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**Labour markets in China: coming to terms
with globalisation**

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Chapter 7:

Labour markets in China:

Coming to terms with globalization

MALCOLM WARNER

1. Introduction

The People's Republic of China (*Zhonghua renmin gongheguo*) henceforth to be referred to as 'PRC', or just 'China', is the country with the oldest continuous existence as a political entity in the world, going back millennia. It was known as the 'Middle Kingdom' and was for centuries a model of technological and economic innovation. The Chinese not only introduced key 'hard' inventions in 'metallurgy' and so on but also 'soft' innovations such as 'bureaucracy' as Joseph Needham has shown us (see Ronan, 1978-1985). Its accomplishments are only now being fully recognized as contributions to world civilization.

As Lucian Pye has put it: 'The starting point for understanding the problem is to recognize that China is not just another nation-state in the family of nations. China is a civilization pretending to be a state. The story of modern China could be described as the effort by both Chinese and foreigners to squeeze a civilization into the arbitrary, constraining framework of the modern state, an institutional invention that came out of the fragmentation of the West's own civilization. Viewed from another perspective, the miracle of China has been its astonishing unity. In Western terms the China of today is

as if the Europe of the Roman Empire and of Charlemagne had lasted until this day and were now trying to function as a single nation-state' (1990:62).

Once the most developed manufacturing economies in the world a few centuries ago (see Maddison, 1991), it became prey to 'Western imperialism' in the nineteenth century and experienced both 'national humiliation' and 'economic impotence', as the Chinese saw it. These experiences were to weigh heavily on China's collective consciousness and rankle even to this day.

Whilst the new People's Republic under the leadership of *Mao Zedong* had its ups and downs over the last half century, it survived the stresses of the Cultural Revolution in the 1960s and was re-invigorated by the economic reforms of *Deng Xiaoping* in the late 1970s (see Child, 1994). The economy has continued to grow over the last three decades and it is now emerging a middle-income country. Its economic growth over the last few decades has been little less than spectacular. Hundreds of millions of its citizens have been lifted out of a life of poverty. Although China's GDP per capita in monetary terms is relatively low, it is now seen as an emergent economic and political super-power (see Table 1).

Table 7.1: Contextual factors – (PRC)

<i>General statistics</i>	
Population (millions)	1,320 m.
Urban population (% of total population)	42%
Active labour force (millions)	800 m.est.
Participation rates (%)	
Male	55%
Female	45%
Employment by Sector (%)	
Agriculture	45%

Industry 23%	
Services 32%	
GDP per capita, 5500, est PPP	
Income inequality High Gini Coefficient 47%	
Real GDP growth (%) 1986-1995 10% 1995-2005 8.5%	
Unemployment (%) official est. 1986-1995 2.5% 1996-2005 4.0%	
<i>Summary description</i>	
Product market regulation Openness (imports + exports as % of GDP) 31%+34% Degree of competition (Medium)	
Political context: state unitarist [Communist]	
Political stability (High)	
<p>Sources for year 2008: UNDP, Human Development Report, World Bank, World Development Indicators, OECD, Bertelsmann Country Report.</p>	

INSERT TABLE 1 ABOUT HERE.

2. The national context

Modern China emerged at the turn of the last century. It had already started to look outward for advice (Spence, 1969). The Imperial Dynasty was overthrown in 1911 and a Republic proclaimed by *Sun Yat-Sen*. Many decades then ensued of Civil War and Japanese Occupation. By the late 1940s, the Chinese Communist Party under *Mao* had

prevailed and taken power. The new regime was set up in 1949, an event dubbed the 'Liberation'. Within the last half century, since this date, it also experienced the 'Great Leap Forward', the 'Cultural Revolution' and most recently, the 'Economic Reforms', all of which have turned the world of the average Chinese worker upside-down. And the latter sequence is but a short pace in what we may call the 'Long March' of Chinese history.

The nature of the Communist Revolution created a rather special kind of economy, polity and society in China, although this is not unique in Asia, as there were several other 'socialist' states established over the period (see Warner et al, 2005). These included Cambodia, Laos, North Korea and North Vietnam, amongst others, plus those which were 'statist' but not 'marxist'. Many of these which adapted liberal economics to their endemic forms of statism, remained until recently, *de facto* one-party states, like Japan in spite of parliamentary elections.

