

Part I. Economy Case Studies

Session I. Northeast Asia Session: Case Study

CHINA

Mr. Liu Yanbin

Institute for International Labor Studies

*PECC-ABAC Conference on “Demographic Change and International Labor Mobility in the
Asia Pacific Region: Implications for Business and Cooperation”
in Seoul, Korea on March 25-26, 2008*

CHINA'S CASE STUDY

Demographic Change and International Labor Mobility Implications for Business and Social Development in China

- China's Case Study for PECC-ABAC Conference on Demographic Change and International Labor Mobility in the Asia Pacific Region: Implications for Business and Cooperation

March 25-26, 2008 in Seoul

By **Liu Yanbin, Professor,**
Institute for International Labor Studies of the Ministry
of Labor and Social Security, P.R.China

I. The general situation of development of economy and labor market.

1. China carries out reform and opening-up policy .Its economy maintained steady and rapid growth into the 21st century. China's socialist market economic system has now taken shape, and the basic role played by the market has been improved in the sphere of resource allocation. At the same time, the macro-control system continues to be perfected. The pattern has basically been formed in which the public sector plays the main role alongside non-public sectors such as individual and private companies to achieve common development. According to the plan, China is forecast to have a relatively complete socialist market economy in place by 2010 and this will become comparatively mature by 2020.

-----**In 2007, the GDP of the year was 24,661.9 billion RMB yuan, up 11.4% over the previous year.** At the 2007 average exchange rate, GDP equated to US\$3,430 billion, and US\$2,500 per capita.

-----**The general level of consumer prices in China was up 4.6% over the previous year.**

-----**The total value of imports and exports in 2006 reached 1,760.7 billion US dollars, up 23.8% over 2005.** Of this total, the value of exports was 969.1 billion US dollars, up 27.2%, and the value of imports was 791.6 billion US dollars, up 20%.

----**The utilization of foreign capital decreased slightly.** The year 2006 witnessed the establishment of 41,485 enterprises with foreign direct investment, down by 5.8 %; and the foreign capital actually utilized was 69.47billion US dollars, down by 4.1%.

----- **China's foreign exchange reserves reached 1,530 billion US dollars** at the end of 2007. At the end of the year, the exchange rate was 7.18 RMB to 1 USD.

2. The labor market and employment situation improved

China has a population of 1.3 billion, and is the most populous country in the world. The population over the age of 16 was 1,025 million, of which the urban population was 562.12 million and the rural population 745.44 million; the economically active population was 778.77 million and the workforce participation rate was 76% in 2005.

-----**Total employment increasing continually. At the end of 2006, the total of employed people in China numbered 764.00 million.** Of this total, 283.10 million were employed in urban areas. The urban unemployment rate through unemployment registration was 4% at the end of 2007.

----**Employment structure improved.** From 1990 to 2005 the proportion of those employed in tertiary industry rose steadily from 18.5% to 31.4%, with the number of employees reaching 218.09 million; the proportion of those employed in secondary industry remained at around 23.8%, with the number of employees reaching 160.77 million; and the proportion of those employed in primary industry dropped from 60.1% to 44.8%, with the employees numbering 365.46 million

----**Unemployment rate decreasing slightly.** In recent years, as the employment pressure has been continuously increasing, the Chinese government has taken many measures to curb the sharp rise of urban unemployment. By the end of 2007, the registered unemployment rate in the urban areas was 4%, and the number of registered jobless urbanites was 8 million.

----**Income of urban and rural residents rising.** As the economy develops and job opportunities increase, the income of urban and rural residents keeps rising. From 1990 to 2005, the disposable income per capita of urban residents rose from 1,510 yuan to 10,493 yuan, an increase of 695% or a rise of 160% in real terms; and the net income per capita of rural residents increased from 686 yuan to 3,255 yuan, an increase of 475%, or a rise of 77% in real terms.

