



# Government Protection of Both Parties in the Operation of the Post-epidemic Labor Market in China

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## INTRODUCTION

The COVID-19 outbreak, which started in early 2020 worldwide, has not subsided today and may worsen in some countries and regions such as India and Brazil, posing a serious threat to human life, health, and security, while inflicting an unprecedented impact on the economies of various countries.

Under the strong leadership of the Communist Party of China (CPC) and the joint efforts of the whole nation, China, as the first country to discover and report the COVID-19, quickly and effectively brought the epidemic under control with its economy gradually recovering from the

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stagnation at the beginning of the year. According to the data released by the National Bureau of Statistics of China, China's GDP in 2020 reached nearly 102 trillion yuan, with a growth rate of 2.3%, making it the only major country in the world with a positive economic growth. In 2020, a total of 11.86 million new urban jobs were created, only 1.66 million fewer than the previous year. By the end of 2020, the surveyed urban unemployment rate was 5.2%, and the registered urban unemployment rate was 4.2%. Besides, the total number of peasant labors in China was 285.6 million, down 1.8% from the previous year, of which, 16.959 million were the rural-urban migrant labors, down 2.7% and local peasant labors reached 116.01 million, down 0.4%.

COVID-19 has hit industries hard, especially the labor market. To solve the problem of employment in the labor market is a challenge for China, a developing country with the largest population and the largest labor market in the world. In recent years, to meet the demand for high-quality development, China has undergone profound changes in its economic development pattern and made profound adjustments to its industrial structure. At the same time, due to a variety of factors, such as the global economic downturn and the rise of protectionism in some countries that led to a decline in external demand, the downward pressure on China's economy is increasing, which has brought about not only a general but also a structural problem in employment. To cope with the difficulty in stabilizing employment in this context, the state has introduced various measures to stabilize employment, to ensure the stability of the labor market. The COVID-19 has once again intensified the difficulty of employment in the labor market, which has exerted a great impact on both labor supply and demand subjects. Data released by the National Bureau of Statistics showed that the GDP growth rate in the first quarter of 2020 was  $-6.8\%$  year on year, the first significant negative growth. According to Okun's Law, the decline of economic growth rate will lead to the rise of unemployment rate, which has a negative impact on the job market. Under the double blow of demand and supply, a large number of enterprises with difficulty in financing and weak ability to resist risks are facing survival crisis, as result of which, a large number of labors are facing the practical dilemma of unemployment and difficulty in finding jobs. From the trend of the national surveyed urban unemployment rate, the unemployment rate from February to June reached 6.2%, 5.9%, 6.0%, 5.9%, and 5.7%, respectively, and the high unemployment rate remained at about 6% for half a year.

“Employment is the most important thing for people’s livelihood”. The Communist Party of China (CPC) with General Secretary Xi Jinping at its core has stepped up efforts to keep employment, the financial sector, foreign trade, foreign and domestic investments, and expectations stable, namely “six stable” and further put forward the measures of “six guarantees (including people’s employment, basic people’s livelihood, market entities, food and energy security, industrial chain and supply chain stability, grass-roots operation)” with the stability of employment in a prominent position. In addition to implementing effective measures such as supporting the development of the real economy to keep the foundation of employment stable, creating more jobs in line with the trend of economic transformation and upgrading, encouraging people to find jobs and start their own businesses through multiple channels, increasing services for employment and entrepreneurship and providing basic living allowances, the state strengthens protection and policy support for both sides in the labor market and give equal priority to creating more jobs and maintaining the stability of existing ones, which, despite mounting downward pressure on economic growth, have kept employment basically stable and contributed to a stable and positive employment situation. Meanwhile, in the post-epidemic era, China has introduced a series of prudent monetary policies and proactive fiscal policies to boost economic development and provide corresponding protection to both labor market players. At present, such policies and measures of government protection have been adjusted in a timely manner and continued well, which has effectively ensured the stability of China’s labor market.

