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### NAVIGATING THE EVOLUTION OF EMPLOYMENT IN CHINA'S ECONOMIC TRANSFORMATION: CHALLENGES AND GLOBAL INSIGHTS



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**Abstract:** Since the 1980s, China has undergone profound economic transformations that have reshaped its employment landscape. This paper examines the historical evolution of employment in China, highlighting the impact of various policies, market adjustments, and social factors that shape employment structures at different stages. Additionally, the paper engages in international comparisons to emphasize the importance of enhancing labor protections, improving vocational training, and strengthening social support systems. Finally, based on China's developmental experiences, the paper offers strategic lessons for other developing nations to ensure robust employment growth amid ongoing economic transitions.

**Keywords:** Employment development in China; economic transformation; international comparison; policy impact; lessons for developing countries

#### 1. Introduction

Since the initiation of economic reforms in the 1980s, China has experienced significant transformational changes leading to substantial modifications in its employment landscape and social framework. According to the International Labour Organization (ILO, 2020)<sup>1</sup>, China's average annual GDP growth rate was 6.5%, exceeding the global average of 3.5%, which has played a crucial role in shaping its labor market. This paper explores the historical evolution of employment in China, analyzes its role in economic transition, and offers insights for other developing countries facing similar challenges.

#### 2. Theoretical Framework

The theory of economic structural transformation provides a crucial lens for understanding shifts in employment markets within the Chinese context. Hirschman (1958)<sup>2</sup> argues that economies develop through changes in industrial structure that lead to labor migration from low-productivity to high-productivity sectors. Since the reforms of 1978, China has seen significant shifts, with employment in agriculture decreasing from 70% in 1978 to just 26% in 2020 (National Bureau of Statistics, 2021)<sup>3</sup>.

In light of globalization, labor mobility has emerged as a fundamental driver of economic growth. Gerschenkron's (1962)<sup>4</sup> theory of catch-up growth stresses that late-

<sup>1</sup> International Labour Organization. (2020). *World employment and social outlook: Trends 2020*.

<sup>2</sup> Hirschman, A. O. (1958). *The strategy of economic development*. Yale University Press.

<sup>3</sup> National Bureau of Statistics of China. (2021). *China Statistical Yearbook 2021*. Beijing: China Statistics Press.

<sup>4</sup> Gerschenkron, A. (1962). *Economic backwardness in historical perspective*. Harvard University Press.

developing nations often draw on the successful experiences of their advanced counterparts. Thus, China's rapid industrialization and urbanization have been fueled by foreign investment and technology, fostering new momentum for economic progress.

Comparative studies indicate that the dynamics of employment transformation in China share similarities with those observed in other rapidly industrializing countries. For example, Brazil's transition in the late 20th century reflects similar patterns of urban migration, labor market diversification, and post-industrial challenges (Hirsch, 2017)<sup>5</sup>. Such cross-country perspectives help elucidate the nuanced interplay of policy choices and economic conditions influencing labor transitions globally.

### 3. Economic Transition and the Evolution of Employment Markets

#### 3.1 Employment Patterns during the Planned Economy Era (1949-1978)

In the early years following the establishment of the People's Republic of China, a centralized economic model predominated. Labor allocation was primarily dictated by state plans, with 83% of the workforce engaged in agriculture as of 1952 (National Bureau of Statistics, 1952)<sup>6</sup>. This period emphasized stability but led to inefficiencies due to the lack of market mechanisms.

Key drivers of change include:

- **Policy Approach:** Land collectivization restricted rural labor to the agricultural sector, inhibiting productivity gains.
- **Social Context:** A commitment to economic independence fostered a socialist planned economy, prioritizing production over employment quality.
- **Global Influence:** Cold War dynamics prompted a closed economic system, limiting foreign investment and technology transfer.

#### 3.2 Market Economic Transition (1978-1990s)

The introduction of reform and opening-up policies in 1978 marked a significant pivot, with market mechanisms gradually replacing centralized control. The household responsibility system spurred productivity, leading to an average income growth of about 10% per annum prior to 1985 (National Bureau of Statistics, 1991)<sup>7</sup>. This shift instigated substantial labor migration to urban centers, catalyzing the urbanization process.

Key factors contributing to the transition include:

- **Policy Revisions:** Market dynamics dismantled collective farming in favor of household contracts, enabling greater autonomy for farmers.
- **Economic Incentives:** The state encouraged foreign investment through special economic zones, which activated industrial modernization and job creation.
- **Social Changes:** Improved living standards created heightened expectations regarding wages and working conditions, fostering a more competitive labor market.

