

China Employment Forum Beijing, 28-30 April, 2004

Information Note

1. Background

Challenges relating to employment in China

- Employment

China, with 1.28 billion citizens, is the world's most populated country. It has been remarkably successful in achieving high and sustained economic growth rates, maintaining high levels of employment and reducing poverty in the past two decades. China has chosen its own way of economic and social reforms, characterized by gradualism, experimentation and strong reliance on grass-roots initiatives from its people, communities and enterprises – for which the central government has gradually removed obstacles and created enabling conditions.

As a result of these strategies and also because of its huge domestic market, China has neither undergone a transition crisis (so detrimental for many Central and Eastern European countries) nor has it been as severely affected by the Asian financial crisis as several other economies in East and South-east Asia. At the end of 2002, total employment reached 737 million, comprising 33 per cent in urban areas and 67 per cent in rural areas. The primary sector provided employment to 50 per cent of workers and the secondary sector to 21 per cent, while the share of the tertiary sector in total employment equalled 29 per cent.

Significant progress has been achieved in the average level of education. For example, in 2002 only 9 per cent of employed persons were illiterate; 35 per cent of workers gained basic education; 38 per cent secondary schooling and 12 per cent post-secondary education; the remaining 6 per cent were college graduates.

However, despite high economic growth, the capacity of the Chinese economy to create new jobs for labour market entrants, for laid-off workers from state-owned enterprises (SOEs) under restructuring and for other jobseekers, is not sufficient. China's labour force is expected to increase by more than 70 million over the next decade. Apart from millions of laid-off workers and other unemployed persons seeking re-employment in urban areas, underemployment in rural areas is very high – estimated at almost one-third of the rural labour force – with underemployed rural workers also looking for new jobs, often in large cities.

The exposure of the Chinese economy to global market competition accelerated with the entry of China into the World Trade Organization (WTO) in November 2001. While long-term gains from the WTO accession in terms of higher labour productivity and higher employment are expected to be positive for China, in the short run negative employment impacts are anticipated – primarily in the primary sector and in capital-intensive industries. In order to benefit fully from WTO membership, further deepening of domestic reforms is fundamental. The reforms should stimulate structural changes towards more labour-intensive agriculture and an increase of productivity and profitability in large and medium-sized enterprises, but also encourage small enterprise development in manufacturing and services.

- Unemployment

The urban registered unemployment rate increased to 4.2 per cent (7.95 million persons) in June 2003, representing an increase of 1.1 per cent in comparison with the rate in 1998 (5.71 million persons). It is expected to grow further to some 5 per cent within the next five years. Between 1998 and July 2003, a total of 27.8 million workers were laid off from SOEs and only 18.5 million of them were re-employed. The re-employment rate of laid-off workers and other unemployed persons in urban areas declined from 50 per cent in 1998 to 30 per cent in 2001. Also, 8 million of the estimated 150 million underemployed rural workers have become “floating” migrant workers annually since 2000, seeking employment in urban areas and often taking up jobs in the urban informal economy. Unemployment in university graduates has also emerged, at 33 per cent (700,000) in July 2003, with an upward tendency.

- Active employment promotion policy

Economic and social policies should encourage job creation through stimulating business development, foreign direct investment, investment in infrastructure, in start-ups and expansion of micro, small and medium-sized enterprises, and through facilitating flexible forms of employment and self-employment. The underdeveloped service sector (in particular services for production and community and household services) and labour-intensive industries are among the most promising sectors for new job

generation. Productive non-farming activities should be further encouraged in rural areas.

Better matching of labour supply and demand needs to be facilitated by strengthening the capacity of labour market institutions to provide appropriate vocational training and high-quality employment services (in particular for vulnerable social groups) and to secure better protection of workers' rights by improved labour market regulation. There is a need to reform the national vocational education and training system (including lifelong learning) to enable fast retraining and skills upgrading of workers and jobseekers in response to the changing demand for skills in the labour market. Policies should also aim to facilitate labour migration from regions with scarce jobs to regions with labour demand and to help migrant workers find decent jobs.