In 1978, *Deng* launched his economic reform programme based on the 'Open Door' and the 'Four Modernizations'. It was to be a policy continued by his successor, *Jiang Zemin* and more recently *Hu Jintao*. This policy was to prove very successful in the 'transition' from command- to market- economy. The PRC is now described as practising market socialism 'with Chinese characteristics' (*juyou Zhongguo tese de shehuizhuyi*). This particular terminology was employed in the post-*Mao* period in order to reconcile what might appear to be 'foreign' (even 'capitalist') and therefore 'non-socialist' practices, with indigenous Chinese institutions based on Chinese values, whether traditional or communist - and even appearing to resolve the apparent contradiction. But China's reformers did not merely replicate foreign models uncritically. Where they have

implanted overseas economic management (*jingji guanli*) practices since the late 1970s, principally from the US, Japan and Europe (roughly in that order), they did so by incorporating them into the *Chinese* ‘way of doing things’. As China now had to face the challenges of globalization (*quanqiu hua*), it adapted its system to promote institutional and organizational characteristics appropriate to a greater reliance on markets.

China now has the largest population across the six continents, with around one quarter of all the people on the globe living within its boundaries. It has probably the largest labour force in the world in sheer numbers and just shadowed by India. What distinguishes the PRC from its neighbours in East and South-East Asia is its huge population-size, almost six times its nearest rival, Indonesia. China currently has a population of now over 1.3 billion (see Tables 1 and 2). As a result of the ‘one-child policy’, it has been able to stabilize its numbers since the 1960s but its population density is high and extremely so in its cities. Over 40 percent of its citizens now live in urban areas and more and more people will leave the country-side for the city over the next few decades.

Population: total, 1,312 million

Working population; 800 million

0-14 years: 19.8% (male 140,877,745/female 124,290,090)

15-64 years: 72.1% (male 495,724,889/female 469,182,087)

65 years and over: 8.1% (male 51,774,115/female 56,764,042) (CIA, 2009 est.)

Urban population: 43% of total population (2008)

Rate of urbanization: 2.7% annual rate of change (2005-2010) (CIA, 2009)

Area:

total: 9,596,960 sq km

land: 9,326,410 sq km

water: 270,550 sq km

Table 2: Population statistics, I

Source:miscellaneous.

population	1.31 billion people (world rank: 1 st)
population density	363 people/mi ² (people per square mile) (world rank: 79 th)
population growth	0.604% per year (world rank: 157 th)
life expectancy	73.5 years (world rank: 109 th)
median age	33.6 years (world rank: 69 th)

Table 3: Population statistics, II

Source:miscellaneous.

INSERT TABLES 2 AND 3 ABOUT HERE.

The total population is estimated to be around 1,312,000, which can be broken down into the following sub-groups: The working population is around 800 million (2008 est.) of which 55 percent are male and 45 percent are female and the participation rate is around 70 percent (see Table 1).

The working population is distributed across the various component sectors as follows: primary (agriculture), secondary (manufacturing), tertiary (services). The work force is estimated to be around 807.7 million (2008 est.) broken down by sectors, as follows: *agriculture*: 43 percent ; *industry*: 25 percent ; *services*: 32 percent (2006 est.). There is also a huge transient population of migrant workers known as the *mingong*; estimates of their numbers vary, perhaps between 100 to 150 million persons. The rural work-force is likely to shrink over time, given movement to the towns and cities and due to demographic predictions, the urban labour force will also shrink. The lack of immigration is also likely to be a factor.

The political economy of employment is now more benign, however, than at any time in recent decades. A World Bank overview reported that: 'Between 1990 and 2005 the number of people living on a dollar per day fell by 391 million, while total population rose by over 164 million. The estimated number of people living on a dollar per day fell to 204 million in 2005, according to the revised international poverty line at 2005 PPP. Besides raising incomes, China's market-oriented reforms over the last three decades also dramatically improved the dynamism of both the rural and urban economies and resulted in substantial improvements in human development indicators. Official estimates of the adult illiteracy rate fell by more than half, from 37 percent in 1978 to

less than 10 percent in 2005, and, indicative of health indices, the infant mortality rate fell from 41 per 1,000 live births in 1978 to 23 in 2005' (World Bank, Country Brief, China, 2009).

