The International Conference on Interdisciplinary Humanities and Communication Studies
DOI: 10.54254/2753-7048/5/20220727

An Inspection of Differential Labor Market Impacts and Inequality Outcome: National, Regional, and Local Perspectives in China

Ziqi Deng[1,a,*]
[1]*Guanghua Cambridge International School, Shanghai, China*
a. 15011020518@xs.hnit.edu.cn
**corresponding author*

Abstract: In the recent decade in China, labor conflicts have been on the rise across different industries such as the 2010 strike of Honda workers in South China. There has been an increasing amount of public media exposure to elicit illicit employment practices that have acted against the principles of labor rights. In particular, for minority groups such as low-skilled laborers and those who are inexperienced such as fresh graduates, they seemed to be more susceptible to certain negative impacts of both governmental policies and corporation employment policies. To uncover such differential impacts regarding rights in the context of employment from a systemic approach is the objective of this paper. From a national perspective, both social policy regarding Covid-19 and economic policy have some undesired impacts while impacts from contractionary monetary policy in the recent decade of China are considered milder. From a regional perspective, the inter-provincial "Dual-transfer" policy had its implementation strayed from the original plan regarding the settlement of low-skilled labor and resulted in greater regional inequality in Guangdong Province. From a local perspective, unjustifiable employment standards and the impotence of trade unions in defending labor rights are all proven to have significant differential impacts on the low-skilled and the fresh graduates. While this is the status quo, the concept of reparative equality may be integrated into policy designing to ameliorate the situation by protecting those who could hardly bear risks. Further, system of the tripartism with four parties may be changed to make trade unions stand up for laborers.

Keywords: Labor rights, low-skill labor, differential labor market impacts, policy outcome

1. Introduction

Made the headline on various social media, topics such as Generation Z rectifying the workplace reveal one fact: labor conflicts in China are on the rise. Labor rights, one directly rendering the vulnerability of workers once being infringed, is one major under-researched aspect in the political economy of China in the recent decade. Its growing influence among the public makes the challenges faced by the down-going Chinese economy more prominent, namely the covid-19 outbreak disrupting economic activities and undermining labor mobility. As seen from Figure 1, the diminishing "demographic dividend" as the elasticity of labor supply decreased from 0.15 in 2005 to 0.09 in 2018 indicating the irresponsiveness of workers to wage changes (the marginal utility for wage level

© 2023 The Authors. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).

DOI: 10.54254/2753-7048/5/20220727

decreased from 1.23 in 2005 to 0.53 in 2018), and the sectoral transformation to the production of higher added value goods underlining a mismatch between the human capital demanded in new industries and the quality of mainstream labors [1]. Yet beyond the grand picture, those challenges are considered to have differential impacts on the employment of the out-of-school youth (ages 16 to 24), the low-skilled workers, and the fresh graduates who have relatively low risk-bearing ability.

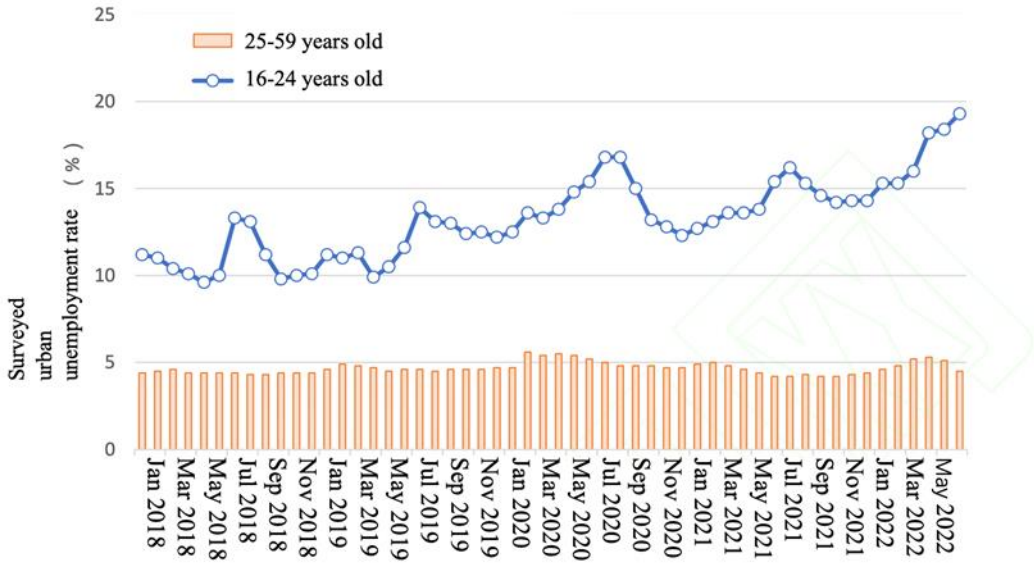


Figure 1: Urban unemployment rate sorted by age in China [2].

