

Influence of Employment Structure Change on Human Resource Management

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Abstract:

In recent years, China's labour market has experienced profound structural shifts driven by technological disruption, demographic changes, and the COVID-19 pandemic. These transformations have altered industrial composition, diversified employment models, and redefined skill requirements. This study investigates how such changes reshape Human Resource Management strategies, using macroeconomic analysis, organizational case mapping, and policy review covering 2014-2024. The findings show that recruitment practices are shifting towards skill-based and hybrid employment models, training and development are increasingly focused on digital literacy and cross-domain competencies, and performance management is moving from rigid Key Performance Indicators (KPIs) to outcome—and skill-based evaluations. Policy and industry-level interventions, such as flexible labour regulations and shared skills repositories, are essential to address labour mismatches and wage disparities. The study concludes that Human Resource Manager (HRM) must act as a strategic mediator, aligning human capital strategies with evolving economic structure to foster resilience and sustainable workforce development. This paper provides relevant suggestions for the reform of human resource management.

Keywords: Employment restructuring; human resource management; skills transformation; flexible employment; China.

1. Introduction

China's labor market has undergone profound structural realignment in recent years, catalyzed by intersecting forces of technological disruption, demographic transition, and exogenous shocks—most notably the COVID-19 pandemic and subsequent eco-

nomic recalibration. Critically, some research reveals how pre-pandemic labor market perceptions (circa 2014) already signalled systemic tensions, with approximately 90% of SMEs reporting coexisting high unemployment and labour shortages, pervasive skill mismatches, and destabilising job-hopping migrant workers pursuing high wages [1]. This compelled

early HRM adaptations including expanded recruitment channels, reduced hiring thresholds, and enhanced compensation—measures that proved insufficient against the pandemic’s transformative impact.

The COVID-19 crisis (2020–2022) changed these dynamics and produced three connected shifts. First, the labour market split unevenly. Eighty percent of SMEs now report both high unemployment and severe skills shortages, showing lower demand for low-skilled labour and stronger competition for technical talent [2]. Regional disparities were widened, with firms in Jiangsu experiencing pronounced local labour mobility while Shanxi and Shandong faced shortages of high-skill workers. Second, employment models hybridised as platform-mediated gig work expanded while traditional roles contracted, such that roughly 23% of urban job seekers now engage in non-standard arrangements; concurrently, pandemic-related uncertainty increased employees’ preference for job stability, reversing pre-2019 turnover patterns [3]. Third, HR strategies moved from pre-pandemic retention to crisis-driven cost control, while firms kept operational flexibility with remote hiring, telework and employee-sharing schemes.

This three-part restructuring, amplified by the pandemic, alters the operational terrain of Human Resources Management and requires strategic changes across recruitment, development and reward systems. The urgency of this inquiry is because HRM plays a central role in managing structural tensions. Data from the Ministry of Human Resources indicates that, while aggregate employment has recovered, substantial challenges persist uneven distribution of working hours, generational gaps in workplace expectations, and widening wage dispersion increasingly linked to differences in returns to skills [4]. These conditions require HRM systems to address both efficiency goals, for example reskilling workers vulnerable to automation, and equity goals, for example extending social protection to gig workers.

Methodologically, this study adopts a multi-level analytical framework that connects macro-structural trends with organisational responses. It integrates macroeconomic diagnostics of national labour statistics (2014–2024), organisational mapping of HRM innovations, and assessment of policy–institutional interactions. Structurally, the paper proceeds in four parts. First, it examines the characteristics of China’s employment restructuring. Second, it analyses HRM impact pathways. Third, it offers optimisation frameworks. Fourth, it synthesises implications for HRM as a strategic mediator between macroeconomic restructuring and sustainable workforce development.

Ultimately, this research contributes to understanding how HRM systems transform structural pressures into resil-

ience. By charting the interdependence between employment restructuring and HRM adaptation through the pivotal transition of 2014–2024, it provides evidence-based pathways for aligning human capital strategies with China’s evolving economic architecture.

2. Key Characteristics of Contemporary Shifts in Employment Structures

In recent years, due to the COVID-19 pandemic and economic downturn, China’s employment structure has undergone profound transformations. These changes primarily manifest in three key aspects: shifts in industrial composition, evolution of employment models, and restructuring of skill requirements.

2.1 Shifts in Industrial Composition

According to the World Bank report, the employment structure has shifted from agriculture towards the service and manufacturing sectors, though predominantly towards lower-wage service industries such as trade, hospitality and construction, with relatively limited transition into higher-value sectors like business services, finance and real estate. While manufacturing’s employment share has begun declining in certain regions, it remains a pivotal component of China’s labour market due to the nation’s integration into global manufacturing value chains. This employment transition reflects ongoing structural economic adjustments yet presents notable challenges [5]. Instead of such industrial transformation, there are also pronounced shifts towards the tertiary sector, with service industries accounting for and increasing share of employment. Expanding sub-sectors such as digital economies (e-commerce and livestreaming), health services and technology services have created numerous specialized roles. Concurrently, high-end manufacturing industries—particularly new energy vehicles and semiconductors—are witnessing an “upgrade” in labour demand, with a surge in composite technical workers and engineers, while traditional assembly-line positions have declined sharply. These structural changes present significant challenges and opportunities for human resource management strategies.