3.Types of labour markets

Labour markets are relatively new in China, compared with the rest of Asia. It was only after the economic reforms were introduced in 1978 that factor- markets were re-introduced. Prior to this, China was run as a command- economy, with public ownership (*suoyouzh*) of the means of production, distribution and exchange following the Soviet template, broadly speaking, although it broke with the Soviet Union in 1960. Labour was directed to enterprises by the planning authority until the early 1980s. Neither firms nor individual workers had much say in the matter. In one sense, this may be described as constituting 'non-markets', as labour was immobile, plus or minus. But things were soon to change with *Deng's* reforms.

An IMF Working Paper summed up progress towards a Chinese labour market by the new millennium as follows: 'A more market-oriented labour market has emerged in China in the past twenty years with growing importance of the urban private sector, as state-owned enterprises have downsized. Despite the progress on reforms, a sizable surplus of labour still exists in the rural sector and state-owned enterprises. The main challenge facing China's labour market in coming years is to absorb the surplus labour into quality jobs while adjusting to World Trade Organization (WTO) accession. This paper estimates that if annual GDP growth averages 7 percent and the employment elasticity is one-half, urban unemployment could double to about 10 percent over the

next three to four years. These pressures would be limited by stronger economic growth, especially in the private sector and more labour-intensive service industries which have generated the most jobs in recent years. Therefore, policy should focus on encouraging private sector development while reducing barriers to labour mobility, improving worker skills, upgrading job search services, and strengthening the social safety net' (See Brooks and Tao, 2003).

Dual labour-market theory revolves around recognizing the dichotomy between two analytically distinct sectors in the economy and national labour-market: a *primary* sector and a *secondary* sector with distinctly different wage and employment characteristics and processes. Formerly, there was a 'dual' employment model but not a market one, in that the 'state-owned sector' employed workers in the privileged 'iron rice bowl' (*tie fan wan*) with jobs for life, with the rest protected but in less rewarded posts in the urban 'collective sector', as well as in the rural forms of employment, at one stage known as communes. There was a movement of folk in and out of firms, usually entering after school and leaving on retirement. However, due to the industrialization process, a host of new firms appeared and many grew over time and hired workers from both urban and rural areas. So, we had what might be called a form of dynamic labour growth with non-market characteristics.

As Deng's reforms came in, a nascent labour market emerged. After this, there was an interim stage. Later, a 'mature' labour market emerged, of a dual nature, in that large firms of various kinds exhibit different characteristics, such as more formalized HR procedures from the more informal ones of small and medium-sized firms, whether indigenous or foreign owned (see Figure 1).

<i>LAB MKT</i>	<i>PERIOD</i>	<i>LAWS</i>	<i>REFORMS</i>	<i>FLEXIBILITY</i>
NASCENT	1980s	1986	Labour contracts	Low
INTERIM	1990s	1992 + 1994	Personnel + Labour Law	Medium
MATURE	2000s	2008	Labour Contract Law	High

Figure 1: Evolution of Labour Markets in China

INSERT FIGURE 1 ABOUT HERE

The new *status quo* is highly segmented, with a spectrum of ownership models. Most firms in urban areas had once been State-Owned Enterprises (SOEs) or urban Collectively-Owned Enterprises (COEs), plus a miscellany of small business activities, but there were no significant Privately-Owned Enterprises (POEs), Joint Ventures (JVs) and Foreign Invested Enterprises (FIEs) to speak of. ‘Communes’ predominated in agriculture and were the main formal units of organization for some time. There were no factor-markets under the command economy, although there had been markets of different kinds before the Second World War. In one sense, China was like Japan before the communists took over in *Beijing*, although the latter too had a directed economy during the late 1930s and the early 1940s. There was no any labour market

activity to speak of in the PRC, since workers were directed under the 'Five Year Plan' model. There may have been a modicum of informal internal labour market activity in SOEs and COEs, at the margin, however. Today, SOEs constitute about 30 percent of employment, COEs around 20 percent, whilst POEs have a 20 percent share and FIEs about 10 percent, with a residual group of about 20 percent. China has moved out of the nascent labour market stage, through its interim one and is now evolving a mature version.

In the more 'open' former, now corporatized, State-Owned Enterprises (SOEs), as well as Joint Ventures (JVs) or Wholly Owned Foreign Enterprises (WOFEs), we find formal employment and HRM practices coming into use (see Warner, 2005; 2008a and b; 2009). In the JVS and WOFEs, we are likely to find new management practices that have been initially transplanted by the overseas partner or owner.