The objective of this paper is to uncover how labor rights for minority groups are affected and to provide suggestions. The paper will primarily focus on the possible causes by examining three perspectives: the transnational and national perspectives, the regional perspective (provinces and inter-province interactions), and the local perspective (enterprises and trade unions). The former will start by analyzing how macro socio-economic policies disproportionally affect out-of-school youth and low-skilled workers. Then, a case study on the structural transformation policy, the "Dual-transfer" policy, in the Pearl River Delta from 2009 to 2020 will be adopted to introduce the challenges in the enforcement of the policies and their impacts on the minority groups mentioned from a regional perspective. Moreover, a micro lens will be utilized to investigate the unequal treatment in the employment processes for fresh graduates, which often involve unjustifiable employment conditions regarding one's educational qualification, with further discussion on the nature of Chinese trade unions when it comes to argument with employers concerning labor rights. Crediting the previous inspection, suggestions will be proposed to ameliorate the status quo of overlooked labor rights and those with weaker bargaining power in China in correspondence to the problems discovered. The method of the literature review is applied in this research to first explore various theories of equality regarding employment and its implication in the context of law terms and to introduce the status quo of defending labor rights in China with the presence of the Covid-19 pandemic.

2. Literature Review

The concept of equality has ramified many theories in the context of employment, namely equality as neutrality, equality as equal treatment, equality as accommodation, and reparative equality[3]. The first suggests being blind to shared differences such as gender and race when considering employment. And the second, similarly, laid great emphasis on formal equality which contains no independent justification for turning unequal to equal. Yet equality as accommodation and reparative equality

DOI: 10.54254/2753-7048/5/20220727

reject such indifference. Historical discrimination and past suppression have resulted in different social statuses which would only put the minority in a worse scenario by staying neutral.

Often found in the Constitution and other statutes, anti-discrimination law in the context of employment hardly manifests itself in single omnibus law in China [3]. Established by Article 33 of the Constitution of the People's Republic of China (PRC), "All citizens of the PRC are equal before the law. Every citizen is entitled to the rights..." [4] Further, for laborers, Article 12 of the Labor Law and Article 3 of the Employment Promotion Law are two of those statutes, emphasizing the equal right to employment and equal chance being offered to choose employment on themselves' initiatives and prohibiting discrimination against their ethnicity, race, gender, and beliefs.

The labor politics has become highly diversified in China, while the current labor relation system hardly provides any contractual safeguard for the minority workers, nor does the institutional interdependence of Chinese trade unions suffice in acting as bargaining representatives[5]. In such cases, the practical unequal outcome is not to be undervalued, especially given the presence of differential policy impacts which do not appear to be prima facie. In light of the global health crisis brought on by the spread of covid-19, the inequality outcome regarding the employment data rings the alarm. According to Zhang, based on the simulative research with data from China Family Panel Studies (CFPS) 2018, 70% of the rural low-skilled laborers claimed a reduction in wage to different extents[6]. Lu concluded that 76.8% of the farmers predicted a at least 5% of annual income reduction in the research[6]. Found by Luo, 7.1% of the non-impoverished laborers claimed that they might be impoverished after the Covid-19 outbreak, and 23% of the laborers whose poverty status was once alleviated feared they'd return to poverty[6]. Such research accounted for the impacts on the rural low-skilled laborers from the pandemic Coivd-19. However, there is no systemic explanation for sources of differential impacts from governmental policies and corporation policies nor for their significance in China.

3. Analysis

3.1. National Policies

Most concerned with people's private and working lives, social policy and economic policy are the two dominant subjects under inspection for differential impacts. The former will primarily focus on the prevention and control of covid-19 in the national public policy and its administration. The latter will approach from a macroeconomic perspective to examine the rationale behind governmental economic policies causing the differential impacts in the context of employment.