II. The situation and the policies of international labor mobility in China

1. Chinese Residents Employed in Overseas

----**The history of Chinese international labor mobility.** The overseas employment and international labor cooperation in China, at its beginning in 1950s, was only one part of the Chinese foreign economic aid projects. After many years' practice,

especially after 1978 economic reform, it has developed into a new market-oriented system of foreign engineering contracted projects and labor cooperation contracts which brought about labor export. The Ministry of Commerce is in charge of the management work in this field. And the work of individual overseas employment started from early 1990s and is administrated by the Ministry of Labor and Social Security. The new system now has developed into a market-oriented mechanism with its Chinese characteristics as follows: the relevant authorities of the Central Government exercise macro-control and management by administrative, economic and legal methods; the approved labor export and overseas employment firms or agencies with licenses recruit and train overseas job seekers for foreign employers with contracts between both sides of them, and also provide subsequent services to those international migrant workers during their work abroad with the help of local Chinese commercial consulates; the trade association of labor export and overseas employment firms and agencies implements self-control and management by its own disciplines; and local governments give directly guidance, administration and supervision to the operation of these firms and agencies.

----**Protecting migrant worker's rights.** With a view to protecting the legitimate rights and interests of overseas Chinese workers and regulating overseas employment intermediary activities, the three Chinese ministries (Ministry of Labor and Social Security, Ministry of Public Security, State Administration of Industry and Commerce) promulgated the Decree No.15 of *Administrative Regulations on Overseas Employment Intermediary Activities*, effective as of July 1, 2002. These regulations are formulated in accordance with the *Labor Law of the People's Republic of China* and relevant rules and regulations issued by the State Council, setting up main policies and measures for governing overseas employment intermediary activities within the territory of the country.

Overseas employment refers to any act of Chinese citizens of being employed, under a labor contract entered into by and between the same and overseas employers, in order to provide services overseas and to receive remuneration thereby. Overseas employment intermediary activities refer to relevant services provided to Chinese citizens employed to work outside the boundary of the People's Republic of China, or to overseas employers who recruit Chinese citizens to work abroad. An entity engaged in said activities, when duly licensed, shall be known as an overseas employment agency (hereinafter referred to as an agency).

----**The management of the international labor mobility** .A mechanism of administrative licensing is imposed on overseas employment intermediary activities. Any entity or individual shall not participate in overseas employment intermediary activities if it is not duly approved and registered. Departments of labor and social

security are charged with regulating and supervising and inspecting overseas employment related activities. Departments of public security are charged with maintaining the orderliness of entry and exit in relation to overseas employment. And administrative departments of industry and commerce are charged with registration of overseas employment agencies and with maintaining and supervising the economic orderliness of the market where overseas employment intermediary activities are conducted.

---The main policies about migration. As for dispatching policies for international labor cooperation, there are also some regulations jointly promulgated by the Ministry of Commerce with other ministries, such as *Regulations on Auditing Foreign Labor Cooperative Projects*, *Regulations on Management of Training of Workers sending abroad*, *Transit Regulation on Establishment of Job Introducing Organization of Sino-Foreign Joint Venture and Sino-Foreign Cooperation* and so on. These regulations and policies have also further strengthened the operational mechanism of Chinese international labor cooperation projects.

----The form of the international labor mobility. The form of project engineering and labor cooperation abroad are major forms of overseas employment for Chinese citizen. In the past decades, the value of project engineering and labor contracts has amounted to over 164 billion US\$, with more than 3.38 million workers having worked overseas. From January to October 2005, 15.7 billion US\$ worth of engineering project contracts were completed, increasing by 20.8% over the same period of last year; new project contracts worth 22.15 billion US\$ were signed, increasing by 18.7% over the same period of last year; 3.68 billion US\$ worth of labor cooperation contracts were completed, increasing 31.5%; and new contracts worth 3.12 billion US\$ signed, increasing by 16.6%; 190,000 workers were engaged in engineering projects and labor cooperation contracts abroad, increasing by 2,785 persons over the same period of last year; and 550,000 workers in total provided labor service abroad, by the end of October, 2005, 22,000 persons more than same period of the previous year. To date, there are about 2000 international economic and technical corporations with licenses authorized by the Ministry of Commerce engaged in project engineering and labor cooperation contracts.

