

Papers for IV IFSAM World Conference

Alcalá de Henares: Spain

July 13-16, 1998

**Re-employment Project:
China's Structural Adjustment For Human Resources**

st

Author: Shi Zhongliang, Professor of Economics

Nanchang, Jiangxi 330013, P. R. China

Fax: 86-791-3802344, 3805665

Re-employment Project: China's Structural Adjustment For Human Resources Facing The 21st Century

The employment situation in China experiences its structural adjustment with the deepening reform of the state-owned enterprises. A *Re-employment Project* is implemented nationwide as the partnership of the reform, aimed to help the laid-off workers from the state-owned enterprises.

I. The reasons of the increasing pressures on re-employment

The issues on the employment and re-employment for urban workers are the big difficulties in China's development. The statistics shows that there are 10 million layoffs in 1996. From 1991 to 1996, The average increasing rate of unemployment is 60%. The Department of Labor forecasts that there are 54 million urban labor forces will enter the job market between 1996 to the year 2000. There are, however, only 38 million post are available during the same period. The gap will be 16 million. The unemployment rate could be reached two figures. This will cause the third unemployment peak since 1978. The characteristics of this unemployment will be that the adult unemployment being increased, the layoffs from the state-owned enterprises will take large portions of the unemployment percentage. The layoffs have to find their jobs among different professions.

The reasons of layoffs from the state-owned enterprises are not only the increases of the human resources, but also the structural adjustment of the industries. The main reasons of the pressures of re-employment in China may including the following:

1. **The transformation of the economic structure.** The industrial restructures will urge the workers to switch to newly developing industries from the traditional industries.

Historically, Chinese traditional industries such as textile, metallurgical, machinery, and construction materials industries drew on most the urban labor forces. Moreover, The modernization of the traditional industries with the help of new technologies, the productivity will be increased tremendously, and gradually decrease the demand for human labor forces. Also, with the restructures of economics, many newly developed industries sprang up. These will definitely urge that the labor forces transferring to newly developed industries from the traditional industries.

For instances, The spindle will be reduced by 10 million within three years starting from 1998, this means that 120,000 textile workers will be laid off and need to be re-employed in other professions.

2. The enterprises stop production or bankruptcy caused the layoff.

Repeat build factories at low-level are the features and disadvantages under the planning system. This situation has not been changed evidently since the country adopted the "Opening policy". The production capacities are surplus in some industries. The total supplies of products are exceeding the demand of the market. Those enterprises whose products are not accommodated the market with poor efficiency will retreat from the increasingly fierce market. They have to cut off the production capacities, or even stop production, or go to bankruptcy, and cause the workers out of work.

3. The state-owned enterprises will deepen their reform, transform their operation mechanism, so that the enterprises will produce unneeded surplus workers.

Under the planning system, Chinese state-owned enterprises adopted the employment policy of "Five people share Three's workload" at cost of sacrificing the productivity. This policy helped allocate the labor forces, but caused the low efficiency in the enterprises. To enhance the competition abilities in the market economic with the constantly economic reform, the enterprises will change their operation mechanism, lay off unneeded workers to improve the efficiency. Those workers who are laid off need to be re-employed. In 1997, The layoffs in Beijing reached to 170,000, it is expected that this figures will be 180,000 in 1998.

4. The increased demand for jobs in urban areas puts more pressures on re-employment project.

Although China has achieved great success in birth control during recent decades, There are still 10 million new labor forces need to find a job every year between 1996-2000 because of the tremendous population

5. The surplus labors from countries to seek a job in urban areas put more pressures on the employment of urban areas.

China initiated its economics reform in countries. The reform in countries greatly exerts farmer's enthusiasm. The agricultural productivity is increased significantly. Meanwhile, The reform promoted the restructures of agriculture, the non-agricultural industries developed. The surplus labor forces left from agriculture, or even left their homeland and try to find a job in urban areas and engender so called " Farmer-Workers Wave". The floating labor forces from countries are estimated over 35 million by now. There are at least 2 million farmer-workers in each big city like

Beijing, Shanghai, Guangzhou and Shenzhen.

We should acknowledge that the re-employment for those workers who are laid-off in different professions are unavoidable under the transition from planing economy system to market system. This is also the result of the new technology revolution. It is can be considered advancement and positive with this aspect. As an important production factor and social resources, the labor forces will be dominated and regulated by the law of value. Under the socialist market economy, the necessary flow of labor forces is the important factor to guarantee the vigor and efficiency of enterprises. It will improve workers' survival abilities. It is a direction that the flow of labor forces from traditional industries to newly developed industries, from countries to urban areas, from primary and secondary industry to tertiary industries. The flows of labor forces also conform to the trend of urbanization and industrialization in developing countries. This structural adjustment will favor the rational allocation of human resources and optimization of the economic structures. Thus, the phenomenon of layoff in China now is inevitable under the market economy, which will last for a long time. It is a representation of social and economics advancement. We should not be surprised by this phenomenon. What we should concentrate on now is help those layoffs re-employed as early as possible, and protect their rights of work.

