One salient feature of business cycles in developed countries is that the aggregate employment is highly procyclical. In China, however, the correlation of the cyclical components of aggregate employment and output is close to zero. In this paper, we document three new stylized facts: (1) the business cycle properties of employment at sector level (agriculture and non-agriculture) in China are very similar to those in the US; (2) employments in the agricultural and non-agricultural sectors are negatively correlated in both China and the US; and (3) for both economies, the agriculture’s share of employment is negatively correlated with the real GDP per work in both sectors. These facts suggest that difference in sector composition could be an important reason for the difference in aggregate employment fluctuations between the two economies. We then construct a simple two-sector growth model with productivity shocks and non-homothetic preferences and show that the model can simultaneously account for the secular trend in labor reallocation away from agriculture and employment fluctuations at sector level and in the aggregate for both China and the US.