Whilst Western labour market theory argues that job mobility between the dual labour-markets is very constrained in normal circumstances; in effect, employees in the secondary sector are said to be relatively immobile there unless they have higher qualifications. This state of affairs is also true of China. While HRM may now be found in large firms of many categories, both medium-sized and small firms, whether domestic or foreign-owned, still have more or less 'paternalistic' people-management regimes, particularly those with 'patriotic' investment from Hong Kong, Taiwan and the like, having neither an independent HRM function, or even a personnel one. The secondary sector, largely made up of such smaller firms, is characterized by less employment security, with even greater chances of unemployment; jobs tend to be low-skilled,

needing little training, and can be learnt on the job. There are higher levels of labour turnover, with workers more likely to exit on to other posts or firms.

Today, there are external, occupational and internal labour markets, given that the 'iron rice bowl' model has been substantively phased out. A Chinese observer has put it as follows: 'The changing balance in the demand and supply of labour [constitutes] only a short-term influence. A more profound reason for the temporary and regional labour shortage, as well as for the low urbanization level of the country is an institutional illness - the segmentation between rural and urban areas on the labour market. Such segmentation could be observed in the inferior payment and welfare of the migrant workers in cities than the urban residents. They are not covered under the same social security programme with urban employees and their children could not gain an equal access to education with the urban kids. If such discrimination is not eliminated, the migrant workers would, sooner or later, go back to their rural homes. And the labour supply in cities is unlikely to be abundant. Instead of a shortage, we should worry about the long-term segmentation between cities and countryside, the obstacles against labour flow posed by this segmentation and the segmentation between urban groups with and without local identities. The segmentation threatens urbanization growth[as] a source for China's sustainable development' (see China Daily, 2008).

Most workers in China are full-time, although part time work does exist and there are many self-employed people. Individuals and families may work on their own account and as self-employed economic units. They may employ hired workers but usually only on a casual basis. There is now a host of very small enterprises and one-person bands and although this genre was permitted under the pre-reform regime under tight

conditions, it is now easier to set up and very extensive, employing a growing number of people (see Garnaut, 2005 et al).

Prior to the reforms, some small businesses were permitted but only up to a restricted limit. After 1978, there was a resurgence of private enterprise albeit on a limited scale. However, three decades later, there are still problems. Although the importance of private enterprises for the generation of jobs and boost to economic growth is widely accepted, these firms are still discriminated against, say, with respect to access to capital. Business entry barriers are still in place; licensing involves long delays and a lack of transparency; local government favouritism abounds, as well as illegal fees.

As laid-off employees from SOEs and low-skilled rural migrant workers have found new jobs in the informal sector, this segment becomes more important for releasing employment pressure in the labour market. The extent of the informal sector can only be estimated. Individuals and families were able to run farms after the rural collectives were dismantled. In the urban areas, self-employment was allowed and small businesses were to be seen.

Unemployment (*shiye*) was by definition impossible in a People's Republic in past times, so a euphemism was used, i.e. 'waiting for work' (see Lee and Warner, 2006). Later, with the economic reforms after 1978, it became possible to take a more realistic approach. A more realistic figure of the jobless is now used. But even then half of the 24 million people who came into the job-market each year recently will not immediately be able to find work, in spite of the growth of the country's GDP in the last decade. It is now expected to be well below the 8 percent threshold needed to create the 10 million

new jobs required annually to keep unemployment from rising further and getting worse as the worldwide recession deepens. In the last few years, there as allegedly been a relatively low ‘official’ rate of jobless people. The unemployment rate was seen as around 4.5 percent officially in urban areas; however, the Asian Development Bank estimated urban unemployment at 8.5 percent and rural unemployment at over 30 percent last year. In the rust-belt cities of the North, the *dongbei*, where there are many loss-making SOEs, this may be even higher. Since the recent financial crisis, more than twenty million people have lost their jobs, this time mainly in the southern coastal cities such as *Shenzen*, in mainly foreign-invested firms, as exports have fallen dramatically.

Labour markets in China these days thus closely interact with product and financial markets now the economy has become commoditized. Moving to market criteria, SOEs have laid-off millions of workers over the last decade or so. Changes in macro-economic indicators now have observable effects on the labour market. In the boom years, indeed until recently, there was a labour shortage. Now, the opposite is the case and lay-offs are increasingly common.