2.2 Evolution of Employment Models

Employment forms in China have evolved from standard contracts to multifaceted flexible arrangements. The scale of flexible employment has expanded to include platform gig workers (delivery riders, livestream hosts), freelancers (designers, consultants) and project-based personnel (IT outsourcing engineers). Consequently, “hybrid em-

ployment” has become normative, with many internet firms now employing a combination of permanent staff, outsourced personnel and part-time experts, and flexible labour becoming prevalent in certain organizations. This shift challenges traditional HR management, requiring greater focus on workforce segmentation, performance evaluation, and legal risk mitigation. HR strategies must adapt to manage diverse employment relationships while maintaining cohesion, motivation and compliance in increasingly fluid organizational environments.

2.3 Restructuring of Skill Requirements

The evolution of China’s labour-market skills has shifted from narrow, single-specialty competencies to more complex skill sets that combine domain expertise and digital capabilities. Li and Wang report that recent urban surveys indicate a marked structural change in China’s employment: low-skilled occupations continue to contract, but medium- and high-skilled positions have expanded substantially [6]. This dual phenomenon of workforce “upgrading” alongside widening wage disparities presents emerging challenges for human resource management, particularly in skills development programmes and compensation system design [7]. The evolving employment pattern, characterised by declining low-skilled roles and growing demand for higher-skilled workers, reflects fundamental skill transformation accompanying China’s economic restructuring. Crucially, analysis suggests these occupational changes contribute only marginally to income inequality, with differential returns to skills emerging as the primary driver of wage dispersion rather than shifts in employment distribution patterns. Entry-level roles now universally require basic digital literacy-data handling, online collaboration and elementary coding--while mid-to-senior positions demand advanced capabilities such as AI integration and big-data analytics. Concurrently, cross-domain competencies have surged in importance, with hybrid vacancies like “registered nurse + health-management practitioner” or “teacher + livestream operator” becoming commonplace.

3. The Impact Pathways of Employment Structure Changes on Human Resource Management

The above three key transformations have had a profound influence on Human Resource Management. Those graduates are required to master more learning and working skills, making themselves more competitive in the labour market. Therefore, young people are inclined to pursue their studies instead of eager to enter society. In China’s

labor market, there is an uneven distribution of working hours, with the coexistence of insufficient and excessive working hours, and widespread mismatches, which affect employment quality and require analysis from the perspective of high-quality full employment. The main cause of such circumstances is insufficient overall demand. Economic downturn, weak consumption, and external shocks (such as the China-US trade war and the COVID-19 pandemic) have led to reduced corporate orders and lower demand for labor [8]. Under these circumstances, human resource management is being transformed into three key aspects: recruitment and staffing implications, training and development adaptations, and performance management alongside compensation and benefits evolution.

3.1 Recruitment and Staffing Implications

The shift in China’s employment landscape has promoted a thorough reconfiguration of recruitment practices. Traditional avenues such as job fairs and campus recruitment now wield less influence, as organizations increasingly turn to flexible-employment platforms--for example, BOSS Zhipin’s gig-work section--and specialized skill communities like GitHub or designer forums to source non-full-time talent. This evolution has also driven a fundamental change in selection criteria. Employers are moving away from an exclusive focus on academic qualification and years of experience, placing greater weight on candidates’ skill-to-role fit and their capacity for rapid learning. Evidence of Toubao’s China Human Resource Service Industry Research Report 2024 suggests that amidst the wave of digital economic transformation, platform-based business models--including e-commerce, on-demand delivery, domestic services, live streaming, and ride-hailing--have fundamentally reconfigured employment structures. Statistical evidence indicates a marked increase in flexible employment opportunities: the proportion of job postings for non-standard work arrangements rose from 13.8% in Q1 2020 to 19.1% in Q1 2023, while the share of job seekers pursuing such positions grew from 18.6% to 23.2% during the same period [9]. In particular, hybrid professionals who combine technical expertise with business insight now receive priority.

3.2 Training and Development Adaptations

Training and development strategies must now center on both plugging skill gaps and amplifying core strengths. In response to shifts in industry structure, employers should offer “smart-manufacturing transition” courses--such as hands-on industrial software tool--for traditional factory staff, while service-sector personnel require reinforced “digital service” training, for example, in online

customer-engagement techniques. To address evolving skill-structure demands, basic digital literacy program-including advanced Excel functions and application in AI tool-must be widely available. The UNESCO-ICHEI advocates integrating digital skills into curricula through workshops and active learning, developing “T-shaped competencies” (disciplinary depth + cross-domain adaptability) via micro-credentials and scenario-based assessments [10]. Moreover, training format must suit a flexible workforce. Organizations ought to develop a modular course repository--short video tutorials and interactive online simulation--to enable gig workers and part-timers to learn autonomously. The State Council’s cross-departmental guidelines emphasize accelerating digital transformation of vocational training by promoting intelligent online formats like virtual remote training, expanding digital resources, and facilitating high-quality resource sharing across sectors. All industries are required to open access to premium digital education resources and online learning services to enhance public digital literacy [7].

