

An Analysis of Labor Employment Effect in China's Economic Growth from the Perspective of Economics

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Abstract: China's long-term high-speed economic growth has not brought about an increase in employment. At the same time, the imbalance between the supply and demand imbalance of labor force and the structural unemployment pressure caused by the transformation of economic development mode has made China's current employment pressure unprecedented. The main reasons are the increase in labor supply, the high total employment rate and labor participation rate, the low level of education, gender factors and employment discrimination. Among them, the imbalance of economic structure is an important incentive for the insufficient employment effect. On the basis of summarizing and analyzing the employment effect of economic growth, this paper focuses on the employment effect of economic growth and the factors affecting the employment effect since the reform and opening-up, makes a basic judgment on the employment effect of economic growth in China, and puts forward some countermeasures to improve the employment effect of economic growth in China.

1. Introduction

Since the reform and opening up, China's labor force and employment have been growing rapidly. However, the real growth path of China's economy in recent years is not entirely consistent with the goals pursued by the government. Economic theory and development experience of all countries in the world show that there is undoubtedly a positive correlation between economic growth and employment. The faster the economic growth is, the more employment will be promoted [1]. Whether it is the traditional theory of economics or the economic development process of other countries in the world, it is enough to prove that economic growth will create more demand for labor, thus stimulating employment. The economy is growing fast, the demand for labor is relatively large, employment is increasing, employment is high, and unemployment is low. Employment is the basis of people's livelihood, and expanding employment is a major and arduous task for China in the current and future long period [2]. Although China's economy has maintained a relatively fast growth rate, there has not been an Austrian positive law effect. In recent years, with the continuous decline in employment elasticity, the problem of insufficient employment effect of China's economic growth has become increasingly prominent.

The theoretical community has given different explanations on the phenomenon that China's economic growth has a significant decline in employment. Some researchers believe that the marginal efficiency of capital investment is too fast and capital deepening is the main reason for the slowdown in economic growth and employment difficulties. According to research on American experience, when the economic growth rate is higher than 2.24%, the unemployment rate will drop by half a percentage point for every one percentage point increase in economic growth rate; when the economic growth rate is lower than 2.24%, the economic growth rate will decrease by one. The percentage of unemployment will rise by half a percentage point [3]. The main driving force of China's industrialization and economic growth is the transfer of large-scale labor force from the agricultural sector to the industrial and service sectors. However, since the early 1990s, economic growth has been characterized by "capital deepening" [4]. If the number of unregistered unemployed people in cities and towns and unemployed people in rural areas is calculated, the actual unemployment rate in China is much higher than the registered unemployment rate in cities and towns announced by the National Bureau of Statistics. Therefore, how to find the perfect

combination of economic growth and employment growth under the situation of economic growth, and realize the benign interaction between economic growth and employment growth is particularly important.

2. Methodology

From the total economic growth and employment growth, it is not difficult to see that China's economic growth has indeed promoted the increase of employment, but compared with the increase of total economic growth, the increase of employment is slightly stretched. Although some theories of western economics have not made a systematic analysis on the employment effect of economic growth alone, as an important part of macroeconomics, they also indirectly reflect the correlation between economic growth and employment [5]. According to the economic growth theory of Western economics, economic growth refers to the long-term improvement of the production capacity of providing various economic goods to residents, which is reflected in the increase of a country's GDP or GNP. Economic growth is the increase of output, so the factors of growth can be studied according to the total production function. The rapid economic growth has not brought about rapid growth in employment, and the employment growth rate has gradually declined [6]. Up to now, China's development strategy still reflects a strong "speed" color. In particular, local governments at all levels have a strong impulse to pursue local interests under the fiscal grading system. They are very keen on recruiting projects and supporting local enterprises. The market distortion caused by the division of labor market in China makes the deviation between enterprise technology choice and individual education choice, and the scarce human capital and material capital deviate from the optimal allocation, which leads to the poor employment effect of China's economic growth.

Table 1 and Figure 1 below reflect China's economic growth rate and employment growth rate since the reform and opening up. In general, China's economic growth rate has remained relatively high, and the growth rate of relatively sTable employment has not changed much, showing a downward trend. The correlation between economic growth rate and employment growth rate is becoming less and less obvious.

