MANAGING LABOR IN CHINA: A DEFINING MOMENT

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Executive Summary

1. Major international and domestic forces have coalesced to push labor on the center stage at a time when China faces a changed world economy and has to upgrade its industries and change its growth model. Successful management of industrial relations is critical for a smooth transition.

2. China is actively preparing for a post-crisis, new world economy in which it could no longer count on the consumer markets of the West to continue its export-led growth but expects more friction with the West over exchange rate and labor standards, in the name of “rebalancing the global economy”.

3. The Chinese government has dealt with multiple issues of transition with a single strategy: increase domestic consumption. Taking advantage of the new wave of labor protests, the government has helped to extract wage concessions from employers and launched a new round of minimum wage hikes.

4. More importantly, the government wants to establish a mechanism for regular wage increases. It is in the process of building a system of labor management that can serve a broad range of objectives, including social justice, labor tranquility, policy flexibility, as well as domestic consumption expansion.

5. It is implementing a system of “tripartite coordination councils” (三方协调机制) consisting of the government, employees, and employers. The government has sought to dominate the councils; it has designated the official trade union (ACFTU) and the semi-official business association (CEC-CEDA) to represent employees and employers respectively.

6. This tripartite council provides the framework for collective bargaining in businesses and other organizations to reach group contracts (集体合同). The policy of replacing individualized contract with group contract is aimed at strengthening the bargaining position of workers, but only to an extent manageable by the government.

7. The tripartite council is hence heavily leveraged in favor of the government. Its domination of ACFTU and CEC-CEDA virtually gives the government the final say on labor issues, allowing it to set the priority in dispute management according to changing circumstances.

8. The preponderance of the government however runs the risk of inadequate representation of both labor and capital, who may as a result seek alternative channels of conflict resolution. It may also lead to systematic government interventions in the labor market.

9. To overcome these problems and to build a robust labor management system that ensures long-term stability and prosperity present great challenges to China's current as well as next-generation political leaders.