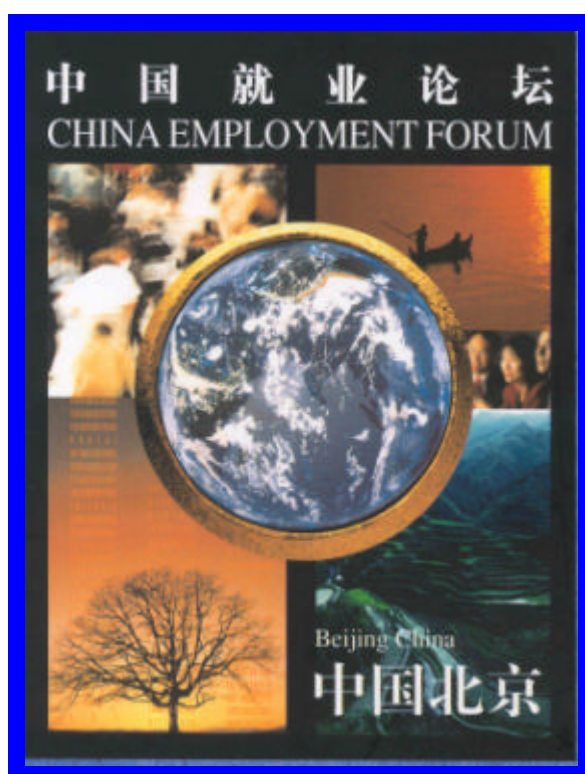


Summary Proceedings



China Employment Forum

**Beijing, China
28-30 April 2004**

**Ministry of Labour and
Social Security
People's Republic of China**

International Labour Office

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**China Employment Forum
Beijing, China
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Wednesday, 28 April

Opening plenary ceremony

Chair: Mr. Wang Dongjin, Vice Minister of Labour and Social Security
Opening remarks: Mr. Huang Ju, Vice Prime Minister, China
Keynote speeches: Mr. Juan Somavia, Director-General, ILO
Mr. Zheng Silin, Minister of Labour and Social Security, China

The opening ceremony was held in the Great Hall of the People, and was chaired by **Mr. Wang Dongjin**, Vice Minister of Labour and Social Security.

Mr. Huang Ju, Vice Premier of the State Council of the People's Republic of China, delivered the opening speech and welcomed all participants on behalf of the Chinese Government. He emphasized that with deepening globalization and accelerating restructuring, it was crucial to discuss the emerging employment challenges and identify appropriate development strategies and employment policies to tackle them. Such a discussion and exchange of international experience would greatly benefit countries in formulating regional and national strategies and policies. Thus the China Employment Forum could play a positive role by contributing to better mutual understanding and cooperation among countries.

He stressed that providing employment opportunities to all people able to work was an important precondition of economic development and social progress and was a vital mandate of all governments. At the beginning of the 21st century, the global employment situation was not optimistic; unemployment and poverty were major problems in many countries, in particular the developing ones. More effective policies were necessary to put employment promotion in a more prominent position and link economic growth with employment generation. Collaboration among countries and regions should be strengthened to develop a coordinated and consistent international employment strategy.

He referred to important economic and social achievements in China. For the first time in history, per capita GDP had exceeded US\$1,000 in 2003. Over the past 10 years, 80 million new jobs had been created. Despite the adverse effects of the SARS epidemic in 2003, the employment promotion measures implemented by the Government had helped to create 8.6 million new jobs in urban areas and to provide new jobs for 4.4 million unemployed persons, helping to maintain social stability. China was continuing its reform policy aimed at balanced and sustainable economic and social development. Economic progress aimed to not only improve the living standards of its population but also provide new development opportunities for other countries.

China was confronted with an increasing gap between labour supply and labour demand together with structural mismatches, deepened by increasing migration of surplus labour from rural to urban areas. The Government had given high priority to this formidable challenge and had intensified efforts to find more effective policies for addressing it. First, it had promoted rapid economic development to create more jobs through expansion of domestic demand, strengthening economic adjustment and making economic growth more conducive to employment by promoting labour-intensive industries, small and medium-sized enterprises and flexible forms of employment. Second, it had implemented active employment policies, given that individual job search and market-driven employment adjustment continued but that the Government had a role to play in creating a business environment

conducive to employment, helping enterprises to generate more jobs and assist workers in their job search. Third, the public employment service system would be much improved and vocational training strengthened. Fourth, re-employment assistance to those laid-off and unemployed who faced particular problems in finding new jobs would be improved, initially through developing community jobs and public works. Lastly, cooperation with other countries and international organizations would be strengthened in order to benefit from an exchange of good experiences and practices.

His Government expressed its appreciation to the International Labour Organization for its efforts and positive contributions to promote social justice and maintain world peace through its work towards employment generation, poverty alleviation and protection of workers' legitimate rights and interests. It was ready to further strengthen its comprehensive cooperation with the ILO.

Mr. Juan Somavia, Director-General, ILO, referred to the ILO's mandate to promote a just balance between economic and social development, the rights of workers and the interests of enterprises, and to reach consensus through social dialogue. Dialogue with China was based on enduring respect and the goal of improving people's lives. He praised China for the impressive economic and social progress it had made, as well as its contribution to preventing a global recession while becoming the locomotive of the economy for the East-Asian region. He stressed the ILO's role to facilitate discussion of common employment challenges, exchange experience, develop new ways to increase employment, improve working conditions and help countries to better adjust to these changes.

China was also facing the formidable employment challenges posed by a sharp decline in the number of jobs in state-owned enterprises, large-scale rural underemployment forcing many rural migrants to accept precarious jobs in cities, and an increase in workplace deaths in the manufacturing and mining industries. If these changes were managed equitably and efficiently within a stable environment, there would be far-reaching consequences not only for China but for the world economy as a whole.

The main findings of the World Commission on the Social Dimension of Globalization indicated that despite the enormous potential of globalization, its benefits had not reached enough people nor reduced inequalities. There was a crisis of legitimacy because the present model of globalization was failing to deliver on the basic hopes and aspirations of people in many countries. There was a need for fair globalization that created opportunities for all, and this challenge and the policies to address it properly were at the heart of the ILO's Decent Work Agenda.

The Memorandum of Understanding signed in 2001 between the ILO and China was a clear signal of China's desire to move in the direction of the Decent Work Agenda. The China Employment Forum was one of the activities developed as part of this cooperation to help achieve social progress while striving for comprehensive, harmonious and sustainable development. Cooperation between the ILO and China was developing in a number of programmes, such as formulation of policies promoting small and micro-enterprises, human resource development in special economic zones, occupational safety and health legislation and assistance in tackling discrimination and forced labour. Many of these important issues would be discussed during the Forum, but he highlighted the three most important areas for employment promotion.

First, acceleration of the rate of creating decent jobs through productivity growth aimed at developing an efficient, equitable and unified labour market, ensuring continued economic stability and sustainable economic growth. Promoting skills and the growth of the private sector, especially entrepreneurship and small enterprise development, should serve as the major engine of both rural and urban job creation, and increasing productivity, incomes and living standards in rural areas was crucial. Second, the employment challenge should be seen in the context of social protection. This meant finding effective and efficient ways to expand and strengthen social security and also to focus on safety and health at the workplace. Third, there was the challenge to promote equality of opportunity between men and women and for vulnerable groups, including ethnic minorities. Full use must be made of the positive relationship between core labour standards and sustainable economic

growth. and labour conflicts could be mitigated through social dialogue and full participation of those directly concerned.

He hoped that the China Employment Forum could be a catalyst for examining how to maximize the potential of the domestic market and globalization. It offered an opportunity to review and strengthen cooperation between China and the ILO, which had already yielded positive results. While one meeting in itself could not provide decent work to the entire country and its people, it could nevertheless help China to make choices about its employment policy. The ILO wished to play a constructive role as China moved further forward on its path to support sustainable and equitable development, balance economic dynamism with social stability and promote flexibility with security. China had decided to put its people first and the ILO would give its full cooperation and support to this quest.

Mr. Zheng Silin, Minister of Labour and Social Security, stated that employment promotion had always been regarded as a strategic task for national economic and social development, and job creation was one of the main objectives of its macroeconomic policy. He highlighted three main points.

First, China's remarkable success in promoting employment while adhering to reform by opening and restructuring the economy was attributable to the following reasons. Continuous expansion of employment had contributed to stable social and economic development. The Government's macroeconomic policy was aimed at employment promotion and structural adjustment and the transfer of labour from agricultural to non-agricultural activities, especially labour-intensive production and small and medium enterprise development, and this had created a large number of jobs. The Government had implemented re-employment programmes for laid-off workers to provide assistance such as training programmes and job search, as well as basic subsistence allowances and unemployment benefits for urban residents.

Between 1998 and the end of 2003, two thirds of the 28 million laid-off workers had found new jobs and the rest were either retired or involved in training or job placement. Progress had been made in establishing a market-oriented employment mechanism by strengthening public employment services and vocational training; over 80 per cent of new labour market entrants had had vocational education or completed higher secondary school. Capacity building had led to human resource development, optimal labour reallocation and rational labour migration. The situation of rural workers had improved through employment in labour-intensive jobs, both agricultural and non-agricultural, in their place of residence. Workers in rural areas had also benefited from more orderly migration through prior training, improved information and intermediary services. There was considerable progress in protecting women's rights to employment and increasing their employability through training, and providing assistance to help persons with disabilities to find work. Women workers presently accounted for over 45 per cent of the workforce and there were two types of policy for persons with disabilities: setting up welfare enterprises to create jobs with tax incentives, and job quotas. As a result the employment rate for persons with disabilities had reached 83 per cent.

Second, China was facing an enormous employment challenge due to the gap between labour supply and demand, combined with a mismatch of skills. The generation of new jobs lagged behind the number of jobseekers: new labour market entrants, laid-off workers and underemployed rural workers were migrating to urban areas. While traditional industries were laying off workers with obsolete skills, there was a shortage of skilled workers in newly emerging enterprises. The recent epidemic of Severe Accute Respiratory Syndrome (SARS) had alerted the Government to the need to establish an unemployment warning mechanism.

Third was the active employment policy formulated in 2002, and improved in 2003, to promote employment and re-employment. There were five main elements: macroeconomic policies aimed at promoting economic growth conducive to employment, generating more jobs through boosting small and medium enterprises in the service sector and labour-intensive industries, and promoting flexible

forms of employment; re-employment policies for those laid off and unemployed to assist them to start their own businesses and encourage enterprises to recruit employees through tax incentives and job subsidies; labour market policies formulated to improve job mediation, training measures and job placement, combined with better labour market information; policies aimed at reallocating workers laid off by enterprises undergoing restructuring, while avoiding mass unemployment and improving the unemployment insurance system; and social security policies to guarantee the basic livelihood of those laid off and unemployed, and actively promote their re-employment.

While the new active employment policy had been remarkably successful in 2003, meeting its targets despite the SARS epidemic, improvements could be made by learning from successful experiences and good practices in other countries. That was the main objective of the China Employment Forum.

1st Plenary Session: Globalization, restructuring and employment promotion

Chair: Mr. Göran Hultin, Executive Director, ILO

Participants: Mr. Zhu Zhixin, Vice Minister of State Development and Reform Commission, China
Ms Ma. Nieves R. Confesor, Dean of Institute of Management and former Secretary of Labour, Philippines
Mr. Xu Zhenhuan, Vice President of the All-China Federation of Trade Unions
Mr. Ng Eng Hen, Minister for Manpower and Minister of State for Education, Singapore
Mr. Chen Lantong, Vice President of the China Enterprise Confederation, China
Mr. Xiao Jie, Vice Minister of Finance, China
Mr. Murat Basesgioglu, Minister of Labour and Social Security, Turkey

Mr. Göran Hultin, Executive Director, Employment Sector, ILO, chaired the session and referred to the ILO Global Employment Agenda as an inspiration for China's employment strategy to address its important employment challenges.

Mr. Zhu Zhixin, Vice Minister of the National Development and Reform Commission of China, stressed that economic reform had created favourable conditions for employment promotion but had given rise to many challenges. Between 1978 and 2003 the annual GDP growth rate averaged 9.4 per cent, but employment had grown at an average rate of only 2.5 per cent, representing a decline in the employment elasticity of growth. While newly created jobs in the urban private sector far outnumbered job cuts in state-owned and collective enterprises, job growth in rural areas had stagnated and the share of the tertiary sector in total employment had more than doubled. However, institutional barriers to development of small businesses in rural areas still remained. Although rural reform and the development of township and village enterprises had moved labour to non-agricultural activities in both rural and urban areas, skill levels of rural workers were still low. While opening the Chinese economy to the outside world had expanded the labour market, there was still a need to deepen reform and accelerate development. In order to promote growth and employment, there was a need to strengthen macro-control and management of employment by implementing macroeconomic, financial, industrial and investment policies conducive to employment promotion. China should also implement appropriate re-employment policies, improve social protection, and further reform the labour market vis-à-vis the social security system and public employment services, and improve the quality and mobility of the labour force.

Ms. Nieves Confesor, Dean of the Asian Institute of Management, Philippines, said that the growing perception linking globalization and unemployment had caused increasing scepticism and heightened

insecurity, leading to political and social tensions for many individuals and specific challenged segments and groups. While globalization had changed businesses operations and allowed the young, educated and skilled to compete, the older generation and those with less education or unfamiliar with new technologies had been left behind. She cited the World Competitiveness Survey conducted by the Swiss Institute of Management Development, rating China as very competitive and highly ranked for economic performance among 30 countries surveyed with a population of 20 million or more. But China lagged behind in terms of business efficiency, technological cooperation and skilled labour. Economic growth alone was not enough; benefits must be shared among all. In the context of contemporary globalization, the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up was an instrument of partnership between ILO member States and the Organization. Many governments, including China, had seized this opportunity to cooperate more closely with the ILO to realize progressively the principles and rights of workers.

The technical cooperation requested by the Government of China related to freedom of association and recognition of the right to collective bargaining, the abolition of forced or compulsory labour, and the elimination of discrimination in employment and occupation. As concerned the abolition of forced labour, she recalled the Government's intention to adopt a relevant national policy, addressing issues such as trafficking in human beings and protection of Chinese overseas migrants, and requesting special assistance from the ILO. Freedom of association and collective bargaining should be respected irrespective of the specific economic, social, cultural and political conditions of countries. While China had seen positive developments in this respect, much remained to be done in terms of giving effect to the right to establish free and independent workers' and employers' organizations. She believed that economic development and employment did not undermine people's rights but rather strengthened the sustainability of development. China should be commended for its commitment to respect, promote and realize fundamental principles and rights at work and to make employment the heart of its social and economic policy.

Mr. Xu Zhenhuan, Vice President, All-China Federation of Trade Unions, focused his remarks on the grim employment situation of today. Large-scale economic restructuring had resulted in mass layoffs in state-owned enterprises; acceleration of intensive farming and rural industrialization had forced surplus rural labour into non-agricultural activities and to urban areas; and accession to the WTO had caused increasing competition in the domestic market. The Chinese trade unions paid particular attention to re-employment of laid-off workers. Some measures undertaken included participation in formulating and implementing employment laws and policies, social dialogue on employment issues, providing employment services and vocational training, assisting those laid off and unemployed, and helping to protect workers, in particular those belonging to vulnerable groups.

Mr. Ng Eng Hen, Minister of Manpower and Minister of State for Education, Singapore, referred to the accelerated pace of globalization brought about by liberalization of goods and services in many countries, and slower but progressive liberalization of labour markets. Many countries thus faced increasing labour market challenges, including his country. Singapore had taken several measures to control production and labour costs: a reduction in employers' contributions to workers' pension funds together with a cut in contributions for older workers to increase their employability; a move away from a seniority-based wage system to a flexible one able to adjust wages to changing economic conditions; the creation of the Singapore Workforce Development Agency to promote workforce development; the introduction of an on-line national job bank linked to the profiles of jobseekers; the launch of a work assistance programme and the expansion of the skills redevelopment programme to help jobseekers; upgrading training programmes to ensure consistency with skills demand; modification of migration policies to attract skilled foreign workers into Singapore; and promotion of industrial harmony through tripartite dialogue.

Mr. Chen Lantong, Vice President, China Enterprise Confederation, listed the services provided to enterprises and entrepreneurs by his organization: raising the quality and the managerial level of enterprises and their staff through training and dissemination of positive experiences; participation in drafting labour legislation and regulation of industrial relations for enterprises; provision of

information services and assessment of enterprise competitiveness; support to small and medium enterprises; active participation in the national tripartite commission on labour relations; collaboration with the United Nations on the implementation of the Global Compact; and support for ratification and implementation of ILO Conventions and standards in China. He stressed that state-owned enterprises had to take steps to find new employment for redundant workers and gave several examples of enterprises which had diversified their businesses, supported service providers, organized retraining courses and contributed to opening up new channels for employment not only for their staff but also for people in the community.

Mr. Xiao Jie, Vice Minister of Finance, said that employment promotion policies in China included proactive financial policies, basic livelihood guarantees, active employment policies and improved macroeconomic regulations. Active employment policies had recently been launched with preferential arrangements for business start-ups, including tax incentives and credit support, reduced social insurance contributions, subsidized vocational training and improved information systems. New employment promotion mechanisms included the creation of an employment-friendly business environment through improved fiscal policies; clarification of the role of government in employment, including a unified labour market, better job matching and improved social security, stronger labour inspection and protection of the legitimate rights and interests of workers; maximizing the financial input from the government budget and increasing the efficiency of its spending on active employment policies; and integrating social security and employment promotion policies. China was a developing country and could not afford to spend too much on social security. It should rather encourage workers to be active in the labour market, to start their own businesses and find self-employment, thereby converting hidden employment into open employment.

Mr. Murat Basesgioglu, Minister of Labour and Social Security, Turkey, said that while globalization created enormous economic opportunities for the movement of capital and technology, the liberalization of domestic markets and the slowdown of global economic growth had resulted in persistent unemployment and widening income inequalities. Without employment it would be meaningless to talk about basic human rights, social security and social dialogue and therefore unemployment must be seen as a problem with very serious social consequences: employment gave people dignity and self-respect. While economic growth supported by a suitable macroeconomic environment, was the most effective way of combating unemployment, it was not enough. Other measures were needed: an appropriate national employment policy, modernization of labour markets and employment institutions, good basic education and lifelong vocational training. The Turkish Government had declared 2004 as the year to combat unemployment and had launched a series of economic and legal reforms to remove bureaucratic obstacles to business development, improve the balance between flexibility and job security and improve the education system. The Turkish Employment Organization had been restructured and its administrative and technical capacity strengthened, with greater involvement of the social partners. Responsibility for dealing with unemployment must be shared between the public and private sector, trade unions and employers' organizations, professional organizations, non-governmental organizations and individuals.

2nd Plenary Session: Panel discussion on international experience

Chair: *Dr. Lu Mai*, Commissioner, World Commission on the Social Dimension of Globalization and Secretary-General of Foundation for China Development Studies

Sub-session I

Panel: *Ms. Christina Christova*, Minister of Labour and Social Policy, Bulgaria
Ms. Nguyen Thi Hang, Minister of Labour, Invalids and Social Affairs, Viet Nam
Mr. Rudolf Anzinger, State Secretary of Federal Ministry of Economics and Labour, Germany

Mr. Norberto Jose Ciaravino, Vice Minister of Labour, Employment and Social Protection, Argentina

Mr. Baleshwar Rai, Additional Secretary of Federal Ministry of Labour, India

Ms. Christina Christova, Minister of Labour and Social Policy, Bulgaria, observed that while many different countries were represented at the Forum, all faced similar problems. With the transition to a market economy, there had been dramatic changes in Bulgaria. GDP growth now exceeded 4 per cent annually, the unemployment rate had dropped from almost 20 per cent to 14 per cent, and the employment rate was 52.3 per cent. The country's economic structure had also evolved, with a decline in industrial employment and an increase in service employment. The Government acknowledged that employment growth was essential, and the country's new social policy highlighted the need to link economic and social policies, and to develop active labour market policies.

As long-term unemployment resulted in an erosion of skills, the Government had introduced a three-year programme for skills development through service work. The State subsidized a minimum monthly wage for the long-term unemployed in return for which the recipients took up jobs in community, environmental or social services. The scheme had been extended in 2004 to provide wage subsidies for private sector employees who hired unemployed persons. In 2003, 117,000 persons had benefited from the programme and some 700,000 persons were expected to participate in 2004. A survey of the beneficiaries showed that 77 per cent viewed the programme as useful, and 89 per cent claimed to be satisfied with the jobs they held. Other policies in Bulgaria targeted rural workers, women, the disabled, and single heads of household.

Ms. Nguyen Thi Hang, Minister of Labour, Invalids and Social Affairs, Viet Nam, referred to recent efforts of the United Nations and the ILO as reflected in the Copenhagen Summit on Social Development, the Decent Work Agenda, the Global Employment Forum and the *Global Report on the Social Dimensions of Globalization* to ensure a harmony of economic growth, social justice and development in the context of globalization and trade liberalization. China was to be commended on its impressive economic and social achievements over the past three decades, in particular the reform of social security and state-owned enterprises and private sector development. Her Government had launched macroeconomic policies aimed at achieving a harmony of economic growth with social development and poverty reduction, with particular emphasis on mountainous areas, ethnic minorities and other disadvantaged groups. Viet Nam had formulated a Comprehensive Poverty Reduction and Growth Strategy, setting a target of over 7 per cent for average annual economic growth, to be achieved by improving the environment for domestic and foreign investment, investing in infrastructure, promoting exports, supporting community development and stimulating domestic demand.

Consensus has been reached with the social partners on the implementation of the National Programme on Employment and Poverty Reduction, the amendment of the Labour Code and other regulatory instruments to promote the establishment of sound industrial relations; investment in training; further development of the social security system; and enhancement of occupational safety and health. Multilateral and bilateral cooperation on labour and employment issues were needed in order to harness the benefits of globalization for all people and nations. Her country believed that labour standards should not be welded to international trade, and labour standards should not be used as barriers to encourage protectionism.

Mr. Rudolf Anzinger, State Secretary of the Federal Ministry of Economics and Labour, Germany, said that the fundamental goal of all countries should be to reach a common understanding of employment policy. At the G8 Labour and Employment Ministers Conference, held in Stuttgart from 14 to 16 December 2003, Ministers had agreed on the objective of a greater integration of social, financial, and employment policies and that labour relations and labour markets should be strengthened. Greater attention should be paid to the social dimension of globalization, an approach that was in line with the ILO concept of decent work and which would be expanded in the Asia-Europe Meeting (ASEM) process. Following the fourth ASEM Summit in Copenhagen in 2002,

delegates had chosen Germany's suggestion of the theme of "employment and the quality of work". There had been two further ASEM meetings in which employment had figured prominently, in Beijing (2003) delegates had discussed the link between economic growth and social policy, and in Hanoi (2004) the theme had been "decent work in a global economy".