## METHODOLOGY

The methodology of institutional analysis, comparative analysis and system approach were used in frame of the research. Some statistical methods we used for calculating the financial results and indicators of the policy. The following researchers influenced on our study: Dong Baohua (2020), Wang Zhen (2020), Qian Xiaoyan (2020), Chao Xiaojing (2020), Osipov Vladimir et al. (2021), Osipov Vladimir (2019), Yankovskaya et al. (2020), Liu Dun et al. (2020).

Some information and data were taken from official sites in the Internet: <http://www.mohrss.gov.cn/> and <http://www.stats.gov.cn/>.

## RESULTS

### *Government Protection of Enterprises, the Demand Side of the Labor Market*

The impact of COVID-19 has caused serious differentiation of enterprises in different industries, forming a sharp contrast. Due to the flow of people, logistics, capital chain and other factors, industries like retail catering, accommodation and tourism, transportation, culture and entertainment, manufacturing, real estate, construction, and energy and mining suffered the biggest impact, with revenues falling so much that they could not sustain them until they went bankrupt. Especially the micro-, small- and medium-sized enterprises, which occupy an important position in China's national economic system and are distributed in all walks of life, are facing greater difficulties. Among the registered enterprises in China, 90% are micro-, small- and medium-sized enterprises (MSMEs), which constitute a very important link in China's economic system. Therefore, the healthy development of MSMEs has a far-reaching impact on the national economy and must be the key subject of government protection in the epidemic period and post-epidemic period. MSMEs contribute 50% of China's tax revenue, more than 60% of GDP and 70% of technological innovation, and provide about 80% of urban jobs. Thus, in the post-epidemic era, the importance of MSMEs is self-evident. To protect MSMEs is to safeguard the economy, maintain the stability of the labor market and protect employment. Generally speaking, the Chinese government's protection policies for enterprises are mainly classified into four categories.

1. Make every effort to ensure the resumption of work and production and the normal operation of enterprises.

To stabilize the operation of the labor market, the government should first ensure that enterprises can carry out normal production and business activities. An important part of the government's efforts to stabilize the Labor market throughout 2020 is to ensure as much as possible a return to enterprises as usual. On February 11, 2020, after COVID-19 was basically under control, Chinese Premier Li Keqiang held an executive meeting of the State Council, pointing out that "while making every effort to prevent and control the epidemic, enterprises should

be encouraged to resume work and production in an orderly manner”. Specific measures include: First, cities with a low number of infected people should resume work and production in an orderly manner. Second, the government focuses on helping enterprises of medical materials for prevention and control to reach production as soon as possible and coordinate and solve problems of equipment, labor, capital, and raw materials. Third, the government organizes the return of migrant labors to their posts in an orderly way. In 2020, special buses, trains, and chartered flights have been organized to transport more than 6 million peasant labors back to work point-to-point, including over 1.6 million poor labors. The government will help them get out of their homes, get on the train door and enter the factory seamlessly. Fourth, the government strengthens support for coal, electricity, oil, and gas transportation to ensure the normal operation of major transportation arteries and key logistics hubs. Fifth, the government promotes the early start and construction of major projects. On July 31, 2020, Premier Li Keqiang held another meeting, calling for greater release of the potential of final demand and stronger measures to stabilize growth, so as to break shackles on the development of market entities, create more jobs, and support enterprises to maintain stability.

## 2. Vigorously cut taxes and fees to reduce enterprises operating costs.

Hit by the outbreak, a large number of enterprises had been forced to suspend production, with their operating income falling sharply or even losing their source of income. What’s worst, they had to bear the corresponding costs, especially the taxes, salaries, social insurance, etc., which further aggravated the plight of enterprises, especially MSMEs. To protect enterprises is to protect employment. Having been timely aware of the difficulties faced by enterprises, the central government and local governments at all levels, after the epidemic was brought under control, introduced various fiscal policies, such as tax and fee reduction policies, in order to reduce the operating costs of enterprises and help them recover as soon as possible. In addition, governments at all levels established support mechanisms to ease the difficulties of enterprises, especially MSMEs, including reducing or exempting rents of state-owned properties, VAT, social security fees, unemployment insurance premiums, etc., and using the surplus of unemployment insurance benefits to help

