

Labour and Social Security Development in China

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Ladies and gentlemen, dear friends

Good morning!

It gives me great pleasure to visit this world-renowned institution. I feel deeply honored to exchange views with all the famous statesmen and scholars present here. The distinguished guests all have a profound knowledge about Chinese affairs; what's more, many of you are experts on issues about China. Yet it is necessary to view its various aspects so as to have an in-depth and full understanding of a real, ever-changing and promising China. I would like to take this opportunity to share with you the development in China's labor and social security and to discuss the problems we are facing as well as approaches to them. I hope my briefing could help you see China from the angle of labor and social security and make contribution to the further exchange and cooperation in this field between China and the US.

Ladies and gentlemen, dear friends:

Since 28 years ago when China began its reform and opening, and modernization process, unprecedented progress has been made with painstaking efforts. From 1978 to 2005, China's GDP has increased from US\$147.3 billion to US\$2225.7 billion and trade volume from US\$20.6 billion to US\$1422.1 billion. With economic development and rapid growth in the income of urban and rural residents, the annual average wage for workers has grown from 647 RMB to 18364 RMB, while the population of rural poor has reduced from 250 million to 23 million. The past 28 years sees the fastest economic development and people's living standards improvement in China. Today, China has become one of the most promising countries. Such accomplishments, in the final analysis, should be attributable to the socialist road with Chinese characteristics, which conforms to the reality in China and thus will be followed persistently.

China is the most populous developing country in the world. It remains a priority in its economic and social development to expand employment, provide social security and safeguard worker's legitimate rights and interests. With economic development and the deepening economic system reform, the labor and social security system has accelerated its progress. With unremitting efforts, China has initially put in place a labor and social security system in line with the socialist market economy,

employment situation basically stable, social safety net strengthened, and worker's rights and interests effectively protected, all these play an important role in the sustained, rapid economic development, and social harmony and stability.

Employment has a fundamental bearing on people's livelihood. For the interests of billions of the working population, the Chinese government has adopted the long-term strategy and policy to promote employment and taken various effective measures to increase employment opportunity, expand employment and reduce unemployment to a social acceptable limit. From 1978 to 2005, the number of employment has increased from 401 million to 760 million. The proportion of people employed in the primary, secondary and tertiary industry has increased respectively from 70.5%, 17.3%, and 12.2% to 44.8%, 23.8% and 31.4%. From 1998 to 2005 when reforms were intensified, 19 million laid-off workers from state-owned enterprises got reemployed through various supportive policies and programmes, huge labor force was transferred from state-owned enterprises to non-public economic sector with state-owned enterprises employees reduced from 71 million to 40 million. The problem to place the large number of redundant workers from SOEs was successfully resolved. While increasing employment, the Chinese government has taken different measures to regulate unemployment and contain the rise of urban registered unemployment rate. At the end of 2005, the urban registered unemployment totaled 8.39 million and its rate 4.2%. Employment market has been stable despite the acute tensions in labor supply and demand and employment structure.

To help the laid-off and the unemployed to get reemployed, the Chinese government has drawn on international experience and worked out the active employment policy. The basis of this policy is to give full scope to the fundamental role of the market system in the allocation of labor resources and to expand employment through economic development. Targeted at the reemployment of the laid-off and the jobless in the transition, supportive policies and assistance measures in taxation, finance, employment service and vocational training have been adopted to address the deficiencies in the market. Effort has also made to build and improve a well functioning public employment service system. Currently, there are altogether 36,000 job centers (exchanges), among which 24,000 are public job centers. In addition, Over 6000 labor and social security agencies have been set up at the urban neighborhood level to provide the public with job referral, vocational guidance, employment training, information on labour supply and demand and other non-profit services. With a view to improving employability of the work force, attention has been given to vocational training and a vocational training network has initially taken shape, which includes pre-employment training, business startup training, on-job training and reemployment training.

The Chinese government puts a lot of weight on the construction of social security. With years of efforts, the framework of social security system has basically been established with ever widening coverage. By the end of 2005, the workers covered by

the basic old-age pension stood at 174 million, in basic medical insurance 137 million, in work injury insurance 84 million, and in maternity insurance 54.08 million. In 2005, 22.34 million people enjoyed the benefit under the minimum living standard security programme for urban residents. From 1998 to 2005, the old age pension fund increased from less than 150 billion RMB to 500 billion RMB, up nearly 20% annually. Meanwhile, financial departments at all levels have contributed huge amount of capital into social security. To address payment pressure to be brought by the ageing population, the central government has established a national social security fund as a strategic reserve, which so far has accumulated over 200 billion RMB.