The National Re-employment Conference in 2002

Employment promotion is now one of the main policy priorities of the Government and of the social partners. There is also an urgent need to address vast and still increasing regional labour market imbalances and income disparities that imply potentially serious threats to social stability. In the recent National Re-employment Conference held in Beijing in mid-September 2002, former Chinese President Jiang Zemin emphasized: "Employment is the fundamental issue for people's livelihoods. Therefore, great importance should be attached to employment and re-employment. Governments at various levels should work hard to develop the economy, which would give more job opportunities to workers. In return, more employment will promote economic prosperity."

The National Re-employment Conference stressed five aspects of active employment policy which are of utmost importance for China: (i) macroeconomic policies promoting structural changes, development of enterprises of all forms of ownership (in particular small and medium-sized companies), job creation, labour mobility and employment; (ii) policies promoting (re-)employment of vulnerable groups; (iii) strengthening of public employment services and retraining of unemployed jobseekers; (iv) improvement of labour market regulation and policies for combating unemployment; and (v) further improvement of the social security system. The ILO strongly supports the outcomes of the National Re-employment Conference, which are very much in line with ILO findings and policy conclusions, based on a thorough analysis of the Chinese economy and labour market, on experience from ILO/China technical cooperation to date and on ILO's long-standing international experience.

The National Re-employment Conference in 2003

The Conference was held to review strategic goals and to identify priority areas for employment/re-employment promotion. Important outcomes of the Conference show that China will develop an unemployment monitoring

mechanism and try to regulate its unemployment level through adjustments of macroeconomic policies. Policy-level action will include integrating job creation into national economic and social policies when formulated. At the operational level, employment generation will be taken into consideration when construction programmes/projects are being developed, so that public sector enterprises cannot lay off workers unless relevant social protection programmes are in place. Additionally, discriminatory policies towards rural migrant workers will be abolished, in order to tackle the surplus labour problem in the agricultural sector.

National Training Programme for Rural Workers (2003-2010)

The National Training Programme was developed jointly by the Ministry of Agriculture, the Ministry of Labour and Social Security, the Ministry of Education, the Ministry of Construction and the Ministry of Finance. The programme's objective is to shift China's surplus rural labour force to non-farm activities and to promote migration through improved employability. Its implementation strategy is to strengthen overall planning, to increase government financial input, to consolidate institutions and mechanisms and to develop demand-driven training projects. It is planned to provide guidance training for 60 million rural labourers, vocational training for 35 million of the latter and on-the-spot training for a further 250 million workers between 2003 and 2010.

Impact of SARS on employment

The impact of SARS on employment is much greater than on economic growth, because sectors seriously affected by SARS are employment-intensive on the one hand and share a relatively small proportion of GDP on the other. China's tertiary sector (tourism, trade and commerce, transportation and catering industries) have created most of the new jobs and absorbed most of the laid-off workers and surplus rural migrant workers in recent years. However, SARS has affected 8 million rural labourers, who had left cities for home towns due to the epidemic, accounting for about 8 per cent of the total migrant rural workforce. Similarly, SARS has affected the Government's planned strategy to create 8 million job opportunities in 2003.

ILO-China cooperation

The Ministry of Labour and Social Security (MOLSS), the All China Federation of Trade Unions (ACFTU) and the China Employers Confederation (CEC) seek technical cooperation with the ILO in all of the above areas and aim to overcome the challenges in Chinese employment by working together.

The Memorandum of Understanding

In May 2001, a Memorandum of Understanding (MOU) was signed in order to launch a programme of cooperation between the International Labour Office and the Ministry of Labour and Social Security of the People's Republic of China, based on the ILO's goal of *Decent Work*, to support national reform in China.