Many countries were developing their own reform agendas. Germany had recently undertaken the most wide-ranging labour market policy reforms ever. Four major laws outlined the reforms for modern services in the labour market as a component of Agenda 2010, including a reduction in unemployment benefits to older unemployed persons, promotion of job opportunities for older workers, support for self-employment as a way out of employment, and expansion of low-income jobs through exemptions in social insurance contributions. Other measures targeted older workers and the promotion of self-employment. Through a self-employment programme, "Me, Inc.", some 93,000 jobless people had started their own businesses. Unemployment insurance and social assistance had been merged, and personalized counselling was offered to the long-term unemployed in local job centres.

Mr. Norberto José Ciaravino, Vice Minister of Labour, Employment and Social Protection, Argentina, commended China on finding a model in which production had not grown to the detriment of solidarity. He expressed the frustration of his country in learning that economic policies based on an unrestricted and unilateral opening of the economy had not led to an increase in the quantity and quality of work, but rather resulted in precarious labour conditions: unemployment, informality and exclusion, leading to widespread indebtedness and social unrest. President Kirchner's address to Parliament at the beginning of his mandate had expressed the wish to recover solidarity principles and social justice, which implied a strengthening of the role of the State in putting equity at the core of economic development. Employment should be a central goal of policies. Argentina wanted to implement active policies in order to ensure growth with equity, develop the internal market, and introduce wage policies that improved the distribution of wealth and promoted training. Other countries in the region had undergone similar processes and their governments were committed to the integration of economic and social policies aimed at providing decent work for all. The Final Declaration of the MERCOSUR Regional Employment Conference, held in Buenos Aires in April 2004 with the support of the ILO, had called for policies promoting private investment and employment, small enterprise development, development of labour-intensive sectors, activation of unemployment protection policies, improvement and expansion of vocational training, reduction of the gender gap, elimination of child labour, and strengthening of social dialogue.

Mr. Baleshwar Rai, Additional Secretary, Ministry of Labour, India, saw a parallel situation between China and his own country. In particular, both had faced the challenges of globalization and substantial restructuring and witnessed the advantages and disadvantages of globalization. Greater economic interdependence could lead to greater prosperity and poverty reduction but could also marginalize both countries and people. There was still the phenomenon of jobless growth in India, resulting in an increase in the number of working poor and unemployed persons, but there were also benefits from globalization. Since liberalization had begun in the early 1990s, exports and tourism had grown substantially: both sectors benefited skilled and unskilled employment alike. India currently had over US\$120 billion in foreign exchange reserves; the GDP growth rate had increased from an annual average of 5.5 per cent in the 1980s to 6.2 per cent in the 1990s; and an 8 per cent growth rate was expected in the country's current economic plan. India's success in the field of information and communication technologies was well known, and sending skilled workers overseas had resulted in the receipt of a high level of remittances.

However, as formal economy employment in India accounted for only 8 per cent of the labour force, the informal economy was vital to support self-employment for the informal workforce. The major problem was not unemployment but underemployment, resulting in many living below the poverty line. The Government was trying to solve this problem through infrastructure development, such as the Golden Jubilee project, or through village development self-employment schemes, and cooperatives represented one means to this end. Globalization had also led to growing insecurity and casualization

of employment. The Government had introduced a social security scheme for informal economy workers: for a contribution of just over US\$1 per month, workers and their families were insured for health, death, or incapacity, as well as contribute to a pension system. The importance of skill development in the informal economy was paramount and the concept of an international skill development fund, put forward at the International Labour Conference in 2003, should be explored.

Discussion

Mr. Anzinger supplied further details on Germany's efforts to promote low-wage employment, an important element of which was to promote "mini-jobs", which were defined as those that paid up to 400 euros per month. Ms. Nguyen Thi Hang noted that in her country all bills became law only after extensive prior consultation, which included not only with ILO constituents but with the important Farmers' Union and Women's Union.

Sub-session II

Panel:

- Mr. Kim Dae Hwan*, Minister of Labour, Republic of Korea
- Mr. Uraivan Thienthong*, Minister of Labour, Thailand
- Mr. Markku Wallin*, Permanent Secretary of Ministry of Labour, Finland
- Mr. Jan Gronlund*, State Secretary, Ministry of Industry, Employment and Communications, Sweden
- Mr. Jean-Luc Nordmann*, Secretary of State (Director of Labour), State Secretariat for Economic Affairs, Switzerland
- Mr. Arnold Levine*, Designated Representative of Secretary of Labour and Deputy Under Secretary of Labour, Department of labour, United States

Mr. Kim Dae Hwan, Minister of Labour, Republic of Korea, stressed that the ILO Decent Work Agenda was particularly important in the globalization process as it protected workers' rights and encouraged sustainable development. Since 1960, Korea had experienced remarkable economic development with dramatic changes in the labour market. Until the mid-1980s a major challenge had been a manpower shortage in the export industries and employment policy had focused on increasing labour supply. From the mid-1980s to the mid-1990s, there had been a shortage of skilled workers in small and medium enterprises. The financial crisis in 1997 brought with it sharp increases in unemployment, reaching 7 per cent in 1998. In response to the crisis a new "unemployment cabinet" had initiated both short-term employment programmes and long-term measures to find people jobs, including public works, youth internships and loans to support basic livelihood. The long-term active employment policies included promoting small and medium enterprises and strengthening social safety nets through an employment insurance system for employment security and vocational training. These measures together with economic recovery led to a drop in the unemployment rate to below 4 per cent. But Korea now faced a new challenge with economic growth below 6 per cent. The priority of employment policy was job creation and the Government and the social partners had concluded a Social Agreement on Job Creation in February 2004, focusing on employment security, wage stabilization and labour-management harmony. Trade unions had undertaken to stabilize wages over a 2-year period, while enterprises had promised to minimize expansion of investment and adjustment in employment. The Government had reduced regulations on enterprises and strengthened the social safety net, and was now implementing a comprehensive employment strategy aimed at promoting economic growth, increasing job creation, reducing working hours, encouraging job sharing, and promoting SME recruitment.

Ms. Uraivan Thienthong, Minister of Labour, Thailand, said that a cornerstone of Prime Minister Thaksin Shinawatra's policy was poverty reduction and employment promotion. Of the country's population of 64 million, 54 per cent were in the labour force, where 96 per cent were employed. One innovative programme introduced by the government, "One Tambon One Product" (OTOP), encouraged local communities to develop products using their local knowledge and building on Thailand's extensive handicrafts tradition. Since 2001 more than 10,000 people had been trained locally in handicrafts. The country would introduce its first unemployment insurance system on 1 July

2004. Other policy efforts sought to promote entrepreneurial spirit, protect workers and ensure equality of treatment.

Mr. Markku Wallin, Permanent Secretary, Ministry of Labour, Finland, believed that employment was a central policy priority. Policy reforms generally responded to political pressures resulting from hardships arising from the economic and labour market situations. The implementation of a comprehensive national employment policy negotiated on a tripartite basis could lead to substantial improvements in the labour market, as was the case in Finland. Like many European countries, Finland was now facing a different problem from China: a decrease in the labour force because of an uneven age structure. Employment policy therefore focused on reducing unemployment and securing the availability of labour, which implied a need to balance adjustment flexibility for enterprises with guaranteed security for workers. Enterprises needed flexibility to increase their productivity and competitiveness in such a way that it did not reduce the willingness of their employees to work. The conflict between a reduction in tax revenues and the need for public services should also be resolved. Policy only succeeded in practice when the measures were accurately reflected in government programmes and promoted by cross-sectoral employment programmes. cooperation networks on employment policy at the regional and local levels were also important.

Mr. Jan Gronlund, State Secretary of the Ministry of Industry, Employment and Communications, Sweden, described his country's labour market policies in a context of structural change. When companies closed down, the policy was not intended simply to provide hand-outs to laid-off workers but to actively assist them in finding new jobs. In Sweden, large companies planning to close had to notify the County Labour Board in good time, which then contacted the public employment service (PES). The PES provided assistance with vocational rehabilitation; collective agreements (called career transition agreements and employment security agreements) set out an appropriate transition path. The range of services included financial assistance for geographical mobility, videotaped practice interviews, and public employment service visits to companies that were closing down. There were four major advantages in full tripartite involvement of the social partners in labour market policies: tripartism facilitated the introduction of new technologies; labour market policies were more likely to be implemented at the local level with the involvement of the social partners; tripartism added stability to the labour market; and the involvement of the social partners provided a good safeguard against corruption.

Mr. Jean-Luc Nordmann, Secretary of State (Director of Labour), State Secretariat for Economic Affairs, Switzerland, referred to the ILO Global Employment Agenda as a coherent and coordinated international employment strategy. Employment must be at the heart of economic and social policies. The first ILO project in China funded by his Government had provided training programmes and consulting services to government policy makers, management and workers in enterprises located in special economic zones. It promoted both the integration of local companies into the global economy and the social dimension of globalization. There were two key features of the China Employment Agenda suggested by the ILO: social dialogue as an important mechanism to address economic and social development issues, prevent and resolve conflicts, and improve enterprise performance, which was also a central institution of the Swiss economic system; and the improvement of knowledge and skills. Concerning the latter, a Swiss initiative "Internet at School" involved both the public and private sectors with the aim of connecting all Swiss schools to the Internet: adherence to the principle of lifelong learning should not be forgotten. The employment strategy proposed by the ILO would only have an impact if policies were translated into action plans in each country.

Mr. Arnold Levine, Deputy Under-Secretary of Labor, United States, focused on an important aspect of the employment agenda in adapting to the changes and challenges of a global marketplace: the need for training and retraining. Two thirds of GDP growth in the United States in the 1990s had been in the area of new technologies, but job vacancies were apparent because jobseekers lacked the necessary skills. Training policy should focus on growth sectors, which in the United States included healthcare and biotechnology. The Government had spent US\$23 billion annually for over 30 job-training programmes spread over nine government agencies – not all programmes were working well. The

effort in the United States was threefold: to ensure that all who wanted a job could get one; that they then kept the job; and that they are paid a decent wage. Some streamlining of expenditures was necessary as, for example, the Department of Labor was spending US\$4 billion annually to train 206,000 people (US\$20,000 per trainee). The goal was to achieve savings of US\$350 million from this budget and to promote innovation and flexibility.

He outlined a proposed pilot programme based on the concept of individual training accounts. Called “Personal Re-employment Accounts”, the programme would have initial funds of US\$50 million. Up to US\$3,000 would be granted to unemployed people as assistance in their job search. A person could spend that money on training, or use it to defray childcare costs. If the unemployed person was successful in finding employment before spending all the money, they could keep the balance to invest in a private pension plan.

3rd Plenary Session: Globalization, restructuring and employment promotion

Chair: Mr. Zhang Xiaojian, Vice Minister, Ministry of Labour and Social Security, China

Participants: Ms. Zhen Yan, Secretary of Secretariat of All-China Women’s Federation, China
Mr. Xie Boyang, Vice Chairman, All-China Federation of Industry and Commerce
Ms. Wu Xiaoling, Deputy President of the People’s Bank of China
Mr. Shao Ning, Vice Chairman, State-owned Assets Supervision and Administration Commission of the State Council
Mr. David Arkless, Deputy Chairman of the Board, Manpower, United States
Mr. Jacob NuwaWea, Minister of Manpower and Transmigration, Indonesia
Mr. Huang Jinhe, Executive Director, First Automobile Group Corporation of China
Mr. Jose Barreiro Alfonso, Vice Minister of Labour and Social Security, Cuba
Mr. Wang Ling, Chairman of Trade Union, Wuhan Iron and Steel Group
Mr. Marco Fabio Sartori, Minister’s Representative, Ministry of Labour and Social Affairs, Italy

Ms. Zhen Yan, All-China Women’s Federation (ACWF), pointed out that employment was a challenge for both women and men in China. The ACWF had assisted the Government in safeguarding the rights of women in employment, and women’s participation in the labour force had changed during a period of market-oriented development from lifetime jobs to new forms of economic activity. With many women losing jobs in state-owned enterprises, the ACWF had provided assistance through research projects, policy advice, community participation, awareness raising and capacity building. The aim was to help women overcome difficulties they faced in the labour market, such as low skills, discrimination in hiring, being middle aged, informal and flexible employment, excessive working hours and hazardous jobs. The ACWF had helped improve the position of women at work by introducing new laws, labour inspectors, special committees and community projects to provide training and services to women starting their own businesses. It was encouraging the Government to carry out measures to enforce employment quotas under the “Programme for the development of Chinese women” and was working with the ILO on a project to prevent trafficking in girls and women.

Mr. Xie Boyang, Vice Chairman, All-China Federation of Industry and Commerce, recalled the growing role of the non-state sector in economic development and employment growth. The private sector employed 42 per cent of the total workforce and 70 per cent in urban areas. According to a survey by the Ministry of Labour and Social Security in 2003, two thirds of workers laid off from state-owned enterprises had found new jobs in the private sector. Increasingly, small businesses were providing opportunities for re-employment of laid-off workers and employment of new entrants. Special incentives had been offered for business start-up, including credit support and tax exemptions, and the Government had also encouraged improvements in job quality through labour contracts and

insurance coverage. The 16th Party Congress had urged the Government to develop ideas and institutions to support self-employment by allowing the potential for social wealth to be fully realized and improve people's general welfare. In 1998 the Communist Party of China (CPC) Central Committee and State Council had met to work out minimum living standards and special re-employment assistance for laid-off workers. Proposals had been made for a social security system to guarantee basic livelihood for laid-off employees of state-owned enterprises. During 2002 and 2003 a set of policies to support re-employment of laid-off workers had been put forward. Re-employment of workers depended on rapid economic growth as well as improved competitiveness of state-owned enterprises. In the restructuring process, major efforts had been made to provide employment opportunities to redundant workers, not an easy task to achieve.

Ms. Wu Xiaoling, Deputy President, People's Bank of China, pointed to recent government efforts to address the challenge of employment and re-employment by promoting self-employment and entrepreneurship. Microcredit was one such measure. Drawing on the experience of pilot projects in Shanghai, Chongqing, Tianjin and Ningxia, the People's Bank of China had promoted the nationwide expansion of guaranteed microcredit through commercial banks, agricultural cooperative banks and credit cooperatives in both urban areas and rural areas. Credit support had to be accompanied by job training and employment services as they contributed to the success of small businesses and the effectiveness of microcredit. Working with the Ministry of Labour and Social Security, the People's Bank of China had expanded the Start and Improve Your Business (SIYB) programme to 100 cities and had issued a "Notice on Pushing Forward Guaranteed Microcredit to Unemployed Workers" to assist in the re-employment of laid-off and unemployed workers. Commercial banks were encouraged to provide credit support to small businesses which recruited 30 per cent or more of their employees from among those laid-off or unemployed.

Mr. Shao Ning, Vice Chairman, State-owned Assets Supervision and Administration Commission of the State Council, explained that the employment challenge stemmed from the traditional policy under the planned economy of low income and high employment in state-owned enterprises employing large numbers of redundant workers. During the reform and restructuring process, workers were being laid off as enterprises downsized in order to increase productivity and improve competitiveness. A series of policies had accompanied the strengthening of reforms, including guidelines issued in 1997 to encourage mergers and acquisitions, standardize the bankruptcy process, lay off redundant workers to improve profitability, and implement re-employment projects.

Mr. David Arkless, Deputy Chairman of the Board, Manpower, recalled that the experience of the G7 countries might be useful in meeting the challenge of unemployment and underemployment in China. He outlined effective but different approaches used in France, Japan and the United States in terms of labour flexibility, social protection, job turnover and temporary work and mentioned several general issues such as information technology, lifetime learning and public-private partnerships. One example of partnerships around the world was the work of Manpower, with employment agencies in the United Kingdom that had been successful in areas of high unemployment. Measures to place and keep the long-term unemployed in work had been effective in providing individual support such as training, childcare and transport. The challenge was not simply matching a worker to a job: Manpower's profitability depended on the competitiveness of its employees. It stood ready to support China and the ILO in developing the human resources necessary to support the redistribution of work in a global economy.

Mr. Jacob Nuwa Wea, Minister of Manpower and Transmigration, Indonesia, praised the Chinese Government for making employment creation a national priority. As the fourth most populous country in the world, Indonesia also faced the problem of surplus labour. Economic growth during the 1990s ended abruptly with the financial crisis. While now in a period of recovery, Indonesia still faced challenges posed by the low education of its labour force and industrial unrest. It was now pursuing a policy of employment-friendly development and current objectives were to make optimal use of human resources, promote even distribution of job creation, provide labour protection and improve the welfare of workers and their families. Policies to promote employment creation had been introduced,

and to increase productivity and quality of labour with training, certification and licensing, and enhance labour protection through improvements in working conditions, social welfare and social security including the informal economy. The number and quality of labour inspectors would also be increased to improve labour protection.

Mr. Huang Jinhe, Executive Director, First Automobile Group Corporation, highlighted the challenge of maintaining competitiveness in an era of global competition. In the face of stiff competition from the private sector the automobile manufacturer had to make decisions about its labour force. The challenge was to produce quality cars while following the principle of putting people first. This had led to a new human resource development policy to retain and attract highly skilled workers, while also finding solutions for redundant workers. Salaries had to be based on the contributions to the company. In addition, his company had invested in a system of vocational training and lifelong learning. As redundant workers gradually moved away from state-owned enterprises, it was important to create an environment for development and opportunities for re-employment, as having a job was all important. Special support should also be given to older workers leaving the workforce.

Mr. Jose Barreiro Alfonso, Vice Minister of Labour and Social Security, Cuba, commended China for striving to attain social justice and economic progress. Despite the worldwide growth of hunger, illiteracy, unemployment, the worst forms of child labour, epidemics such as HIV/AIDS and environmental problems, he was optimistic about the prospects for a better world. If governments had the political will to work together with the different actors through social dialogue, full employment of both women and men in conditions of equality could be achieved and opportunities guaranteed for young people, ethnic minorities and people with disabilities. Child labour must be eliminated. In order to confront the challenges of the 21st century, investment in human capital was necessary. Cuba aimed to provide all citizens with a comprehensive education. The current unemployment rate of only 2.3 per cent indicated that Cuba had attained full employment, and the Forum presented an opportunity for all to benefit and take a positive stance on this important issue.

Mr. Wang Ling, Chairman of the Trade Union, Wuhan Iron and Steel Corporation (WISCO), said that as one of the four largest steel group companies, WISCO had been downsizing and restructuring for over a decade. Trade unions had played an important role in this process. First, they had taken part in planning and implementing the lay-offs, including protection of employee benefits, following democratic procedures and introducing supervisory procedures. Second, they had strengthened employment services to help laid-off workers find new jobs, including provision of training and guidance, and microcredit had been provided to laid-off workers to help them set up service businesses. Third, they had improved assistance for poor workers through a poverty relief fund. Assistance was provided through a 24-hour hotline. Policies provided for preferential treatment for laid-off workers with respect to school and university tuition and house rent. Trade unions should continue to promote the rights of laid-off workers, including efforts to support their re-employment through the implementation of laws and regulations, as well as to improve their skills and qualifications. Unions should also work with enterprises and governments to ensure that laid-off workers received social security benefits.

Mr. Marco Fabio Sartori, Minister's Representative, Ministry of Labour and Social Affairs, Italy, explained that his country had been pursuing an "active society" principle to sustain social security and adapt the production system to meet the need for information and knowledge. The aim was to move women and older people into jobs and increase the employment rate from 55 to 70 per cent. The policy package included increased competition for employment services by enhancing the role of private intermediaries, using several approaches: easing the restrictions on private companies, such as temporary work agencies and private recruitment agencies; facilitating the use of flexible contracts, particularly part time and fixed term, in order to reduce casual labour; and strengthening the employment information system to combine data from central, regional and local governments. Italy would also the EU recommendations by endorsing a "welfare to work" approach linking income support, labour supply and training programmes with employment incentives and social benefits.

While globalization would eventually lead to greater benefits by the removal of trade barriers, in the short term it was governments that must act. He endorsed the report of the World Commission on the Social Dimension of Globalization, *A fair globalization: Creating opportunities for all*; trade must be based on rules. Core labour standards and social protections systems should be promoted in an integrated fashion through worldwide cooperation, and a system of safety nets could help ensure fair trade and healthy globalization. Italy firmly believed that China had a role to play in defining this new international framework and could contribute to the creation of jobs all over the world, and was ready to work with the ILO and China in implementing the Memorandum of Understanding.

Thursday, 29 April

Session A: Employment promotion and globalization

Session A1: Economic policy and employment

Moderator: Ms. Lin Lean Lim, Deputy Director, ILO Regional Office for Asia and the Pacific

Panel:

- Mr. Cai Fang, Senior Researcher, Chinese Academy of Social Science
- Mr. John Evans, Trade Union Advisory Committee, OECD
- Mr. Hu Angang, Professor, Tsinghua University
- Mr. Chen Huai, Senior Researcher, Development Research Centre of the State Council
- Mr. Yang Yiyong, Deputy Director-General of Economic Research, Institute of State Development and Reform Commission
- Mr. Sadeh Bakhtiari, Deputy Minister for Employment Planning and Policy-making, Ministry of Labour, Iran

Ms. Lin Lean Lim noted that the central issue was: “What does it mean to place employment promotion at the heart of macroeconomic policy?” Employment and output growth were not growing at the same pace in China. A 1 per cent increase in output growth yielded a mere 0.1 per cent growth in employment. She cited several imbalances in China’s economic performance. While the US\$ 1-a-day poverty rate had been spectacularly reduced in China (from 32 per cent of the population in 1990 to 11 per cent in 2003), income inequality had risen sharply. There were five instances of imbalance – between rural and urban locations; between coastal and other regions; between human development and environmental degradation; between the domestic and export economies; and between men and women. Macroeconomic policy needed to focus on redistribution to be fair and productive and fiscal policy should be directed to infrastructure, both physical and social. Creating jobs where people actually lived was important, as was the promotion of administrative reform.

Mr. Cai Fang spoke about the impact on employment of China’s accession to the World Trade Organization (WTO). He cited the manufacturing industry as an example. Given the relatively low per capita arable land endowment in China, land-intensive agriculture had no comparative advantage, which eventually led to migration of labour to the non-agricultural sector, and there were several possibilities for further development of the non-agricultural sector. The comparative advantage indices in China as compared to Hong Kong (China), Republic of Korea, Taiwan (China), Japan and Singapore showed that in China, the index for the manufacturing sector had been declining in both capital-intensive and resource-intensive products. However, in labour-intensive manufacturing sectors it had increased. In contrast, the other five Asian economies showed declining comparative advantage indices in labour-intensive sectors, illustrating the potential for future growth in the region of its labour-intensive sectors.