The Chinese government is actively working to set up the regulated, harmonious, orderly and stable labor relations. A system of laws and regulations to safeguard the worker's rights and interests with labor relation adjustment mechanisms has initially taken shape. In recent years, China successively promulgated *The Labor Law*, *The Trade Union Law*, *The Occupational Disease Prevention and Treatment Law*, *The Vocational Education Law*, *The Work Safety Law*, *The Private Education Promotion Law*, *Regulations on Labor Dispute Settlement*, *Regulations on Labor and Social Security Inspection*, *Regulations on prohibition of Child Labour*, *Measures on Public Holidays*, *Regulations on Labor Protection in Workplaces Using Toxic Substances*. In addition, 24 international labor conventions have been ratified, including four core conventions, such the *Minimum Age Convention* and the *Discrimination (Employment and Occupation) Convention*. In order to balance the interests between employers and employees, a collective bargaining mechanism has been set up in many enterprises. A tripartite labour relations coordination mechanism and the social partnership have been put in place at the central, provincial and municipal levels, composed of representatives from government, unions and employer's organizations. They meet regularly to study the emerging issues on labour relations and work together for solutions. In China, in case of labour dispute between enterprises and workers, the parties can resort to mediation, arbitration and litigation for resolution. In last five years, 1.13 million labor dispute cases were filed, 90% of which were settled. The government has promulgated and implemented rules and regulations on working hour, holidays and leaves, minimum wage, the protection of female and minor workers to regulate the behavior of enterprises so that the interests of workers can be protected. Meanwhile, the inspection and law enforcement system has been strengthened with more channels as hotlines and network for reporting complaints and disclosing violation. In past five years, 881,000 cases were investigated, 5.383 million business establishments inspected involving 390 million workers.

In short, as a result of the unremitting exploration and efforts, people in China are experiencing unprecedented, far reaching and profound changes in employment, migration, business start-up, work and all aspects of life. The enthusiasm and creativity of workers from both rural and urban areas are well released. Millions of

farmers are stepping out of their traditional villages and the talents of skilled workers are brought into full play. An atmosphere of respecting for work and creativity are gradually taking shape. There is an outburst of creativity and full vitality in the whole society. People are enjoying more material benefits from the country's development.

Ladies and gentlemen, dear friends:

China is the largest developing country in the world. Its GDP per capita remains low, and the life is not yet rich for the Chinese people. China still faces many outstanding contradictions and problems. So is labor and social security, which demands for lasting and tremendous hard working.

While employment is a difficult issue for all countries, it is more acute in China due to its huge labour force. The huge population and the weak economic foundation will put China under heavy employment pressure in a considerably long period of time. In next a few years, the urban labour supply will keep at 24 million plus annually. However, there will be only 11 million jobs available from economic growth and retirement. 13 million people will have no jobs. The difficulty is even sharper for central and western China, old industrial bases and resources exhausted cities. In rural areas, the labour force stands at 497, of which about 200 million have transferred into non-farming activities and 180 million remain in agriculture. There is still around 100 million labour surplus. Therefore, it is a rather arduous task to promote employment transfer and develop vocational training for the rural workforce.

The social security system in China has yet to improve and further extend its coverage. Population aging, diversification of employment forms, the acceleration of urbanization will pose further challenges to the development of social security system in China in the years to come, making it a long way to improve social security system. China has already become an aging society, characterized by the large number of the aged, a rapid ageing process and long time span in ageing peak. In the future, urban pension dependency ratio will increase dramatically and so will medical expenses. Unless appropriate measures are taken, the social security system will not be able to run smoothly, and it will even dampen the sustainability of economic and social development. In the next decade, urbanization rate will increase by one percentage point annually. The social security system designed for the urban population will be hard to meet the requirement of rural migrant workers working in cities, those whose land are taken for development purpose and rural farmers. With large number of young workers migrating to urban cities, the basic social security for rural population, especially those vulnerable ones and the elderly needs to be addressed. They call for the development of a social security system that integrates urban and rural areas.

In the field of labour relations, there are still cases of infringement on worker's legitimate rights and interests. The number of labour dispute cases is also on rise. With the development of diversified ownership, the change of enterprise management

and work organization, the increasing labour mobility, and the emerging flexible forms of employment, labour relations are getting more diversified and complex. All these mean an even more arduous task in protecting the rights and interests of the workers and improving labour relations adjustment mechanisms.

Ladies and gentlemen, dear friends:

2000 years ago, our Chinese ancestors had the vision: **“the perfect order prevails and the world is like a home shared by all. Virtuous and worthy men are elected to public office, and capable men hold posts of gainful employment in society; peace and trust among all men are the maxims of living. All men love and respect their own parents and children, as well as the parents and children of others. There is caring for the old; there are jobs for the adults; there are nourishment and education for the children. There is a means of support for the widows, and the widowers; for all who find themselves alone in the world; and for the disabled”**.

