

**CHINA'S NEW LABOUR CONTRACT LAW:
BELATED CONVENT TO BETTER
PROTECTION OF WORKERS**

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Executive Summary

1. On 1 January 2008, a new labour contract law came into effect in China. The law is applicable to both domestic and foreign firms, and its objective is to protect the rights and interests of workers in China.
2. The promulgation of the new labour contract law is timely as two decades of high economic growth have contributed to mounting social problems in China. Indeed, labour disputes have been rising steadily for the past decade. Rural and urban workers are getting restless over their deteriorating working conditions and are seeking access to basic protection and rights.
3. Some of the key features of the law include the provision of written labour contracts and contractual terms such as minimum wages, probation period, safety regulations and severance payment.
4. The new labour law also gives labour unions a more distinctive role in overseeing employment relationships. The unions are identified as a “collective consultation mechanism” placed on “equal basis” for the negotiation of individual and collective contracts.
5. However, the new labour law is expected to increase labour costs and may be the last straw to force high-volume low-margin firms in coastal regions to close or relocate to the inner regions of the country or other countries.
6. The new law also met with strong criticism from foreign enterprises based in China. Spearheaded by their industry associations, these foreign enterprises argued that the new ruling “over regulates employment relationship”. Some companies even tried to circumvent the legislation by laying off their workers before the law came into effect.
7. The Chinese government appears not to be particularly concerned with the economic impact of the law. During the 11th National People’s Congress,

Chinese Premier Wen Jiabao stated that the law will be “vigorously” implemented and will “severely” punish any company that employ their workers “illegally” without a written contract.

8. To prevent companies from misreading the new legislation, Chinese legislators announced that they will soon be drafting regulations on how the law should be implemented at both the national and local levels.
9. While the new law gives workers better protection of rights and interests, the bottom line is that the law will not empower workers to defend their rights through organised challenges, and will not be strictly enforced if it disrupts the labour market in a way that leads to soaring unemployment.
10. Nonetheless, enforcing the new labour law is important if China wants to enjoy the type of sustainable development that will produce economic growth without marginalising the workers.