As Marshall (1998) points out: ‘The concepts of primary and secondary labour-markets (or sectors) have now passed into conventional thought, with the primary labour-market commonly understood to mean people with secure jobs and good conditions of work in public-sector employment, the large corporations, and highly unionized industries; while the secondary labour-market is understood to cover small employers, non-unionized sectors of the economy, and highly fragmented and competitive industries such as retailing, where jobs are less secure and conditions of work and pay generally poorest’ (1998:1)

4. Major institutions of the labour market

Human Resource Management is currently described as ‘with Chinese characteristics’. It derives from the pre-reform ‘iron rice bowl’ model but has now been transformed into a market-oriented one. Employers and managers now pay lip-service to Western-style HRM and are responsible for ‘hiring and firing’, unlike the *status quo ex ante*. HRM is however mainly found in large firms, whether state-owned or private (see Warner, 2008a).

Under the old planned economy, the SOEs implemented a form of *personnel management (renshi guanli)* to organize their employees. The employment system, known as the ‘iron rice bowl’, as we have seen, had been the *status quo* from the early 1950s onwards in state firms and could even be seen as a paternalistic hangover from pre-communist times. The system as a whole was characterized by what were called the ‘three old irons’, (*jiu santi*), that is, the pillars of life-time employment (the ‘iron rice bowl’, *tie fan wan*), centrally administered wages (the ‘iron wage’, *tie gongzi*), and state-controlled appointment and promotion of managerial staff (the ‘iron chair’, *tie jiaoyi*) (see Ng and Warner, 1998).

Trade unions in China have long been an established institution set up to defend workers’ interests (see Warner, 2008a and b). Yet they remain a relatively recent phenomenon, are specifically related to Chinese circumstances, not appearing in their present guise until the early 1920s, after the First World War. The Chinese Communist Party (CCP) first entered the public arena, in 1921. The All-China Federation of Trade Unions (ACFTU) was

established a little later, in May 1925, now it is over eighty years old, as an organization to 'represent' the Chinese 'working-class', mainly in a few main cities and sea-ports, like *Canton* (now *Guangzhou*) and *Shanghai*.

The ACFTU was soon suppressed by the Nationalist under Chiang Kai-shek and went underground in 1927, when the Communists and Nationalists went into open inter-factional conflict. The union body was to surface after the Second World War and in 1948 it assembled its Sixth National Congress. In 1949 it was institutionalized as the nation's trade union fulcrum after the 1949 'Liberation', with the *Trade Union Law* of 1950, an important landmark, updated at the Seventh National People's Congress in 1992 and amended at the Ninth National People's Congress in 2001.

The ACFTU is the world's largest national trade union body in terms of its formal membership numbers, although some say much of its adherence is 'on paper' only. By the mid-1980s, the ACFTU membership exceeded 80 million workers, covering some 15 national industrial unions, over 22,000 local trade union organizations and more than 460,000 enterprise unions, employing around 300,000 full-time union officials. By 1990, there were over 89 million members, in 15 national industrial unions, 30 provincial or municipal union councils and more than 560,000 grassroots trade union organizations. By the end of the millennium, the size of the membership stood over 133 million, while the number of grass-roots trade unions registered some 1.7 million. By its eightieth anniversary, at the end of 2004, the ACFTU was said to have around 137 million members, covering 1.93 million enterprises; by 2005, it had over 140 million. Of the total members, 46 million were to be found in state-owned enterprises, accounting for 45 per cent of the

workforce; those in the private sector numbered 55 million, making up 54 per cent. On a note of caution, it is worth noting that Chinese official statistics are often unreliable and it is hard to gain impartial confirmation of the numbers and percentages cited above. A Western source claims the current membership is over 193 million (The Economist, 2008). By 2008, this total was over 212 million members, in 15 industrial unions (People's Daily, 25 December 2008:1). There has been, by any account, a significant rise in membership numbers in absolute terms and as distributed by types of enterprise ownership categories (see Tables 4 and 5).

Year	No. of union branch	No. of union members
1993	62.67	
1994	58.29	
1995	59.31	10400
1996	58.59	10212
1997	51.03	9131
1998	50.35	8913
1999	50.86	8690
2000	85.86	10362
2001	153.80	12152
2002	171.30	13398
2003	90.55	12340
2004	102.00	13695
2005	117.40	15029
2006	132.40	16994
2007	150.80	19329
2008	172.50	21200

Table 4: The development of trade unions in China in recent years (Unit: 10,000)

Source: China Labour Statistical Year Book, 2008; China Trade Unions Statistical Yearbook, 2008; Workers' Daily, 30 December, 2008: 3.