While China had a relatively large labour force, there had been no significant increase in employment in recent years and there had been a decline in the employment elasticity of GDP growth since the 1980s. Some 40 per cent of the labour force was not covered by national statistics, and therefore employment figures did not reflect unrecorded work. The majority of the uncovered working population was informally employed in the manufacturing sector. Concerning the pattern of investment in China and its implication for future employment growth and economic development, more caution was needed in directing investment, since some sectors had sufficient capital invested in them. In terms of foreign direct investment (FDI) and its employment-generating capacity, the proportion of employment in foreign-invested enterprises was still relatively small but was increasing. The contribution of FDI employment to total employment of the country had increased from 1.5 per cent in 1988 to 18.4 per cent in 2001. While FDI offered employment-generating opportunities to both urban and rural areas, the regional distribution was concentrated in coastal areas. Wages across different manufacturing industries had shown a trend towards convergence, suggesting greater mobility in the labour market, but this trend varied between regions. Some relied more on market principles while others, notably in the north-east and north-west areas, did not.

Manufacturing industries would continue to grow at a high rate due to their comparative advantage in labour-intensive production but greater development of the labour market was needed to encourage industrial growth. One potential external constraint for China to benefit fully from WTO accession could be a recent tendency towards trade protectionism in the OECD countries, but he hoped that in the medium to long term, industry in China would also be restructured. Part of that process should provide some convergence towards OECD industrial structures and help mitigate any potential protectionist trends.

Mr. John Evans observed a clear consensus in China on the need to retain a strong employment element of growth. He outlined a series of recommendations: first, a focus on the quality as well as the quantity of jobs. OECD experience showed that the key to quality was people at the local level, where local strategies were devised. In order to promote local strategies, fiscal policy should aim to decentralize funds. Second, effective labour market regulation was necessary to protect workers in a context of change. The estimated undocumented 40 per cent of the workforce were unlikely to enjoy such protection. The Government alone could not provide such protection and therefore all the social partners should be involved. Trade unions should help monitor and protect the rights of such workers, for example by ensuring basic rights to freedom of association and collective bargaining.

Strong institutions and labour market policies, such as a social security system aimed at the reinsertion of displaced workers, were important in providing security in a period of change. While China had an impressive record in terms of export growth and in attracting foreign direct investment, there were potential conflicts. The strategy for the longer term could not be to retain cheap labour: China must address core labour standards, among other reasons to counter protectionism and keep the world trading system open. Whether special economic zones still made sense as a destination for FDI was questionable, as FDI could be more regionally balanced. The OECD's *Guidelines for Multinational Enterprises* had been revised in 2000 and a version was available in Chinese. These Guidelines showed how to better integrate FDI into the domestic economy.

Mr. Hu Angang suggested how macroeconomic policy and employment policy could stimulate economic growth and employment growth. Between 1978 and 2003, 300 million new entrants joined the labour force, half of them in urban areas. Past policies had tended to give more focus to generating economic growth than to employment growth. The key to solving the challenge of unemployment was a clear redirection of policy focus towards employment growth. Roughly 50 per cent of the labour force worked in the rural areas and should be encouraged gradually to shift to other sectors and areas. However, opening up the economy and concomitant economic transformation could lead to a more uncertain environment, as China would be more vulnerable to fluctuations in the international economy. In the 1990s, China's economic growth was extensive rather than intensive. Stocks of capital and labour grew at a faster rate than productivity growth and there had been no significant growth in the primary sector with much of the growth generated by manufacturing and services.

Between 1995 and 2001 the growth rate of labour productivity had been high while the growth rate of capital productivity had been negative. As China's economic growth became more capital intensive, its employment absorption capacity fell. Productivity growth after 1995 was lower than in the earlier years of reform, showing that the pattern of growth had not proved effective and the economy had become overheated.

In terms of the structure of the labour market, the history of transition could be divided into three distinct periods: the continued dominance of state-owned enterprises and no unemployment pressures; the decline and restructuring of state-owned enterprises with increasing pressure on employment and a much slower rate of increase in formal employment; and a more developed labour market. From 1996 onwards, when more radical reforms of state-owned enterprises had taken place, informal employment had been the main source of employment generation. After the Asian financial crisis in 1997, the focus had been to maintain high rates of economic growth and this focus away from employment orientation had contributed to exacerbation of unemployment and underemployment problems. Only recently had the development strategy become more employment focused, as outlined in the 16th Party Congress Report.

Over the last 20 years, China had developed economically but this development had been based on capital-intensive growth with relatively low labour intensity. Formal employment generation in urban areas was crucial, as was a more employment-oriented policy focus.

Mr. Chen Huai said that the main employment challenge in China was internal migration. It would take 10 to 20 years to absorb the migrants into the labour market, and the problems of low efficiency and lay-offs in state-owned enterprises remained. Improved labour market information was required for effective reallocation of labour resources by matching supply and demand. A law had just been passed on minimum wages that should help to guard against exploitation of workers in a situation where there was surplus labour. Jobs needed to be more productive and provide support to the most vulnerable; policies should be developed to delay young people's entry into the workforce through skills training and professional education. Social security should be improved to increase labour mobility and the Government should provide medical, pension and unemployment insurance.

The Government could also follow the experience of other countries in providing incentives such as wage subsidies for new industries to locate in old industrial bases with high unemployment rates, for example where mining enterprises have exhausted natural resources. The Government and the private sector had introduced incentives and subsidies for laid-off workers to find self-employment opportunities. The private sector was a key source of job creation; statistics showed that the employment situation was improving, with 8.3 million jobs created in 2000, 7.9 million in 2001, 9.1 million in 2002 and 8.6 million in 2003, and a net increase in the informal economy of 8 million. With sustained economic growth China would create 110 to 120 million new jobs over the next ten years.

The Government had introduced a new policy of allowing those laid off from state-owned enterprises to have access to abandoned state assets. Mr. Chen said that a high priority should be given to vocational training, especially training migrant workers for urban jobs. There are approximately 120 million workers classified as surplus labour in rural areas. He suggested that some training could be provided with RMB 100 per person. Mr. Chen also recommended deregulation to promote the growth of the service sector, efforts to unify the labour market through the public employment service network and policies to take the burden of social security off the work unit by generalizing social security coverage.

Mr. Yang Yiyong focused on non-typical employment. China's unemployment situation was unique due to the coexistence of rapid economic growth and increasing unemployment. Three main factors contributed to unemployment: the demographic trend, with 8 million new labour market entrants each year; transitional unemployment due to industrial restructuring, state-owned enterprise reforms and the opening up of the economy; and socio-structural adjustment across the urban-rural divide.

A policy mix was necessary to address issues of economic growth, industrial restructuring and labour markets at the central and local levels. Particular attention should be given to the following areas: creating a good environment for enterprise development, including the removal of entry barriers for small and medium enterprises; developing the service industry and enhancing employment flexibility; developing human resources and providing vocational training; unifying urban and rural labour markets with the development of public employment services and labour market information; establishing and strengthening a tripartite consultation mechanism to protect workers' fundamental rights; increasing the responsibility of local governments in the area of employment promotion; improving labour market indicators through labour force surveys and developing an unemployment warning system; and accelerating expansion of the social security system to ensure social equity and social stability. Economic growth must go hand in hand with structural change and increased job opportunities in labour-intensive industries, and legal protection of workers' rights was also important.

Mr. Sadegh Bakhtiari believed that the ILO's Global Employment Agenda gave good guidance on the way forward for employment policies. His country's next five-year plan would focus on the concept of decent work. A tripartite advisory council had recently been established and employment promotion was an important issue. Iran would examine macroeconomic policies that had the least negative effects on employment. China's approach to addressing the employment challenge provided an excellent model, and the ILO should play a role in disseminating the features of the Chinese model.

Discussion

It was noted that great similarities existed between China and India. The two largest countries in the world, both had seen stagnation in formal economy employment growth, while returns in the informal economy remained low. One difference between the two countries was that labour absorption in China was predominantly in urban areas, which was not true of India. However, women were more integrated into the labour market in China than in India. Capital deepening was a feature of formal economy employment stagnation, which suggested that the price of labour had risen above the price of capital, at the expense of job growth. Ten years ago China had not used its capital very efficiently but that situation had changed and there was in fact an oversupply of capital.

Wages in the formal economy had increased considerably over the past 10 years, but the increase in the informal sector had been only 2 to 3 per cent. At present certain barriers to labour mobility existed in China that did not exist in India, such as lack of entitlement to social security and other safeguards, but these barriers would be removed in the course of 2004. Strong local unions could play a major role in helping to protect informal economy workers in both China and India. Labour-intensive farming and grain sufficiency were discussed and it was noted that the grain-sufficiency production ratio set by the Government had fallen after China joined the WTO. Increased unit yield grain and seed production had helped to stabilize the situation, and encouraging labour-intensive farming would not necessarily contradict the objective of grain sufficiency.

The relationship between capital market and labour market developments was important. In 2002 foreign direct investment had accounted for 4.5 per cent of total assets, while foreign exchange accounted for some 45 per cent of total capital assets. The reform of the banking sector had lagged behind; banks could not provide adequate capital assets for business purposes or loans to SMEs. Public investment policies had focused too much on infrastructure projects and neglected infrastructure and public services in rural areas. Capital market development should be enhanced so that economic growth could become more labour-intensive through better use of capital assets.

Session A2: Restructuring and employment

Moderator: Mr. Tian Xiaobao, President, China Academy of Labour and Social Security

Panel: Mr. Xin Changxing, Director-General of General Office, Ministry of Labour and Social Security
Mr. Emmanuel Julien, Deputy Director of Social Affairs, Mouvement des Entreprises de France (MEDEF), France
Mr. Mo Rong, Deputy Director-General, Institute for Labour Studies, Ministry of Labour and Social Security
Mr. Xiong Zhijun, Director General of Enterprise Remuneration, Bureau of State-owned Assets Supervision and Administration Commission
Mr. Jaromir Gottvald, Associate Professor of Faculty of Economics, Technical University of Ostrava, Czech Republic

Mr. Tian Xiaobao introduced the session, which would address the following major issues: (i) national policies to facilitate economic restructuring and adaptation of labour structure; (ii) enterprise level strategies for socially sensitive restructuring and redeployment of workers; and (iii) employment promotion programmes for retrenched workers.

Mr. Xin Changxing gave a general overview of China's experience in restructuring of state-owned enterprises. The public sector was still the largest sector in China, and the one most affected by current global economic trends. For some time, redundant workers had posed a major problem, hindering the process of economic reform and structural adjustment of the economy. It had also taken a long time since this problem was put on the policy agenda in the 1970-1980s, to arrive at a set of policies in the late-1990s. In 1998 the Government had introduced a new system for basic social security and re-employment of workers laid off from state-owned enterprises, a process in line with the overall structural reform of the Chinese economy. In the last six years, 28 million people had been laid off from state-owned enterprises, of whom 18.9 million had been re-employed. Three basic policies had made this possible.

First, basic social security mechanisms had been set up for the laid-off workers. The essence of the new policy was to establish re-employment centres in enterprises responsible for delivering basic living allowances, paying social insurance to the laid-off workers and providing vocational guidance and training. Financing was provided jointly from enterprises and the State. Second, an active employment policy had been adopted. In September 2002, the Central Committee of the CPC and the State Council held a National Conference to map out a series of new policies and regulations to promote employment and re-employment, setting up the basic framework for active employment policy. Third, the social security network had been improved. The Government was currently looking at three major areas of improvement of the social security network: improving unemployment insurance; establishing the relevant agencies to help laid-off workers; and setting up a mandatory basic cost-of-living allowance for the workers laid off from state-owned enterprises.

Mr. Emmanuel Julien stressed the importance of restructuring in today's Europe by highlighting the many changes taking place. All over the world, change prevailed over non-change; lowering of tariffs made restructuring necessary; there were changes in technology; and WTO regulations had to be taken into account. In practice, this led to the creation of a skilled and motivated workforce, a business-friendly environment, conditions for employability, a policy of job creation that would not lead to job destruction, and good market incentives. It was also vital to promote social dialogue, which from the point of view of many European employers, was even more important for restructuring than government employment policy. Possible conflicts could arise between long-term and short-term objectives, and between an individual and a community.

China should concentrate on four key issues so that all could benefit from restructuring: it should use a combination of policy objectives for employment promotion and enterprise efficiency; the importance

of social dialogue for enterprise restructuring should be recognized; several internationally recognized tools for socially sensitive enterprise restructuring should be used, including for example SME creation, promotion of additional benefits for redundant workers and vocational training; and companies must respond positively to the changes taking place. If this happened then all would benefit from the process of restructuring. Bipartite social dialogue at the enterprise level was even more important than tripartite dialogue at higher levels. This did not mean that governments should not support what had been agreed by employers and workers but rather cooperate with them in providing a good legal framework within which to operate. He illustrated this point by looking at the French legal definition of collective redundancies, which he felt was inappropriate for both employers and workers.

Mr. Mo Rong referred to one of the most important tools that could help to compensate for job losses: the role of SMEs in employment promotion. Since February 2003 the Chinese Government had started to classify enterprises not only in terms of sales, assets and market characteristics, but also in term of the number of employees. This reflected the particular attention paid by the Government to SMEs in becoming major generators of employment opportunities due to their high labour absorption capacity and labour flexibility. Small enterprises adapted more easily to the external environment than larger enterprises and were the source of new employment opportunities. Between 1995 and 2001, the annual number of employees in urban state-owned enterprises fell by 6.04 million, and those engaged in collective enterprises decreased by 3.09 million. Over the same period, the workforce of urban private enterprises and individual businesses increased by 1.74 million and 950,000 respectively every year. All individual businesses were micro-enterprises, and the majority of private enterprises were small and micro-enterprises.

Two factors hindered further development of small enterprises. First was the high cost of business start-up, lack of guidance and assistance, and difficulty in finding a suitable location. Second, small enterprises suffered from a shortage of capital; a survey undertaken suggested that 50.6 per cent of respondents considered a shortage of funds the major obstacle to setting up a business, and lack of credit guarantee schemes as the main difficulty in obtaining loans. In order to promote SME development a credit guarantee scheme should be set up to facilitate the access of SMEs to small loans. An SME development and service system should also be set up to include such services as training, information, access to technology and legal consultations. There was a concern that SME development affected rural and urban workers differently and could lead to less entrepreneurial opportunities for the latter. Another closely linked issue was female entrepreneurs, who often suffered from a lack of support for them in government policies.

Mr. Xiong Zhijun addressed one of the fundamental issues central to the topic under discussion: how to combine restructuring of state-owned enterprises, to improve their economic efficiency and the re-employment of laid-off workers. The policy of low income and high employment that was at the core of economic policy under a centrally planned economy had led to decreased efficiency in many state-owned enterprises, as had become apparent when China gradually opened up its economy to foreign investors. Under the pressure of international competition, state-owned enterprises had to lay off people and the Government had found itself facing a dilemma of how to encourage enterprise efficiency through restructuring and still pursue an employment promotion policy.

Industrial restructuring in China included mergers and acquisitions, privatization of several SMEs, public donations for larger state-owned enterprises, and the creation of joint ventures and other new types of enterprise. The Government was also implementing an employment policy to support laid-off workers through re-employment centres, early retirement schemes and other measures. The dilemma of the Government's macroeconomic policy had become more apparent when China entered the WTO. Growing competition made further restructuring of state-owned enterprises inevitable, but certain limits also had to be observed as widespread and uncontrolled lay-offs could not only leave workers unemployed but could lead to social instability. Two national re-employment conferences held in September 2002 and August 2003 led to government policies that included instruments to reform state-owned enterprises and provide support to those workers laid off. There was a concern that even after restructuring, wages of those still employed remained low and that this could be an indication of

poor enterprise management, but it was felt that the problem went beyond enterprise management and could be grounded in the Government's traditional policy of low income and high employment.

Dr. Jaromir Gottvald spoke about the experience gained from a regional restructuring programme in the Moravian-Silesian region of the Czech Republic. This represented a typical model for Central and Eastern Europe, where a region that had enjoyed economic subsidies under the centrally planned economy had had to undergo major structural adjustment due to the opening up of international markets, and move from a centrally planned to a market economy. I could be of particular interest to China due to recent economic, social and political trends in the country.

The Moravian-Silesian region was located in the north east, on the border with Poland and Slovakia; it had 1.2 million inhabitants, of whom 350,000 lived in the city of Ostrava. It had formerly been a major steel centre of Central Europe; in 1989 the steel industry had provided jobs to 136,000 people but the figure for 2002 was only 30,000. The coal industry showed the same trend: 110,000 employees in 1989 but only 25,000 in 2002, reflecting an unemployment rate of 17.6 per cent compared to the national average for the country of 10.9 per cent. Over two-thirds of those unemployed had been jobless for over 6 months, and 25 per cent for over two years. Some negative macroeconomic conditions of restructuring of enterprises in the region included a poor legislative basis, lack of knowledge on legal procedures, inadequate industrial relations and outdated human resource management and development practices, which were typical of many economically depressed regions of transition economies. The situation was gradually improving due to the joint efforts of the government, social partners and individual enterprises.

The Government had set up a large-scale social programme for those made redundant in the steel industry, including the creation of employment agencies, retraining programmes and other financial benefits. These measures were supported by other initiatives, including the introduction of a regional development programme, and important part of which was the setting up of regional employment agencies in 2003. When these agencies were created, all redundant workers were told about them; some 1,400 redundant workers had already taken advantage of these services, including vocational training courses, job-search consultations and job-search technique courses. Trade unions had supported this effort by encouraging enterprises towards social dialogue on restructuring.

Discussion

As concerned the relationship between change of ownership (privatization) and restructuring in the Czech Republic, and whether or not a change of ownership led to downsizing and a new approach to working conditions, it was felt that restructuring was more affected by external economic factors than a change of ownership, and that new ownership did not significantly alter working conditions or other management practices. The discussion then focused on job creation as a way to compensate for restructuring and downsizing. A representative of the China Tourism Authority drew attention to the importance of the service sector, in particular tourism, as a way to absorb workers displaced from other industries.

Session A3: Labour mobility and employment

Moderator: Mr. Wang Aiwen, Director-General, Planning and Finance Department, Ministry of Labour and Social Security

Panel: Mr. Yu Faming, Director-General, Department of Training and Employment, Ministry of Labour and Social Security
Mr. Lu Yongjun, Deputy Director-General, Township and Village Enterprise Administration Bureau, Ministry of Agriculture
Mr. Graeme Hugo, Director of National Centre for Social Applications of Geographic Information Systems and Professor, Adelaide University
Mr. Li Qiang, Professor, Tsinghua University

Mr. Han Jun, Director-General, Rural Department, Development and Research Centre of the State Council

Mr. Wang Aiwen said that several issues related to rural labour mobility had also been raised in previous sessions. Given the large number of rural workers classified as surplus labour, they were an important target group needing policies to assist them, including social security and welfare, and he hoped the panel would provide insight into these issues.

Mr. Yu Faming spoke about how to manage the orderly mobility of rural workers and promote employment in rural areas. The reasons for rising rural-urban migration were a relaxation of mobility restrictions, rapid development of township and village enterprises and fast urban economic growth. Policies to curb urbanization and prevent a greater migration of rural workers, and policies to provide employment opportunities for rural workers in urban areas took time to produce effects. Three kinds of policies had been identified: those relaxing employment restrictions on rural labour in urban areas; rational management and guidance of rural labour flows; and the strengthening of vocational training for rural migrants. He outlined the salient features of the National Training Plan for Rural Migrant Workers in 2003-2010.

Employment of rural migrant labourers would continue to expand due to growing urbanization, continuing regional imbalances in development, wide disparities between farm and non-farm incomes, and government policies to make migration easier. Several measures were being taken to achieve this, including the removal of barriers to a unified labour market. There were provisions to safeguard the legal rights and interests of migrant workers, the labour market information system would be strengthened, and social insurance coverage would be extended to farm workers.

Mr. Lu Yongjun outlined the role and prospects for township and village enterprises (TVEs) in promoting rural employment. TVEs were important in that they contributed to GDP, to value added in the rural sector, the share of exports, tax revenues and absorption of rural labour. TVEs had grown rapidly in the 1980s and less since the mid-1990s due to profound changes in operation, management, ownership patterns and industry structure due to the increasing share of the tertiary industry, uneven geographic distribution and the dominance of employment in private enterprises and self-employment.

TVEs would play an even greater role in the future in the quest for a more prosperous society in China and in the promotion of rural employment, and would greatly contribute to improving the living conditions and spiritual life of farmers, becoming a third element in the context of the rural-urban economic structure. TVEs would be involved in the development of small towns and cities in order to create more opportunities for surplus rural labour, and would play an increasing role in the western development strategy of China. The creation of a good environment to develop TVEs was vital to enhance skills in rural areas and to improve their capacity to sustain development and create employment.

Mr. Graeme Hugo spoke about mobility and urbanization in Asia and lessons learned, based on his extensive research over the last 30 years in South-East Asia. There was an enormous increase in labour mobility in the subregion for all groups: skilled and unskilled, well educated and less educated, men and women, residents of isolated areas and those who had traditionally been itinerant. Increasing population mobility and rising urbanization were structural features in Asia.

In South-East Asia labour migration was a structural feature of labour market dynamics. Attempts must be made to maximize its positive benefits and minimize its negative impact, rather than adopt policies to curb mobility. Circular migration had several benefits, including redistribution of wealth, remittances that created job opportunities, and diversification of job opportunities for farm households and non-agricultural employment. There was a strong link between rural and urban labour market, and social and kinship networks were information channels of information for migrants and their use should be promoted. The informal economy in urban areas was a fundamental engine of job creation for rural migrants as it was the first point of entry to urban labour markets, but government policies

had often been counterproductive in trying to limit or reduce the informal sector. An increasing number of women migrated to cities and their experiences were different to those of men, meaning that gender-sensitive policies were needed. Many government policies to move people from large cities to smaller centres have failed due to inadequate decentralization and channeling of investment to such centres.

A suitable policy package should include the reduction of constraints and encourage development of linkages between sectors. Policies to integrate labour markets and promote circulation required investment in transportation facilities, safe and low-cost methods to send remittances, and incentives to migrants to return. Protection of migrant workers' basic rights was also very important. The challenges were enormous and the Government had a crucial role to play in facilitating mobility and maximizing its positive contribution.

Mr. Li Qiang referred to the issue of floating labour and discussed mobility trends and their impact in both sending and receiving areas. The number of rural migrants could be as high as 150 million and migrant workers could represent the elite of the countryside because their educational level was higher than that of the average rural worker, and many were in the prime age group of 17-30 years. Migration could therefore aggravate rural-urban disparities. There was a high degree of correlation between growth rates in different regions and migration flows, with the fast-growing provinces attracting the bulk of the migrants. Migrants tended to remit a high proportion of their income; rising incomes of migrant worker families could therefore also exacerbate income disparities within the rural sector.

