CHINA'S INDUSTRIAL DE-CAPACITY CAMPAIGN (II): RESETTLING LAID-OFF EMPLOYEES

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Executive Summary

1. China's plan to cut down 30% of its production capacity in five key industries will make three million employees jobless in the next two to three years. In particular, the coal and steel industries will lay off 1.3 and 0.5 million employees, respectively.

2. "Protecting the employees, not their enterprises" was the Chinese top authority's command to the local governments. The central government has established a fund of RMB100 billion as allowance and bonus for local governments and central SOEs to resettle laid-off employees.

3. Local governments, overcapacity enterprises and trade unions have also provided various financial aid and policy support to help laid-off employees find new jobs.

4. Compared to the massive lay-offs in the late 1990s, the current one enjoys much more favourable conditions at the national level. For example, fewer industries and employees are affected by this round of de-capacity campaign.

5. The central and local governments have much stronger financial capacity to help affected enterprises and laid-off employees. Industrial structure changes such as the rise of service industries and the "new economies" have provided more job openings to laid-off employees.

6. Labour shortage due to a decline in working age population and migrant rural workers has improved the job market for laid-off employees. Many laid-off employees are migrant rural workers who could not find affinity with their host cities and are ready return to their hometowns, albeit for less-income jobs. China has also built a much better social safety net for laid-off employees.

7. In cities where there are a large number of older, lower-skilled and less-educated laid-off employees who could not find new jobs and where the government's financial aid are weak, protests may arise.