



China

**EXPORT PROCESSING
ZONES IN CHINA:
A SURVEY AND A
CASE STUDY**

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Export Processing Zones in **CHINA**

A Survey Report and a Case Study

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International Labour Office

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Export Processing Zones in
CHINA

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Introduction

Running in tandem with China's gradual shift away from a planned towards a market economy, the development of EPZs has become the epitome of China's reform and opening up, as well as a major catalyzer of this process. Over the last three decades, the blossom of EPZs has made far-reaching contributions to the prosperity of China's economic development. On one hand, being the center of industrial development, EPZs take full advantage of their scale effect and agglomeration effect in allocating market resources efficiently to achieve a healthy development of domestic market. On the other hand, being windows opening to the outside world, EPZs serve as major footholds for China to expand its international market share, extend its global production lines, as well as involve in worldwide economic competition.

Different with EPZs in some foreign countries, Chinese government plays a dominant role in facilitating and coordinating the development of EPZs. Government functions are played by administrative committees located in EPZs. According to differences in administrative level and economic contribution, China's EPZs fall into two categories: the state-level zones and the provincial-level zones. These two kinds of EPZs are both centers for local economic prosperity.

With unique missions, economic and social functions, as well as special driving force, China's EPZs enjoy different development paths as EPZs in foreign countries, leading to special conditions in labor issues and trade union strategies. Generally, labor issues and trade union strategies in China's EPZs put emphasis on both stability and flexibility to coordinating globalization and localization.

With the initial goal of breaking down the rigid system of allocating resources by administrative orders and forming healthy market development to allow resources flow freely and efficiently, EPZs have adopted special economic policies, flexible economic measures, as well as unique economic management system since their inception. As a major coordinator of development, administrative committees in EPZs adopt flexible labor policies that are conducive to attracting foreign capital inflows and creating harmonious industrial relations within the zones. Thus, flexible and capital-friendly are two key words to summarize labor policies and trade union organization strategies in EPZs.

Flexibility in labor policies is realized under stable and strict national regulations. First, as the benchmark for enterprises outside the EPZs, enterprises in EPZs should strictly adhere to national laws and regulations on labor issues, otherwise, they would have no access to various preferential policies provided by central and local government. Second, pressed by increasing competition in global market and skilled worker shortage, administrative committees in EPZs tend to create a balance and harmonious development between labor and capital in order to guarantee a stable and sustainable development in EPZs. Therefore, services are provided to enhance the efficiency in labor dispute resolution, trade unions are organized to protect workers' rights, and collective bargaining mechanisms are promoted to coordinate conflicts between labor and capital. All these are done to bring the

industrial relation system in EPZs into the legal frame, which would contribute to a stable and sustainable development in these areas.

In addition, given the diversities in social and economic conditions in EPZs, laws and regulations at national level have no relevant provisions, which allow full discretion over specific labor issues in EPZs. Based on different conditions in development stages, industrial distributions, competition levels, and labor market situation, administrative committees in EPZs have made great effort in developing a series of policies to achieve the coordination between national regulation and local development. Beijing Economic-Technological Development Zone is a case in point.

Based on literature reviews and in-depth interviews, this report describes working conditions and trade union organization in China's EPZs in order to develop a clear picture on industrial relations in the frontiers of China's reform and opening up. The report is organized as follows: 1. General development situation of China's EPZs are presented in chapter 1, including the definition of EPZs, the history of development, descriptive analysis on current and future development, as well as some preferential policies for enterprises in EPZs. 2. Based on case study in Beijing Economic and Technological Development Zone, Chapter 2 develops introductions on laws and regulations concerning labor dispute resolution, labor inspection and female workers protection in China. 3. Chapter 3 concentrates on issues concerning trade union issues in EPZs, involving issues like legitimation and regulation on union organization, difficulties and challenges of union organization, as well as strategies for ACFTU to expand union coverage in EPZs. 5. Chapter 4 presents an in-depth case study on experience in Beijing Economic-Technological Development Zone with detail information on general economic development, employment situations, social insurance, labor dispute resolutions, labor inspections, collective bargaining mechanisms and female workers protection and employment discrimination in BETDZ.

1. Overall situation of EPZs in China

1.1 Definition and classification of EPZs in China

According to ILO's definition, EPZs are industrial zones that offer generous economic and social incentives to attract foreign investors, and in which imported materials are processed before being re-exported. EPZs come under different names and forms, including special economic zones, free trade zones, maquiladoras, industrial free zones and development zones¹.