Table 1 China's economic growth rate and employment growth rate in 2016-2018

Years	Economic growth rate(%)	Employment growth rate(%)
2016	8.6	12.33
2017	7.5	10.17
2018	7.4	10.25

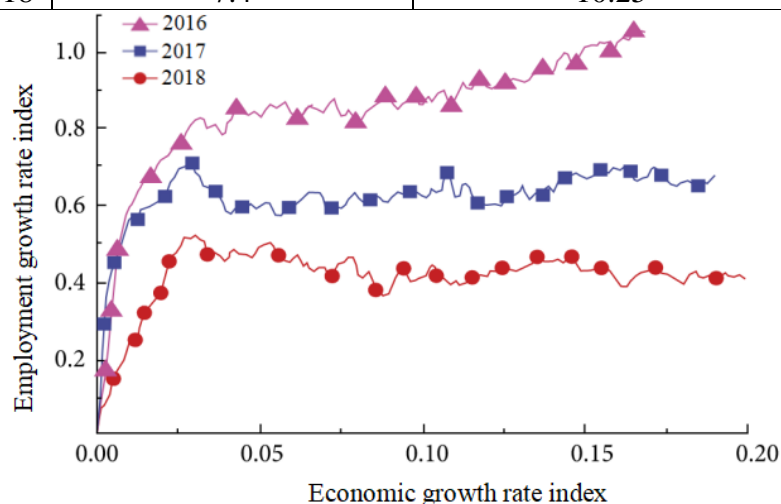


Fig.1. China's economic growth rate and employment growth rate in 2016-2018

Undoubtedly, the direct driving force behind China's sustained and rapid economic growth is China's rapid industrialization process. A comparative analysis of the magnitude and changes of

China's economic growth rate and employment growth rate can have a preliminary judgment on the employment effect of China's economic growth. Determining income levels, production levels, and employment levels is an effective demand, and unemployment is due to insufficient effective demand. The government can expand demand, increase output and income, promote economic growth, expand employment, and bring the economy to a full employment balance. China's employment elasticity coefficient shows a downward trend. The reasons for this are many, but one important reason that cannot be ignored is that the contribution rate of labor investors in economic growth tends to decline, and the investment and capital elements such as capital and technology are institutional factors. The contribution rate has increased. It can be seen that economic growth is the result of long-term effects of technological progress, capital accumulation and labor force increase. There is a positive correlation between economic growth and employment growth. Rapid economic growth will promote the corresponding growth of employment and reduce the real unemployment rate. Since China's reform and opening up, the labor price has been at a very low level. The low labor price prevents the effective exertion of the substitution effect of interest rate, that is, the comparative effect. The combined effects of substitution effect, scale effect and comparative effect lead to the insignificant effect of interest rate level on employment elasticity.

The "speed-type" growth strategy is bound to derive corresponding macroeconomic policies. The purpose of our fiscal policy is to implement the national economic and social development plan. In fact, it is to promote economic growth. Through the establishment of employment decision model, this paper analyses the impact of capital deepening, technological progress, industrial structure and other factors on employment. It is concluded that with the deepening of capital, the absolute number of capital absorbing labor force has increased, but there is a substitution of capital deepening for labor force. Making the real economic growth rate close to this (slightly higher or slightly lower) potential output growth trend prevents the unemployment rate from soaring as a result of the economic recession. At the micro level, whether the investment activities of enterprises act in accordance with market rules determines their efficiency, and then determines the quantity and scale of their labor demand. Demand drives productivity advancement, manifested by the learning effect of learning by doing, the induction of renewal and innovation investment, and the deepening of the professional division of labor in the overall economy. On the whole, although China's economic growth rate has fluctuated greatly since the reform and opening up, it has maintained a relatively high level for a long time; the change in employment growth rate is relatively stable, but it has been in a low state and shows a downward trend. It is not difficult to see that on the one hand, labor and capital are the basic elements of economic growth, and economic growth can promote the growth of labor demand. On the other hand, capital and labor can replace each other. China's non-state-owned economy is mainly concentrated in labor-intensive processing and manufacturing industries and service industries, and has strong absorption capacity for labor.

3. Result Analysis and Discussion

Economic theory shows that in the general competitive field, the full flow of unconstrained factors of production is the key to the optimal allocation of resources in the Walrasian economy. Government's market intervention often leads to distortions in the flow of factors of production, thus hindering the optimal allocation efficiency of competitive markets. Capital deepening improves labor productivity, which means that the same amount of labor input can produce more output, or the same amount of output only needs less labor input. The larger their share and investment in the economy as a whole, the faster their employment growth will be. However, the realization of private willingness to invest often depends on many factors outside the market. It requires long-term orientation between relevant economic entities, which contradicts the flexibility of the system required for resource allocation efficiency. By analyzing the changes in economic growth rate and employment growth rate, it is not difficult to see that the interaction between economic growth and employment growth at different stages is significantly different. When there is a surplus of labor, it is possible to adopt a labor-intensive production mode and reduce the ratio of capital to output, which can both expand employment and promote economic growth. Since frictional

unemployment and structural unemployment are indispensable conditions in the market economy, the natural unemployment rate cannot be reduced to zero. Any attempt to eliminate all unemployment can only lead to distortions in economic operations.

As can be seen from Figure 2 below, at this stage, China's employment elasticity has been positive, and the employment effect is always higher than the extrusion employment effect. However, the employment elasticity basically shows a downward trend. This trend shows that the absorptive effect of economic growth on employment is gradually weakening.