Sector	No. of union branch	% of Total	Change %
SOEs	9.4	11	-1.9
COEs	7.3	9	-1.2
DPEs	57.1	70	2.3
FOEs	8.0	10	0.8

Table 5: Union development among different enterprise ownership categories (Unit: 10,000; Year: 2007)

Source: The ACFTU Research Office, 22 May 2008.

INSERT TABLES 4 AND 5 ABOUT HERE

The ACFTU has a centralized structure: ‘In order to understand the actual level of autonomy that trade unions enjoy at the grassroots level, the chairmen of 1,811 trade unions in major cities and provinces—including *Liaoning, Beijing, Shanghai, Zhejiang, Guangdong, Gansu, Guizhou, and Henan*—completed a questionnaire survey. The Chinese Institute of Industrial Relations (*Beijing*) facilitated the survey, which was carried out between March 2004 and June 2006. The major findings confirm that, although the independence of trade unions at foreign-funded enterprises has increased,

the unions' autonomy at local level enterprises remains fairly low. According to the survey results, China continues to be a mainly state-corporatist system, built on the twin pillars of the Chinese Communist Party (CCP) on the one hand and the working class and state-owned/state-held enterprises on the other (Hishida et al, 2009).

Indeed: 'In January, China imposed one of the most far-reaching labour laws in the world. It included provisions requiring firms to consult employees on "material" work-related issues. Some companies responded by forming in-house workers' groups, but the ACFTU objected, claiming that this amounted to the creation of an alternative labour union, and was thus illegal. Instead, it has used the new law as the basis for a huge registration drive by the ACFTU that began in June and is intended to sign up 80% of the largest foreign companies by the end of September. And that, in turn, is a prelude to the stated goal of having trade unions in all of China's non-state-owned companies by 2010' (The Economist, 2008).

The State has played a major role in labour structures since the Liberation in 1949. It was formerly the linchpin of the command-economy and the 'iron rice bowl' system. Today, it has an umbrella-role in the post-reform mixed economy. Some observers believe that its role is greater than meets the eye. The State is one major arm of a 'tripartite' system, comprising the government, employers and labour (see Warner, 1995). The governmental representative is the Ministry of Labour, the employers have the China Enterprise Confederation (CEC) and Chinese Enterprise Directors Association (CEDA), the trade unions have the ACFTU. China Enterprise Confederation (CEC)/China Enterprise

Directors Association (CEDA), as the Chinese representative of employers, is a non-governmental institution. CEC (formerly known as CEMA which was renamed to China Enterprise Confederation on April 20, 1999), established in 1979, and CEDA, established in 1983, merged into one institution in 1988. All CEC/CEDA's members are mainly enterprises, companies, entrepreneurs, provincial and municipal association, industry association and trade associations. Today, CEC/CEDA comprises 436,000 members, including all kinds of ownership enterprises and individual employers representing 34 industrial sectors in 30 provinces, 260 industrial cities and regions (see CEDA, 2009).

Education and training in China rests on a tripartite basis (see Warner, 1992; 1995). The State carries the lion's share of responsibility. Enterprises also have long had a major part but trade unions have only an ancillary role. Whilst educational investment in recent years has been greatly aided by assistance from the World Bank, skills training in China is an area which needs further HR investment at both macro- and micro- levels. Management development is also another area where there is room for improvement (see Warner and Goodall, 2010).

Training in China was formerly carried out both external and internal to the firm. There were education and training institutions at all levels from the 1950s onwards to a degree modelled on Soviet practice but there was a hiatus during the Cultural Revolution years in the late 1960s and early 1970. Soviet technical assistance was very widespread up 1960. There was also training carried out at all levels within enterprises, especially the SOEs, involving master-apprenticeship model (see Warner, 1992).

After the economic reforms, a more professional model of education and training was invoked both inside educational institutions and enterprises. Management training was reformed and business schools emerged (Warner, 1992; 1995). Previous senior managers had been sent to the USSR for training; now they went to the West and Japan, especially the US. On-the-job training is an important activity too. But much work is still to be done (see Table 6).

