The Impact of the Beijing 2008 Olympic Games on the Chinese Employment

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Introduction

In July 2001 China won the bid to host the summer Olympic Games from the 8-24th of August 2008. This was its second bid for the Olympics after losing in 1993 to Sydney 2010. According to John (2008) the first bid was rejected due to human rights issues followed by environmental issues. China did not lose its determination and in Sydney it won 28 gold medals and finished third in the overall medal count. This showed that the nation with population of 1.3 billion citizens and 400 million young people deserves to host the most extravagant sporting event (Longman, 2001).

From the moment that it won the bid development projects started to take place. New infrastructures had to be built, such as sporting venues, hotels, restaurants, offices, parks as well as water recycling centres (John, 2008) and many employees were needed to fill positions in service related jobs and welcome the world in China 7 years later. Most of the games took place in Beijing and it had 31 venues in total, while additional six cities, namely Hong Kong, Qingdao, Qinhuangdao, Shanghai, Shenyang and Tianjin provided additional sporting venues (John, 2008).

The following report is divided into three chapters. The first chapter covers the topics of employment and shows the increase in demand for employees in different sectors. The second chapter looks on the industries and companies investing in China and the amount of money invested (FDI). The final chapter provides data on the Gross Domestic Product growth. All the three chapters are covering the years leading to the Olympic Games and after, namely 2001-2010.
Employment

According to John (2008), mega events impact on three types of employment. The direct employment which occurs from preparation and staging of the games, the indirect employment, which derives from support activities such as hotels, construction and wholesaling and the third one is from the expenditure arisen due to the Games, the induced employment.

At the early stage most of the jobs are in the construction sector performed mainly by low-paid migrant construction workers. First construction work has begun in 2003 and by 2006 44 major projects were underway (John, 2008). According to Reuters, over the two year leading to the Olympics the service sector grows.

The following table from the National Bureau of Statistics of China show the employment figures from 2001-2010.

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employed persons (10,000 persons)</td>
<td>73025</td>
<td>73740</td>
<td>74432</td>
<td>75200</td>
<td>75825</td>
<td>74978</td>
<td>75321</td>
<td>75564</td>
<td>75828</td>
<td>76105</td>
</tr>
<tr>
<td>Primary industry</td>
<td>36513</td>
<td>36870</td>
<td>36546</td>
<td>35269</td>
<td>33970</td>
<td>31941</td>
<td>30731</td>
<td>29923</td>
<td>28890</td>
<td>27931</td>
</tr>
<tr>
<td>Secondary industry</td>
<td>16284</td>
<td>15780</td>
<td>16077</td>
<td>16920</td>
<td>18084</td>
<td>18894</td>
<td>20186</td>
<td>20553</td>
<td>21080</td>
<td>21842</td>
</tr>
<tr>
<td>Tertiary industry</td>
<td>20228</td>
<td>21090</td>
<td>21809</td>
<td>23011</td>
<td>23771</td>
<td>24143</td>
<td>24404</td>
<td>25087</td>
<td>25857</td>
<td>26332</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics of China

According to the data the numbers of jobs in the primary sector started to decline from 2003 while the jobs in the secondary and tertiary sectors to increase. This is also the year when many constructions started, meaning it took jobs from the primary sector, e.g.- agriculture, fishing etc. and allocated the workers to the secondary and tertiary sectors.
Foreign Direct Investment

According to the financial times lexicon FDI is “Investment from one country into another (normally by companies rather than governments) that involves establishing operations or acquiring tangible assets, including stakes in other businesses”.

Looking back to the investment before the Games it came from multinational and transnational companies such as Volkswagen, Renault, McDonalds, KFC, Motorola, Nokia, Microsoft and many more who are interested to enter this lucrative market (John, 2008). According to the Economist, between 2000 and 2002 Vodafone bought a 3.2% stake in China Mobile for $3.3 which it sold in 2010 for $6.6. The mobile company did not achieve what it did in other countries, a controlling stake. Western companies such as BP, Exxon, Shell, ABB and Alcon invested from the late 90s in state owned Chinese companies. Those firms brought capital, technology, management skills and prospect of better corporate government and in return they wanted access to China’s huge domestic market. But it was not so easy because the Chinese companies did not need the investment so badly as well the expertise did not meet the expectations. As a result by 2005 BP, Shell, ABB and Exxon all sold their holdings in state-owned Chinese firms and by 2007 Alcon got out. What also makes it hard to invest in China is corruption. According to John R. due to the enormous sums of foreign investment to China in years leading to the games, corruption became a problem to the government and it was hard to root it out among officials and Chinese Communist Party Members (John, 2008).