- The Global Employment Agenda

The Global Employment Agenda is an outcome of the Global Employment Forum organized by the ILO in November 2001. It is in a process of development in close dialogue with the ILO's tripartite constituents.

The principal challenge of the Agenda is to make employment central to all economic and social policies. To do so requires many elements, but the cornerstone is increasing the productivity of labour, especially that of the working poor. Productivity growth is the sole source of sustainable, non-inflationary improvement in living standards and employment opportunities. It sets the scene for faster growth and development, leading to increased scope for macroeconomic policies to aim at better employment outcomes and decent work.

The China Employment Forum takes up the challenges and issues of the Global Employment Agenda that are relevant to the context of China.

- Strategic objectives

The MOU builds upon the ILO's four strategic objectives of Decent Work: Principles and rights at work; Employment; Social protection; Social dialogue.

These objectives will be pursued in an integrated manner to ensure their effective realization in the context of China's needs and conditions. Economic growth is essential but not sufficient to ensure equality, social progress and the eradication of poverty. Through the MOU, it is important that the MOLSS – together with the ILO – promote strong social policies, justice and democracy in the field of employment. The ILO, with its standard-setting, technical cooperation, research resources and areas of competence, should help to ensure that a sustainable strategy for employment is created in China.

The ILO works in collaboration with the MOLSS to mobilize external resources for the implementation of the activities envisaged in the MOU.

- The initiative to organize the China Employment Forum

As part of the follow-up to the MOU, the China Employment Forum has been convened in order to discuss future strategies for employment in China. The Forum creates a space where ideas and knowledge can be shared between specialists, governmental bodies, unions, enterprises and

others with ideas on how to work towards an Employment Agenda for China.

This Forum is co-sponsored by MOLSS and ILO, with the involvement of the ACFTU and the CEC as social partners in its preparation.

A number of international resource persons are invited to bring to the CEF best available information on experiences in other countries.

2. Event

The China Employment Forum (CEF) will take place in Beijing on 28-30 April 2004. Attendance is by invitation only. The event will be conducted in English and Chinese. The opening session will be held at the Great Hall of People and other sessions at the Beijing Hotel.

3. Objective

The CEF is intended to reach a *common understanding* on elements of an Employment Agenda for China, identifying work areas for follow-up that can guide continuing development in China.

4. Forum structure and focus

The seven plenary sessions and the nine parallel sessions were prepared by technical units in all ILO sectors and offices in Bangkok and Beijing, in full partnership with the Chinese Government and social partners.

The proposals jointly developed as follow-up to the MOU are the Chinese Government's priorities in areas of employment and social policy. At the Global Employment Forum in Geneva in November 2001, former Labour Minister Zhang emphasized that "... we persist in combining rural poverty alleviation with employment promotion ... we persist in combining employment promotion with the development of a social security system ... we persist in combining employment creation with economic strategy adjustment ... we attach great importance to human resources capacity building, developing vocational education and improving the vocational training system so as to enhance the quality and capacity of workers ...".

The CEF is structured around selected issues emerging from the Global Forum. Specific themes are outlined in Section 6 of this Information Note.

5. Forum material

As background, MOLSS will present two reports, on 1) the impact of WTO membership and 2) a more comprehensive report on employment. The ILO will present an issues paper "Towards an Employment Agenda for China" that will address the challenges and issues identified in the Global Employment Agenda, as they affect China. The ACFTU and the CEC will table their own reports.

6. Agenda

Following is the draft agenda for CEF, Beijing, 28-30 April 2004.

Thursday, 27 April

08:00-18:00 Registration

DAY 1 WEDNESDAY, 28 April

Morning - Opening

Opening remark and keynote speeches by the Chinese Government and the ILO.

Media briefing

Plenary session I: *Globalization, restructuring and employment promotion (Part I)*

Afternoon

Plenary Session II: *Panel discussion on International Experience*

- What are the emerging good practice and experiences internationally in the promotion of employment?
- How to make employment a central policy priority?
- How to deal with public sector restructuring while minimizing the negative social consequences?
- How to reduce geographic imbalances in growth in a general environment of rapid globalization?
- How to address rural employment and migration issues?