This vision demonstrates the dream and longings of the people for a sound and harmonious society. Today, China is striving to build a well-off society to benefit its billions of population. In the light of the national situation and the demand of our times, the Chinese Government has clearly put forward and sincerely carried out the scientific viewpoint for development, emphasizing all-round and coordinated development and putting people first. The Government has also made it a major task for the nation to build a harmonious socialist society. The Ministry will make good use of the opportunity brought by the rapid and healthy economic development and the increasing national economic strength, and make “putting people first” as the starting point of and the goal for the work of labour and social security. We will strive to promote the healthy and sustained development of labour and social security system in China as it is an integrated component of and an important basis for the harmonious society .

To promote employment and reduce unemployment is a pressing issue and it will remain as a long-term and arduous strategic task. China plans to create 45 million new jobs and transfer 45 million rural labor force to non-agricultural sector and urban areas in the next 5 years. To meet this target, it is necessary to closely link economic development with employment growth, build sustainable employment mechanism while addressing existing problems, closely link employment promotion with vocational training and implement the active employment policy so as to create new jobs for new entrants to the labor market while facilitating reemployment of the unemployed.

Economic development is the engine for employment growth and the essential solution to employment issue. China will continue to pursue an employment- friendly economic development strategy, maintain rapid and sound economic growth and

achieve coordinated economic and social progress to enable employment expansion. At the same time, in the process of economic development, along with the development of modern manufacturing industry and high-tech industry, efforts will be given to developing tertiary industry, labor intensive businesses, non-state economy and small and medium-sized enterprises for more job opportunities and enable the positive interaction between economic development and employment growth. Intensified efforts will be made to improve the public employment service system, providing timely and accurate labor market information to the public, tailor-made services on job placement, occupational guidance to the clients, and “one-stop” business start-up service.

The government of China are making great effort to develop human resources, educating and training millions of high skilled workers, assisting the workers to enhance employability, innovativeness and the ability to adapt to occupational changes so as to keep up with the upgrading of the industry and the demand for greater innovativeness. At the same time, the government will put in place supportive policies for the disadvantaged groups and help them to get reemployed through the development of the “full employment community”, employment assistance mechanism and public jobs.

The improvement of social security system is an important component of the initiative of building a comparatively well-off society. China aims to build a social security system which is commensurate with its reality and economic development stage. Efforts will be made to address the currently outstanding issues as well as develop a sustainable mechanism. It is our policy to adopt the model of combining social pooling with individual account for basic old-age pension and health insurance. Pilots of transferring the individual accounts into funded and investment-based accounts will be expanded. Policies on health insurance will be integrated, aiming at a health insurance system covering all urban residents. Social insurance schemes will further expanded to cover the rural migrant workers and ways explored to develop a rural social insurance system. At the same time, more attention will focus on the drafting of the Social Insurance Law so as to lay a solid legal foundation for the improvement of the system. Law enforcement will be strengthened and management better regulated. The government of China has made “social security for more people” the primary goal for the development of social security system. The coverage of social security will be extended to workers in the non-state economy, workers in flexible forms of employment and migrant workers. Measures will be taken to enhance the compliance of social insurance contribution so as to pool more social insurance fund. There will be more financial input to the social security system from the budget and a regular budgeting system for social security will be established. The national social security fund will be enlarged and channels for investment explored to maintain and increase the value of the fund.

One important aspect of building a harmonious society is to protect the rights and

interests of workers and establish harmonious and stable labor relations. The government of China will strengthen inspection and enforcement so as to protect the rights and interests of workers. At the same time, efforts will be made to improve the dispute resolution system and supervision mechanism for labor relations. China is now considering and reviewing the draft of *Labor Contract Law* and the public consultation on the draft is underway. It is hoped that this law can be promulgated as soon as possible. Efforts are also on other laws such as Employment Promotion Law, Labor Dispute Resolution Law and Regulations on Enterprise Wages. With the stepping up of the legislation, there will be more comprehensive legal ground for the protection of workers' rights and interest. The government of China will further improve collective consultation mechanism, tripartite coordination mechanism and labor dispute settlement mechanism. At the same time, continued attention will be given to strengthening inspection and enforcement and seriously dealing with the law-breaking cases.

Ladies and gentlemen, dear friends.

Development shall benefit people and relies on the people. People shall enjoy the fruits of development. The enhancement of the social productivity in China and the transition to a well-off society will lay a solid foundation for the improvement of social security system, promotion of a harmonious and stable society and the achievement of concerted economic and social development. We are confident that the Chinese people will further benefit from the development of the country and share more fruits of economic and social development in the future. And there will be stronger confidence in the development and progress of the country.

Ladies and gentlemen, dear Friends,

To reduce unemployment and alleviate poverty is essential for the rights to survival and development of mankind. It is a major issue facing our development and requires joint efforts of all countries in the world. The government of China is ready to conduct full-range international cooperation in the field of labor and social security, promote the development of labor and social security in the world and make active contribution to the elimination and reducing of poverty in the world.

Thank you for your attention.