

Impact of Reforms on the Labour System in China

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Abstract

Reform in the labour system in China signalled a major departure from the past socialist allocation system which equated the right to work, with life-long tenure employment, egalitarian wages, and comprehensive welfare for selective sectors of the urban workforce. A historical review of the evolutions of three major components of the labour system, namely employment, wage, and welfare, clearly indicates a total departure from the socialist ethos. Reliance on the market force in shaping new labour policies entails the glorification of competition and individual achievement. Under the principles of deregulation and decentralisation, lifelong employment is replaced by a contract labour system, wage is linked to performance and productivity, while the base comprehensive welfare package was replaced by a social security system.

Introduction

Three decades of economic reform have resulted in profound changes in China. The transformation from a planned economy to a socialist market economy calls for substantial reconstruction of the ideological basis and operation principles of the labour system. The market economy and the socialist planned economy are based on two distinct and contradictory principles. While the pre-reform socialist system was anchored on the principle of egalitarianism and denounced competition and individualism as obstacles to build solidarity among workers, the reform principles embrace competition as a goal and the impetus to increase productivity and profit. In other words, the injection of market elements necessitated a redefinition of labour relations as well as the operating principles behind the labour system.

Reform in China took a gradualist approach (Liu 1996; Meng 2000). Due to the economic significance of labour as well as its ideological importance in a socialist context (Tomba 2002), no radical changes were targeted at the labour system in the early phases of reform. Only at advanced stages was the scope of reconstruction extended to the labour system. A complete overhaul of the major components of the system, including employment, wages, and welfare was a final result.

This purpose of this article is to study the impact of economic

reform on the labour system in China. Analysis of the policy is mainly based on a historical review of the related legislations and administrative measures as well as information gathered from various government departments and scholars. The rest of this paper will be devoted to tracking the development of the three major components of the transforming labour system in PRC, namely, reform in employment, wages, and occupational welfare.

Reforms in Employment

A labour market in the conventional sense did not exist in China prior to economic reform which was launched in 1978. As full employment was considered the hallmark of socialism, the State had to maintain ultimate control over the supply and demand of labour through the central administration and control of urban job allocation (Knight and Song 2005). For almost four decades from 1953 to 1978, the majority of Chinese workers in urban areas were entirely dependent on the state for their employment. However, in spite of strict bureaucratic control over the recruitment process, job allocations, in practice, were largely dependent on connections or the status of the parents and hereditary recruitment (Wang 1998); it was a common practice for favourable jobs in the state owned enterprises (SOEs) to be passed down from parents to their children.

As illustrated in Table 1, during the pre-reform period from 1956 onward, the bulk of the urban Chinese urban workforce was absorbed by the SOEs which offered life-long tenure and comprehensive welfare. A smaller proportion of workers were also offered life-long tenure in collectives but with lower levels of wages and benefits than the SOEs. Before the eve of reform in 1978, the number of individual labourers was negligible.

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