

EXECUTIVE SUMMARY

The rising unemployment rate and the huge surplus labor are serious problems faced by many developing countries. Governments of these countries are very much concerned about the effects of various factors on the size and structure of employment. This thesis tackles the unemployment problem of China for the period of 1987-2002, in an attempt to find out the sources of unemployment and certain feasible ways to mitigate the problem. Following Chenery's tradition of analyzing factor contributions to economic growth, we use an input-output model to examine the contributions of technological progress, international trade and consumption spending to China's employment. Given the characteristics of China as a transitional economy, this work takes into account the impact of ongoing structural shifts on employment. In an empirical study of this thesis, we consider different effects of different sectors on China's employment for six periods between 1987 and 2002. We show that the growing amount and changing pattern of consumption have a significant impact on the increase in employment, while technology turns out to be one of key factors for job destruction. The problem for China is that the substitution of technology for labor outweighs the job opportunities created by technological innovations, so that trade-induced and technology-driven output growth fails to bring about sufficient employment growth. Certain policy implications for reducing China's high unemployment are derived from our empirical findings.