EPZs in China can be dated back to 1979 when Special Economic Zones were first established. After that, more kinds of EPZs were set up such as Economic and Technological Development Zone (ETDZ), High-tech Industrial Development Zone (HIDZs), Bonded Zone, Export Processing Zone (EPZ), Export Processing Zone (EPZ), Bonded Port Areas, Bonded Logistics Zones, etc. (See Table1-1)

Table 1-1 Typology of EPZs in China

China's National Typology	China's Definition	Year of first establishment	No.
Special Economic Zone (SEZ)	SEZs are the special economic zones marked off to introduce special economic policies and flexible governmental measures that does not exist in the rest of mainland China, including cities of Shenzhen, Zhuhai, Shantou, Xiamen and the province of Hainan.	1979	5
Comprehensive Reform Testing District (CRTD)	CRTDs are districts in which more special policies are granted to support experimental reforms based on their own regional characters. The purpose of establishing CRTDs is to explore new ways to drive economic, political and social reform as well as to promote regional economy.	2005	4

¹ Export Processing Zones in China: A Survey. Xiaolan Fu (University of Oxford) and Yuning Gao (University of Cambridge) 31/10/2007, A report submitted to ILO.

China's National Typology	China's Definition	Year of first establishment	No.
Economic and Technology Development Zone (ETDZ)	ETDZ is an area marked off in open cities with focus effort on infrastructure construction, economic and technical cooperation, foreign investment and equipment introduction, tertiary industry and export enterprises development, thus forming a modern industrial structure with hi-tech as the main industry and becoming the key area in foreign trade of the local and surrounding cities.	1984	128
High-tech Industrial Development Zone (HIDZ)	HIDZ is a developing zone established in knowledge-intensive or technology-intensive large or medium cities and coastal areas aiming at advancing hi-tech industry, supporting high-tech products research and development, implementing research achievements, establishing high-tech enterprises and speeding the digestion, absorption and innovation of the technology introduced from successful countries.	1988	68
Bonded Zone	Bonded Zone is an area approved by the Chinese government and supervised specially by the customs, which is similar to the free trade zone and aims at developing international trade and bonded business. Foreign investment for the operation of international trade, the development of bonded storage and export processing business is allowed in the zone.	1990	15
Export Processing Zone (EPZ)	EPZ is a special industrial zone marked off in the built developing zone and particular for manufacturing, processing and assembling products for export, whose functions are limited to processing trade for export. Export processing enterprises and related storage and transportation enterprises can be established in the zone.	2000	63
Bonded Port Areas	Bonded Port Areas are set up at open ports and their contiguous particular area and its functions are port, logistics and processing. It is approved by the Chinese government and supervised specially by the customs.	2005	14

China's National Typology	China's Definition	Year of first establishment	No.
Bonded Logistics Zone	Bonded Logistics Zones are set up inside Free Trade Zones or Bonded Port Areas next to Free Trade Zones aiming at developing modern international logistics industry specially. They are approved by the Chinese government and supervised specially by the customs.	2003	5
Comprehensive Free Trade Zone	Comprehensive Free Trade Zones are integrated from Bonded Zone and EPZ in some well-developed HIDZs and ETDZs. The government approves to set up Comprehensive Free Trade Zones in some important ports or open areas with mature conditions.	2006	18
Border Economic Cooperation Zone	The areas are set up in border open cities aiming at developing border trade, export processing and tourism.	2003	15

1.2 Statistics (2006-2011) of EPZs in China

1.2.1 Geographical distribution of EPZs in China

China's EPZs are mostly located in eastern provinces because EPZs development started from east coastal areas. Eastern provinces have First-Mover advantage and thus enjoy more convenience to get remarkable achievements. As the EPZs go deep into inland, especially after WRDP (West Region Development Plan) and Rise of Central China Plan are proposed, central and western regions of China as well as the EPZs there achieve rapid development. The table below shows the distribution of EPZs in China.

Table 1-2 Regional distribution of EPZs in China

State-level EPZ	National	Eastern	Proportion (east)	Central	Proportion (center)	Western	Proportion (west)
Economic and Technology Development Zone (ETDZ)	128	64	49.61%	37	28.68%	27	21.71%
High-tech Industrial Development Zone (HIDZ)	68	37	54.41%	15	22.06%	16	23.53%
Boned Zone	15	15	100.00%	0	0	0	0

State-level EPZ	National	Eastern	Proportion (east)	Central	Proportion (center)	Western	Proportion (west)
Export Processing Zone (EPZ)	63	46	73.02%	9	14.29%	8	12.70%
Bonded Port Areas	14	12	85.71%	0	0	0	14.29%
Bonded Logistics Zone	5	5	100.00%	0	0	0	0
Comprehensive Free Trade Zone	18	10	55.56%	3	16.67%	5	27.78%
Border Economic Cooperation Zone	15	1	6.67%	3	20.00%	11	73.33%