3.3 Performance Management alongside Compensation and Benefits Evolution

Organizations must adapt their performance management and reward systems to reflect changing employment structures. For permanent staff, the emphasis shifts from rigid KPI targets to a combination of Objectives and Key Results (OKRs) and competency evaluations, for example, assessing how effectively employees apply digital skills. In contrast, flexible workers are appraised primarily on project outcomes--live-stream hosts earn commission based on gross merchandise value, while outsourced developers are paid according to deliver quality--with less focus on process monitoring.

Compensation packages also diversify. Insights from Ministry of Human Resources and Social Security of the People’s Republic of China propose that the evolving employment structure and new labor relations necessitate reforms in performance and compensation systems. Emerging industries and skill-intensive roles demand fairer evaluation methods, while flexible and platform-based employment requires innovative incentives. Research advocates skill-value-based remuneration, with China’s Ministry of Human Resources reporting 2021-2023 wage growth for skilled workers surpassing managers and technicians. Policies now mandate dynamic salary benchmarks and diversified incentives like performance pay and skill allowances to enhance retention [8]. The proportion of fixed salary falls as variable pay elements rise: performance-related bonuses, project incentives and skill-based allowances now make up a larger share of the total remuneration.

4. Suggestions on Optimization

At the organization level, firms should develop a “flexible” human-resource management system that harnesses digital technologies. In the examination of HRM practices in relation to the retention of Chinese Gen Z employees, analysis of 529 Chinese Gen Z employees revealed four key HRM retention factors: supportive work environment, compensation, training/development, and role clarity, with gender-based variations in priorities. Organizations should tailor training, feedback mechanisms, and pay structures to generational and gender-specific needs to enhance commitment and retention [9]. Companies ought to reconstruct their competency architecture by implementing a dynamic “skills-to-role” matching model. By analyzing workforce data, they can identify which combinations of skills best suit emerging roles and then tailor training initiatives and staffing plans accordingly. This approach transforms HR from a reactive function into a strategic business partner.

At the policy and industry level, governments and sector bodies must work together to support evolving employment model. To strengthen social protection and labor regulation, evidence from World Development Report suggests to expand coverage by establishing a “social protection floor” combining cash transfers (e.g., Mexico *Propera*) and universal insurance for informal workers, as seen in Thailand’s subsidized social security for low-income informal workers. Flexibilize labor regulations by balancing flexibility with worker protections, replacing high severance with unemployment insurance, and clarifying legal status for new employment forms (e.g., platform drivers) [10]. In addition, industry associations should take the lead in fostering collaboration across firms. They can establish shared skills repositories that catalogue in-demand competencies and offer training resources for members.

For individuals, workers should take responsibility for their development and pursue continuous digital upskilling. They should assemble a personal learning portfolio that combines short online modules-such as advanced Excel or AI-tool tutorials - with practical projects that demonstrate competence. Developing a versatile skill set requires routine self-assessment, tracking progress against both technical and interpersonal goals. Also, workers ought to engage with specialised communities to remain informed about emerging trends and opportunities. Finally, maintaining a flexible mindset and an up-to-date digital résumé will enable individuals to navigate full-time roles and gig assignments with greater confidence and resilience.

5. Conclusion

China's employment landscape from 2014 to 2024 has been reshaped in several ways, and this reflects changes in industrial structure, the rise of hybrid employment models, and stronger demand for combined technical and digital skills. These structural shifts altered labour supply-demand dynamics and also redefined HRM's strategic priorities. Organisations have shifted from qualification-centred recruitment to skill-to-role matching, and they now integrate flexible staffing to respond to demand fluctuations. Training and development emphasise digital literacy, cross-domain adaptability and modular learning suited to diverse employment forms. Performance management is moving toward outcome-driven models, and compensation is increasingly tied to skill and performance.

At the policy and industry level, targeted measures - for example social protection for non-standard workers, the creation of skills-sharing platforms, and balanced labour regulations - are important to reduce structural mismatches and promote workforce inclusivity. For individuals, cultivating a flexible mindset, maintaining a diversified skill portfolio, and engaging in continuous digital upskilling will be crucial for navigating the evolving employment environment.

Looking forward, the sustainability of China's labour market will rest on HRM systems that link technological innovation with equitable employment practices. Future studies should examine the long-term impact of AI-driven automation on job structures, the scalability of modular training for gig workers, and how public-private partnerships can bridge skill gaps. By adapting proactively, HRM can convert structural pressures into opportunities for inclusive and sustainable growth.

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