enterprises stabilize jobs. These policies introduced during the epidemic prevention and control period have been continued with the support of the government in the post-epidemic period, and some of them have even been extended to the end of 2020, such as the policy that enterprises in difficulty may defer payment of social insurance premiums. In 2020, the Ministry of Human Resources and Social Security's policy of "exempting, reducing, postponing and lowering social security premiums" reduced the burden on enterprises by 1.54 trillion yuan, issued 104.2 billion yuan of unemployment insurance to 6.08 million enterprises, and spent hundreds of billions of yuan on employment subsidies and special awards and subsidies. These policies have effectively helped enterprises to reduce cost expenditure, and the cost savings have effectively supported them to put into production and accelerated the pace of their return to normal operation.

### 3. Finance and carry out "blood transfusion" enterprises to help them survive.

After being hit by the epidemic, a large number of enterprises are on the verge of death. Tax and fee cuts are conducive to reducing enterprises' "blood loss", while helping enterprises to finance and carry out "blood transfusion" is another key measure to ensure their return of to normal operation. In order to provide financial support to all kinds of enterprises, in terms of monetary policy, the government lowered loan interest rates, increased credit supply, credit loans and medium- and long-term loans, expanded financing guarantee services, innovated financing products and services, and accelerated the promotion of equity and services. For example, the "Chaoyang District Financial Integrated Service Platform for MSMEs" in Beijing is a platform dedicated to solving the financing difficulties for MSMEs, which thirty-five financial institutions have entered to provide debt financing, equity financing, intermediary services, guarantee and credit enhancement, policy services, etc. Since its establishment, the platform issued 2.46 million loans in five days and generated 50 million loans in two weeks. Since the epidemic prevention and control stabilized, by the end of May 2020, more than 1,600 enterprises had raised more than 5 billion yuan through the platform, strongly supporting the recovery and development of enterprises in the post-epidemic period.

#### 4. Provide all kinds of convenience for enterprises.

Due to the prevention and control of the epidemic, the flow of people was restricted. Even in the post-epidemic period when the epidemic is under control, the small-scale outbreaks of local epidemics have brought some inconvenience to the flow of people and the operation of enterprises. Under such circumstances, governments at all levels launched various policies to facilitate enterprises, such as adjusting salaries, job rotation, shortening working hours, and so on to stabilize jobs under the condition of consensus with employees, so that enterprises can minimize layoffs. In addition, enterprises in the Beijing are allowed to conduct online recruitment and sign e-labor contracts online, and the legal effect of e-labor contracts has been recognized by the Ministry of Human Resources and Social Security.

## DISCUSSIONS

### *Government Protection of Labors, the Supply Side of the Labor Market*

The outbreak of COVID-19 affected not only enterprises but also countless labors, as can be seen from the high surveyed urban unemployment rate in 2020. With the world's largest labor force, the total number of labors affected in China is even larger than the total population of the United States. The labors affected fall into four categories. The first is labors who have lost their jobs or been laid off as a result of the outbreak, when their businesses have gone bankrupt or become unsustainable. The second is labors who cannot return to work because of epidemic prevention and control and can only telecommute or take time off work. The third is college graduates who are about to enter the labor market. In 2020, the number of people in this category reached 8.74 million, a record high. The fourth is the unemployed who are already out of work and looking for work. These labors may face a sharp drop in income or no income at all, thus suffering from mortgage, car payments, and great pressure to survive.

The fact that so many labors have been affected by the epidemic is a huge test for economic development and social stability. The Chinese government is clearly aware of the problem, so the first of the "six stable" and "six guarantee" policies is to keep employment stable and guarantee employment. These policies have basically been implemented throughout

the epidemic prevention and control period and have continued up to now, mainly in the following four aspects.

### 1. Promote and expand employment-related policies

The Chinese government has been implementing various employment policies since the beginning of 2020, including joint recruitment service, employment service for enterprises in key industries, employment service for key groups, flexible employment promotion service, entrepreneurship guidance service, high-quality training service, labor cooperation service, employment poverty alleviation service, supply and demand information monitoring service, human resource service industrial park, and other comprehensive employment services.