Regarding the market sharing, China's project engineering and labor cooperation business have extended to 180 economies. At present, out of the 2,000 companies approved by the Ministry of Commerce, 34 Chinese enterprises are in the list of the 225 biggest world contractors by the Engineering News Record (ENR) of the United States. As for the scope of vocations of migration workers sent aboard, it ranges from construction engineering, project engineering, business management, agricultural technology, consulting and designing, computer programming, exploring of natural

raw materials, machines-repairing, and other services of culture and education, medical care and sports. Exporting of seamen including fishermen is an important part of overseas labor services in China. Since 1970s, over 140,000 seamen have been employed on foreign ships and over 20,000 are working abroad at present. With a view to accelerating the development of seamen exporting and protect the interests of Chinese seafarers, the Chinese Government has also adopted regulations concerning administration of business in this connection.

The form of individual overseas employment contributes a bit to the employment. Individual overseas employment holds a relative small portion in the total overseas employment. The overseas employment has developed fast since promulgating of the *Administrative Regulations on Overseas Employment Intermediary Activities* by four ministries in 2002. According to the statistics of the International Exchange Center of the Ministry of Labor and Social Security, in 2006, more than 31,000 individual persons went abroad for employment and over 105,000 persons in total number worked abroad by the end of 2007. The Ministry of Labor and Social Security had already approved 510 overseas employment intermediary agencies by the end of 2007, of which 3/4 are private firms.

To promote the overseas employment and further safeguard Chinese international migration workers' legal rights, China also attaches importance to signing bilateral labor cooperation agreements with foreign counterparts besides the above mechanism policies. Up to now, China has signed bilateral labor cooperative agreements respectively with Russia, Bahrain, Mauritius and Malaysia. All these bilateral labor cooperative agreements were signed by the Ministry of Commerce on behalf of China. Besides that, China also signed bilateral memorandums on social security for international migration workers respectively with Germany and Korea. It's the Ministry of Labor and Social Security who signed these memorandums on behalf of China. Both of these bilateral government agreements or memorandums have laid a good foundation for further labor cooperation between China and other economies.

2. Foreigners Employed in China

----**The main policies on foreigners employed in China.** With a view to regulating the employment of foreigners in China, the Chinese four ministries jointly promulgated in January 1996 the *Rules on the Administration of Employment of Foreigners in China*, effective as of the May 1st of the same year. The term "foreigners" in these Rules refers to the persons, who under the Nationality Law of the People's Republic of China do not have Chinese nationality. The term "employment of foreigners in China" refers to acts of foreigners without permanent residence status to engage in remunerative work within the Chinese territory in

accordance with its laws. These Rules shall apply to employed foreigners within Chinese territory and their employers, but not apply to foreigners who enjoy diplomatic privileges and immunities employed by foreign embassies or consulates, or the offices of the United Nations and other international organizations in China.

---**The management on foreigners for employment in China.** The employer shall apply for the employment permission if it intends to employ foreigners and may do so after obtaining approval and the People's Republic of China Employment License for Foreigners. The post to be filled by the foreigner recruited by the employer shall be the post of special need, a post that cannot be filled by any domestic candidates for the time being but violates no government regulations. Any individual economic organizations and private citizens are prohibited from employing foreigners.

Foreigner seeking employment in China shall hold the Employment Visas for their entry (In case of agreement for mutual exemption of visas, the agreement shall prevail.), and may work within Chinese territory only after they obtain the Employment Permit for Foreigner and the foreigner residence certificate.