Informal economy employment was important, especially given the predicted job losses in the rural sector with China's accession to the WTO. The social impact of migration overall seemed to be positive: migrants returned to rural areas with the benefit of urban values and modern attitudes, but increased rural mobility could lead to problems of public security. There was a lack of social protection for rural migrants in urban areas, with migrants working long hours and enduring long periods of unemployment without medical insurance. Municipalities should build up an effective support system for migrants.

Mr. Han Jun spoke about China's current policies and future trends for shifting rural labour. From the mid-1980s onwards there had been a relaxation of restrictions on rural mobility and the number of migrants had increased, yet there was still inequality of treatment for them. Irrational and even discriminatory policies resulted in migrant workers being marginalized in urban areas. However, some fundamental changes had recently taken place and 2004 was an important watershed in this respect. The CPC Central Committee, Document Number 1, represented a major change by introducing the principle of fair treatment and a comprehensive policy framework, including the elimination of special registration, no administrative fees and establishment of a minimum wage.

Migrants still faced many problems: the lack of schools to educate migrant children, inadequate budget allocation for vocational training of rural workers; and limited job security. The scope and quality of the social security system left much to be desired, especially in relation to international practice. More innovative and effective schemes and programmes must be introduced to assist migrant workers.

Discussion

The discussion focused on several themes. As concerned *concepts and definitions*, the National Bureau of Statistics (NBS) had clear definitions of rural and urban situations and in general NBS definitions were adhered to. An overlap in what constituted rural and urban areas was complicated by the emergence of more diversified settlement systems, in China and in other countries. The question was raised as to the correctness of describing the TVE sector as collectives, as it had been pointed out that 70 per cent of TVEs were privately owned. This was due to the pattern of historical policy evolution in the sector: TVEs had started as collectives but later ownership had been diffused.

Regarding *responsibility for management of rural-urban labour mobility and welfare of migrant workers in urban areas*, some felt that rural workers had no clear perception of which government agencies were responsible for their management, protection and welfare. Migrants could also lose their sense of identity in big cities. It was pointed out that in China both the Ministry of Labour and Social Security and the Ministry of Agriculture were primarily responsible for the management of migration flows and the welfare of migrant workers. Unlike in India, China had no mass of landless rural labour and while migrants did not have the same rights as urban residents, if they owned a plot of land at home in their rural sector that might compensate to some extent for the lack of social security. As migration often took place with the help of social networks of friends and relatives, migrants often had some support in cities but the obvious policy was to strengthen social networks to support their interests.

Concerning *conditions of work*, an important issue was raised about alleged labour shortages in the Pearl River Delta area. In some employment agencies there were 100,000 or more unfilled vacancies, but data had shown that it was poor wages and working conditions that kept workers away. Another issue was the social costs of migration, such as separation from families and discriminatory treatment, which were often not taken into account in assessing the impact of migration.

As for the *likely direction of future policies* and whether there should be complete deregulation of rural-urban mobility, there were two choices, rapid deregulation or a step-by-step approach but as yet there was no clear indication of the direction of future policies. To benefit from the experiences of informal economic policies in other countries, the first step was to eradicate policies that did not benefit the informal economy. Access to credit, services and other support should also be provided.

Mr. Wang Aiwen summarized the discussion by highlighting four main issues that had emerged. First, a useful debate and analysis of trends in rural-urban mobility with inputs by both government agencies and academic institutions. Second, the social, economic and cultural impact of mobility in relation to promoting urban growth and economic development, stressing the importance of transportation and information systems to integrate labour market. Third, changing policies for labour mobility and labour markets to free them from restrictions to liberalization and improve these policies. Finally, among the issues needing further consideration were unemployment, medical insurance, public services and the informal economy.

Session B: Employment and poverty alleviation

Session B1: Flexible forms of employment and informal employment

Moderator: Mr. Zheng Dongliang, Deputy Director-General, Institute for Labour Studies, Ministry of Labour and Social Security

Panel: Mr. Zhu Junyi, Director-General, Shanghai Municipal Labour and Social Security Bureau
Ms. Xue Zhaoyun, Specialist, All-China Federation of Trade Unions
Ms. Alena Nesporova, Chief of Employment Policy Unit, ILO
Mr. Yasutaka Suga, Executive Director of Working Conditions Department, Japanese Trade Union Confederation (JTUC-RENGO)
Professor Zeng Xiangquan, Professor of Renmin University
Mr. Aart Jan Bette, Directorate of General and Social Economic Affairs. Ministry of Social Affairs and Employment, Netherlands

Mr. Zhu Junyi explained that many laid-off unskilled workers had been unable to find jobs in the formal sector. The concept of informal employment organization had been introduced in Shanghai in 1996 in the context of self-employment in small businesses set up in response to large-scale layoffs from state-owned enterprises. These activities provided income and employment and produced

services and crafts in neighbourhood communities. To help these workers, the labour bureau set up public service agencies at the municipal, district and neighbourhood levels to support business start-up training, business development services, to offer business strategies and provide financial services. The social insurance scheme was extended to cover informal employment organizations and the Government set up an accident insurance plan. Public labour organizations had been set up to outsource jobs such as street cleaning, maintenance services, security guards and public gardening to unemployed workers in neighbourhood communities. Incentives had been provided by the Government to encourage laid-off workers to participate in informal activities, such as preferential terms for taxes and fees and the creation of credit guarantee funds to provide loans to entrepreneurs to start or expand their businesses.

By the end of 2003 Shanghai had developed 22,000 informal employment organizations, absorbing some 229,000 unemployed workers, thus helping to reduce poverty and create jobs. Informal employment organizations gave informal workers the skills and experience they required in order to develop their businesses into formal enterprises. Training materials were available on subjects such as management and marketing, and there was specific information on government policies affecting business operations. The Shanghai Labour Bureau had also played its part in the move towards finding decent work for all.

Ms. Xue Zhaoyun outlined the results of informal economy research conducted in six street communities in 2002 and 2003. Some 48 per cent of the labour force were involved in the informal sector as either employer or employee; among those who had found employment were farmers (50 per cent) and laid-off workers (30 per cent) and many worked part time. Compared to previous years, informal workers now had greater job satisfaction and were more likely to seek legal redress for grievances. However, problems still persisted: earnings were low and only 29 per cent of employees had a work contract. There was limited basic insurance coverage and inadequate training. The Government needed to provide flexible training and improved services through community committees, and trade unions could help to protect workers' rights.

Ms. Alena Nesporova presented the findings of research on countries in transition in a recent publication, *Labour markets in transition: Balancing flexibility and security in Central and Eastern Europe* (Sandrine Cazes and Alena Nesporova eds., ILO, Geneva, 2003), according to which non-agricultural self-employment had increased during the economic transition but then stabilized at around 15 per cent. While the use of temporary labour contracts also rose, their use in total employment was less than in industrialized countries. A major form of flexible employment was multiple job-holding or second jobs performed in both the formal and informal economies.

Labour market flexibility had increased considerably following the introduction of economic reforms in the early 1990s. Unlike workers in OECD countries, who sought new opportunities during economic upswings, workers in Central and Eastern Europe were less likely to leave their jobs voluntarily in search of better jobs due to a perception of insecurity of employment and income. In contrast, in periods of economic recession labour turnover in OECD countries had changed very little, while their counterparts in transition countries faced lay-offs or were forced to quit their jobs. This pattern did not encourage increased productivity through greater mobility, showing that flexibility without security did not lead to improved allocation of resources and implied economic losses: flexibility and security needed to be harmonized. Employment protection legislation in Central and Eastern Europe did not have a significant impact on total, long-term or youth unemployment but there was a correlation between the employment rate and participation rate. Unlike OECD countries, greater protection led to greater employment and increased participation in the formal economy. Social dialogue and active labour market policies had a positive influence on increasing employment. Therefore policies to promote social dialogue and stimulate employment promotion along with increased labour market stability, rather than deregulation, must be on the political agenda of transition countries.

Mr. Yasutaka Suga spoke about the employment situation in Japan, where companies were cutting

costs by ceasing to employ new graduates and laying off middle-aged workers, but hiring trained people and giving atypical workers fixed-term contracts. The Japanese system had three types of wage scheme - Type A: skilled workers with wages based on occupational category; Type B: workers paid wages based on length of service; Type C: low-skilled workers whose wage rates remained the same for many years. Japan traditionally relied on Type B (seniority-based) wage schemes characterized by a stable employment relationship but was now at a turning point, with employers increasingly looking to short-term performance rather than long-term commitment in the workforce. This had led to a rise in atypical, part-time and overtime work, as well as an increase in employment of women, who were paid lower wages. Type C employment could have an adverse impact on overall working conditions, social welfare benefits, labour-management relations and human resource development. If the model were applied to China, would Type B be replaced by Type C and if so, what would be the implications in terms of developing human resources and new technology, as well as social insurance, social welfare and occupational safety and health. Trade unions could exchange information and promote dialogue to ensure fair international competition to pave the way to decent work in Asia.

Professor Zeng Xiangquan explained that China used a concept of flexible rather than informal employment. The ILO had indicated the high number of informal workers in developing countries, especially in family employment, self-employment and micro-enterprises. China's concept of flexible employment was broader in that it included people in flexible jobs in both the formal and informal economies, including part-time work and temporary employment that allowed more rapid adjustment to changing labour market conditions. In many developed countries flexible employment provided a beneficial supplement to a permanent workforce. Part-time and temporary employment in developed economies represented 30 per cent of the workforce, while self-employment and home-based work in developing countries accounted for 55 per cent of employment.

These forms of work were interesting to China, where the transition to a market economy had been accompanied by an easing of the rigid planned economy, allowing employers to use flexible employment to improve management efficiency and giving employees more choice. Self-employment and home-based work were more popular than part-time and temporary work. In addition, most workers in flexible employment had been paid off, unemployed, retired, redundant or rural workers lacking knowledge and skills or awareness of their legal rights. Labour service organizations had helped to improve their skills and chances of employability. Shanghai's experience had shown that self-employment could reduce unemployment but the informal economy was less useful in providing employment opportunities to new labour force entrants. Lifetime employment and structural change could lead to redundant workers and the challenge was to have laws and regulations that protected the rights of such workers. Efforts should also be made to allow greater flexibility for adjustment in labour markets, and to avoid redundant labour in state-owned enterprises and non-profit organizations, such as schools and hospitals. Flexibility was important but a way to improve the skills of workers and provide them with security was equally necessary. China could draw on lessons learned in both developed and developing countries.

Mr. Aart Jan Bette spoke about flexible employment in the Netherlands, focusing on part-time employment (accounting for 40 per cent of employment compared to 20 per cent in the EU) and temporary agency work (4 per cent compared to 1.4 per cent in the EU). Of the roads that led to employment flexibility two were particularly important: employment protection legislation and different employment contracts. They had implications for "insiders" with permanent jobs and "outsiders" with flexible contracts and less protection, as well as those unemployed. The Netherlands had relatively strict employment protection legislation and a comparatively high percentage of flexible contracts. The greater share of temporary work agencies compared to other EU countries allowed user companies to avoid dismissal costs. The Agreement of Wassenaar had been drawn up in 1980 in response to negative economic growth and high unemployment rates, allowing for working time reduction accompanied by wage adjustments. This led to a reduction in overcapacity rather than a redistribution of work and resulted in a reduction of working hours and an increase in part-time work. The challenge was to increase labour force participation with higher growth in order to see lower unemployment rates.

The increase in part-time employment resulted to some extent from the desire of women to work while also caring for their children. The Government's response to this allowed employers and employees to agree on working time, remove thresholds for social security and provide equal treatment. The female labour force participation rate increased from 26 per cent in 1975 to 54 per cent in 2002, with 70 per cent of women working part time. Temporary work agencies accounted for a growing percentage of employment contracts: following the recession of the early 1990s, agency work had boomed. New laws in 1998 and 1999 introduced major changes: agencies no longer needed a licence and could offer services of workers in all sectors; there was no maximum period for "lending out" a worker; workers became employees of the agency with a contract covered by labour law and eligibility for fringe benefits; and workers could become permanent agency employees. Temporary agency work benefited both employer and employee, and OECD statistics showed that 50 per cent of temporary workers got a permanent job within one year and 65 per cent within two years. There were other forms of flexible work, for example in Denmark, which allowed flexibility by relaxing labour market legislation but provided security through the social security system. Therefore temporary agency work could be a useful stepping stone to more regular work but flexibility and security should always be balanced.

Discussion

Aggregate demand to foster economic growth allowing for employment opportunities and unemployment reduction has to be maintained, and flexible forms of employment to benefit both employer and employee were also important, combined with labour inspection and social insurance to protect workers. Premier Wen Jiabao had called for the creation of 14 million jobs, yet the surplus labour figure was 24 million, so there was a discrepancy of 10 million workers. These latter workers might be in flexible or informal employment, where they should be provided with equal treatment in terms of earning opportunities, social security and skills development. In terms of more typical informal employment, it was important to provide access to resources such as credit, skills, technology, markets and information.

There were also different definitions of unemployment. The ILO counted anyone who had worked at least one hour during the reference week as employed. The Bureau of Labor Statistics in the United States had developed several different measures, for example using 15 hours per week instead of one hour at work, the measured unemployment rate was substantially higher. It was important to look closely at the low earnings of many Chinese workers in order to have a better understanding of open unemployment and inadequate employment; clearer definitions and improved statistics were necessary. Different situations prevailed in different countries and therefore standards and regulations should be adapted to individual country needs.

Session B2: Skills, training and employability

Moderator: *Mr. Andrew Treusch*, Assistant Deputy Minister, Human Resources Development, Canada

Panel: *Mr. Chen Yu*, Director General, China Employment Training and Technical Instruction Centre (CETTIC)
Ms. Halimah Yacob, Assistant Secretary General, National Trades Union Congress, Singapore
Professor Paul Ryan, Management Centre, Kings College London
Mr. Liu Kang, Deputy Director General, Training and Employment Department Ministry of Labour and Social Security, China
Mr. Garry Rynhart, International Organization of Employers, Geneva
Ms. Adrienne Bird, Deputy Director General, Department of Labour South Africa

Mr. Andrew Treusch recalled that lifelong learning and human capital development were crucial for economic growth and the social well-being of countries. It was as important for Canada and other G8

countries as it was for China. The ongoing development of the knowledge-based economy, increasing global competition and accelerating social change had highlighted the importance of human capital to the success of all countries. As China continued to develop its employment and labour market policy framework, human capital development would be one of its central pillars. As the labour force increased its skill and knowledge capability it could respond more easily to the changing needs of the knowledge-based economy. That was why Canada had made lifelong learning a key component of human capital development, prescribing to a model to fully integrate approaches to learning and to the labour market, focusing on the development and full utilization of people's skills. The goals were to ensure that all Canadians had access to learning throughout their lives; that employers developed and employed the skilled workforce to enhance Canada's competitiveness and create good jobs; and that all citizens received employment services and benefits in a timely and efficient manner.

Professor Chen Yu stressed the serious situation of China's workforce in terms of the large surplus labour supply with an unbalanced skills profile, and outlined the historical background to the development of the workforce. The lower level were called operators, the middle level highly skilled, and the upper level management. In the early development stage, the workforce comprised mainly lower level workers. In the second and third stages the emphasis was on fostering the development of highly-skilled workers; there was a shortage of such workers and the Government was taking measures to address the situation. A sample survey in 2002 found that 54.6 per cent of the workforce was either unskilled or low-skill workers; only 4.4 per cent were seen as highly-skilled workers. Upper management accounted for 15.9 per cent, showing that the workforce needed more highly-skilled workers. The Ministry of Labour and Social Security was planning a National Conference on Work Relating to Qualified Personnel and preparing a plan to foster the development of 300,000 highly-skilled workers over the next three years.

China was undertaking various activities to develop highly-skilled workers and the need to mobilize all stakeholders involved in the supply and use of these workers was vital. Enterprises had a major role to play in training workers, and there should be a closer link between enterprises and technical and vocational training schools to ensure that the needs of industry were better reflected in training programmes. Several other measures designed to promote the development of highly-skilled workers included organizing skills competitions to promote the value and status of skilled workers; improving the national qualifications system to recognize and certify skills; establishing a mechanism to facilitate the exchange of skilled workers to gain experience; and promoting greater investment in training.

Ms. Halimah Yacob described the role that social dialogue could play in training, with emphasis on its use in Singapore, and looked at social dialogue from the perspective of the labour movement. Lifelong learning was a key programme of the National Trades Union Congress (NTUC) in Singapore and its involvement in skills upgrading had begun in the 1960s with the signing of the charter for productivity promotion. Singapore's economy had been transformed from labour intensive and low value added to a higher value-added manufacturing base in the 1970s, and to its present state: moving towards a knowledge-based economy. Massive re-skilling of the workforce was necessary to support this transition and it was important that the education and training system kept pace with the demands of the economy. A strong partnership between enterprises and the education system was thus essential to this process.

Some issues still needed to be addressed: two thirds of the new jobs being created required specific skills, leaving low-skilled workers particularly vulnerable in a climate of rapid change. Even where jobs were available these workers might not be eligible for them due to a lack of skills. The unemployment figures reflected this trend, showing that those with less than secondary education comprised 64.3 per cent of those unemployed. Skills training and upgrading was therefore vital and a wide range of agencies were cooperating with the NTUC to address this problem. Unions were consulted regularly on social and economic matters. Both informal and formal structures existed, one example being the National Wages Council (NWC), set up in 1972, a permanent tripartite committee that issued wage guidelines annually and made recommendations to promote training. At the enterprise level many unions worked closely with management to identify relevant training

programmes for workers, and some of these programmes have allowed workers to move from daily-rate to monthly-rate status, making their jobs more stable. Social dialogue in Singapore was helping to address the problems workers faced and training was an important element of this process.

Professor Paul Ryan focused on the role of skills development in promoting employability and observed that there were two main aspects of employability leading to poverty: lack of employment, associated with inability to find or retain a job; and low pay, associated with underemployment, lack of skill and employer market power. Evidence suggested that labour markets increasingly impaired the access of low-skilled individual to well-paid employment for the following reasons. First, technical change, where there was a correlation between the diffusion of ICT and a fall in relative productivity of low-skilled workers; second, international economic integration, where least-skilled workers were increasingly unwanted by producers of traded goods and services in both developing and developed countries; and third, institutional change, where deregulated labour markets with low social safety nets promoted low wages, as competition for scarce work pushed down the price of low-skilled labour.

A key question was: what made a worker unskilled? There were two major dimensions: basic skills, traditionally termed literacy and numeracy, and expanded today to include basic IT skills; and vocational competence, meaning knowledge and skills relevant to an occupational area, not simply a particular job. When the former was missing, compulsory general education had failed to achieve its fundamental goal; when the latter was missing, the weakness concerned vocational education and occupational training. A third element was the lack of labour market experience for young people. Employers' preference for experienced workers had exacerbated the dilemma facing young people: to get a job you needed experience, but to get experience you needed a job. The United Kingdom and United States were examples of this situation in developed economies. Although both countries enjoyed high employment rates, both countries also had high youth unemployment. In Germany, by 1990 the share of young adults lacking basic skills or vocational qualifications had fallen to below 10 per cent but had since risen.

Priorities had to be set concerning the skills agenda but this was not an easy task. An important issue was the balance between public and private in the provision and financing of learning. The contemporary trend was to shift from public to private and increase the use of market-based mechanisms to allocate public funding; the benefits of this were well known but caution should be exercised as there were also drawbacks to a market-based approach. The difference between the aforementioned countries and China was great, and these issues undoubtedly arose differently in the Chinese context. But these differences were lessening as the Chinese economy surged forward and Chinese educational achievements increased. China had to go beyond praising employability and determine what kinds of employability should be prioritized and how this could be promoted.

Mr. Liu Kang explained how entrepreneurship could promote sustainable, rapid and sound economic development. It could not only improve the value of skilled labour but also contribute to providing more jobs for a wider section of society. China was a developing country with a vast population and the supply of labour far exceeded demand. This was a long-standing problem and there was tremendous pressure on the Government to create jobs. In the reform of the economic system, the adjustment of the industrial structure and the redeployment of redundant workers to other jobs to enhance efficiency, the planned economy employment mechanism of the State providing every jobseeker with employment had broken down. Market-oriented employment had started to become more dominant and state-owned enterprises could no longer continue to be the main channel for absorbing labour, resulting in many of their workers being laid off and unemployed.

With the rapid development of a non-public owned economy, private enterprises, tertiary industry and small enterprises had become an important channel to absorb both laid-off and unemployed workers. The market-driven economy was playing a greater role in helping to solve the employment problem, although many of these workers had encountered problems they were unable to solve alone, such as starting their own businesses and becoming self-employed. Many were older workers and had little education or in many cases lacked the necessary knowledge and skills of entrepreneurship and

management. The Government was taking measures to promote entrepreneurship to help solve the problem of re-employment of these groups in order to accelerate the reform process of state-owned enterprises and re-employment of these workers. Entrepreneurship training had fostered a group of small entrepreneurs capable of running a business and had played a greater role in the re-employment programme. In 2002 the Central Committee of the CCP and the State Council had held a national conference on re-employment promotion which had not only clarified the role and status of entrepreneur training in boosting employment and re-employment, but also formatted a series of preferential policies to encourage laid-off and unemployed workers to start their own businesses.

Mr. Garry Rynhart focused on education and training policy development from the employer's perspective and stressed that the key role business could play was in providing information. Empirical evidence showed that employment outcomes were increasingly determined by the level and quality of education and training and relevance to labour market requirements. Many vocational education programmes suffered from a lack of linkage to areas of economic growth, and many programmes trained people in skills for which there was little demand. Employers could directly assist vocational education by providing instruction on special skills and access to machinery as well as relevant technical resources. For example, dual systems of apprenticeships had been very successful in Austria, Germany and Switzerland but the situation was changing from being simply a course for a specific period to one that required a certificate of competence upon completion.

SMEs in particular should be given incentives, such as tax credits and wage subsidies, to take on new employees/trainees. Such subsidies could help facilitate and encourage workers to attend adult education and encourage unskilled workers to go back to school. Workplace training and development was important and company-based training initiatives should be strategically aligned to the overall company missions and goals. The idea that training and development should mainly be for the benefit of the employer, rather than the individual, represented a significant transformation in the perception of the role of training; investment in training and development was often difficult to quantify. Employers' organizations should share their experiences and show the benefits gained from forward-looking training and development strategies. They could also advocate greater recognition of employer-based training as there was scope in many national training systems to enhance the role of on-the-job training. Business did play a key role but it was necessary for stakeholders, governments, national and local agencies, academic institutions and workers' organizations to play their part.

Ms. Adrienne Bird outlined the development of a national skills strategy in South Africa and explained the recent history of the country and its impact on education and training. South Africa had emerged from colonial-style rule only 10 years ago. For over a century the country's economy had relied on the export of commodities, particularly gold. That form of economy depended on the existence of a small cadre of highly skilled engineers and other professionals, some skilled craft workers and many workers with elementary skills engaged in underground mining. Both professional and craft work were reserved for White workers, while the elementary work was essentially forced labour of indigenous Black workers. When the first democratically elected government came to power in April 1994 its key challenge had been to stimulate economic and employment growth and facilitate social development, particularly for the impoverished Black majority. It was always recognized that skills was a vital component of such strategy.