The following table shows the growth of FDI for the years 2001- 2010.

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI</td>
<td>3.3%</td>
<td>3.4%</td>
<td>2.9%</td>
<td>2.8%</td>
<td>5.2%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>3.9%</td>
<td>2.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>FDI</td>
<td>44,241,000,000</td>
<td>49,307,976,629</td>
<td>47,076,718,733</td>
<td>54,936,483,255</td>
<td>117,208,286,229</td>
<td>124,082,036,119</td>
<td>160,051,835,203</td>
<td>175,147,650,312</td>
<td>114,214,527,413</td>
<td>185,080,744,436</td>
</tr>
</tbody>
</table>

Source: World Bank

The FDI varies from year to year, there is no a constant pattern of increase or decrease. Because the FDI is usually from companies, it is dependent on internal factors of those companies as well as the financial situation worldwide and in China. Three years leading to the Games experienced the highest investment of all, namely due to the sponsorship investment which took its stakes in mega sport event (e.g.- billboards, broadcasting, sales exclusivity etc.).
Gross Domestic Product

GDP is the total value of an economy's domestic output of goods and services, and one of the key indicators of economic growth (Financial Times Lexicon).

According to China Daily, the increase brought by Olympics-related investment only accounts for a small portion of economic development in Beijing. Beijing's annual GDP growth has been over 10% for the past years while the part of GDP growth brought up by the Olympic Games is less than 1%. Therefore, economic growth and the employment were not affected by the end of the Olympic Games.

The data of the World Bank supports the mentioned above information:

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (Current US$)</td>
<td>1.3 tr</td>
<td>1.5 tr</td>
<td>1.6 tr</td>
<td>1.9 tr</td>
<td>2.3 tr</td>
<td>2.7 tr</td>
<td>3.5 tr</td>
<td>4.5 tr</td>
<td>5.0 tr</td>
<td>5.9 tr</td>
</tr>
<tr>
<td>GDP growth (Annual %)</td>
<td>8.3</td>
<td>9.1</td>
<td>10</td>
<td>10.1</td>
<td>11.3</td>
<td>12.7</td>
<td>14.2</td>
<td>9.6</td>
<td>9.2</td>
<td>10.4</td>
</tr>
</tbody>
</table>

Source: World Bank

After growing by an annual average of over 10% over the past 5 years, the economy cooled more quickly than expected in 2008. By 2008 all the construction works were finished as well the investment decreased. Both the financial crises and the final staging of the event decreased the GDP. The Chinese economy was hit by the recession, but not as much as other markets. According to the Economist, growth of less than 8% will lead to rising unemployment and social unrest. Also if it was the case, the government was able to supply a stimulus package to keep growth above 8%. Economists argue that the slowdown should be partly welcomed because the economy was exceeding its speed limit for several years. The result may be that the growth will come from domestic demand and its trade surplus shrinks. It will result in more sustainable growth in the long run (The Economist).
Conclusions

The first chapter covered the employment aspects of the Olympics. In the first 7 years leading to the Games most of the jobs were in the construction industry and over the last 2-3 years new jobs were created in the services sector. Employment increased in the secondary and tertiary industries and decreased in the primary industry.

The second chapter covered the topic of FDI. China is the second largest economy and attractive country to invest in. In the late 90th many multinational and transnational companies invested into China but the Chinese market is not an easy market to invest in and therefore by 2007 many of the companies sold their stakes to state-owned Chinese firms. Even though the numbers are given by the World Bank it is hard to rely on their accuracy due to the existent corruption in the country.

The last chapter looked on the GDP and shows that even Beijing showed a growth rate of over 10%, the part of GDP growth brought by the Olympics was less than 1%. As the result, the economic growth and the employment were not affected by the end of the Games.

To conclude, the Olympic was beneficial for China because it improved very important issues such as the human rights and pollution. Venues and infrastructure which were built and upgraded will serve future events in the country and keep it an attractive place to invest in and create more jobs in the future.
Bibliography