### 2. Formulate policies for college graduates

In 2020, 8.74 million college graduates will enter the labor market in China, which is an unprecedented challenge. In order to promote the employment of this group, Chinese government has introduced nearly 40 policies: For higher education, policies have been introduced to expand enrollment of majors urgently needed by national strategy and the development of people's livelihood for master's degree, upgrading from junior college student to university student, and the second bachelor's degree. For community-level employment, policies have been introduced to expand the number of applicants for the "special post program" and the "three supports and one assistance program", to increase the number of urban and rural community and community-level medical care posts, and to create jobs for research assistants. For enlisting in the army, policies have been introduced to increase the preferential level of admission to higher education, to optimize the physical examination standards, and to recruit non-commissioned officers directly into the army. For vocational qualification conditions, the policy of "first working in the post and then obtaining the certificate" has been introduced for teacher's certificate and other vocational qualifications.

In order to improve the efficiency of job matching for this group, new communication channels of online services such as "Cloud Publicity", "Cloud Recruitment" and "Cloud Management" have been provided.



The Ministry of Human Resources and Social Security launched a 100-day online recruitment campaign to provide more than 10 million new jobs where 2.08 million employers posted 27.61 million positions, and performed “cloud services” such as video recruitment, remote interviews, and precision matchmaking to help college graduates find jobs. According to statistics, the “National College Graduates Online Signing Platform” has promoted nearly 900 colleges and universities in 11 provinces to carry out online signing, with about 645,000 graduates finishing online signing. At the same time, special employment assistance will be provided for college graduates from poor families.

### 3. Implement policies aimed at improving employment skills and providing employment services

The Chinese government has constantly stimulated the social responsibility and initiative of human resource service agencies, offering supports to those that have played an outstanding role in promoting employment, such as space rent reduction, incentives and subsidies, awards to honest service agencies, and selection of key enterprises in the industry and guiding human resource service institutions, especially MSMEs, to fully enjoy tax and fee reduction, loan subsidies and other relevant support policies. Furthermore, the government made great efforts to carry out various kinds of job training and skills upgrading, appropriating 100 billion yuan from the surplus of unemployment insurance funds to accelerate the promotion of vocational skills upgrading and help enterprises with difficulties in providing job-transfer training. More targeted employment services and supportive policies have been introduced for key groups such as college graduates and demobilized military personnel. Also, the government strived to strengthen employment assistance for people who have difficulty finding jobs, ensure that labors are not laid off when they are transferred to other jobs during structural adjustment, and create more work opportunities and conditions for rural migrant labors.

### 4. Expand employment in new forms of business, promote gig market and flexible employment, and foster new areas of growth in employment

While destroying traditional jobs and employment, the epidemic has also created a large number of new forms of employment by virtue of the advantages of Internet + , mobile intelligence, and e-commerce. After the outbreak, with the continuous development of the “Internet + “, new industries and new forms of business, such as online retail, online medical care, and online classroom, are growing rapidly, creating more opportunities for flexible employment. In this context, China’s new employment model has shown explosive growth, giving birth to a variety of jobs and well playing the role of “reservoir” and “buffer” for the labor market. Although the outbreak of the epidemic has damaged the traditional economy, it has created opportunities for the creation of new forms of employment, providing strong support for economic recovery and stable employment. During the epidemic prevention and control, the “online economy” and “house economy” prevailed, with fresh delivery, telecommuting, classroom in the air, online medical treatment, and employee sharing springing up. In the post-epidemic period, these new forms of business have also been maintained. The Chinese government continues to roll out policies to support flexible employment through multiple channels, which not only greatly promotes the gig market and gives full play to the advantages of flexible employment, but also creates a large number of jobs and promotes stability in the labor market.