After an extensive period of negotiation between all social partners, a new skills development system was introduced for those directly entering or already in the labour market. The Skills Development Act (1998) introduced three sets of institutions: the National Skills Authority, which advises the Minister; 25 Sector Education and Training Authorities (SETAs); and restructured employment offices of the Department of Labour. The Skills Development Levies Act (1999) introduced a 1 per cent payroll levy on all private sector enterprises to resource a new set of training incentives, and a National Qualification Framework was introduced to support this initiative at all levels of training. SETAs were now established covering the primary, secondary and tertiary sectors and were managed by boards consisting of organized employers, trade unions and officials from relevant government departments. SETAs were financed by an 80 per cent share of the new national payroll-based training levy and the

remaining 20 per cent was put in a National Skills Development Fund (managed by the Department of Labour) and used to finance training to support national priorities and informal sector workers.

This system of institutions and incentives centred on a set of national priorities determined by the Minister of Labour. In February 2001 the country's first National Skills Development Strategy was launched for the period 2001-2005, and preparation of the 2005-2009 period was already underway. It essentially represented five priority beneficiary groups from five labour market segments: previously disadvantaged workers (requiring basic general education not received when they were young); formal economy employers (both private and government); small firms; community and unemployed people; and young new entrants to the labour market. Each group had a set of defined benefits they hoped to gain, each with measurable indicators which were monitored and evaluated. Arriving at this set of objectives and success indicators had been a process of intense negotiation between the different representatives of the National Skills Authority.

Session B3: Environment, workplace and employment

Moderator: Mr. Lin Yisheng, Deputy Director-General, International Cooperation Department, State Administration of Work Safety

Panel: Mr. Huang Yi, Director-General, Department of Policy and Law, State Administration of Work Safety
Mr. Zhang Chengfu, Director, Labour Protection Department, All-China Federation of Trade Unions
Mr. Robin Stewart-Crompton, Chief Executive Officer, National Occupational Health and Safety Commission, Australia
Mr. Wang Jiming, Vice Chairman and President, China Petroleum and Chemical Corporation
Mr. Jens Jensen, Director-General, National Working Environment Authority, Denmark
Mr. Su Zhi, Deputy Director-General, Department of Health Inspection, Ministry of Health, China

Mr. Lin Yisheng introduced the session by referring to the opening address of ILO Director-General Mr. Juan Somavia, who had stressed the importance of safety and health as part of decent work. While the focus of this forum was on employment, action must be taken to protect safety and health in the workplace.

Mr. Huang Yi emphasized the close links and positive correlation between workplace safety and sustainable employment. China faced a number of challenges during a period of economic transition. First, work safety conditions in small private enterprises were not good. Second, the legal framework and protection measures did not function well in the market economy. Third, there was a lack of safety awareness among Chinese workers. In response to these challenges the State Administration of Work Safety had taken steps to strengthen administration in order to improve the condition and environment for basic work safety, including the improvement of legislation and protection with mechanisms to reach small enterprises; provision of practical training to workers; registering safety engineers; and closing enterprises that did not meet safety requirements.

Mr. Su Zhi noted the great importance attributed to protection workers' health by the Chinese Government. Since the founding of the People's Republic of China, occupational health services had gradually been established in government offices and state-owned enterprises. With economic reform and the rapid growth of township and village enterprises and small-scale enterprises, there was a need to adjust the legal framework for occupational safety and health. The Labour Law promulgated in 1994 provided a basis for labour protection; the Occupational Disease Prevention and Control Law of 2001 and the Law on Work Safety of 2002 set out basic requirements. Several regulations covered

specific hazards such as chemicals and radiation. The responsibility of employers to protect workers' health was emphasized in these laws: they must establish occupational health facilities staffed with professionals for in-plant occupational health management, and employees exposed to health hazards should have regular medical examinations. The Law stipulates that workplaces must be monitored and evaluated on a regular basis for effective hazard control.

Workers should have access to occupational health services, the right to ask for improved working conditions and the right to raise issues related to violations of the Law, or to reject work involving illegal operations without appropriate safety measures. The Law stipulates that workers were entitled to participate in occupational health practice and receive compensation for disease and injury relates to their work. Despite some progress, many challenges still remained, including the historical burden of state-owned enterprises, poor working conditions in many rural industries, [new hazards introduced by foreign companies] and non-compliance of employers. The floating population in urban areas represented a particular challenge in terms of inadequacy of health surveillance and lack of medical insurance. The problem of a general shortage of occupational health services still persisted and there was a need for improved government supervision, harmonization of standards, and active participation in standard setting at the international level.

Mr. Wang Jiming described approaches used by the China Petroleum and Chemical Corporation (Sinopec) to protect the health, safety and environment of workers. As a leading enterprise Sinopec was committed to the importance of people and sustainability of production. Part of its management system aimed to ensure that production was clean and safe, to protect workers' health and to deliver environmentally friendly products. After introducing improvements in awareness and self-protection in 2002-2003, the accident rate had decreased by 25 per cent and the emission of poisonous substances had also been reduced. Sinopec had closed some of its plants, stopped the production of leaded gasoline and had strengthened its monitoring of pollutants. The safety management system covered all levels and Sinopec's goal was to promote environmental conservation, energy conservation and social responsibility.

Mr. Zhang Chengfu spoke about the role of trade unions in protecting workers' rights to a safe and healthy working environment. In the face of tremendous pressure to create employment opportunities in China, the trade unions opposed any attempts by enterprises to lower safety and health standards. The Government should enforce laws and promote employment in order to maintain and improve the quality of employment, and enterprises should provide decent work and comply with legislation relating to safety and health.

Although progress had been made, occupational safety and health was still a serious problem and the high number of workplace accidents and frequency of fatal accidents remained a case for concern. Occupational hazards had increased and standards for safety and health had been avoided. The All-China Federation of Trade Union (ACFTU) called on the Government to improve the quality of employment and enforcement of laws. The ACFTU had been promoting workers' safety and health by establishing a labour protection network, participating in the formulation of policy and legislation, undertaking research on issues related to safety and health, monitoring and inspection services, and dissemination of information to raise awareness about occupational safety and health.

Mr. Robin Stewart-Compton said that in global terms, Australia's occupational safety and health performance was relatively good but there were still unacceptable levels of work-related fatalities, non-fatal injuries and occupational diseases. The financial cost to the community, employers, workers, and the Government was 4 per cent of GDP. A national commission had been set up in 1998 to establish a comprehensive national policy covering state and territorial governments, and after extensive discussions a national occupational safety and health strategy was adopted in 2002. Its key objectives were to establish accountability by the government and social partners; extend its duration to ten years; introduce performance targets to reduce work-related injuries, fatalities and work-related diseases; focus on key priorities; and designate areas for intervention, including awareness raising, education and training, practical guidance, model laws and codes of practice, securing compliance and

improving research and data.

Key lessons learned from the Australian experience showed that the most senior levels of government and the social partners must support the programme. Targets were essential and had to be realistic and measurable, with a small number of national priorities that reinforced one another, and focusing on the areas where the greatest improvements in overall national performance could be achieved. Patience and persistence were vital so that actions under the national programme were not abandoned or modified before they produced results. Learning from the experiences of others, and from the guidance provided by the ILO and WHO, were important in order to develop practical programmes and national strategies.

Mr. Jens Jensen highlighted three conclusions that had emerged from the experiences of Denmark and Europe. First, the demand for transparency on health and safety standards both from enterprises and governments was becoming increasingly urgent due to pressure from the global economy, consumers and governments. The world trade agreements and the World Trade organization had stressed that good standards on health and safety in the workplace were increasingly becoming investments in competition and in globalization. Second, transparency could be used as a positive strategic tool to improve health and safety standards, both in enterprises and in government bodies, and should be combined with quantified objectives. In 2002 the EU developed a new strategy on health and safety at work in parallel with the employment strategy; this included quantitative targets at the national level to reduce fatal and non-fatal accidents as well as occupational diseases.

In Denmark a tripartite committee comprised of labour market organizations and the Working Environment Authority was set up to formulate an action programme to address the most urgent risk factors, along with targets to be reached by the end of 2005. Employers' and workers' organizations had agreed to take preventive actions at the enterprise level. Lastly, health and safety at the workplace had to be an integral part of a sustainable employment strategy. Poor health and safety standards reduced productivity and created social exclusion.

Discussion

Looking at individual experiences of countries, over the past 50 years the Japanese Government had introduced a series of ten five-year plans for occupational safety and health, resulting in a substantial reduction in occupational accidents. National occupational safety and health plans closely followed the conclusions of the International Labour Conference in 2003, and had proved effective in Japan. Statistics for occupational safety and health in the EU were disaggregated by sex and showed that women were more likely to experience ergonomic and psychosocial problems. In Australia, informational was generally disaggregated by sex for workplace accidents but not for occupational diseases. The nursing profession was dominated by women. While it was useful to have data disaggregated by sex, solutions were based on the principle of ensuring safety for all.

A clear mechanism for tripartite consultation on occupational safety and health matters should be developed in China. There were some facilities for tripartite consultation, including the development of new systems in some provinces, but there was a need to develop and improve these mechanisms. As concerned SMEs, in Australia 96 per cent of businesses were SMEs which employed 50 per cent of the workforce. Business associations could become important contacts and thousands of businesses were represented on the National Occupational Health and Safety Commission.

Session C: Employment promotion and market functioning

Session C1: Social dialogue and employment promotion

Moderator: *Mr. Zhang Junfeng*, Deputy Director-General, Institute for International Labour Studies and Information, Ministry of Labour and Social Security

Panel: *Ms. Mária Ladó*, Director-General of European Integration Department, Ministry of Employment and Labour, Hungary
Mr. Qiu Xiaoping, Director-General of Department of Labour and Wages Department, Ministry of Labour and Social Security
Ms. Chen Ying, Deputy Director-General, China Enterprise Confederation
Mr. Gilbert De Swert, Director of Research Department, CSC, Belgium
Ms. Liu Haihua, Deputy Director-General of Social Protection Department, All-China Federation of Trade Unions
Ms. Anne Knowles, Former Executive Director, Business New Zealand

Mr. Zhang Junfeng outlined the efforts made by the Chinese Government to promote tripartite social dialogue and acknowledged the role played by the ILO in this respect.

Ms. Maria Lado focused on the recent experience of tripartite social dialogue during Hungary's transition towards a market economy. The important role of social dialogue had been seen in a major social and economic transformation. The transition had not been easy at a time of high unemployment due to the restructuring process and it has taken place in three phases: the first phase (1990-1993), accompanied by a worsening of the employment situation; the second phase (1993-1998), one of economic regeneration that brought slight improvements; and the third phase (1997-present), witnessing economic growth that led to increasing employment and growing competitiveness.

During the first phase the social partners had been especially active at the national level in developing public policies, and at the enterprise level when managing restructuring with very few strikes or demonstrations. In the second phase social dialogue had been used at local, national and enterprise level and the social partners proved that it went beyond the traditional roles of discussing and negotiating wages and working conditions. The social partners were instrumental in attracting foreign investors, in mobilizing various actors, in retaining contacts with unemployed persons and helping them reintegrate into the labour market. In the third phase, enterprises were the key as growth and employment depended essentially on their ability to remain competitive and profitable. Social dialogue was still important in negotiating wage policies and wage bargaining to moderate wage rises, as well as to assist workers in upgrade their skills to changing requirements and foster lifelong learning. Three elements were crucial to a successful transformation: responsible, autonomous social partners who were ready to play a constructive role; a general consensus between the Government and social partners on the goal of a transformation to a free market economy; and consistency in future government policies to accept that the social partners were fundamental to Hungary's efforts to improve its economic and social performance.

Mr. Qiu Xiaoping spoke about recent developments in the area of tripartite social dialogue in China, which was the major tool of the labour relations adjustment system where the social partners could actively participate in the implementation of government economic policies, and in the formulation and execution of labour policies. The ratification of the Tripartite Consultation (International Labour Standards) Convention, No. 144 in September 1990 had been a catalyst for development of tripartism in China.

Since the National Tripartite Committee on Labour Relations had been formally established in August 2001, tripartite committees had been set up in 30 provinces, autonomous regions and municipalities. These committees had become the major means for government, trade unions and enterprises to

strengthen communication and coordination on the basis of mutual understanding and support in the field of labour relations. In some provinces and cities tripartite partners had developed a subcommittee structure, such as the Guidance Subcommittee on Wage Consultations in Fujian Province, the Subcommittee on Labour Law and Labour Inspections, and the Subcommittee on Wage Consultations in Dalian.

The scope of activity of these committees had been extended beyond the promotion of collective contracts and labour contracts to cover areas such as restructuring, mergers, re-employment of laid-off workers and payment of wage arrears. Social dialogue at the national level was important in formulating and implementing employment promotion policies, and consultation at the enterprise level could help prevent redundancies, provide better protection against dismissal and thus reduce unemployment. At the community level it could help to improve the formulation and implementation of local employment plans and maintain stability of both the region and the enterprise. The Government was assisting the social partners in drawing up employment strategies and encouraging them to take an active part in creating jobs for laid-off workers. Tripartism was still in its early stages of development and China was hoping to learn from the experiences of other countries and hoped the ILO and its member States would help in its reform and development.

Ms. Chen Ying focused on the importance of social dialogue at the enterprise level; enterprises in China faced great challenges due to restructuring of state-owned enterprises and a rapidly changing environment. Three different examples showed the different forms social dialogue was taking. In the Wangshang Group, established in 1969 and employing 31,000 workers, social dialogue had dual goals of improving the enterprise's performance while also improving the social and economic conditions of the staff. Labour-management communication was conducted through the use of letter boxes where workers could submit their grievances and suggestions; management then took appropriate action. There was also a corporate newspaper produced by the enterprise.

The Shanghai No. 1 Mechanical Company, as in other state-owned enterprises, had established a democratic supervision systems through a workers' congress, collective consultations and worker participation on the board of directors. The supervision system covered management strategy, business mergers, wage issues, employee welfare and compliance with regulations. Another example was a private car manufacturer, where the emphasis was on joint labour-management committees at the work-station level. Different groups of employees, including managers, engineers and workers, had an equal say on production and work-related issues. A number of key problems still remained: corporate leadership was weak and often unwilling to listen to workers' views; enterprise management had a low awareness of the legal framework; trade unions were not representative; and workers needed to be better educated on labour issues.

Mr. Gilbert De Swert said that a social model based on social dialogue could produce better results, both social and economic, than one driven predominantly by market forces, and to illustrate his point he took the example of Europe and the United States. Both productivity and living standards were higher in Europe. Social dialogue improved economic performance and employment in four ways: there was more information upon which to take sound decisions; a stronger commitment to decisions; better productive efficiency; and an easier adjustment to changing circumstances.

There were three different time periods of reform in Europe: the "good times" from 1945 to 1975, the "bad times" of the 1990s, and the "changing times" of current reforms. In these periods social dialogue in Europe countries had undergone major changes. During the first period, social dialogue at various levels had served as a mechanism to regulate distribution of increasing wealth between capital and labour. After 1975 the social actors had had to confront a new reality of slow economic growth and high unemployment rates. Tripartite partners in Europe were making efforts to adjust through tripartite cooperation in order to reduce the uncertainties felt by investors, employers and workers, and to foster acceptance of restructuring. Wage restraint was carried out through social dialogue in return for socially acceptable restructuring of social welfare. There were four factors that contributed to the success of social dialogue: mutual trust was a basic condition for its success; trade unions had to be

truly representative if they were to meet the commitments made to their members, and freedom of association played an important part in this process; tripartite partners should try to consolidate the process of social dialogue; and it must lend itself to medium- and long-term economic and social development.

Ms. Liu Haihua explained that tripartite social dialogue had assumed an increasingly important role as the Chinese economy moved towards a market system. The economic transition had created great diversity in terms of both enterprise ownership and employment forms, resulting in divergent interests between the different groups. Therefore a tripartite consultation system and collective consultation at the enterprise level had become key mechanisms, not only for harmonizing and coordinating labour relations but also in setting social and economic policies affecting both workers and enterprises.

There were currently 537,000 enterprises in China with a total workforce of 67 million covered by collective agreements. In 27 provinces new collective agreements had been signed at the industrial and regional levels. Industrial collective agreements defined basic wages and other labour standards to cover workers. There were several channels for workers' participation in decision making at all levels: joint meetings between the Government and the All-China Federation of Trade Unions (ACFTU) to discuss social and labour policy issues; workers' representative congresses at the enterprise level to allow workers' participation in management decision making; worker directors and a worker supervisor system in public enterprises; and a corporate transparency system to encourage dissemination of information at the enterprise level. The ACFTU played a key role in formulating and implementing policies through social dialogue and submitted survey reports to the Government to promote the formulation of re-employment policies. Chinese trade unions, together with the Government and enterprises, supervised and inspected implementation of employment policies and provided services such as vocational training, job placement, re-employment settlement and assistance to needy workers. The ACFTU advocated the establishment of an economic development strategy using social dialogue, with priority on employment and using the experiences learned by other countries.

Ms. Anne Knowles drew attention to the distinction between social dialogue, on the one hand, and consultation and negotiation, on the other. Social dialogue was different to consultation, where one party could make a decision after listening to another's views. It also differed from negotiation, where each party started with a different position and then discussed and made compromises until an outcome was agreed. The social partners in New Zealand had faced several challenges during the 1980s, when the economy had had to restructure itself so as to adapt to the changing external environment. New Zealand had undertaken large-scale privatization and deregulation, including the removal of agricultural subsidies. This massive restructuring had resulted in high unemployment, which rose to 11.2 per cent in 1991; as a result, job creation became a major issue for social dialogue and after concerted efforts by the tripartite partners, the unemployment rate had fallen to 4.6 per cent in 2003.

To address its unemployment crisis New Zealand had taken a more task-oriented approach than that of Europe by forming a task force on employment promotion, involving not only the traditional tripartite partners but also community group representatives and other government agencies. The tripartite Working Party on Employment Promotion tackled macroeconomic policy issues and focused on the regulatory framework for business expansion at the national level. The focus of social dialogue shifted from the national and sectoral to the enterprise level, where efforts were made to improve communication. Both parties at the enterprise level were encouraged to discuss issues in order to reach a solution based on common understanding. Bipartite social dialogue at the national level between the central employers' and workers' organizations was also important. Two issues had been the key agenda for bipartite social dialogue at the national level: training and skill development, and productivity improvement.

Discussion

Mr. Giuseppe Casale (Deputy Director, ILO InFocus Programme on Social Dialogue, Labour Law and Labour Administration) responded to the presentations made. While there was no single definition of social dialogue, the ILO had developed a working definition which included all types of consultation, negotiation and exchange of information between representatives of governments, employers and workers on issues of common interest relating to economic and social policy. Negotiation was one of the most important aspects of social dialogue and tripartite negotiation on macroeconomic issues at the national level had become more important in recent years. There were certain basic conditions for genuine social dialogue, and a minimum common denominator was that the social partners should be autonomous, as enshrined in two fundamental ILO Conventions, Nos. 87 (Freedom of Association and Protection of the Right to Organise, 1948) and 98 (Right to Organise and Collective Bargaining, 1949). In addition to the fundamental principles of freedom of association and the right to collective bargaining, there were other basic conditions for social dialogue: legitimacy of the social partners; the political will to engage each other; the tripartite partners' technical competence to deal with issues raised and their capacity to deliver; and a spirit of consensus and mutual trust.

China had made significant progress in developing tripartite social dialogue over a short period of time, and had also addressed macroeconomic and legislative matters that went beyond basic issues. Nevertheless, it was important for the Government to create a sound legal framework for free and constructive interaction between the social partners, and to strike a balance between social justice and economic efficiency.

There was a need to redefine the role of government in developing tripartite social dialogue; while it tended to be a bipartite process between workers and employers at the enterprise and sectoral levels, the role of government was to provide legal protection and a legal framework in which the social partners could interact in a constructive manner. However, its role would decrease over time and the government should respect the autonomy of the social partners: there should be no interference in internal matters. However, the government could and should play a pivotal when social dialogue gave rise to more difficult issues and should intervene in the capacity of an arbitrator or facilitator. There was no single model of social dialogue as each country faced a different set of problems.

Session C2: Public employment services and employment protection for vulnerable groups

Moderator: Ms. Ellen Hansen, Senior Specialist, ILO

Panel: Ms. Liu Danhua, Deputy Director-General, Training and Employment Department, Ministry of Labour and Social Security
Mr. Chris Pond, Vice Minister of Work and Pensions, United Kingdom
Mr. Gyula Pulay, Permanent State Secretary to the Prime Minister, Hungary
Ms. Agneta Roström, County Director, National Labour Market Board, Sweden
Mr. Shuen Ka Hung, Director of Macao Labour and Employment Bureau, Macao Special Administrative Region
Ms. Li Ran, Deputy Director General of Labour and Social Security Bureau, Qingdao City, Shandong Province

Ms. Liu Danhua spoke about the context of employment services in China and traced the growth of the country's public employment service since the 1980s. Beginning as labour service companies, the public employment service had had to internalize concepts new to the Chinese economy, such as that of unemployment. In 1998, with the reform of state-owned enterprises, the need was to address re-employment through special re-employment funds and the creation of public employment services at the municipality and community levels to provide free vocational guidance and training, with the aim of finding jobs for 10 million people over a three-year period. China's public employment service faced new challenges of self-employment and removing the tax disincentives that favoured passive

benefits over active job search.

There were now 21,500 public employment service agencies, with additional services at the community level, serving more than 20 million people annually and an additional 3,300 job agencies training 6 million people a year. From 1998 to 2003 some 20 million laid-off workers had been re-employed. In order to meet the challenges of placing millions of additional jobseekers in gainful employment, there was a need to improve the effectiveness, efficiency and quality of public employment services. Among the measures taken to "put people first" was to expand the scope of services to include university graduates, rural workers and migrant workers in addition to laid-off workers. The employment service system would be strengthened by supporting private employment agencies and labour and social security offices at the local level.

Mr. Chris Pond addressed the problem of "worklessness" and the new philosophy of making work pay. This was being effected by the creation of one-stop shops for employment services, providing personalized services and balancing rights with responsibilities, the latter implying an unemployed worker's right to draw benefits only if he or she was taking active steps to find a job.

The basis for delivery of active employment policies was a modern public employment service, Jobcentre Plus, in the United Kingdom, which offered advice and help in finding work and access to benefits through work-focused interviews. The Jobcentre Plus programme combined the notion that while vulnerable persons could be grouped, the most effective intervention was through an individual, personalized service. Jobcentre Plus facilities included programmes that offered additional support to disadvantaged people with barriers to employment, and employment and incentive programmes for the long-term unemployed and others, such as older workers, to encourage them to stay in work. Special support was given to the disabled as in the United Kingdom more people claimed disability benefits than unemployment benefits. A rapid response service assisted enterprises and individuals affected by plant closures or mass lay-offs; the access to work programme supported those who were ill or had disabilities; and the progress to work programme supported drug abusers. Outreach services brought minority ethnic communities closer to the labour market.