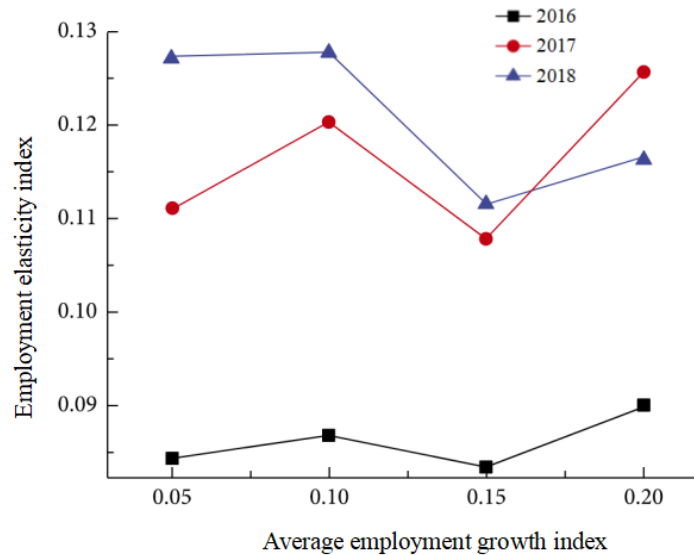


Fig.2. Employment elasticity in different periods of China at present

Raising wages at this stage will not have a negative impact on China's employment elasticity. The efficient investment activities of market allocation, under the established ratio of capital and labor, will inevitably create actual demand for labor, and thus economic growth will bring about a corresponding increase in labor and employment. Therefore, capitalization will have a crowding-out effect on employment when other factors remain unchanged. On the other hand, the increase in labor productivity brought about by capital deepening will increase the income of workers and increase the consumption level of workers. Upgrade of the consumption structure. Maintaining a rapid, sustained and steady growth of the national economy will not only help avoid cyclical unemployment due to economic fluctuations, but also help expand employment. The labor market has the characteristics of incomplete information and asymmetric information, which makes the equilibrium relationship of labor transaction special, unlike the market equilibrium of general goods determined by free prices. At the macro level, this kind of reform weakens the average degree of the income distribution pattern of the whole economy, leading to the decline of consumption scale; at the micro level, this kind of reform weakens the loyalty or long-term responsibility of various stakeholders of enterprises. Capital and technology gradually replace the role of labor force in economic growth, making the contribution of labor force to economic growth increasingly low. Therefore, the employment elasticity of economic growth in this stage generally shows a downward trend, and the pulling effect of economic growth on employment is not obvious.

The reasons for the insufficient employment effect of China's economic growth are closely related to China's current specific reform and development period, and the acceleration of China's structural adjustment is the main reason for the insufficient employment effect. The imperfect labor market is an important reason for the inconsistency between economic growth and employment growth. Traditional employment disparities still exist within and outside the system. Because of the obvious monopoly position of state-owned enterprises in some industries, the labor market is divided between state-owned enterprises and other economic sectors. At present, the state-owned economy in our country is generally inefficient and heavy in redundancy. It is difficult for its investment activities to produce corresponding labor demand. It is even necessary to mobilize

workers to be laid off or retired within the restructuring to relieve the burden of redundancy. If the growth of investment can continue to effectively drive more labor into the production process, so that the capital-labor ratio is always stable, the capital-output ratio will not rise with economic growth. Because the demand for general items can be met through very convenient choices, the selection process for a single workforce is costly. On the one hand, this growth model has gained an incremental return on investment, on the other hand, it has led to a decline in the labor absorption capacity of the production process, as well as the difficulty of social employment structure and rural surplus labor transfer. Although the employment elasticity of economic growth has declined, it has remained at a relatively high level. In general, the employment effect of economic growth at this stage is significant, and economic growth has a significant pulling effect on employment.

4. Conclusion

This paper studies the employment effect of economic growth since China's reform and opening up, and finally concludes that the employment effect of China's economic growth is characterized by the absorption of employment effect and the squeeze out of employment effect. Rapid economic growth and employment expansion have always been the dual goals pursued by the Chinese government. In the first half of the reform period, the Chinese economy achieved double growth in output and employment in a labor-intensive growth mode. Since the 1990s, the effect of crowding out employment has become more and more obvious. It seems that economic growth is pulling less and less employment. But in fact, there is still much room for improvement in the employment effect of economic growth. Promoting the promotion and application of high-tech can not only enhance the independent innovation ability of enterprises, but also effectively expand the wider employment space. In order to achieve the goal of building a well-off society in an all-round way, China should expand consumption demand, stimulate economic growth, eradicate market weakness, promote economic revitalization and create more employment opportunities. In the regional structure, we should increase the support for rural employment to reduce the pressure on urban employment. The improvement of labor productivity brought about by capital deepening will also increase the income of workers, promote the upgrading of consumption structure, promote the development of tertiary industry, increase the demand for labor force, and produce compensation effect on the employment of workers.

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