Foreigners who have not been issued residence certificate (i.e. holders of F, L, C or G type visas), and those who are under study or interim programs in China and the families of holders of Employment Visas shall not work in China. In special cases, employment may be allowed when the foreigner changes his status at the public security organs with the Employment License secured by his employer in accordance with the clearance procedures, under these Rules foreigners changes his status at the public security organs with the Employment License and receives his Employment Permit and residence certificate.

Foreigners may be exempted from the Employment License and Employment Permit when they meet any of the following conditions:

- (1) Foreign professional technical and managerial persons employed directly by the Chinese government or those with senior technical titles or credentials of special skills recognized by their home or international technical authorities or professional associations to be employed by Chinese government organs and institutions and foreigners holding Foreign Expert Certificate issued by State Bureau of Foreign Expert Affairs;
- (2) Foreign workers with special skills who work in offshore petroleum operations without the need to go ashore for employment and hold "Work Permit for Foreign Personnel Engaged in the Offshore Petroleum Operations in the People's Republic of China";
- (3) Foreigners who conduct commercialized entertaining performance with the approval of the Ministry of Culture and hold "Permit for Temporary Commercialized

Performance".

The employer and its foreign employee should, in accordance with law, conclude a labor contract, the term of which shall not exceed five years. The Employment Permit of the employed foreigner shall cease to be effective upon the expiration of the term of the labor contract between the foreigner and his employer. After the termination of the labor contract, the employer should promptly report it to the labor and public security authorities, return the Employment Permit and the residence certificate of the said foreigner, and go through formalities for his exit from China.

The wage paid to the foreign employee by the employer shall not be lower than the minimum wage in the locality. The working hours, rest and vacation, occupational health and safety as well as the social security of the foreign employees in China shall follow the relevant provisions of the state. The labor disputes between the employer and its foreign employee should be handled in accordance with the Labor Law of the People's Republic of China and the Regulations of the People's Republic of China on Settlement of Labor Disputes in Enterprises.

Violation of these Rules, i.e. foreigners who work without the Employment Permit or employers, which hire foreigner without the Employment License, shall be handled by the public security organs in accordance with Article 44 of the Rules Governing the Implementation of the Law of the People's Republic of China on the Entry and Exit of Aliens.

For foreigners and employers who forge, alter, falsely use, transfer, buy and sell the Employment Permit and the Employment License, the labor administrative authorities shall take over the Employment Permit and the Employment License in question, confiscate the illegal proceeds and impose a fine between ten thousand and one hundred thousand RMB yuan. In serious cases, which constitute a crime, their criminal responsibility of the perpetrators shall be looked into by the judicial authorities.

-----**The magnitude of foreigner employment in China.** As for the employment of foreigners in China, the first category of foreigners with a status of foreign experts issued by the State Bureau of Foreign Experts Affairs are senior professionals and technicians working in long or short terms in the fields of economy, technology, culture and other service sectors. This category of foreign experts also includes those working in scientific research centers, academies, public health, art and sports institutions. Some of them are also working for contracted projects or key construction projects under agreements or economic and commercial contracts signed by the Chinese government with foreign governments, international organizations and

other foreign partners. In the past decades, the number of foreign experts working in China added up to more than one million from more than 50 economies. At the beginning of this century, the number of foreign experts working in China amounted to 250,000, of whom 50,000 were cultural and educational experts. Besides that, there were also 190,000 person/time from Hong Kong SAR, Macao SAR and Taiwan region. Long-term experts occupied 42 percent of the total, while short-term ones occupied 58 percent. As for the second category of foreigners working in China, according to the Ministry of labor and Social Security, there were about 124,000 foreigners employed in China with permit by the end of 2004.

III. Analyzing the Trends, the Benefits and the Problems about the international labor mobility

1. The trends of the international labor mobility Along with the intensifying globalization, the work force will integrate with the fund and technology from various economies. There will be more and more professionals, common workers going abroad for work. Moreover, in recent decades since the economies have been increasing rapidly in Northeast Asia, especially in China, Southeast Asia, especially in India, these regions need a lot of workers of various kinds. The international labor mobility will be fast. Furthermore, since the Chinese government will continue to carry out the reform and opening up to the outside world policies there will be more and more Chinese citizens going abroad for employment and more and more foreigners coming to China for jobs.