Mr. Gyula Pulay said that in Hungary, groups with special barriers to employment included youth, school-leavers, drop-outs, rural migrants, ethnic minorities, workers with disabilities and those dismissed through mass lay-offs. As in the United Kingdom, there were two approaches to assisting these vulnerable groups. General employment services, consisting of job placement, counselling and short-term job-search training, were available through employment service offices. Among the many causes of vulnerability, a particular issue in transition economies was the lack of job-search knowledge. Targeted employment promotion measures could be taken for those needing assistance, including more intensive job-search training, job clubs and tutoring; work experience or subsidized work in the open labour market; training and retraining schemes, including both formal and on-the-job training; and multiple service programmes, mixing employment promotion measures. The most successful of these measures was facilitated job search, particularly job clubs, subsidized employment in the competitive sector and on-the-job training. Formal training programmes and public relief work had been less successful.

There was a danger that public employment service interventions could also result in those jobseekers who were easier to place getting jobs first, money being wasted on those who had not needed assistance in finding a job, or the successful placement of a jobseeker at the expense of someone currently employed. Personal attention and adjustment of unemployment benefits to reward success were useful for unemployed persons and coaching and financial subsidies had also proved helpful. The motivation for public employment service programme administrators was to reward offices for the most effective use of their resources. Private employment services could prove a useful complement to the public system but should be regulated to avoid the exploitation of jobseekers.

Ms. Agneta Roström noted that the Swedish economy had undergone extreme fluctuations during the 1990s. The decade had begun and ended strongly, but there had been a serious recession in the middle,

when more than half a million jobs vanished and unemployment rocketed to record levels of nearly 10 per cent. In 1996 the economy recovered and by the end of the decade unemployment had been reduced to 4 per cent, with inflation being more or less non-existent. The basic services of the Swedish public employment service fell into three broad categories: matching, training and activation, the main and most successful of these being matching jobseekers to jobs. The second was training, including vocational training but also covering basic skills development to prepare individuals for further training. Finally, activation embraced a variety of services in order to equip workers with the skills, self-esteem and motivation to enter the labour force. The view in Sweden was that investment in employment services, with emphasis on activation, benefited society as a whole as increased income taxes were received from workers and social expenditures were reduced. It was important to not only focus on the vulnerable groups of today but also to look ahead to those who would need help in the future.

Three groups were considered to have particular difficulty in finding employment. Disabled persons could not easily compete with other jobseekers, unless they received some individual support to compensate for the disability or other means to increase their attractiveness in the labour market. The most successful measure in this respect was subsidies to employers. The second group was immigrants and refugees, who faced language and qualification barriers, as well as discrimination. No specific active labour market measures were designed exclusively for migrants but they received training and temporary subsidized employment on a regular basis. The third category was long-term jobseekers who failed to find work. Many had withdrawn from the labour market and educational and vocational training was not necessarily the answer for them. The Activity Guarantee Programme was set up specifically to target this group of jobseekers and it represented a holistic approach to help this group of jobseeker, giving them support and assistance from a counsellor and drawing up a personal action plan, the most basic and common module of which was intensive job-search training and assistance.

Mr. Shuen Ka Hung highlighted the role of employment services in the overall economic development agenda of the Macao Special Administrative Region. With a population of 440,000, the labour force participation rate was 65 per cent, with 35 per cent of the working age population having a primary education or less. The unemployment rate was 3.5 per cent, concentrated among the middle-aged population with low levels of education who tended to become the long-term unemployed.

Continuous efforts were being made to restructure the economy around tourism and service industries. Manufacturing jobs had increasingly been lost to the mainland but a Closer Economic Partnership Agreement with the mainland had also helped to reduce unemployment. Attracting foreign direct investment and striking a balance between non-residents and locals in the labour market were other major priorities.

Ms. Li Ran described Qingdao City as having an old industrial base but a growing amount of tourism, with 80 per cent of the labour force being employed in the private sector. Every year there were some 100,000 unemployed, half of whom were re-employed. Employment services were organized at four levels: city, district, street and community.

As well as basic job-search assistance and matching activities, there was the “ABCD” programme, each letter representing a category of intervention. These interventions were an employment fund providing start-up capital for self-employment; a training fund granting a RMB2,000 subsidy to recipients; a public works scheme that combined four hours of work with four hours of training per day in an occupation of the person’s choice; and various methods for supporting flexible employment. Flexible employment in China referred to the informal economy, meaning small enterprise as well as part-time employment. To encourage this kind of employment, business licensing processes had been simplified and tax incentives introduced. Flexible and part-time employment helped workers to get into the labour market, and laid-off workers were also encouraged to organize and exchange information and experiences. Vocational training had been improved by promoting flexible and demand-driven training, and giving training for starting a business.

Discussion

Job-search assistance was the most important factor in labour market success but intensive service strategies could also be effective. The United Nations programme New Deal for Young People had helped to eliminate long-term unemployment among youth, and a World Bank study of the public employment service in Hungary had shown that while job-placement service proved to be effective overall, there was nevertheless thought to be the danger of some “creaming” of jobs. Public employment services would always be necessary as economic growth alone could not solve all labour market problems, and an individual approach was needed for jobseekers facing specific barriers. In the United Kingdom, as new approaches were introduced in new locations, a wide range of labour standards had to be taken into account in order to ensure that an increase in the quantity of jobs was matched by improvements in the quality of jobs.

Session C3: Social security and employment

Moderator: Mr. A. Kastrissianakis, Director of Employment Strategy and European Social Fund Policy Development and Coordination, European Commission

Panel: Mr. Mao Jian, Director-General, Unemployment Insurance Department, Ministry of Labour and Social Security
Mr. He Ping, Director General, Institute for Social Insurance Studies, Ministry of Labour and Social Security
Ms. Cathrine M. Lévy, Sociologist and Research Fellow, Centre National de la Recherche Scientifique, Paris, France
Mr. Zheng Gongcheng, Professor of the People’s University, Beijing
Mr. Tine Stanovnik, Associate Professor, Faculty of Economics, University of Ljubijana, Slovenia

Mr. A. Kastrissianakis introduced the session on social security in the context of employment promotion. Social security was indispensable for any modern society and experience from around the world had shown that it strongly supported economic growth and employment creation, if appropriately designed and managed.

Mr. Mao Jian outlined the reform and development of the unemployment insurance system in China from its establishment in 1986. One remarkable achievement had been the gradual extension of its personal coverage from the initial state-owned enterprise workers to all urban employees in line with the Unemployment Insurance Regulation promulgated in 1999. Rural migrant workers were now insured according to the Regulation, and the number of insured employees recorded had steadily increased from 7.9 million in 1999 to 10.4 million in 2003.

Two parallel objectives for unemployment insurance had been identified in recognition of the long-term pressure of employment in China: to secure the basic living standard of the unemployed and their families; and to promote their re-employment. To this end cash benefit levels had been standardized and each provincial government set benefits higher than the regional urban minimum living standard, but lower than the regional minimum wages. An increasing proportion of unemployment insurance funds was devoted to active measures to help unemployed persons find jobs, including training programmes, employment services and other activities. As well as the standard unemployment insurance system, a second system existed to provide unemployment protection: the state-owned enterprise re-employment services centres. These centres were set up in 1998 to deal with lay-offs from state-owned enterprises; millions of workers had been laid off but the prevailing unemployment insurance system at that time had not had the financial resources or administrative capacity to provide adequate and timely support to them. The Government therefore set up state-owned enterprise employment service centres. Today the unemployment insurance system was able to take full responsibility for such workers and re-employment service centres across the country were gradually being closed down.

Several problems still remained and there was scope for further improvement in unemployment insurance. Coverage should be extended to cover uninsured groups, especially those working in the non-public sector. The role it could play in employment creation should be promoted by making the best use of financial resources available. When a dynamic balance was achieved between employment promotion measures and adequate cash benefits for unemployed persons, these objectives would be reached.

Mr. He Ping spoke about the emergence and expansion of the informal economy in urban areas, or flexible employment as it was known in China. According to estimates, flexible employment currently absorbed between 80 and 180 million workers. Given the immense gap between labour demand and supply that was likely to continue to exist, the Government had supported flexible employment as a practical solution to the employment problem. But many employed workers often hesitated to accept informal economy jobs due to the lack of social security coverage. Other problems included a lack of policies and legislation or the existing social insurance system, inflexibility of design and features for informal activities, and lack of adequate finance and administration to deal with individual contributions. Workers in the informal economy were frequently uninsurable under the current legislation and because the system was initially designed for the formal sector, the levels of both contributions and benefits were high. Therefore workers in flexible employment often could not afford to make the necessary contributions.

Existing social insurance provisions should be modified to include informal economy workers, which required changes in both policy and management. Everyone should be entitled to social insurance benefits as long as they had made the required contributions, and such an approach would facilitate the coverage of informal workers on an individual basis. The current level of contributions should be reduced in line with the financial capacity of informal workers and the regional average salary could be used as a base for calculating contributions. As concerned health insurance, one pragmatic approach was to provide partial coverage for hospitalization for low-income workers (4 per cent of their income). Contributions of laid-off and informal economy workers should be subsidized as appropriate; client services should also be improved and this could be achieved by setting up individual service windows, simplifying the registration and processing of benefit claims and standardizing relevant forms and documents.

Ms. Cathrine Lévy gave an outline of the EU employment strategy, which consisted of the employment guidelines formulated by the Commission, the national action plan drawn up by each member State, the joint employment report issued by the Commission and country-specific recommendations. Employment was a central issue in most EU countries. Along with active labour market measures, unemployment insurance provisions were available in all EU countries, with almost universal coverage.

The orientation and structure varied due to different circumstances in individual countries and there were four specific models. The *North Model* applied to northern countries such as Denmark, Finland and Sweden, where the unemployment rate had been low but unemployment benefits and coverage had been relatively high and compulsory. The *South Model* applied to countries such as Greece, Italy, Portugal and Spain, where the unemployment situation was more severe and the level of unemployment benefits was low, with fewer compulsory measures. The *Continental Model* applied to countries such as Belgium, France and Germany, which had medium-level unemployment rates with medium to high benefits and a medium level of compulsory measures. In the *United Kingdom model*, the employment situation had been fairly encouraging, with a low unemployment rate, a low benefit level and high compulsory measures.

The following conclusions could be drawn from looking at these four models. First, changes in the system, such as reducing benefits and tightening qualification requirements (as introduced in several EU countries) had led to increased poverty among the labour force as more unemployed persons had to live on means-tested benefits. Second, the strict compulsory measures adopted by many countries

had often led to the spread of low-wage jobs, as unemployed workers were forced to accept any job offered even if it was temporary or paid a very low income. Third, active labour market policies and measures did not significantly reduce the unemployment level, especially with low benefits or low-quality training. However, the re-employment rate was higher when high-quality training courses were provided to the unemployed, when jobs paid a normal salary and cash benefits were adequate.

Mr. Zheng Gongcheng focused on the interaction between and indispensability of both social security and employment promotion. In practice, employment financed social security schemes and social security promoted employment, both directly and indirectly. The introduction of a market economy had made social security a necessity due to increasing employment and income insecurity. The Chinese experience confirmed the need for a system that addressed issues such as unemployment, old age, illness and work-related accidents and diseases.

China had the largest labour force in the world: 740 million. A top government priority was to retain and create enough employment. National and international studies have shown the current urban employment gap between labour demand and supply would continue to increase with industrialization, urbanization and globalization. Consequently millions of people would continue to migrate from rural to urban areas, pushing many into the urban informal economy, and showing the importance of social security in employment promotion. Unemployment insurance could be converted into employment insurance, and the flexibility of the current system should be increased to facilitate the inclusion of non-public sector workers, particularly those in the informal economy. At present only 110 million of the 740 million workers were covered by urban old-age pension schemes; this low coverage and insufficient protection was a key challenge facing the social security system. A coherent strategy was needed to resolve this matter as without adequate social security coverage there would be no sustainable economic growth and social development.

Mr. Tine Stanovnik gave a brief background on the comprehensive changes introduced in the politics, economies and institutions of the Central and Eastern European countries in the early 1990s. These changes had made a reform of the social security system imperative. An important challenge facing countries of the region was a financial crisis in social security, resulting from an erosion of the contribution based and increased social protection needs. This had resulted in a drop in production, an increase in unemployment and lower levels of contributions. To improve the situation many countries had adopted stricter regulations and established a centralized collection and control mechanism. Experience had shown that a stronger link between contributions and benefits through the establishment of individual accounts did not automatically produce a higher compliance rate, but improvements in administrative capacity had yielded positive results.

The rapid increase in self-employed workers represented another challenge for social security as this group typically paid lower contributions, as was the case in Hungary, Poland and Slovenia. Statistics showed that over 80 per cent of those self employed paid contributions on a minimum contribution base. Despite a very low minimum contribution base in Romania, very few self-employed persons were registered in a social protection system. An increasing proportion of the informal sector workforce posed serious problems as concerned social protection; some workers were unable to accumulate sufficient social security entitlements, particularly for old-age pensions. For farmers, the most important among the self-employed group, the schemes varied considerably among between countries: for example Poland had a separate scheme for farmers heavily subsidized by the Government, while Slovenia had merged the farmers' scheme with the general system. In countries like Romania, the level of coverage of self-employed workers was particularly low. The main problem for unemployed persons was that they had sufficient social security coverage only until the expiration of their entitlement to unemployment insurance benefits. Once expired, those receiving means-tested assistance benefits were no longer covered under old-age pension schemes.

Discussion

Social security for the informal economy was an important issue. A common view emerged that, given the expansion of flexible employment, the Government should take active measures to extend social

security coverage to this enormous group by adjusting or creating appropriate social insurance mechanisms. A strategy of first formalizing and then covering the informal economy had not worked in some countries; therefore the current social security system should rather be more flexible, in line with the specific situation of flexible employment in China.

One of the principles of the social security reform in China was to try and balance efficiency with fairness, but that balance could prove controversial. An emphasis on efficiency was totally inappropriate when there was an increasing disparity between the rich and the poor. This balance had been a central issue in social security reform in many European countries and different solutions had been reached by studying various combinations of social security benefits and active labour market policies. Finding this balance was a key issue for China.

Friday, 30 April

4th Plenary Session: Reports from moderators on sessions held on 29 April

The moderators of the nine sessions held on Thursday, 29 April summarized the findings of the presentations and discussions that had taken place.

Session A1: Economic policy and employment

Ms. Lin Leam Lin, Deputy Director, ILO Regional Office for Asia and the Pacific:

- ***Imbalances***
Imbalances have characterized China's recent development. While significant progress had been made in poverty reduction, the gaps were widening between the rich and poor, coastal and interior, skilled and unskilled, women and men, young and old. An estimated 40 per cent of employment was in the informal economy.
- ***What was needed to promote jobs and address employment challenges?***
China should exploit its comparative advantage in human resources by creating an enabling environment for small and medium enterprises focusing on sectors with potential. To benefit from the potential of a unified labour market, public employment services should be strengthened and a labour market information system put in place. China would benefit from creating a level playing field and allocating greater resources to education and training. The high number of jobseeker, including lay-offs from state-owned enterprises and migrants from rural areas, continued to create a challenge that cannot be solved by the market alone.
- ***Had capital deepening occurred at the expense of job growth?***
There was some evidence of capital deepening. Treasury bonds had been used to finance infrastructure development and industrial projects, but investment had not benefited rural areas. There could be some deficiencies in the banking system so that domestic capital formation and foreign direct investment did not reach to the interior provinces.
- ***Was capital really so readily available?***
The reform of the banking sector had lagged behind, leading to inefficiencies and misallocation of capital assets. Some participants suggested that the current situation was one of capital oversupply, yet banks could not provide adequate capital assets to meet growing

business demand. Capital markets needed to be developed in such a way that economic growth was rendered more labour-intensive.

- ***What had been happening to wages?***
Over the past 10 years wages have increased eightfold. During the 1990s total wages increased at an annual rate of about 10 per cent. However, average figures hid discrepancies in disposable income across individuals, sectors and regions; earnings in the informal and formal sectors differed and migrant workers did not earn the same as urban residents.
- ***Achieving balance implies redistribution***
In order to achieve a balance there was a need for redistribution. It might be necessary to provide wage subsidies and state assets to encourage new investment in interior provinces.
- ***Placing people, especially their welfare, first in macroeconomic policy***
Decent work meant placing people's welfare at the centre of macroeconomic policy. Mapping change would require representation and voice. Social protection, including social security and social benefits, should be disengaged from the work unit and socialized in order to provide broader coverage. With China's accession to the WTO and entry into the world trading system, social dialogue could be a useful "watch dog."

Session A2: Restructuring and employment

Mr. Tian Xiabao, President, China Academy of Labour and Social Security:

- ***Economic and industrial restructuring was a natural result of globalization***
Since many countries were undergoing restructuring as part of globalization, a coordinated approach was needed concerning its impact on economic development and employment creation.
- ***Economic and industrial restructuring was also a challenge and opportunity***
When enterprises were reorganized with an unskilled workforce, this resulted in bankruptcies, layoffs and unemployment. However, there were also new opportunities for employment creation that resulted from economic reforms, such as in the tourism industry.
- ***The government should use active policies and balance the relationship between economic and industrial restructuring with employment promotion***
Restructuring economic change should be balanced with job creation and social security. Small and medium enterprise development could represent new employment opportunities for laid-off workers.
- ***Social dialogue was an effective tool for enterprise reorganization and employment promotion***
Social dialogue could be used to reach a consensus for a "win-win" situation in responding to economic restructuring.

Session A3: Labour mobility and employment

Mr. Wang Aiwen, Director-General, Planning and Finance Department, Ministry of Labour and Social Security:

- ***The trend in labour migration***
The past 20 years of economic reform had been accompanied by a dramatic increase in labour mobility from the agricultural sector to TVEs and the cities.

- ***The impacts of labour migration***
Increased labour mobility has had an impact in terms of non-agricultural production, rapid urbanization and regional development. Migration had been accompanied by improvements in transport and communications as well as integration of labour markets. In general, these changes had been positive but there was some disagreement about the extent to which widening gaps had emerged.
- ***The policies of labour migration***
China had developed its policy to be consistent with its needs. In the past the migration policies were more restrictive but today there was a more liberal approach, accompanied by changes in household registration and the labour market.
- ***Issues and problems to be addressed***
There were issues that still needed to be addressed, such as unemployment insurance and medical care for migrants from the countryside living in cities. Definitions must be improved along with the measurement for the informal economy.

Session B1: Flexible forms of employment and informal employment

Mr. Zheng Dongliang, Deputy Director-General, Institute of Labour Studies, Ministry of Labour and Social Security:

- ***Framework***
Flexible forms of employment included the informal economy, with its household businesses and micro-enterprises that were common in developing economies, as well as flexible employment in the formal sector that was increasing in the industrialized countries.
- ***Causes***
The causes of this flexibility were fierce competition and diversified demand for jobs and employees. Workers needed a greater choice in order to balance work and the family. Employers would like more flexibility in employing workers so as to avoid fixed costs of redundant labour on permanent contracts. In the past China had provided social protection through lifelong employment at the expense of growth and productivity. Adjustments in the economic structure involved changes in employment patterns.
- ***Challenges***
The challenge was that policies for flexible employment could lead to low-income and unstable jobs without social protection, resulting in low productivity and social discrimination. It could also reduce dialogue between employers and employees. The protection of workers' rights was vital.
- ***Measures***
There was a need for information and research on flexible employment. Policies should support improvements in the environment and services, as well as encourage dialogue.

Session B2: Skills, training and employability

Mr. Andrew Treusch, Assistant Deputy Minister, Human Resources Development, Canada:

- ***Increasing the importance of skills development to promote employability and productivity***
Globalization has brought with it a need to upgrade skills to meet the demands of a knowledge-based economy. This has improved the employment prospects of individuals but also enhanced the productivity and competitiveness of the economy.

- ***Training highly-skilled workers to support China's employment strategy***
Technical workers were needed for the new economy.
- ***Skills and entrepreneurship training to expand employment opportunities for laid-off workers, new entrants and the unemployed***
Skills were needed for business start-ups in non-agricultural activities. Many might not succeed but others would flourish.
- ***Access to training for rural workers to increase employability in non-agricultural activities***
Most of China's population still lived in rural areas, yet job prospects in the agricultural sector were somewhat limited. In order to balance regional disparities and uneven opportunities, training should be provided to rural workers for non-agricultural employment.
- ***Social dialogue on training to mobilize resources, provide information on skills needs and training impact, and secure commitment of all partners***
Effective partnerships among government, employers and workers were vital in order to move forward in providing training to meet the demand of the global economy.
- ***Labour market information for governments, institutions, enterprises and individuals plan training***
Human resources development and planning should be based on credible labour market information. More information was needed on both labour supply and demand at the national and regional levels. Employment strategies required performance indicators, and social dialogue could provide valuable feedback for training systems.

Session B3: Environment, the workplace and employment

Mr. Lin Yisheng, Deputy Director-General, International Cooperation Development, State Administration of Work Safety:

- Occupational safety and health was an indispensable aspect of employment policy and strategy.
- To strengthen national occupational safety and health strategies and programmes, there was a need to improve legislation and enforce the appropriate laws.
- Improvement of occupational safety and health statistics was fundamental: many countries had accomplished a great deal in keeping track of statistics to prevent accidents.
- Tripartite consultation mechanisms must be improved. International cooperation should also be strengthened; cooperation and consensus on occupational safety and health among international organizations such as the ILO and WHO, as well as between China and other countries, would be helpful in making improvements.

Session C1: Social dialogue and employment promotion

Mr. Zhang Junfeng, Deputy Director-General, Institute for International Labour Studies and Information, Ministry of Labour and Social Security:

- Transition towards a market economy requires full participation of all the social partners.
- Social dialogue was a proven key tool to address employment policy issues.
- China should set up tripartite social dialogue mechanism at all levels to address a wide range of social and labour policy issues.

- The key role of government was to create an enabling institutional environment for free and constructive interaction between the social partners.
- Sound industrial relations at the workplace was the backbone of any social dialogue system.
- Further international cooperation for improving social dialogue institutions and process, and building capacity of social partners was necessary-is required. The social dialogue mechanism was a long-term process that needed to be improved and would benefit from international experiences.
- There were common basic principles but no single model to fit all as there were different approaches to social dialogue, and China has chosen the one it felt was most appropriate.