II. The implantation of China's Re-employment Project

To protect the workers' right of work and handle the re-employment issue properly, Chinese government will implement the Re-employment Project relying on all potencies. This project will cover the following issues:

1. The state-owned enterprises should explore the possibilities to reassign their employee within their own enterprises.

Many state-owned enterprises launch tertiary industries such as community services, commercial business with unemployment insurance fund and their idle workshop or land to reassign some of their layoffs. All kinds of job services agency such as re-employment consultant, job training, career instruction in many state-owned enterprises have been established to help workers who are laid off to find a new career. Benxi Iron & Steal Company in Liaoning Province has reassign 15,000 layoffs inside the company, which takes up to 80 percent of the total layoffs of this company.

2. All kinds of service agencies will be established to provide the necessary assistance to layoffs.

The government's labor force administrations in all level play an important role in the re-

employment project. They provided different kinds of assistance to the layoffs, including career advice, job training, employment instruction. This will help form the employment mechanism in the market economic system and promote the rational allocation and flow of labor forces. In Jiangxi Province, 2000 labor exchange agencies was established and 210,000 layoffs have found their new job. 116 job training center was setup and 160,000 workers have been trained with new skills.

3. Develop the tertiary industries to re-employ the workers who are laid-off.

Comparing with the developed countries, The output of China's tertiary industries takes small percentage in the GNP, it is still need to be explored and can employ many layoffs. The tertiary industries is an important channel to absorb the layoffs since it need less investment and can easily employ more workers with all levels. Beijing has employed 100,000 in tertiary industries in 1997.

4. Develop the non-public sector economy to draw on the laid-off workers from the state-owned enterprises.

Non-public is the important portion in Chinese socialist market economy. It will take a very important role in the diversity of the peoples' need, increasing the employment and promote the development. Between 1991 to 1995, The non-public sector in urban areas employed more 13,858,000 new employees, it occupies the 40 percent of the total employment, most of them are the layoffs from the state-owned enterprises.

5. Encourage the laid-off workers and unemployed to self-employed.

Chinese government encourages the layoffs and unemployed to update their employment concepts, that is to encourage the unemployed not waiting, relying on themselves and seek job by themselves. The government encourages them to form the private enterprises or family business with their own capital, technology and labor. The government will formulate the favorable policies such as issuing licenses preferentially, provide the work field and loan to support those layoffs and unemployed.

6. Strengthen the macro-control and management on the external job seekers in big cities.

There are 35 million surplus labor forces from countries working in urban areas, and this makes more burdens on the re-employment. Thus some big cities like Beijing, Shanghai and Guangzhou is intensifying the macro control on the external job seekers, and urge them to switch to small towns. For those posts that the local workers can be hired, the external job seekers will be restricted. 50,000 posts have been assigned to the local layoffs in Beijing In 1997. An important way out for the surplus labor forces in countries is to develop the small towns and encourage farmers to run

business in small towns, leave the land without leaving hometown.

7. Establish the social security system to protect the rights of work for the layoffs.

China now is developing the security system including retirement, Medicare and unemployment in public, non-public and collective sectors. The government will try to protect the employee's interest under its underdeveloped economy. The local government formulated many specific policies based their own situation. For example, in Shanghai, in order to clear the obstacles for those who would like to enter the non-public sectors from the state-owned enterprises, the government made the following policies: The female layoffs whose age reaches 45 can retire normally, and they can enjoy all the benefits that a retired worker should have. They may get their pensions from the Social Security Bureau, and they will have no connections with their enterprises any more. For those layoffs who are not eligible to retire, their former status will be kept no matter their new job is. That means they can still enjoy Medicare and pensions. These policies and practices eliminated the layoffs' concerns.

The Re-employment Project is both an economic project and also a social project. It will play an important role in China's economy development and keeping the social steady. However, we should notice that the re-employment project only limited to the layoffs in urban areas. It can not solve all employment issues of in China, since there are still 120 million surplus labor forces in countries, and this figure will increase to 200 million by the year 2000. We need a larger project to allocate the surplus labor forces when they switch from agriculture to non-agriculture sectors. Therefore, we should consider the re-employment issues for surplus labor forces both in urban and rural areas. This is very important for the rational allocation of human resources in 21st century.

We must start the project in accordance with the market rules and with creation of new system if we want to solve this issue thoroughly. First, we should establish a new employment system that fit the market economy. A uniform labor market must be setup among the different regions, different sectors, different industries and different ownership. Secondly, we should change the old employment system, which all jobs are assigned by government, and bring all labor forces into the labor market nationwide to realize the fair competition environment for all job seekers.