Following the "Dynamic Zero-Covid" Policy, differential impacts on the low-skilled workers and out-of-school youth manifest in two points: geographical immobility and inability to work from home. First, in order to prevent the wider spread of covid-19, the "Zero Community Transmission" Policy was introduced to lock the infected neighborhood instantly. Followed by a seven-day lockdown, the policy undermined the geographical mobility of low-skilled laborers in the first place. Yet the mobility for those who were not locked home was not ideal. Health reports, PCR codes, and the xenophobic attitude of the locals, who feared someone from other cities passed over the virus leading to another seven-day lockdown, at their destinations all acted as obstacles. More so, since the working environment of the low-skilled laborers is sometimes not as standardized when it comes to the precautions and thorough sanitizing processes for covid-19 compared to those who work in buildings located downtown, low-skilled laborers were more susceptible to xenophobic attitudes and were more likely to be hindered from traveling across cities. Second, low-skilled workers and out-of-school youth are usually not in a position of great importance to attend online meetings. The content of their work, internship, or physically demanding jobs, which is considered less technical and more repetitive,

DOI: 10.54254/2753-7048/5/20220727

might not make the option of working from home eligible for them. Hence, if they are not working, they either need to live on the minimum wage/reduced wage or are listed on the layoff list.

Contractionary monetary policy, measured by an increase in the federal fund rate, could also bring significant differential impacts to the low-skilled and out-of-school youth. An increase in the federal fund rate would typically result in increasing the unemployment rate of minorities while not decreasing their labor force participation rate [7], meaning the number of people being unemployed increases but the very few leave the labor force when most of the unemployed laborers keep seeking employment. In the process, the out-of-school youth bear the brunt of contractionary monetary policy by having a higher unemployment rate and a larger decline in their labor force participation rate[7]. Not only being more prone to redundancies, but teenagers are often rejected from many employment opportunities and, therefore, forced to leave the labor market. Looking at the past decade, the monetary policy in China started contractionary in 2010 with the cash reserve ratio increasing for consecutive seven times and the discount rate being set higher two times in the last two quarters in 2010. Yet this trend did not persist, as the monetary policy for the following decade was proven quite expansionary. Thus, the differential impacts resulting from contractionary monetary policy in the recent decade were not as significant, but this provides a perspective to consider the inequality outcome regarding the adaptation of governmental economic policies.

3.2. Regional Policies: The Case for the Pearl River Delta

The development of the Pearl River Delta region in the period of 2009 to 2020 was heavily directed towards one profession: structural transformation and industrial upgrading. The Government of Guangdong Province introduced the “Dual transfer” strategy to clear out the labor-intensive industries to less-developed regions of the Guangdong province (the northern, western, and eastern parts of Guangdong) and attract high-quality labor to develop industries with the production of higher value-added goods in the Pearl River Delta. Yet its implementation, in terms of relocating the less-skilled laborers, strayed from the original planning.

Ever since 2008, the Government of Guangdong Province had initiated 34 projects, building sites for the provincial sectoral transferring industries. Incentivizing policies had been introduced to encourage the intake of those transferred laborers: the electricity price of the targeted areas was lower than that of the Pearl River Delta Region by 0.1 RMB per kilowatt-hour; the vocational training schools in the Pearl River Delta had to offer at least 30% of their admission to students from the targeted areas and help students with local employment; the targeted cities were offered 100 million RMB per year each to hasten the construction of infrastructure and to relief the cost of loans[8].

Nevertheless, in 2010, more than 50% of the 1840 contracted projects in the 34 sectoral transferring sites at the less developed regions were not being put down to the ground[9]. From 2008 to 2010, the number of the labor attracted to these sites was around 426 thousand, 600 thousand less than the initial estimation. In the following decade, the total population of the eastern, western, and northern parts of the Guangdong Province as a percentage of the total population in the Guangdong Province declined from 46.13% in 2010 to 38.09% in 2020. Where have these laborers gone? The answer was Hunan Province and Jiangxi Province which are hundreds of miles away further compared to those in-province areas in proximity to the Pearl River Delta. And the situation of regional inequality in Guangdong Province was not ameliorating. The city of Zhongshan, for example, had its GDP growth rate continue to decline as a result of the “Dual-transfer” policy. There were no high-tech substituting industries moving in as the labor-intensive ones are moving out. The GDP growth rate in 2015 was 8.2%, while it was 0.9% in the first half of 2019, making the employment situation tougher than it already was in Zhongshan[10].Moreover, some of the laborers being transferred to the target regions still had to face a moderate decline in their living standards when the

DOI: 10.54254/2753-7048/5/20220727

targeted regions cannot offer the same level of healthcare, public transportation, and education in the Pearl River Delta region.