Session C2: Public employment services and employment promotion for vulnerable groups

Ms. Ellen Hansen, Senior Specialist, ILO:

- The creation of 21,500 public employment service agencies and 3,300 job training agencies in China since the late 1970s was an impressive achievement in public infrastructure development.
- To reduce unemployment, an individual approach was necessary. The public employment service had generally moved beyond looking at generalized barriers to groups of people; instead the emphasis is placed upon eliminating individual barriers.
- Programmes were increasingly organized with tiered services, aligned to the level of need, in order to balance demands for services with available resources: For those with the fewest barriers, job search assistance/counselling/placement were the most successful and cost-effective strategies. The adoption of information and communications technologies (ICT) has improved these services and has freed up resources for more targeted programmes. For those with skill-specific barriers, job training, focused upon labour market demand was the most appropriate intervention. For those with multiple barriers to employment, an intensive package of services tailored to individual needs was provided.
- Intensive service programmes were comparatively expensive and a major recurring government policy issue was how to allocate and adjust scarce resources. While modern services were increasingly provided in a mainstreamed but tiered fashion, political support for financing such programmes was often most successful for traditional target group categories.
- In all countries, public employment services/active labour market programmes were most successful in a growing economy. The public employment service did not create jobs but it did play a critical role because growth alone could not solve all labour market problems.

Session C3: Social security and employment

Mr. A. Kastrissianakis, Director of Employment Strategy and European Social Fund Policy Development and Coordination, European Commission:

- Fundamental changes in the world economy had links to the labour market, and if no changes were made there would be a rise in unemployment rates and pressure on social security, with an aging population being an additional burden.
- The objective was to achieve both efficiency and fairness in employment and social security systems, for example by using incentives to move women and men into work and provide job-search assistance and opportunities for training and retraining.

- Flexibility and security should be combined: there should be greater flexibility in the labour market for formal employment, but at the same time efforts should be made to provide informal workers with social insurance coverage.

5th Plenary Session: Gender and employment

Chair: Ms. Linda Wirth, Director, Bureau of Gender Equality, ILO

Participants: Ms. Jiang Yongping, Research Fellow of Policy and Law, Institute of Women's Studies, All-China Women's Federation
Mr. Ma Xiaohe, Director-General, Institute for Industrial Development Studies, State Development and Reform Commission
Ms. Constance Thomas, Senior Specialist, Equality and Employment Branch, ILO
Ms. Chen Ying, Deputy Director-General of the Chinese Enterprise Confederation
Ms. Fan Jiying, Director of Women's Work Department, All-China Federation of Trade Unions
Mr. Zhang Youyun, Special Advisor, ILO Beijing
Introduction to three project case studies for promoting women's employment by representatives from Tianjin, Nanjing and Chifeng

Ms. Linda Wirth introduced the session and noted that gender equality issues had been raised in many previous sessions of the Forum. Issues such as globalization and restructuring of labour market, laid-off workers, job creation, skills training, rural-urban migration and employment generation all had a gender dimension. With the increasing participation of women in the labour force, some might ask why a special session on gender was needed, but discrimination still existed, especially concerning the quality of jobs. The presentations would focus on gender differences in regard to decent work deficits, and show how to build egalitarian societies and thus ensure sustainable economic development.

Mr. Ma Xiaohe spoke about the changes that would be faced by those Chinese women employed in the industrial and agricultural sectors following China's accession to the WTO. Membership of the WTO would greatly challenge the social and economic status of women. More women than men were employed in the agricultural sector and more women were being employed in labour-intensive manufacturing and processing industries. Research had shown that in the short term, women's employment in the agricultural sector would decline drastically as a result of China's accession to the WTO, and their employment in labour-intensive industries would increase again. Women in China had played a dual role, working and looking after family households; those traditional roles made it convenient for women to work in the agricultural sector where they were closer to home. Yet women still earned less than men in both the agricultural and industrial sector, leading to their marginalization at the periphery of society. It was hoped that this situation would improve as a result of WTO membership.

In the long term WTO membership would have a favourable influence on women's family status; but in the short term they still faced lower status in terms of educational opportunities. Policies should be developed to protect and promote the interests of women and gender equality and mainstreaming should be introduced in economic and social development opportunities. A gender perspective should be included in government statistics and surveys; legislation and the judiciary could be strengthened to give women better labour rights; and women's access to education and training should be increased as well as opportunities for self-employment through loan schemes for starting a business. Social security protection for women employed in the agricultural and labour-intensive manufacturing industries should be provided and labour legislation strengthened to protect women from discrimination and guarantee them trade union rights.

Ms. Constance Thomas presented an overview of the broad legal framework and policy directions related to gender equality and employment and their impact on employment practices. China endorsed

the principle of non-discrimination and its Constitution provided for equal rights in employment; this issue was also addressed in the China Women Development Programme 2001-2010. However, in practice there was often discrimination as women were seen as unsuitable for some positions and those of child-bearing age were considered to be too expensive.

In order to ensure that women could attain or remain in decent work in conditions of dignity and equality with men, five steps were necessary. Laws and regulations should be reviewed from the perspective of promoting non-discrimination and gender equality, as well as identifying up-to-date gender-based protection measures. Individual merit and ability should be the criteria for job selection. The capacity of labour inspectors to monitor the employment of women, resolve complaints and enforce the law could be improved. Labour market indicators should be studied and disaggregated to allow for a gender analysis of workers' remuneration. A legal literacy campaign should be undertaken to tackle and remedy discrimination in hiring, pay, promotion and security of employment, as well as a public campaign to highlight the important of women's economic contribution to both the public and private sectors.

Ms. Zhang Youyun described the concept of mainstreaming which had been endorsed as a strategy to promote gender equality by the Beijing Platform for Action in 1995, and defined in detail in 1997 by the United Nations Economic and Social Council. The mainstreaming strategy represented a shift from women to gender, thus covering both men and women, their roles, needs and relationships. There was also a shift from marginalizing women's issues to mainstreaming gender equality concerns in all policies and programmes. Mainstreaming could be complemented with specific targeted programmes.

The strategic elements of effective gender mainstreaming required a clear and visible commitment at the highest political level, the development of a strategy and action plan on gender equality, and the setting up of appropriate institutions and networks to promote gender equality. Tools to help achieve mainstreaming in practice and change the mindset and way people worked included advocacy events to sensitize gender issues and make them visible; manuals, checklists and indicators; gender-disaggregated data and analyses; dissemination of best practice examples; gender-sensitive human resource development; financial resources allocated to gender issues; and monitoring, evaluation and gender audits. Gender equality was an integral part of a comprehensive, coordinated and sustainable development policy to focus on people.

Ms. Chen Ying noted that there were increasing opportunities for women entrepreneurs. Previous speakers had mentioned the problems facing women in the current process of economic development, but this process was also creating new opportunities for women. Information technology provided special opportunities for women who could work from home in the IT industry. Women still faced many barriers to progress, including traditional values that kept them confined to household work, low levels of education and fewer opportunities to obtain information or finance to start their own businesses. However, the different government ministries were helping women to set up their own enterprises. In that regard, the China Enterprises Confederation had drawn up and circulated a list of areas where women could find assistance for business start-up. Education and awareness programmes provided by the China Employment Centres (set up with the support of the ILO) had also helped women to improve their status, become more responsible and have greater self-esteem.

Ms. Fan Jiying focused on the steps taken by women workers' organizations within Chinese trade unions to give prominence to the issues concerned with the achievement of gender equality. Not only had the number of female workers increased but also the number of women workers' organizations. By the end of 2003 some 463,000 such organizations had been established in trade unions to provide the institutional focus for the rights and interests of women workers. They had conducted research and studies on women's employment which had enabled the All-China Federation of Trade Unions to formulate goals as set out in the State Council's Implementation Agenda on Chinese Women Development Guidelines (2001-2010).

Women workers' organizations in trade unions carried out various tasks, such as setting up an independent pregnancy insurance system, promoting the need for revision and improvement of the Female Workers Labour Protection Regulations, and reinforcing training for laid-off female workers to improve their skills and help them gain re-employment. Chinese trade unions were firmly committed to implementing the national strategy on gender equality and working to eliminate discrimination and prejudice against women workers in order to create a fair and equal environment for women in employment.

Ms. Jiang Yongping reported on the findings of a second national survey carried out by the All-China Women's Federation and the National Bureau of Statistics on the social status of Chinese women, including the employment of women. The data from the second survey, conducted in 2000, had enabled researchers to look at trends over the decade since the first survey in 1990. Employment was the basis and precondition for women's economic progress and independence. Since China had begun its transformation from a planned economy to a market-oriented system, profound changes had taken place in employment patterns and security measures for women. New opportunities were opening up for employment outside the agricultural sector, especially for young women. However, employment rates had declined between 1990 and 2000, more for women than for men: 56.2 per cent compared to 37.8 per cent. Half the women laid off from state-owned enterprises had encountered discrimination on the basis of gender and age in seeking re-employment.

The survey also showed there had been a rise in the number of women in professional jobs. Of those employed in towns and cities, 6.1 per cent held important positions, but 70.5 per cent of all employed women were still working in the agricultural sector and many were employed in the trade and hospitality sectors. The proportion in irregular employment with low skills was increasing, leaving few opportunities for professional development. Income differentials between men and women had increased. In 1999 the incomes of women in urban areas was 70.1 per cent that of men. As concerned social security, there were considerable gender disparities for urban workers; there was significant economic development in China's eastern coastal areas but no improvement in gender disparities, showing that development did not necessarily reduce inequality between men and women. Among the measures needed to improve the situation were better labour market policies to provide equal opportunities and eliminate gender discrimination; improved policies on job creation, employment promotion and professional development of women, including women's rights, specific vocational training and skills improvement programmes for women; social security protection; and an improved socio-cultural environment to provide gender equality and protection of women's rights.

Tianjin Municipal Women's Federation

Ms. Wang Zhiqiu spoke about international cooperation programmes implemented by the Tianjin Municipal Women's Federation (TMWF), focusing on a microcredit programme. The TMWF was developing a model for urban microcredit with international sponsorship to assist laid-off women workers to achieve self-employment through enterprise development. Since 1999 more than 4,000 laid-off women had benefited from the programme, which aimed to conform strictly to the principle of microcredit; provide management and professional services for market-oriented organizations; and provide skills training, consultation services and sharing of experiences among participants. Tangible results had included increased incomes, more self-motivation to take initiatives, and improved status within the family and society. This microcredit model had influenced the Government's policy formulation and the TMWF had ambitious plans for follow-up action, including to strengthen management systems and training, expand the volume of microcredit, build a better-qualified work team, develop new loan products and ensure that microcredit met the needs of the target group.

Nanjing Municipal Labour and Social Security Administration

Ms. Zhong Xiaoyun described a project to improve employment services for women in Nanjing. A Sino-German technical project, "Reintegration of unemployed women into working life", had begun in 1999. It had introduced new approaches and innovative techniques for employment promotion of women in a market economy and provided vocational training programmes on marketing

management, domestic services, administration and webpage design for women. It had also opened an office for vocational counselling services. This has now been adopted by many other institutions in China. It would shortly test a software package from Germany called “JOB LAB” to help test vocational qualifications of unemployed women. This project had helped to make employment services more focused on people and the employment market.

Chifeng City Women’s Federation

Ms. Tian Xuemei described Chifeng as a region where 10 out of 12 counties had been designated as poverty stricken. In 1998 a project had begun to promote the employment of women by sending them to work in Beijing and other cities. The Women’s Federation received support from Oxfam in Hong Kong and the United Nations Development Programme. In the last five years, the Women’s Federations had organized and sent out over 12,000 women workers.

Five main measures had contributed to the success of this project. First, the results of a major survey and investigation had shown that the three main concerns of women workers were being deceived, personal safety, and receiving their wages. Therefore a key function of the Women’s Federation was to represent and safeguard the interests of women. Second, leaders of the Women’s Federation had gone to Beijing, Tianjin and other cities to investigate and search for labour service markets in need for workers. They then held talks with intermediary companies concerning the working environment, workload, personnel management and other issues before signing agreements and opening up safe channels for sending women to jobs in new locations. Third, widespread publicity and mobilization programmes had been conducted to promote the scheme, allay fears and answer any queries the participants had. Fourth, women were trained before they were sent out and there were strict requirements concerning medical examinations and age levels. The women were escorted to work and the Women’s Federation kept in touch with them to resolve any problems that arose, as well as ensuring that agreements were signed and the rights and responsibilities of all parties were clear. Lastly, services had been developed in cooperation with Oxfam and UNDP, such as conducting systematic training for women, providing financial support and establishing a “Home for labourers” in Beijing.

Support from the Party Committee and the Government at various levels had been an essential part of the success of the Women’s Federation. Timely follow-up services and effective safeguarding of women’s rights were vital in managing labour service transfers and promoting the regular employment of women.

Ms. Linda Wirth summarized the issues discussed and recommendations made as follows:

- Collection and analysis of data on labour market trends disaggregated by sex was very important.
- There was a need to change mind sets about the possibilities of both men and women taking up a wide range of roles and responsibilities both at work and at home.
- Greater understanding was necessary to see that gender equality did not concern only women but also the changing roles of both men and women as societies evolved.
- There was a need for effective policies and laws on equality between men and women in all walks of life, their meaningful application in practice, and their enforcement.
- The challenge remained of improving gender-balanced representation in decision-making in both the private and public sectors.
- Social dialogue was a key tool to advance gender equality.

6th Plenary Session: Youth employment

Chair: Mr. Allan Larsson, Member of the High-Level Panel, United Nations Youth Employment Network

Participants: Mr. Shinichi Hasegawa, Assistant Minister, Ministry of Health, Labour and Welfare, Japan
Ms. Wu Qidi, Vice Minister of Education
Mr. Matthew Zhang, Labour Commissioner, Hong Kong
Ms. Rosanna Wong Yick-Ming, Member of High-Level Panel, United Nations Youth Employment Network, Executive Director, Hong Kong Federation of Youth Groups
Mr. Wang Xiao, Secretary of the Secretariat of All-China Youth Federation

Mr. Allan Larsson highlighted the two most important aspects of youth employment: first, youth as a potential for social and economic development in the future; and second, the role of public policies for successful integration of young people into the world of work. Youth were an asset: over the next ten years, millions of young people would enter the labour market with a sound education but the transition from school to work was difficult. China had an unemployment rate of 4 per cent and youth employment was usually two or three times higher than the adult rate. All countries should produce a comprehensive employment strategy that represented a national action plan for the transition from school to work.

As part of a global strategy, youth employment was a top priority for the United Nations and the Secretary-General had called for the United Nations, World Bank and the ILO to work together in a Youth Employment Network. A high-level panel had identified four priorities for youth employment policy: *employability*, investment in education and vocational training for young people; *equal opportunities*, giving young women the same opportunities as young men; *entrepreneurship*, making it easier to start and run enterprises and provide better jobs; and placing *employment creation* at the centre of macroeconomic policies. These priorities, the “four E’s”, were the framework from which to mobilize commitment and action and China had prepared a strong platform for employment in its National Re-employment Conference and the present Forum.

Mr. Shinichi Hasegawa spoke about the importance of the Decent Work Agenda and the report of the World Commission on the Social Dimension of Globalization, which stressed the importance of social and economic policy as well as of employment promotion. With the rapid expansion of the Chinese economy despite the SARS epidemic, economic development and employment promotion for the whole region was vital. Japan had worked with the ILO to promote the “Start your own business” programme and develop credit guarantee funds in urban areas, and a pilot project in three cities was being replicated in China. The Japanese experience with migrant workers had shown that workers education and skill development in sending areas, together with special committees in receiving areas to promote good working conditions, were prerequisites for success.

Youth employment was a worldwide problem and a serious issue in Japan, where the unemployment rate and unstable employment were an increasing concern. Japan was looking at an employment strategy for the future that would create an environment in which youth could play an active role. The potential costs to society of “freeters”, or those who are part-time employed, had shown that young people were not accumulating skills and knowledge, resulting in lower rates of economic growth. The causes included a mismatch between labour supply and demand together with the problems young people faced in making career choices. The Government had introduced a new programme, “Youngster independence and challenge plan”, in June 2003 and with the assistance of several ministries there had been more cooperation with local governments and financial institutions to support youth employment. Specific measures included special vocational counselling for youth, job counsellors for new graduates, trial employment schemes for young unemployed people, a system combining education and on-the-job training, and one-stop service centres for youth, offering

information and other services. Positive results were expected over the next three years. Youth employment had been on the agenda of the Asia and Pacific Ministers of Labour Meeting in 2003 and Japan was hosting an international symposium on youth employment in December 2004, with the participation of the ILO, and all Asian countries were invited to attend.

Ms. Wu Qidi noted that an employment mechanism for college graduates included market orientation, government coordination, and reciprocal arrangements between students and employers. Chinese workers had a relatively low level of educational attainment. Only 5 per cent had at least two years of college, compared with 26 per cent for OECD countries in 1998. Despite impressive progress in recent years, the education gap still remained. The number of college graduates did not meet the growing demands for social and economic development, yet the labour market could not absorb the increasing number of graduates: there was a mismatch between jobseekers and job openings.

The Government was making efforts to promote employment through economic reform and macroeconomic policies combined with a number of specific measures for college graduates, such as hiring practices, registration requirements and social security. Efforts were being made to develop a “talent reserve”, support youth entrepreneurs, encourage flexible employment and promote new private sector jobs. A service system to link public employment services with higher education institutions was also in place, including counselling in universities and better use of information technology. Career development was being encouraged for self-employment in small businesses, and several programmes had been developed, including one for volunteers in the western provinces. The employment results for college graduates would serve as a performance indicator for local governments to ensure that their skills met the market needs. In addition, the Government, universities and communities would assist graduates with specific difficulties in finding employment. China hoped to learn from the experience of other countries so as to make optimum use of college graduates as a precious human resource.

Mr. Matthew Zhang outlined the key challenges and pragmatic measures in the Hong Kong Special Administrative Region. In addition to recovering from SARS epidemic, there had been structural and other issues affecting overall employment in Hong Kong: globalization, science and technology, restructuring, downsizing and the Asian financial crisis. Recovery was underway and efforts had been taken to reduce the unemployment rate and provide new opportunities to young people. If unsuccessful the social cost in terms of human resources would be very high. Hong Kong was carrying out a comprehensive reform of the education system, with greater emphasis on science and technology, communication skills, lifelong learning and a positive attitude. However, education alone would not solve the problem. Youth employment training was important and Hong Kong was relying on both traditional methods and new approaches to provide fundamental skills and new techniques. The Government had also made efforts to attract foreign direct investment in order to provide additional employment opportunities and improve labour force competence.

Ms. Rosanna Wong spoke about the global perspective of youth employment and highlighted the staggering figures for youth employment. She pointed to the staggering figures of youth unemployment, with 14.4 per cent of youth looking for work. There were 52.4 million young men unemployed and 35.8 million young women; youth unemployment could become a crisis for all countries. The Youth Employment Network and its high-level panel was making good progress and had drawn up its global priorities, the “four E’s”. At its second meeting the panel had proposed a series of steps to be taken for greater ownership by young people and the social partners.

Countries must review past failures and learn from the experiences of others. Several countries had become active in following up on the Youth Employment Network. For example, Indonesia had made great progress: there were 6 million people aged between 15 and 29 and most of them had a job in the informal economy. An Indonesian Youth Employment Network had been set up with the involvement of the Government, employers, workers and academics. A national action plan was responding to concerns about unequal opportunities and job skills, and youth manuals and a pocket guide had been produced. Other countries like China could learn from this example. The Youth Employment Network

was now concentrating on three specific areas: policies linked to action; mapping the challenges of youth employment development on national agendas, in collaboration with the ILO, the UN and the World Bank, and conducting research and promoting initiatives that already have already had a positive impact.

Mr. Wang Xiao recalled the link between employment and prosperity. In urban areas there were over 10 million new labour market entrants each year, mostly young people. A large proportion of underemployed workers in rural areas were young people, many of whom had shifted to non-agricultural activities and moved to urban areas. The key to the problem was to create new jobs and start new enterprises. A national programme for Chinese youth business action had been set up nationwide to encourage youth entrepreneurship through business support, skills training, intermediary services, conceptual guidance and employment assistance.

The All-China Youth Federation has introduced measures to support youth employment in both urban centres and rural areas on several themes. The first was to highlight business and encourage young entrepreneurs to set up micro-businesses in the service sector through training, services and incentives, and match the needs of the market with the needs of youth. Another approach used innovative promotion methods; the Chinese Youth Business Action should design and package projects that appealed to young people and raise public awareness of the positive benefits of youth employment. Among the activities were online job fairs and other initiatives to strengthen international exchanges, including links to the Youth Employment Network. Youth employment service centres were being set up, with assistance from labour and social security departments, to establish standards and monitor performance in providing employment services. Emphasis was being laid on preparing young people for leadership and management and their active participation in identifying, implementing, monitoring and evaluating policies at all levels. Incentives would be introduced to reward young entrepreneurs and to recognize outstanding achievements of organizations and individuals who supported youth employment.

Discussion

It was well known that youth unemployment was greater than adult employment, but the question arose as to how much the family structure cushioned the impact of youth unemployment. In Italy, for example, young people lived at home; in Japan the term “freeters” applied to those young people in part-time work or temporary jobs and had both positive and negative connotations: the positive was that young people had free choice, and the negative that they did not work continuously. When young people stayed longer with their families they tended to postpone marriage and having a family, leading to a decline in fertility and a population decrease. That was why European countries were encouraging young people to start work earlier. Chinese families provided strong support to their children but at the same time there were high expectations on them. The Chinese situations differed from that of the developed countries; young people had close ties with their families. In rural areas those who lacked education and skills could not find jobs and therefore in China, the employment of youth was closely linked to education.

Mr. Allan Larsson summarized the issues discussed and recommendations made as follows:

- The offer of the All-China Youth Federation to explore the possibility of opening a Youth Employment Network (YEN) Office in Beijing was an excellent development.
- The offer made by the Government of Japan to support international cooperation in the field of youth employment was welcome and the International Symposium on Youth Employment, to be hosted by Japan in December 2004, was a positive step.
- All participants from those governments represented at the China Employment Forum should take home the message in support of international action in the field of youth employment.

7th Plenary Session: The rural employment challenge

Chair: Mr. Yu Faming, Director General of Training and Employment Department, Ministry of Labour and Social Security, China

Panel: Mr. Chen Xiwen, Vice Minister of the Central Finance and Economics Office, China
Mr. Robert Ash, Professor of School of Oriental and African Studies, University of London, United Kingdom
Mr. Fan Xiaojian, Vice Minister of Agriculture, China
Mr. Abhijit Sen, Professor of Economics, Jawaharlal Nehru University, New Delhi, India
Ms. Cui Yu, Director-General of Development Department, All China Women's Federation, China

Mr. Yu Faming highlighted the importance of a unified pattern of development and the increased role of the non-agricultural sector in absorbing rural labour.