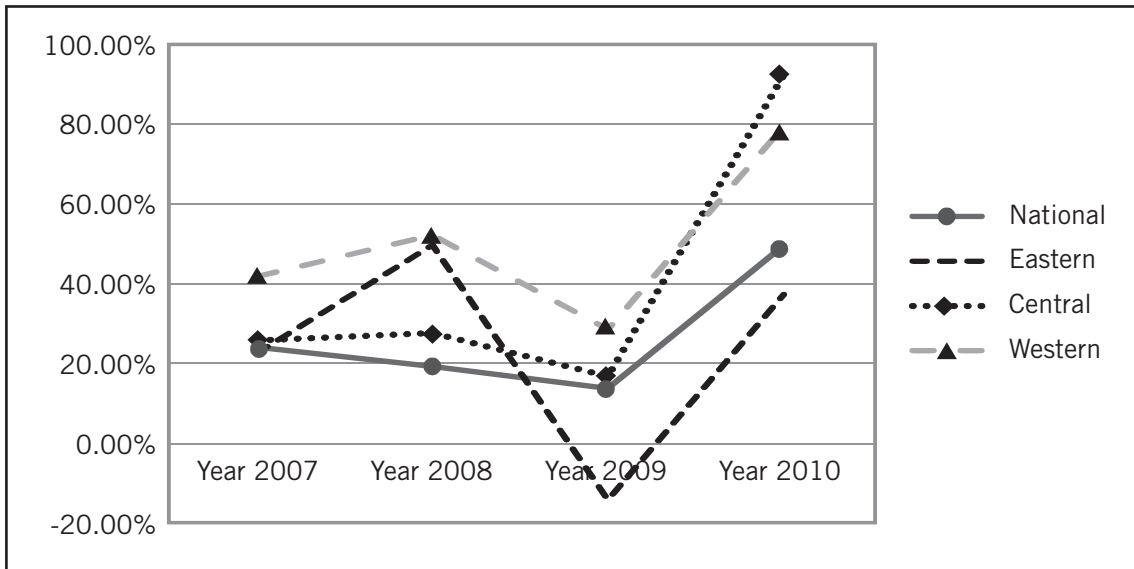
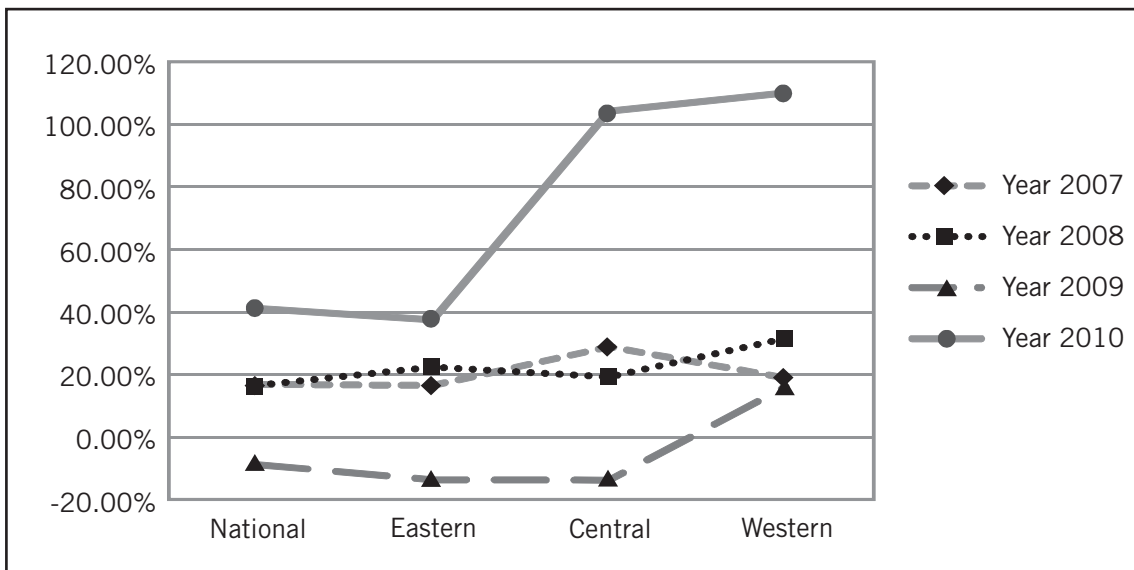
1.2.2 Economic data of EPZs in China²

After the “Eleventh Five-Year Plan”, the development of Chinese EPZs remained significant growth momentum. EPZs are still the main power to pull the national and regional economic growth.