China's urbanization rates surged from 18% in 1978 to 36% in 2000 (UN-Habitat, 2001)<sup>8</sup>, marking a transformative phase characterized by the rise of migrant workers. This phenomenon also spotlighted the socio-economic challenges that accompany rapid transformation, including disparities in access to public services and social benefits for rural migrants in urban settings.

<sup>5</sup> Hirsch, A. (2017). *Labor market transformations in rapidly industrializing countries: A comparative perspective*. *Journal of Economic Perspectives*, 31(2), 165-190.

<sup>6</sup> National Bureau of Statistics of China. (1952). *China Statistical Yearbook 1952*. Beijing: China Statistics Press.

<sup>7</sup> National Bureau of Statistics of China. (1991). *China Statistical Yearbook 1991*. Beijing: China Statistics Press.

<sup>8</sup> UN-Habitat. (2001). *Cities in a globalizing world: Global report on human settlements 2001*. Earthscan.

### 3.3 Urbanization and Employment Challenges (1990s-Present)

As China approached the 21st century, it embarked on comprehensive urbanization, projected to exceed 70% in the coming decade (The Economist, 2019)<sup>9</sup>. The concurrent growth of the service sector alongside sustained manufacturing has dramatically altered employment structures.

Factors driving these developments include:

- **Economic Shifts:** The service sector's expansion correlated with transformations in manufacturing, reflecting the changing demands of a modern economy.
- **Government Initiatives:** The government actively facilitated urbanization while improving infrastructure and housing for urban residents, albeit with mixed results.
- **Technological Advances:** The rise of the digital economy has created new employment opportunities, although it has also contributed to increasing job polarization.

By 2021, the scale of China's digital economy reached 39.2 trillion yuan, accounting for 38.6% of GDP (China Academy of Information and Communications Technology, 2021)<sup>10</sup>. However, gig employment has introduced challenges, including inadequate social security and income instability. The total number of migrant workers reached 290 million, often facing barriers related to healthcare and housing (National Bureau of Statistics, 2020)<sup>11</sup>.

This juxtaposition of economic growth with social inequity calls for a re-examination of labor policies to ensure that all workers, including those in informal sectors, are afforded essential protections and supports. Effective policy frameworks are necessary to bridge the gap between urban and rural disparities and to promote inclusive growth.

## 4. International Comparative Analysis

A global perspective reveals the impact of diverse historical contexts, policy decisions, and economic structures on labor markets.

### 4.1 Insights from East Asia

South Korea's industrialization journey demonstrates effective policymaking. Between 1970 and 1990, the share of agricultural employment dropped from 30% to 7% (OECD, 2020)<sup>12</sup>, underscoring the critical role of education and skills development in facilitating structural shifts in the labor market.

### 4.2 Challenges Faced by India

India's urbanization has progressed slowly, achieving an urbanization rate of only 34% in 2018 (World Bank, 2020)<sup>13</sup>. Primary obstacles include inconsistent policy enforcement and inadequacies in its skill development framework. The Indian experience highlights the necessity of comprehensive reforms in both vocational training and social security systems to address the complexities of a diversified workforce.

### 4.3 Strategies in Europe and North America

Western nations concentrate on enhancing labor market efficiency and nurturing a high-skill workforce. McKinsey's analysis indicated that, by 2020, job opportunities related to China's digital economy reached 70 million (McKinsey, 2020)<sup>14</sup>, reflecting strong market

<sup>9</sup> The Economist. (2019). *Urbanization in China: The speed of change*.

<sup>10</sup> China Academy of Information and Communications Technology. (2021). *Report on the development of China's digital economy 2021*. Beijing: CIIC.

<sup>11</sup> National Bureau of Statistics of China. (2020). *National Migrant Worker Monitoring Survey Report 2020*. Beijing: National Bureau of Statistics.

<sup>12</sup> OECD. (2020). *Economic surveys: Korea 2020*. OECD Publishing.

<sup>13</sup> World Bank. (2020). *World Development Indicators*.

<sup>14</sup> McKinsey & Company. (2020). *The future of work in China: Building a workforce for the 21st century*.

demand. The European Union's emphasis on transitioning towards a digital and green economy presents a model for other nations to aspire to in fostering sustainable employment growth.

## 5. Conclusion and Practical Implications

The evolution of China's employment market has led to significant changes shaped by policy interventions, market dynamics, and social developments.

### 5.1 Reflecting on China's Path Forward

China's achievements hinge on responsive policy frameworks and improved social safety nets. Enhancements in vocational training have considerably boosted labor competitiveness, but the need for stronger protections for gig workers remains urgent.

### 5.2 Valuable Lessons for Developing Countries

Other developing nations can glean insights from China by tailoring strategies to their unique contexts. Prioritizing vocational training and developing flexible workforce strategies can effectively address evolving labor demands while alleviating social disparities.

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