Mr. Chen Xiwen made a presentation on development in rural areas and mobility of rural labourers, and highlighted the low productivity and hidden unemployment in the agricultural sector, which employed some 50 per cent of the labour force but contributed only 15 per cent to GDP. Given this situation, peasants had found ways to enhance their incomes through rural small industries with township and village enterprises contributing 130 million jobs for peasants. The farm sector had stagnated since 1997 and failed to generate additional jobs, resulting in mass migration to cities. The National Statistical Bureau Survey of 2003 showed that 113 million people had left their homes; 33 per cent had moved within rural areas and 70 per cent had migrated to coastal areas. The average working period for migrants was 8.1 months a year. Mobility had played a very positive role in promoting development of rural areas as migrant workers learned new skills and also contributed to the development of small and medium enterprises. Rural vocational training was a priority of the State Council.

Mr. Robert Ash spoke about the rural employment challenge facing China and pointed out that despite rapid urbanization, China was a predominantly rural society, and developments in the rural sector would be a major determinant of China's economic and social trajectories for some time to come. Despite its remarkable post-1978 record of rural job creation and the employment of millions of rural migrants in cities, China still faced a formidable rural employment challenge due to two structural features. First, the existence of massive rural underemployment, with between 150 and 200 million estimated surplus rural workers. Second, the occupational profile of farming, which was still dominated by crop farming. Post-1978 rural development was characterized by marked regional disparities. Since the mid-1980s coastal provinces had benefited much more than central and western regions from increases in rural income derived from higher-return, non-farming activities, and also from higher-value non crop-farming activities. Consequently, surplus farm labour in the 12 western provinces and autonomous regions of China was estimated at 13 per cent higher than in the 10 eastern coastal provinces. Massive rural-urban migration had acted as a safety valve in the context of massive rural surplus labour, creating new tensions in cities and putting pressure on urban infrastructure.

There were several main policy challenges facing the Chinese rural sector. The maintenance of the growth momentum was an essential precondition for continued employment generation, especially in the secondary and tertiary sectors where employment elasticity was highest. To correct these disparities, investment policies should focus on the western half of the country, where accelerated growth was essential to employment expansion. The development of the rural non-farm economy remained a focal point of employment policies with wider geographical representation; there was potential for job creation within farming, especially through the development of a more integrated system of agro-industrial and agribusiness operations. Finally, creative policies were needed in order to maximize the potential contribution of rural migrants through mobilization of their savings and

remittances together with policies that maximize the potential contribution of returnee migrants to rural social and economic development. The greatest employment challenges to China lay in the rural areas and the need for policies that recognized these challenges.

Mr. Fan Xiaojian made a presentation on analysing experience, improving conditions, and accelerating the rural labour transfer and employment and highlighted the growth of township and village enterprises that had absorbed 136 million rural workers by the end of 2003. Urban growth had caused the urbanization level to rise from 17.9 per cent to 40.5 per cent. Every year, over 4 or 5 million farmers left home to look for jobs, representing a 5 per cent growth, in 2003, about 98.2 million rural labourers worked away from home. Several factors had led to this huge transfer of labour from rural to urban areas. First, economic reforms have relaxed the household registration system. Second, the market mechanism had played a leading role in channelling migrant labour to township and village enterprises (TVEs) and other enterprises. Third, farmers' needs had been taken into consideration at the policy-making levels. Fourth, in the light of new challenges, the Government had put forward guidelines for effective guidance, fair treatment, better service and management, in order to facilitate farmers' migration.

Future policies must take account of several important issues. There was a need to improve services and administration in order to create better working conditions; to abolish discriminatory rules and unfair charges; to root out payment arrears; and to address the areas of vocational training, child education and job security. Secondary and tertiary industries should be developed under the aegis of township and village enterprises in order to create employment opportunities by adjusting changes in market demand and industrial growth patterns. Enhanced coordination of farmers' training was needed, based on the 2003-2010 migrant labour training scheme, according to which the central and local financial departments should earmark funds to support migrant labour training activities in their budget. It was vital to reform the residence registration system in order to pave the way for rural and urban citizens to have equal access to job opportunities; small towns would play a major role in the urbanization process.

Mr. Abhijit Sen spoke about India's rural employment challenge, the issues, lessons learned and way forward, and highlighted various comparisons with the situation in China. Over half the global employment increase would be in China and India. Population growth in India was still relatively high, around 1.8 per cent a year, and the labour force would increase by 100 million over the next decade. The rate of urban migration was comparatively low; the pace of urbanization had slowed down in the last 20 years, only 27 per cent of the population now being classified as urban. Future urbanization would depend on growth in the organized sector and the creation of new urban settlements. In terms of GDP growth China was far ahead of India and over the next ten years estimates showed the organized sector would create no more than 7 million jobs. The public sector had been shedding jobs and therefore employment growth over the next decade would be concentrated in the informal economy, with over half the labour force increase being in rural areas.

Agriculture was the main occupation of the labour force in the rural sector. The figures for those reporting non-agriculture as a main occupation had risen rapidly from a low base during the 1970s and 1980s, but had fallen between 1990 and 1998, when credit was tightened and public spending was cut back as part of a stabilization policy. Rural non-farm activity had risen again since 1999, particularly in trade, transport and construction, and was important not only to meet the employment challenge but also for poverty reduction. With 40 per cent of the rural workforce dependent on casual wage employment, incomes of the poor depended on wage rates that were sensitive to non-farm demand.

The key issues were whether non-farm rural employment could continue to increase unless agricultural growth revived, and what positive linkages existed between rural non-farm and farm income growth. The present focus was on better rural connectivity but for this to benefit agriculture, other initiatives were necessary. In 2001 the task force on employment opportunities had stressed the importance of economic growth for employment generation. It placed priority on skill formation and policies to enhance growth of the organized sector, with emphasis on trade deregulation and more flexible labour laws. The employment potential of the organized sector and its trade-offs with the

informal sector were significant: legal protection of workers' rights; competition between urban and rural products; and regional inequalities and migration. Important issues for future action were a more direct link of India's emerging strengths (IT and the financial sector) with agriculture, boosting farm production through diversification into higher-value crops and post-harvest value additions, and expansion of rural non-farm employment. China and India should cooperate in areas such as trade, finance and transformation of the rural sector.

Ms. Cui Yu noted that in China, women comprised 63.7 per cent of the rural population and 60 per cent of the rural labour force. The All-China Women's Federation (ACWF) helped to provide training for rural women through 110,000 training schools in agriculture, assistance in job search and access to micro-loans. The ACWF has also promoted the transition from farm to non-farm employment in rural areas and found that changing mind sets was particularly important in this respect. The ACWF provided legal services to help women find jobs outside the country. The challenge was all the greater because women had less education and higher illiteracy rates than men. Improved information and technical support was needed, as was protection of the rights and interests of women at work. The ACWF and ILO had set up a joint project on the prevention of trafficking in women.

Closing plenary session

Chair: Mr. Zhang Xiaojian, Vice Minister of Ministry of Labour and Social Security

Ms. Dong Qian read the text of the *Common Understanding* to the conference:

Common Understanding

The Chinese Ministry of Labour and Social Security and the International Labour Organization convened the China Employment Forum from 28 to 30 April 2004 in Beijing. More than 400 representatives from the host country, ILO, other countries and international organizations participated in the Forum, which focused on the interrelated topics of globalization, restructuring and employment promotion. The Forum had extensive discussions on the issues of employment promotion in the contexts of globalization, poverty reduction, the impact of structural change and the modernization of the institutions for labour market governance. Recognizing that employment promotion is a core task in the ILO's Global Employment Agenda for the pursuit of Decent Work for All, and that the past and current work and joint efforts by China and the ILO in this field must take account of the quickening pace of globalization in recent years, the following Common Understanding has been reached.

Employment is the key to people's livelihood and to sustained economic development and higher living standards. Employment is not only the means by which men and women make their living in the world of work, but also the means of their integration into society and finding self-esteem for themselves and their families. Therefore, employment is a key factor in reaching social harmony and stability. Equal employment opportunities for all, respect for workers' rights and full employment are of primary importance in achieving social justice, economic development and world peace.

As a developing country with the largest population in the world, China has made remarkable progress in promoting both economic development and social progress, with considerable success in employment stimulation and poverty reduction. In the process of economic transition, China has aimed at combining employment promotion with social security, employment expansion with economic adjustment, and at realizing employment quality through investing in human resource development.

Taking into consideration the greater integration into the global economy and new features of employment such as increased individual responsibility for job search and high priority for re-employment of laid-off and unemployed workers, the Government has formulated and implemented a set of active employment policies with Chinese characteristics. These measures include macroeconomic policies promoting job creation and employment through structural change and small enterprise development, re-employment promotion policies targeted at vulnerable groups, labour market policies to provide job placement services and vocational training to laid-off workers and other unemployed persons; improvements in employment protection programmes and re-employment assistance; and social policies guaranteeing provision of basic living allowances and improvements in the social insurance system. This approach to employment promotion and the policies applied have achieved positive results and can hold important lessons for other countries as well. In the meanwhile, China faces a tremendous employment challenge due to the constraints of huge population base and its economic development level. The Forum emphasized that there will be a pressing need and long-term task to stimulate economic growth and improve labour markets in order to expand employment opportunities and enhance employment quality.

Employment is one of the fundamental rights of all citizens, and creating conditions for employment growth is a critical obligation of ILO member States. Strategies for improving the employment environment, working conditions and promoting employment for disadvantaged groups take place in a national context based on the level of development. Participants to the Forum recognize that differences in history, cultures and customs, economic development levels among countries and regions in the world have shaped employment forms. Respect for fundamental principles and rights at work provides a foundation for the formulation of mechanisms for the governance of labour markets, the promotion of employment and its contribution to economic development and social progress that reflect differing national circumstances.

Thus no matter what employment forms are formulated, fundamental rights at work should be equally respected and protected. Social dialogue by encouraging the social partners to participate in various ways in policy formulation and the decision-making process facilitates employment promotion, poverty reduction and democratic development. In this regard, participants appreciate progress made by the Government in ratifying and implementing international labour standards related to employment in particular, namely the Equal Remuneration Convention No. 100, Employment Policy Convention No. 122, Minimum Age Convention No. 138 and Worst Forms of Child Labour Convention No. 182. They further noted in the support of China to the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up.

Today, at the beginning of the 21st century, with rapid economic and technological change, there are unprecedented opportunities and challenges in the world of work. Unemployment and poverty are major constraints to economic development and social progress. Throughout the world, full and productive employment including self-employment is the best means to ensure sustainable development. Employment and the enjoyment of rights at work should be the first step in addressing poverty and social exclusion. Promoting full employment through social dialogue should be the priority of economic and social policies, so that the labour force can engage in freely chosen productive employment and obtain secure and sustainable livelihoods.

The expansion of productive employment relies on economic growth, sound structural adjustment of the economy, improved employability through upgrading skills and good labour market functioning. Effective and targeted economic and social policies as well as appropriate participatory mechanisms are needed to ensure that economic growth results in an increased number of productive jobs and that the wealth generated is widely shared

among social groups. Countries need to respond to their particular situation by creating effective regulatory systems and launching suitable economic and social policies so as to promote equal employment opportunities for men and women from all social groups and spread economic wealth more equitably.

Countries should also promote better conditions of employment relating to working conditions, working time, wage and work and family concerns. Bearing these in mind, the key elements discussed during this Forum include: (1) Stimulating labour demand by creating an enabling environment for entrepreneurship and promoting the establishment and expansion of small enterprises, including self-employment; (2) Strengthening tripartite social dialogue as an important mechanism for preventing and resolving conflicts, contributing to employment promotion and fostering social stability as well as for enhancing enterprise performance; (3) Upgrading knowledge and skills of workers to ensure their higher flexibility and employment security and prepare them for work in a knowledge-based economy; (4) Expansion and refinement of labour market policies for smooth and efficient re-allocation of labour, gradual establishment of a unified labour market, effective assistance to vulnerable groups; (5) Encouraging sound enterprise restructuring and productivity upgrading in a smooth and socially acceptable way; (6) Reform of the social security system and gradual extension of social protection to the groups of population currently excluded from the existing schemes, notably urban workers in flexible forms of employment and the vast rural population; (7) Protection of safety and health of workers, as well as environment protection should be an integral part of national policy for economic development and employment creation.

There is considerable scope through global alliances, as put forward in the Global Employment Agenda, for international cooperation activities in the field of employment. International organizations should actively support the centrality of employment goals in formulating economic and social policies and in identifying measures for reducing poverty. The international community should provide technical and financial assistance to developing countries to develop labour markets and upgrade skills of the work force.

The Government of China and the ILO together with other participants to the Employment Forum agreed to make concerted efforts, drawing on the core elements of the Global Employment Agenda, in promoting full and decent employment as the means to improve living standards and meet the needs and aspirations of all men and women in the world of work.

Closing statements: *Mr. Dong Li*, Vice President, All-China Federation of Trade Unions
 Mr. Chen Lantong, Vice President, China Enterprise Confederation
 Mr. Zheng Silin, Minister of Labour and Social Security
 Mr. Juan Somavia, Director-General, ILO

Mr. Dong Li said that over the last three days there had been many meetings and extensive in-depth and warm discussions on global employment issues, in particular employment issues in China, with over 300 delegates as well as representatives of the ILO and other organizations. The theories and presentations put forward were of great referential significance to employment promotion in China. The *Common Understanding* of the China Employment Forum 2004 was an important symbol of the Forum's success. He expressed sincere thanks to everyone – delegates, the ILO, international organizations and the social partners – for their contribution to the Forum's success.

China was a developing country with a vast population and rich labour resources. Today it was facing sharp employment contradictions because its employment situation was being challenged by such issues as globalization, restructuring of the domestic economy, a new labour boom and mass migration of rural labour to urban and non-agricultural sectors. To achieve adequate employment and control unemployment was vital in building a more prosperous society and promoting the concept of putting

people first in order to maintain a comprehensive and coordinated development of the economy and society.

The Chinese trade unions played a vital and active role as social partners in employment promotion and would continue to make unrelenting efforts to resolve employment issues within a tripartite framework. They would continue to actively participate in the planning and implementation of labour laws and labour market policies, to ensure that the rights of workers are taken fully into account in the state legal system and policy making. They would further strengthen their cooperation with domestic social partners by conducting extensive and in-depth social dialogue, working towards a solution of major employment issues such as better job opportunities, human resources development, wage distribution, social security and occupational safety and health. They would continue to develop a close working relationship with the ILO and its member States, and actively promote the ratification of ILO Conventions relevant to national conditions and help to promote the implementation of international labour standards.

In the context of globalization, individual countries were adopting different employment promotion policies to meet individual challenges. These different situations made communication, dialogue and cooperation at the international level essential in order to benefit from the experiences of others. He appealed to all countries to enhance dialogue and cooperation, to fulfil their obligations and to make concrete contributions to the solution of global employment issues and the realization of workers' rights and interests.

Mr. Chen Lantong expressed his satisfaction at the success of the China Employment Forum. It had covered a great many topics and drawn on international experience, including academic institutions and the business community, to examine the employment problem in depth. The Forum had produced the Common Understanding, pointing to future cooperation between China and the ILO. On behalf of the China Enterprise Confederation, he expressed his deepest gratitude to everyone for the contributions they had made.

The China Employment Forum and the *Common Understanding* supported the Decent Work Agenda, which stated that employment was a basic right. Employment promotion contributed to poverty reduction, social justice and world peace. The Common Understanding highlighted seven key elements of employment promotion in China: small enterprise development; tripartite social dialogue; knowledge and skills; labour market policies; enterprise restructuring and greater productivity; social security reform; and protection of the safety and health of workers. The China Enterprise Federation fully endorsed and supported the Common Understanding. To provide opportunities for employment and re-employment was an arduous task that required close coordination and cooperation among all parties. Employers' organizations would need to fulfil their obligations to promote enterprise development and job creation in order to build a more prosperous society.

Mr. Sheng Silin said that the China Employment Forum, organized jointly by the Chinese Government and the International Labour Organization, was coming to a close. Over the last three days, delegates from China and other countries had focused on the subject of employment promotion and held extensive exchanges of views and in-depth discussions on globalization, restructuring and employment promotion, covering issues such as economic policy, skills and training, the labour market and social protection. Thanks to the enthusiastic participation of delegates and a friendly and lively atmosphere, the Forum had fulfilled its objectives, reached an important common understanding and achieved complete success.

The Forum was convened against a background where the impact of economic globalization on employment was increasing. It had obtained wide support from both governments and international organizations. Delegates from industrialized and developing countries, from government departments and non-governmental organizations, from operating agencies and academic research institutes had come together and made joint efforts to explore the strategies and policies for employment promotion. The Forum would undoubtedly have a positive and profound impact on strengthening international

cooperation in the field of employment, and helping China and other member States to better identify responses to the current employment challenges.

The Beijing *Common Understanding*, drawn up jointly by the Ministry of Labour and Social Security of China and the ILO and adopted by the meeting, reflected the importance attached by all participants to the opportunities and challenges in the field of employment, against a background of accelerating restructuring and technological progress. It expressed the common will of participants to generate employment, promote social progress and safeguard the fundamental rights and interests of the working people. The ILO's efforts to draw attention to the importance of employment promotion as outlined in the Decent Work Agenda have had positive results, and has created a new platform for cooperation among all the partners involved. It would encourage countries and international organizations to expand their cooperation on this important topic.

In response to the new challenges arising from economic globalization and restructuring, and based on the Common Understanding, he believed that government would have to implement a package of positive policies to promote employment in the years ahead. First, development policies that focused on people should be drawn up to draw attention to the importance of employment promotion for economic and social development. Employment represented the basic means by which people supported themselves; only after full employment was achieved for the working population could people enjoy a stable life and take pleasure in their work. Second, a development model was necessary that took account of individual national circumstances. Implementing an appropriate development strategy, coordinating a balanced development between economic and social aspects, and developing the economy to create jobs were all vital to economic development and employment generation. China must make full use of its comparative advantage of rich labour resources and expand the volume of employment while maintaining steady economic growth.

Third, proactive and appropriate measures to adjust and regulate the labour market should be adopted, including legal and administrative measures that were needed. Public employment services should be strengthened to provide a choice of employment and a faster matching system between jobseekers and job vacancies. This would help to control and monitor the rate and pace of unemployment. Fourth, vulnerable groups in the labour market should have proper protection: older, unemployed workers, the long-term unemployed, women workers and people with disabilities were at a disadvantage and had trouble finding work. The Government had an obligation to provide them with the necessary means to support themselves and share in the benefits of social development and progress. Fifth, it was important that all the social partners played a role in employment promotion. Better use should be made of all available human and financial resources in order to put employment promotion policies into effect.

In order to respond actively to the impact of globalization on employment, delegates had stressed that all governments should react positively to the global employment promotion strategies formulated by the ILO and put policies into practice in their countries to realize the objective of full, productive and freely chosen employment. Solidarity and cooperation among countries and regions should be strengthened; developed countries should provide effective assistance to developing countries and help them achieve this goal. Governments, international organizations and all the social partners should strengthen their cooperation to meet the challenges faced, identify appropriate solutions to the problems and risks that could arise from globalization and restructuring, and make the best use of the benefits available through the promotion of sustainable development.

All present felt that they had benefited from the Forum, which had helped to enhance mutual understanding and build on continuing cooperation between China and the international community in the field of employment. The proposals and recommendations made had been received with gratitude and he hoped that China's own experiences in addressing the issue of employment promotion would service as a useful reference for all countries. On behalf of the Ministry of Labour and Social Security he expressed sincere appreciation to all who had attended the Forum, as well as to the Beijing Municipality for its excellent services.

Mr. Juan Somavia referred to the concluding statement of the conference, the *Common Understanding*; it was a short document but one that captured not only the content of discussions over the last three days but also the spirit of those discussions. One of the most important issues of today had been discussed in depth: how to ensure equitable, balanced and sustainable development in China within a global economic system. Fiscal, monetary, sectoral and trade policies were all vital and needed to be adequately addressed. But for people – for men and women – what really mattered was whether they were able to obtain decent and productive work, and that was what the conference had focused on.

Minister Zheng and his colleagues had invited the ILO to help share its experiences with other countries that might prove useful to China and he hoped that goal had been achieved. All participants had learned much about the way China was approaching employment promotion and the challenges it faced. China was making huge strides towards a dynamic modern economy, but the rapid growth of recent years had given rise to some imbalances. Hundreds of millions of people, primarily in the rural area, had lifted themselves out of extreme income poverty: this was an extraordinary achievement. But poverty elimination and job creation was a multifaceted challenge and the aim was not only to ensure that no one had to try and survive on one dollar a day, but to give everyone the chance to develop and use their capabilities to the full in communities that were peaceful and moderately prosperous.

The *Common Understanding* outlined several areas for further collaboration between China and the ILO towards the objective of decent work for all, and by this he meant both the Organization as well as the Office. Two of the many aspects of the conference had been particularly exciting were the strong engagement of Chinese participants in the international debates on employment, and the equally great interest of international participants in developments in China. This reinforced the sense of the operational value of the ILO's Global Employment Agenda in facilitating the international connectivity that drew together the tripartite community of work.

The exchange of dialogue had created a strong consensus among all international partners to work together to provide a coherent programme of cooperation on an agenda for China on which there was common agreement. This would make it easier for the Government, employers and trade unions in China to make the most of the knowledge that the global community of work had to offer and use that information effectively. In this respect the Forum had broken new ground, creating a meeting place for China's social partners and experts to hold in-depth discussions with counterparts from all over the world. The chemistry of that exercise had worked very well. There had been a wide range of debates: complicated and challenging issues, job creation and workers' rights, social protection, enterprise development, health and safety at work, dispute settlement and social dialogue. It had shown that when a group of experts was brought together, the result was some fascinating and fruitful discussions: a simple idea but one that was the result of hard work by one and all.

He wished to express his thanks to many people but before so doing he recalled that over the last few days many people had remembered a dear colleague, Pekka Aro, who had died last year in Beijing. The planning and organization of the Forum owed much to him and he felt sure that he would have shared in the satisfaction of knowing how great a success it had proved to be.

He thanked the participants from all corners of both China and the world who had made such invaluable contributions to the Forum. The time and effort in coming to Beijing to share knowledge and insights was greatly appreciated. Summary proceedings of the Forum would be put together and he hoped this would remind everyone of the rich content of the debates. He also thanked the All-China Federation of Trade Union and the China Enterprise Confederation for their help and support in the preparations for the Forum and over the last three days. In conclusion he wished to thank Minister Zheng and his team at the Ministry of Labour and Social Security for the wonderful hospitality, the warm welcome and the openness of the discussions that had taken place. Many people had helped to make the Forum a success, including all those who worked behind the scenes. He was sure that all participants would agree that the Forum had provided a fascinating insight into what was happening in

China today, and would join him in looking forward to continuing discussions on the next steps forward. The follow-up work outlined in the *Common Understanding* was considerable and he knew he could count on everyone to help fulfil the expectations that had arisen from the Forum.