2. The benefits from the International Labor Mobility. As far as China is concerned, there are many benefits from the international labor mobility. First, the Chinese workers can learn a lot when they go abroad and work for foreign companies. They can improve their skills and practise their capacity of management. Secondly, they can increase their income and improve their family's level of life. Usually, when workers go abroad for work, they could earn more money than they work in China. Thirdly, the Chinese companies can make a profit from other economies. Finally, the international labor mobility provides more employment opportunities for Chinese work force. It's conducive to developing the rich human resource of China.

3. The Problems relating to International Labor Mobility. In recent years, various problems have occurred when the migrant workers moved from China to abroad or foreigners seeking job in China. The problems are mainly regarding three aspects. **First of all**, the international mobility leads to brain drain for China. Nowadays, China needs a lot of professionals and skilled workers to meet the needs for its fast development of economy. However, because of the international labor mobility, more

and more talents go abroad from developing economies. This is a big loss wealth for them. **Secondly**, a large number of work force want to go abroad from China, but they lack the knowledge and skill to meet the needs from foreign companies. Especially, most of the Chinese common workers can not speak foreign languages. It's one of the biggest difficult problems for them to exchange ideas with their foreign colleagues. Due to poor language proficiency, they meet lots of troubles abroad. **Thirdly**, the legitimate rights and interests of some workers were damaged. Most of the labor disputes relate to labor remuneration, social insurance, working hours, and other labor conditions. This kind of disputes account for over 50% of the total. The main reasons are that some employers did not meet their promises on working conditions. Some of them changed the labor contracts just on their own accord, and not held the collective bargaining with the trade unions. **Fourthly**, some people swindled money out of workers. They gave the false information to workers in order to cheat the workers for money. Moreover, some illegal labor intermediary collected the service fees much higher than usual charge, but they did not provide the corresponding services. **Finally**, the international labor mobility involves many departments of administration, such as the Ministry of Labor and Social Security, the Ministry of Personnel, the Ministry of Public Security, etc., they should have close cooperation to manage the matter of migration. And it's very difficult to count the number of the migration.

IV. Measures to Improve the Situations and the Policies Related to the International Labor Mobility

The international labor mobility involves many aspects of economy and society. Therefore, the comprehensive measures should be taken into account.

First of all, the related economies and the international organizations should take close cooperation to deal with the common problems of migration. For example, they can consider to establish a mechanism for the exchange of migrant information among the economies in Asia and Pacific Region.

Secondly, the related economies could sign the labor-sending or labor-receiving agreements between each other to meet the needs of each of them. There exists a large difference among Asia and Pacific Region economies. Some of them are developed economies, and some of them are developing economies. Some of them have rich labor resources, but others lack. Therefore, this region has condition to have cooperation in the field of the international labor cooperation. Moreover, it is necessary to create the conditions for the migrant workers to participate in social insurance of the hosting economies, such as signing agreements on pensions, industrial injury insurance etc.

Thirdly, the government of each economy should take measures to enhance the level of migrant worker's education and skills, including training their foreign language, helping them to understand the culture of the hosting economies. The developed economies should help the developing economies improve their migrant worker's skills. And the economies should exchange their experience of management frequently and take the international technical cooperation of the international labor mobility.

Fourthly, each economy should strengthen the management of the international labor mobility. The matter of the international labor mobility shall be collectively managed by the labor administration, with the help of other administrant departments of the government. Furthermore, the government should take the measures to strike out at illegal acts to migrant workers.

In conclusion, strengthening the international labor mobility is significant for Asia and Pacific Regions. The international labor mobility benefits the development of this region. To deal with the problems, we should take comprehensive measures and strengthening the international cooperation.