension insurance fund expenditure in 2013 reached 2.3326 trillion yuan, with a 17.7% increase over the previous year. At the end of 2013, the pension insurance fund balance was 3.5645 trillion yuan. Meanwhile, numbers of newly-joined persons in medical care, unemployment, work-related injury and maternity insurance in 2014 were 26.74 million, 6.26 million, 7.22 million and 6.47 million, respectively. Accumulated fund balances of medical care, unemployment, work-related injury and maternity insurance were respectively 391.3 billion, 445.1 billion yuan, 112.9 billion yuan and 59.3 billion yuan. The rising trend in the number of insured persons not only indicates that laborers have developed a greater awareness of risk along with the imperfection of social security policies, but also proves that the whole labor market has become more and more stable with each passing year. In addition, the accumulated balances of insurance funds can fundamentally guarantee the whole labor market.

1.4 Science and Technology Effect on High-Quality Employment
1.4.1 Spurring a New Entrepreneurship Wave
At the third session of the 12th National People’s Congress, the Prime Minister Li Keqiang put forward the “Internet Plus” strategy. The popularity of the Internet greatly lowers the entrepreneurship threshold, thus creating many job posts. According to “Micro-letter social and economic impact study” released by the China Information Economics Society, from July 2013 to June 2014, micro-channel simulating effects brought a total of 10.07 million job opportunities, including 1.92 million of direct opportunities and 8.15 million of indirect opportunities. Meanwhile, over 5 million of teams start their business on the Tencent open platform, and provide jobs far greater than 5 million. During three years from 2011 to 2014, the total number of available applications on the Tencent open platform exceeded 2.4 million, and the total number of entrepreneurs reached as many
as 5 million. The total number of small entrepreneurs experienced a 400% growth on a year-by-year basis. A strong entrepreneurship wave has been spurred by science and technology policies. The powerful entrepreneurship wave would become a new trend in the coming decades, and bring new opportunities to the current traditional employment market.

1.4.2 Improving Flexibility of Employment Market
Science and technology policies drive science and technology to advance forward constantly. The “Internet Plus” strategy is a product derived in the process of improving science and technology policies and abiding the trend of the times. For example, in the field of communication, “Internet + Communication” derives the instant communications which enable users to make voice or video chats with each other. Meanwhile, “Internet + Employment” not only changes the traditional job-hunting mode that laborers can find jobs only through local recruitment information, but also brings new job opportunities and broad development space to laborers and improves the flexibility of the labor market.

At present, science and technology penetrate into every industry, and the labor market is also changing along with technology advancement. With recruitment websites and mobile recruitment Apps, laborers can not only access to labor-demanding information via computer internet to find jobs around the country, but also use mobile phones to check industrial dynamics so as to find more suitable and promising job posts. In today’s society, the rapidly-developing Internet technology adds vitality to the labor market, but more raises the employment quality to a new height.

2. PROBLEMS IN PUBLIC POLICY EFFECT ON HIGH-QUALITY EMPLOYMENT

2.1 Insufficient Public Fiscal Investment in Vocational Skill Training
Public financial investment in education has long been the main source of education appropriations in China. From previous public financial investment in education programs of China, education appropriations were mainly used in basic education and higher education. Although funds were also used to provide vocational training skills to laborers who are working or about to work, they just accounted for a quite small part in education appropriations. In 2005, the Public financial investment in vocational education in China was 93.9 billion yuan, and this figure increased to 345 billion yuan. Although the public financial investment in vocational education experienced an increase of nearly three times from 2005 to 2013, it still accounted a quite small proportion of the total financial investment in education. Therefore, judging from the actual national conditions in China, it can be seen that it is quite necessary to invest in basic education. Moreover, as employment problems have become increasingly evident in the context of the grim employment situation and the industrial structural adjustment and updating, it is imperative to invest more funds in vocational skill education. China had long been resorting to labor-intensive industries to develop its manufacturing industry, so as to boost import and export business and promote economic growth. However, along with technology innovation and advancement of enterprises, structural unemployment has become increasingly evident. Labor-intensive industries no longer conform to the actual economic development situation in China. A large number of workers should strengthen vocational and technical training, in order to adapt to industrial development and upgrading brought by scientific and technological progress, thus improving their own employment level, creating more wealth for society, and fundamentally enhancing the overall competitiveness of China.