Plenary session III: Globalization, Restructuring and employment promotion (Part II)

An Employment Agenda for China will introduce the main themes of the Forum:

- Impact of globalization on Chinese economy, trade, employment, labour market institutions, productivity and environment
- Growth and employment – macroeconomic concerns, integration of employment and social concerns in economic policy, action to address the problems of the working poor
- Elements of a China Employment Agenda:
 - Issues identified in the Global Employment Agenda, as they affect China
 - Promotion of the ILO Declaration on Fundamental Principles and Rights at Work
 - MOU as a tool for integrated support to social reform in China.

DAY 2 THURSDAY 29 April

Three parallel sessions will take place for the full day. The topics are:

- A Globalization and restructuring**
- B Employment and poverty alleviation**
- C Employment and Labour market functioning.**

The following table provides the list of parallel sessions.

A.1. Economic policy and employment	B.1. Flexible forms of employment and informal employment	C.1. Social dialogue and employment promotion
A.2. Restructuring and employment	B.2. Skills, training and employability	C.2. Public employment services and employment protection for vulnerable groups
A.3. Labour mobility and employment	B.3. Environment, workplace and employment	C.3. Social security and employment promotion

Outline of sessions

Session A1

Economic policy and employment

Issues to discuss

- 1 Macroeconomic policies promoting employment: Possibilities in China and experience from other countries
- 2 Existing administrative constraints to implementation of economic policies promoting employment
- 3 WTO entry and its social and employment impacts, as well as its impacts on the scope of available economic policies
- 4 Policy conclusions from the outcome of the National Re-employment Conference aimed to promote labour growth and employment and growth: Scope, opportunities and constraints (short-run to long-run).

Session A2

Restructuring and employment

Issues to discuss

- 1 National policies to facilitate economic restructuring and adaptation of labour structure
- 2 Enterprise-level strategies for socially sensitive restructuring and redeployment of workers
- 3 Employment promotion programmes for retrenched workers.

Session A3

Labour mobility and employment

Issues to discuss

- 1 Labour mobility and employment: Current situation
 - Scale of labour migration and characteristics of migrant workers
 - Impact of institutional and policy changes on migration
 - Problems relating to wage differentials, working conditions, social protection, access to jobs and employment services for migrant workers

2 Social and economic impact of labour mobility

- Migration and employment, growth, income distribution and urban-rural disparities
- Integration of regional as well as rural and urban labour markets
- The impact of migration on labour-exporting and labour-importing areas

3 Labour migration: Challenges and problems

- Surplus rural labour
- Low levels of education and skills of migrant workers from rural areas and skill mismatches in urban areas
- Incompatible social protection systems and employment promotion measures in rural and urban areas
- Unequal and unfair treatment of migrant workers in urban areas, lack of employment and income security and greater vulnerability of women migrants

4 Current policies and recommendations for improvement

- Assessment of existing legislation and policies
- Recommendations for policy responses

5 International experience: Lessons learnt and good practices.

Session B1

Flexible forms of employment and informal employment

Issues to discuss

Key issues

- Recent development, challenges and constraints (decent work deficits) and policy responses in China
- Organization of informal workers/producers (voice and representation), migrant workers involved in the urban informal economy, etc.

- Flexible forms of employment in China
- Employment in the informal economy in China
- Decent work and the informal economy
- Policy recommendations on labour market flexibility and employment protection
- Country-specific best practice on facilitating flexible forms of employment by government

Session B2

Skills, training and employability

Issues to discuss

1 Investment in education and training

- need for a greater overall investment in education and training in China for all people (including women and groups with special needs, such as people with disabilities)
- linking education and training investments more closely to economic and employment growth strategies. Sharing responsibility between the government (primary responsibility), enterprises, the social partners, and individuals
- increased private sector investment and new, innovative methods of financing training

2 Developing core work skills

- moving beyond traditional occupational skills towards development of "core work skills" (such as communication, problem solving, working in teams etc.).

