First, labor market stability during economic restructuring can be achieved more effectively with policies that foster the reallocation of surplus labor through effective, on-budget social policies. This is rather than by relying solely on inherent buffers against cyclical shocks (such as the employment of excess labor among SOEs noted earlier). Labor market developments. Until recently, labor market conditions appeared resilient, despite slower growth (Figure 1). Employment is holding up well. At the same time, unique features in China’s labor market—such as migrant flows and surplus workers in SOEs—buffer against adverse shocks, but come at a cost (Figure 4).