2.2 Huge Gaps in Support of Tax Preference Policies for Small Meager-Profit Enterprises
Tax preference policies for financially aiding small meager-profit enterprises have problems which are mainly reflected by following three aspects. Firstly, in terms of the regional structure of tax preference, the tax-bearing level in special economic zones and other coastal developed zones are much lower than inland provinces. According to statistics, the tax-bearing rate of foreign-related enterprises in special economic zones is just 5%; the figure in coastal developed zones is 9%; the comparable figure is 15% in inland provinces. Due to huge gaps in the tax-bearing rate between coastal developed zones and inland provinces, most small meager-profit companies develop in coastal developed zones, thus further widening the gap between the development level of coastal developed zones and inland zones, so employment problems in inland provinces have been aggravated. Secondly, as seen from relevant statistical data, tax preference policies are mainly provided to small meager-profit companies in the tertiary industry, such as catering, hairdressing, small retail enterprises and other service companies. Meanwhile, as the tax reduction standard of “no more than 20,000 yuan of monthly turnover” is too low for small meager-profit companies in the construction, finance and other industries, so these companies are not entitled to enjoy tax preference policies. As a result, unfairness in tax collection is caused, because small companies in the construction, finance and other industries are provided with a smaller tax preferential margin. Lastly, tax preference policies for small meager-profit companies just touch upon limited tax categories, including income tax, value-added tax and business tax.
2.3 Low Coverage of Social Security Policies

At present, the guarantee extent of social security policies in China is quite low. The unemployment insurance coverage still has a large space for further enlargement. According to the “2013 Reports for Social Security Development in China”, China’s unemployment insurance system has a high coverage in state-owned companies, but a low coverage among private business owners and private enterprises. In 2005, the unemployment insurance coverage was 66.98% in state-owned companies; 22.8% for collectively-owned enterprises; 2.7% for private business owners; and 11.1% for private companies. As stipulated by the International Labor Organization in the “Convention concerning Minimum Standards of Social Security”, the unemployment insurance coverage among all employment should not be less than 50%. During the period from 1994 to 2012, the proportion of the number of persons joining in unemployment insurance in the total employment number in Chinese cities and towns had decreased from 42.7% to 40.9%. In addition, according to a survey of the National Audit Office, in sampling enterprises with many migrant workers, 1.3387 million of migrant workers did not purchase the unemployment insurance.

2.4 Low Degree of Implementing Science and Technology Policies to Commercialize Scientific and Technological Fruits

In 2013, National Development and Reform Commission reported that the research findings commercialization rate in China was only 10%, which was much lower than 40% as the corresponding figure of developed countries. Therefore, it is quite necessary to effectively implement policies of technological innovation and development, so that companies can truly become the mainstay of technological innovation, and more innovative ideas can be commercialized. In this way, companies develop into the decisive force for configuring innovation resources, and labor demands for high-tech technical laborers are increased, to drive the improvement of the employment quality.

CONCLUSION

In summary, public policies will play a crucial role in guaranteeing high-quality employment in the future. Meanwhile, existing public policies in China develop some problems in promoting high-quality employment. To as to solve above-mentioned problems, the Chinese government should take following measures. Firstly, the Chinese government should invest more funds in vocational funds to integrate existing education training resources, and gather social resources and teacher resources to strengthen training of practical and vocational skills of laborers and improve the employability of laborers, in order to improve the employment level of laborers and stabilize the labor market. Secondly, the Chinese government should establish and perfect tax preference policies, support small meager-profit companies, increase the extent of tax reduction, and reduce tax burdens of small-meager companies, so as to promote the development and small meager-profit companies and improve their labor-absorbing ability. Thirdly, the Chinese government should corresponding active policies to promote laborers to purchase unemployment insurance, such as properly lowering the insurance rate, and increasing the convenience of insurance payment, and so on, in order to effectively stir laborers’ enthusiasm for purchasing unemployment insurance. Fourthly, the Chinese government should invest more efforts to guide the commercialization of research findings, enhance enthusiasms of enterprises for innovation, and implement incentive policies for the commercialization of research findings to offer material guarantee for the commercialization, which can not only help to boost innovation of enterprises, but also promote the improvement of the commercialization rate of research findings.

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