3 Reforming the vocational education and training system

- lifelong learning for all, through major reform of vocational and education and training systems, including role of private-sector providers
- more flexible and responsive training systems

- innovative approaches to train and retrain laid-off workers from SOEs, e.g. by using distance learning and training
- enhancing the skills of migrant rural workers and increasing the access to high-quality training

4 Mobility of skilled workers

- recognize people's skills as part of a national qualifications framework, irrespective of where their skills were obtained

5 Social dialogue on training

- strategies for involving the social partners more closely in discussions on training policy and skills development.

Session B3

Environment, workplace and employment

Issues to discuss

1 Strategies to ensure safety in all newly created employment

- Integrating occupational safety and health (OSH) and environmental issues into the strategy for employment creation
- Ensuring that employment creation policy (development of township/village enterprises, joint ventures and private business) reflect safety and health values
- positive link between OSH and higher productivity/competitiveness

2 Strengthening national OSH programme and systems

- need for a strong national programme on OSH, in parallel with government economic development plan and employment creation strategy
- promoting safety culture and awareness
- importance of establishing OSH Management System as an integral part of business management (ISO 9000, 14000 and ILO-OSH 2001)
- strengthening legal framework for the transition to a market-oriented economy (ratification of ILO Conventions, new laws, new standards)

- nationwide technical services (training/information and advisory services) for SOEs, township/village enterprises, and private enterprises
 - mobilization of private sector for OSH activities
- 3 Protecting the environment
- promoting chemical safety, which is important for both environmental protection and workplace protection
 - need to promote cleaner technology, and safety technology
- 4 What can China learn from the experience of other countries on these issues?

Session C1

Social dialogue and employment promotion

Issues to discuss

- 1 How social dialogue can help adapt national legal framework governing individual and collective employment relations with a view to contributing to employment creation and socially responsible restructuring
- 2 The role of social dialogue in formulating employment strategies and labour market policies
- 3 The role of social partners in creating sound industrial relations at the workplace level for better economic performance and job promotion
- 4 The role of social partners and stakeholders at the local level in formulating and implementing programmes and action plans to retain jobs and to reduce the amount of dislocation and its severity on workers, their communities and enterprises.

Session C2

Public employment services and employment protection for vulnerable groups

Issues to discuss

- 1 Addressing the needs of vulnerable groups – international experience
 - labour market programmes for vulnerable groups – experience of one industrialized (Sweden) and one transition (Hungary) country
 - partnerships with private employment agencies in serving vulnerable groups

Presentations and the general discussion will focus on:

- what are the overall current problems and challenges in addressing the needs of vulnerable groups?
 - what unique labour market barriers do vulnerable groups face?
 - what government policies have been implemented to address these unique barriers?
 - how can incentive mechanisms be developed and implemented to promote improved employment services to vulnerable groups?
 - what successful programme models have been developed to address the needs of vulnerable groups and what are their measurable outcomes?
- 2 Chinese experience with programmes for vulnerable groups
 - profile of the China/ILO/Japan Promotion of Employment Strategies (PES) and employment programme for vulnerable groups
 - presentations of one or two successful local initiatives aimed at vulnerable groups
 - assessment of PES employment programmes by the All-China Women's Federation

General discussion with participation of Chinese and international experts.