3.3. Local Employment Standards

One of the most frequently seen hiring requirements in the Chinese labor market of the past decade would be “experienced”. The pursuit of higher efficiency during the production processes has made people emphasize the importance of related experience. However, when it comes to hiring fresh graduates, the standard unreasonably remains. And that translates into hiring someone with more internship experience. Yet this may disadvantage those coming from a less wealthy family with few connections or not being aware of the importance of acquiring an internship position. Some universities indeed offer students internships, yet such positions remain limited, especially internships to those top 500enterprisesin the world with professional and mature training systems. Moreover, as fresh graduates apply to both a formal position and an internship position, employers would prefer the one that comes from a more prestigious college, which often offers better internship programs. According to Spence’s model of education, while education does not necessarily increase one’s labor productivity, education does act as a signal to employers as a credential for greater ability[11]. Hence, fresh graduates from humble families or a not-as-prestigious university are considered to bear greater differential impacts owing to both a lack of internship opportunities and a less strong signal demonstrating their ability to employers.

The requirement for employees to be experienced might come from the reluctance of corporations to train new workers frequently as both the cost of hiring and the cost of training are increasing. While low-skilled workers might bear a greater burden by trying to adapt and learn new skills, corporations might add more unjustifiable requirements for the job. For instance, corporations might require College English Test Band 4 for the position while no working contents are related to English at all. And it is important to acknowledge that job applicants could hardly distinguish between the necessary conditions and the unreasonable conditions before they have the job.

3.4. Trade Union

While such unjustifiable standards may be collectively argued in the western world with trade unions representing the interests of laborers, it is rare to witness such action in China. There is a consensus where corporations usually have themselves and their interests fully represented in front of government officials when designing labor policies, whilst laborers are excluded from this process as they are usually forced to conduct industrial action such as the strike in May 2010 involving 2000 laborers from the Honda automobile. As an obstacle to “harmonious labor relations”, this growing unbalanced levels of political voice are seen as fundamentally detrimental to the establishment of a coherent labor policy that is appealing to two parties.

The current Chinese labor relations practices could be summarized as “tripartism with four parties” as the trade unions and employees are not a single party[5]. Employees’ control over their wages given the tripartite regime is significantly undermined owing to the absence of collective standards, the lack of negotiating processes with the employers, and the fragmented nature of the representative of trade unions[5].Those three factors are co-related: the absence of collective standards and negotiation undermined the legitimacy of trade unions as they fail to bolster communication between laborers and fail to represent a whole group’s interest. Not just from the employee’s side, employers in one industry also lack organizations of their own to represent their interests, while they would much prefer using their connections with government officials at various levels.

DOI: 10.54254/2753-7048/5/20220727

4. Suggestions

From both a national and regional perspective, reparative equality would be the optimal theory to adopt when both national and regional policies exhibit inevitable negative policy outcomes during the implementation stage. Reparative equality involves providing subsidies or assistance to substantiate the harmed groups once a negative outcome has been reached. For the covid policy, apart from the reparation needed, the differential impact on the less skilled could be reduced by having working personnel standing at where the PCR code and the health report are required to direct those who are having difficulties dealing with technologies. More so, for the differential impacts brought by the contractionary monetary policy, the Chinese government might need to balance the amount of unemployment subsidies and the amount of employment motivating opportunities to both the low-skilled and the out-of-school-youth when excessive former may discourage the motivation for finding employment and the excessive later would push up the competition level. The regional sector-transferring policy could ameliorate the situation by sacrificing the short-term government budget surplus for a greater amount of attractive labor policies and investment-incentivizing policies for both laborers and employers. More so, the regional government could make the transfer a gradual process to have the low-skilled adapt to the living and working environment.

While it is difficult to monitor the employment standards for each corporation, the local government could also set a minimum quota as a percentage of the number of students for each corporation to intake during the school recruitment season to ensure equal opportunity for and a sufficient quantity of jobs for candidates. Further, the local government could require schools to lower the barriers to qualification tests such as CET-Band 4 and Band 6 by providing practicing material and one-to-many tutoring to satisfy the employment requirements so long as the requirements are not unfeasible.

Tripartism with four parties according to which is a corporatist labor system in the western world. The underlying institutional arrangement represents a system of power relations from history. “The consensual arrangements need constant reproduction of their ideology and material base by mobilizing rank and file workers for limited movements” [5, 12]. Yet, for China, trying to “free” workers is acting against the local government. As industrial actions now are often spontaneous, resorting a violent means, China lacks a buffer or a cushion to put between the social movement and the government. And the solution would be the creation of true trade unions.