In this new form of employment, both labor market subjects are beneficiaries. For employers, the gig economy can minimize employment costs and risks, and improve work efficiency and for the vast majority of labors, the gig economy offers not only an exchange of talent, efficiency and income, but also the possibility of owning multiple part-time jobs, earning more for their work and having more discretionary time. The gig economy can reduce the idleness and waste of labor force in the whole society, and provide employment channels for people without permanent occupation or temporary unemployed. Some employers have thus found new employment needs and new development paths. This “all-win” situation has quickly made the gig economy a new employment trend. However, some problems exist in this new form of employment, such as unclear labor relations, incomplete social security, repeated violation of labors’ rights and interests. In this regard, President Xi Jinping has stressed that the most prominent issue at present is the legal protection of labors in the “new form of employment”. In promoting flexible employment, the Chinese government has attached great importance to

safeguarding the labor rights and interests of this part of the workforce, studying and formulating labor and security policies for platform employment, clarifying the responsibilities of Internet platform enterprises in the protection of labors' rights and interests, guiding Internet platform enterprises and affiliated enterprises to negotiate with labors on matters such as labor remuneration, rest and vacation, and occupational safety guarantee and leading the industry (local) trade unions to negotiate with industry associations or representatives of industry enterprises to formulate industry norms such as labor quota standards, working hour standards, rewards, and punishments.

## CONCLUSIONS

The employment problem in the labor market mainly lies in the mismatch between labor supply and demand, as well as the unimpeded information transmission between labor supply and demand.

In the post-epidemic period, when the epidemic prevention and control initially achieved results, The Chinese government's protection of both side in the labor market is embodied in three aspects. First, monetary, fiscal, and employment policies work together to stabilize employment, strengthen protection for both sides, and ensure the sound operation of the labor market. Second, the forms of employment are standardized and diversified in accordance with the law to effectively protect the legitimate rights and interests of labors and give enterprises greater flexibility and convenience in employment. Third, special assistance is offered to enterprises in difficulty, key employment groups, and the unemployed.

In the post-epidemic period, the Chinese government's various protection measures have achieved remarkable results. China created 11.86 million new urban jobs in 2020, exceeding the previous target of 9 million and completing 131.8% of the annual target, according to data released by the Ministry of Human Resources and Social Security. Moreover, by the end of December 2020, the number of employees covered by old-age insurance, unemployment insurance, and work-related injury insurance in Chinese enterprises increased by 16.19 million, 11.47 million, and 12.91 million respectively compared with the end of 2019, with the largest year-on-year growth in the past five years, which is a strong proof of the Chinese government's efforts to protect labors in the post-epidemic period.

On the protection of enterprises, the review of the work of the Chinese government for 2020 shows that over 2.6 trillion yuan of economic pressure has been reduced for market entities in 2020, including 1.7 trillion yuan in social insurance premiums reduction, 2 trillion yuan in additional central government funds to establish a mechanism for direct access to the community level, banks' targeted increases in lending and lower interest rates, deferring repayment of principal and interest on loans to MSMEs, an increase of over 50% in loans by large commercial banks to MSMEs, and the financial system's surrendering 1.5 trillion yuan in profits to the real economy.

Through unremitting efforts, has not only succeeded in preventing and controlling the epidemic, but also made a perfect result in stabilizing the labor market in the post-epidemic period, setting an excellent example for other countries in the world and bring hope for the recovery of the world economy. Both sides of the labor market, with a lot of help from the government, have quickly returned to normal, as evidenced by the fact that China's GDP grew by 18.3% in the first quarter of 2021, which was still slightly lower than expected. In the future, the epidemic situation in the world will remain severe, and China's economic transformation and upgrading will still face new challenges. In terms of enterprises, the social security premium rate of Chinese enterprises is still very high, especially the pension insurance premium rate. Although the premium rate has been lowered continuously, the current level still brings great pressure to enterprises. In terms of new forms of employment, with low employment quality, a large number of gig economy labors still need to be protected. Therefore, there are still many issues that need to be further explored on how to balance the interests of both sides in the labor market while protecting the labors. However, the government will continue to implement the protection of both labor market players and provide continuous impetus for China's economic growth and the global economic recovery.

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