	<i>Senior high school and Below</i>	<i>College and above</i>	<i>Total</i>
2001-2010	2.0	0.4	2.4
2011-2020	2.0	0.5	2.5
2021-2030	1.8	0.9	2.7
2031-2040	1.7	1.1	2.8
2041-2050	1.6	1.5	3.1

Table 6: Projection for the Continuous Education or On-the-job Training Needs for the Next 50 Years (100 million).

Source: MOE: China Education & Human Resource Report – Stride from a Country of Tremendous Population to a Country of Profound Human Resources, Part Four, Higher Education Press, Beijing, 2003.

INSERT TABLE 6 ABOUT HERE

5.Labour market flexibility

Labour market flexibility can be defined as the ability to adapt to changing economic conditions. Invoking dimensions of numerical, functional, financial flexibility, we find China scores very ‘low’ during the pre-economic reform years. This was also true for the degree use of flexible labour, be it part-time, temporary, or self-employed. As for flexibility in employment (job tenure, activity rate, employment as a percentage of working age population, employment flexibility over the cycle) and pay (changes over

the cycle), this was also the case in the command economy. Much was to change after 1978.

Under *Deng's* reforms, a more flexible labour market evolved (see Figure 1). Flexibility increased as the state sector shrank; as Zhang (1984) put it: 'The influx of the migrants, the mass layoff of SOE workers, and competition from the private sector as well as from foreign and joint ventures will definitely improve the flexibility of the labour market in China. But from current studies, it is hard to quantify the contribution of the rural-urban migration to labour market flexibility' (1984:11).

In the 1980s, flexibility was *low*, in the interim stage in the 1990s it was *medium* and in the 2000s in the emerging mature stage it was *high*, albeit in a relative sense. Factor-markets are now *de rigueur* in the PRC, light years ahead compared with the command economy experience (see Zhao, 2004). Migration from the countryside continues unabated; the residential permit (*hukou*) has been reformed; wage differentials are standard and so on. But a number of caveats may be raised, as follows:

'The main consensus of economists is that the labour market in China is still segregated. There are different kinds of segregation, including segregation of the urban-rural labour market, segregation within the urban and within the rural labour market, segregation between the migrant and nonmigrant population and segregation within the migration population. The labour market in the formal sector is more regulated, and the labour market in the informal sector is more developed' (1984:11).

The private sector has proved more flexible (Zeng, 2005). China's SMEs, located mostly in urban areas, are an important source of job creation due to their flexibility.

The tertiary sector has been a boon to helping alleviate unemployment. Indeed: ‘The reform of the *hukou* system and land use rights, more flexible employment policies, establishing of social safety net and development of affordable housing market, would effectively facilitate the labour mobility and enterprise efficiency.’(2005:28).

6.Future trends and developments

China had already evolved the doctrine of the ‘harmonious society’ before the current economic downturn (see Warner, 2008a and b). The Party’s response has already been to extend public infra-structure projects and promise universal welfare coverage particularly in the field of health-care. This step has been part and parcel of a huge fiscal stimulus package of US\$586 billion. But it is not yet clear what the impact this will all have on labour-markets in the short-, let alone the medium-term.

In the long-term, demographic changes will influence both the extent of the internal market as well as labour supply as one source has informed source pointed out:

‘In a matter of one generation from now, China will experience the largest demographic transformation in human history. Three population waves - ageing, shrinking of the labour pool, and declining population - will sweep across the country... It is estimated that by 2010, the country's population of those over 60 years old will reach 174 million, accounting for 12.78% of the total. Furthermore, China's work-age population, 15-64, will reach its peak in 2020 to a total of 940 million. It will then decline and be overtaken by India.’ (Asia Times Online, 2006).

The major policy changes facing the Chinese government could range from ‘systemic’ regime-reform to ‘incremental’ pragmatic evolution. Full political liberalization has been spoken of but is the least likely of the policy shifts to be envisaged. A ‘middle way’ might be further, partial liberalization across a wide range of economic, political and social domains. A further dose of incremental change is the most likely possibility.

Enthusiasts for globalization believe there is little reason to believe that the ‘marketization’ process will seriously regress in China’s mixed economy and that a fully mature labour market will not eventually emerge in China. The forces shaping ‘convergence’ driven by globalization in general and WTO membership in particular will no doubt, they might argue, extend contemporary trends, albeit with the constraints of economic circumstance, residual ideological factors, political pressures and so on. On the other hand, nothing is certain (see Huang, 2008; Scissors, 2009) as we move into further economic turbulence.

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