Session C3

Social security and employment promotion

Issues to discuss

- 1 The need to protect the whole population effectively and efficiently against socio-economic insecurity

- maximize the actual coverage to all the insurable population through the enforcement of compliance
 - maintain accumulated social insurance rights and entitlements of insured persons who, for various reasons, have left their previous insured employment or have interrupted the payment of contributions
 - gradually extend the legal coverage to all of the excluded with a current focal point on those in flexible forms of employment
- 2 The need to strengthen the functioning of the unemployment protection system and its role in employment promotion
- ensure the delivery of unemployment benefits payable in various forms: living allowance to laid-off workers still remaining in Re-employment Centres, unemployment insurance (UI) benefits for insured unemployed persons and means-tested minimum living payments to qualified families
 - effectively monitor unemployment status of benefit recipients to target people in need with limited funds and strengthen the financial planning, capacity and solidarity funds of UI schemes to prepare individuals to cope with new challenges
 - reinforce the link between the UI system and active labour market policies by allocating more funds to training and other employment-promoting activities to assist the unemployed in re-employment

National and international experiences on these issues will be shared.

DAY 3 FRIDAY 30 April

Morning

Plenary Session IV: *to report back from 9 parallel sessions' discussions on Day 2*

Plenary Session V: *Gender and employment*

Issues to discuss

- 1 Findings of the Survey on the Status of Women in China and policy recommendations
 - a brief account of the main findings (the major problems encountered by women as identified by the Survey and their analysis).

- policy recommendations needed at the policy and operational levels to narrow existing inequalities between women and men.
 - The importance of formulating gender-sensitive employment policies (dispelling the notion of gender neutrality in employment policies)
- 2 Implications of China's WTO membership for women's employment in China
- overview of the research being undertaken on this subject in China, focusing on the major issues being addressed as well as the inter-relationship of competitiveness, growth, equity and gender equality.
 - importance of strengthening the gender dimension of the research and studies being conducted on the implications for employment of China's WTO membership
- 3 Promoting equality between women and men through gender-sensitive employment policies
- overview of the latest developments in formulating gender-sensitive employment policies at national and regional levels (such as the EU)
 - gender mainstreaming as a strategy to promote equality between women and men.

Plenary Session VI: *Youth Employment*

Issues to discuss

- 1 Strategies for preparing the large influx (2.12 million) of university graduates for the labour market
- 2 How to match the skill and training requirements of young people with the needs of the labour market, particularly in light of China's accession to WTO
- 3 How best to address the frustrations of young people entering the labour market, and to respond to their expectations and aspirations
- 4 Strategies and best practices for development of entrepreneurship programmes for young people
- 5 Strategies for upgrading the productivity and incomes of low-income young people working in the informal economy
- 6 Approaching youth employment from supply and demand side perspectives

7 Approaching youth employment within the life cycle

Plenary Session VII: *The rural employment challenge*

Issues for the discussion

- 1 Changing profile of rural employment reflecting structural changes of the economy since reforms: trends in the shares of farm and non-farm sectors, and sectoral productivity..

- 3 Nature, dimensions and trends of the rural employment challenge in China

This would involve discussion of the dimensions and trends in rural employment, surplus labour and rural underemployment, rural poverty, rural-urban income and wage disparities, migration pressures, etc. Regional differences need to be highlighted.

- 3 Implications of China joining the WTO for the rural sector

The impact on growth and productivity of agriculture and non-farm sectors (TVEs), and estimates of job losses and gains; possible responses

- 4 Gender issues in rural employment; patterns of female employment in farm and non-farm sectors; migration pressures and migration patterns; treatment and protection of women migrants, trafficking of women and responses

- 5 Rural employment options

This topic will need to discuss labour absorption with agriculture (through diversification, etc.), the rural non-farm sector (manufacturing and services), and accelerated urbanization and transfer of labour to the urban sector. Increasing employability of rural workers through skills training and facilitation of job search through labour market information also need to be highlighted.

- 6 Policy framework on rural employment

Evolution of policy since reforms; strategies and policies needed to meet the current and future rural employment challenges

- 7 International perspectives: India's rural employment challenge; issues, lessons learnt and the way forward.

Afternoon

Closing Session

Presentation on “Common understanding of China Employment Forum 2004” following outcomes of plenary and parallel sessions discussions

Closing speeches by the Chinese Government, the ILO and the Chinese social partners

Close of the Forum