5. Conclusion

This paper focuses on the differential labor market impacts and the inequality outcomes from three perspectives: national, regional, and local (employment standards and trade union). The former is dissected into two domains: the social policy and the economic policy both of which are proven influential in causing differential impacts to the low-skilled and the out-of-school youth. During covid, the social policies regarding traveling to other cities and working from home are considered negative impacts on their living standards. The analysis around the regional “Dual-transfer” policy demonstrates the inevitability of the impact of such structural transformation policies on the low-skilled laborers as they were once relocated in correspondence to their jobs. Moreover, the high employment standards sometimes seem to be unjustifiable considering one’s educational qualification and the actual requirement for the job, posing an extra burden on the fresh graduates and the low-skilled. The underdevelopment and the unclear role of trade unions in the context of Chinese labor relations hinder the promotion of labor right from two angles: the employee’s angle and the employer’s angle. Suggestions are followed in correspondence with reparative equality as the main theme, relatively minor adjustments according to each proposal such as having working personnel at the site and lowered barrier for acquiring qualifications. At last, a reform of Chinese labor relations

DOI: 10.54254/2753-7048/5/20220727

and the rise of trade unions as the representatives of laborers are demanded as the labor conflicts are witnessed more frequently in China.

References

[1] Chen, Jie, andYufeng Zhu. "Estimation of Labor Supply Elasticity: Understanding the Chinese Labor Market Transformation in the New Era." Ejournaliwep.cssn.cn, vol. 8, no. 1002-9621, 20 Aug. 2021, pp. 28–54, ejournaliwep.cssn.cn/qkjj/sjjj/sj218/202108/t20210820_5354662.shtml. Accessed 8 Oct. 2022.

[2] Cai, Fang. "The Employment Challenges That China Is Facing: From Short Term to Long Term." Kns.cnki.net, National high-end think tank of the Chinese Academy of Social Sciences, 31 Aug. 2022, kns.cnki.net/kcms/detail/11.3799.F.20220830.0924.004.html. Accessed 8 Oct. 2022.

[3] Oppenheimer, David B., et al. Comparative Equality and Anti-Discrimination Law. 2012. Third Edition ed., Northampton, MA, USA, Edward Elgar Publishing, 2020, pp. 175–177.

[4] The Constitution of the People's Republic of China_ the website of the National People's Congress. (2004). Www.npc.gov.cn. Retrieved October 14, 2022, fromhttp://www.npc.gov.cn/npc/c198/200403/d304890b8c3a42baa0ee0fe3f85f939d.shtml.

[5] Lüthje, B. (2012). Diverging Trajectories: Economic Rebalancing and Labor Policies in China. East-West Center. http://www.jstor.org/stable/resrep21080.

[6] Bai, Yunli, et al. "The Re-Recognition of the Buffer Effect of Agricultural Department-Evidence from the Rural Worker Employment before and after the Covid Pandemic." Chinese Rural Economy, no. 1002-8870, June 2022, pp. 65–87.

[7] Carpenter, S. B., & Rodgers III, W. M. (2004). The disparate labor market impacts of monetary policy. Journal of Policy Analysis and Management, 23(4), 813–830. https://doi.org/10.1002/pam.20048.

[8] CPC Guangdong Provincial Committee Decision of the People's Government of Guangdong Province on Promoting Industrial Transfer and Labor Transfer Guangdong Provincial People's Government Portal. (n.d.). Www.gd.gov.cn. Retrieved October 9, 2022, from https://www.gd.gov.cn/zwgk/wjk/zcfgk/content/post_2521212.html.

[9] "Emptying the Bird Cage to Switch the Birds: Over Half of the 34 Projects Are Not Put down to Ground in Guangdong." Oriental Morning Post, 20 Jan. 2011.Retrieved October 14, 2022, fromhttps://finance.sina.com.cn/roll/20110120/09183582916.shtml.

[10] The website of the Zhongshan Statistics Bureau. (2019). Search.gd.gov.cn. Retrieved October 14, 2022, from http://search.gd.gov.cn/search/all/760007?keywords=GDP.

[11] Spence, M. (1973). Job market signaling. Quarterly Journal of Economics, 87, 355-374. doi:10.2307/1882010.

[12] Josef Esser, Gewerkschaften in der Krise, Frankfurt/: Suhrkamp, 1982.