EPZs in China have the following characteristics in the development of the past 5 years (2005-2010):

- All types of EPZs have achieved rapid economic growth during the “Eleventh Five-Year”. The speed reached 2-3 times of national GDP growth.
- High-tech Industrial Development Zone enjoys the highest economic growth rate and gradually expands its incubation effect, gathered effect and radiation effect.
- The actual use of total foreign investment of all types of EPZs increased every year with volatility in growth rate. The growth rate declined significantly in 2008 but took a turn for the better in 2009.
- When it comes to growth rates in industrial added value and total export-import of Economic and Technology Development Zone in different regions, it is showed that western and central areas have higher development rate in industrial added value and total export-import than do eastern areas. EPZs in western regions have the highest development rate, far exceeding the national average level.
- The overall development of all types of EPZs is satisfying, but it is influenced significantly by the international environment. During the global financial crisis, EPZs in different regions suffered economic depression and the growth rates of industrial added value declined significantly, especially in eastern regions.

² The data is presented in the appendix in detail, which contains the time series data of ETDZ, HITZ, Bonded Zone, EPZ, Bonded Logistics Zones.

Figure 1-1 Growth rate of industrial value added of EPZs in different regions**Figure 1-2 Growth rate of total import-export of EPZs in different regions**

Regarding employment in the EPZs, one must note that EPZs in China are of different forms. They include Economic and Technology Development Zone (ETDZ), High-tech Industrial Development Zone (HIDZ), Free Trade Zone (FTZ), Export Processing Zone (EPZ), Bonded Port Areas, Comprehensive Free Trade Zones, Bonded Logistics Zones, Border Economic Cooperation Zones. The above different zones are supervised and regulated by different central government departments, which means different sources of the statistics and discordance of statistical range. Meanwhile, overlapping of various zones is another difficulty to calculate total employment of EPZs in China. Take the ETDZ and HIDZ for example: roughly 30% of them refer to one area but with two names and two types of function. Moreover, some zones like Free Trade Zone (FTZ) or Bonded Port Areas are just located in the ETDZ and part of ETDZ. Direct summation of employment at the year end in different zones will lead to repetitive computation.

An alternative approach is to adopt employment of ETDZ as the estimated total employment of EPZs in China. After all, ETDZ is the largest EPZs in China except SEZ and CRTD. As it is presented in the appendix, the total employment of ETDZ was about 8.98 million at the end of Year 2010.

There is a lack of profile of employment data in China's EPZs. However, according to surveys in BETDZ, employees in export processing companies are mainly young female workers and the age and gender distributions of labor in high-tech companies are relatively balanced.

1.2.3 Impact of EPZs in China on national economy

EPZs in China make a great contribution to national economic development and regional economic development.

China's EPZs promote export-oriented economy and become an important platform in connecting domestic economy to global economy by attracting and utilizing foreign investment and foreign trade. The leading zones in the opening-up process are Economic and Technology Development Zones and High-tech Industrial Development Zones. In 2010, the actual use of foreign investment of state-level Economic and Technology Development Zones amount to 30.59 billion dollars, taking up 28.94% of the total amount. In terms of foreign trade, total amount of imports reach 243 billion dollars and exports 253.6 billion dollars, respectively taking up 17.4% and 16.1% of the total amount.

Playing an important role in the overall development of their base city, EPZs in China dramatically drive the regional development. EPZs are also the main growth pole of local economy with obvious radiation effect on peripheral economy.

EPZs in China promote industrial clusters in different regions. Now, EPZs in different regions have gradually formed industrial chains with six pillar industries namely electronic information, transportation equipment manufacturing, electrical machinery and equipment, biological medicine, chemical raw materials and products, food and beverage, occupying 60.59%³ of the total industrial value added of 54 state-level ETDZs. The electronic information industry ranks the first. At the same time, industrial clusters around EPZs emerge with their own specific characteristic, exerting remarkable cluster effect and scale effect to urbanization and industrialization within a region.

Table 1-3 Representative cases of industrial cluster in china

Chemical industry cluster	Guangzhou Economic and Technology Development Zone
Electronic information industry clusters	Tianjin, Beijing Economic and Technology Development Zone
Automobile Industrial Cluster	Changchun, Wuhan, Chongqing Economic and Technology Development Zone
Home appliance, electronic industry cluster	Qingdao Economic and Technology Development Zone
Equipment industry cluster	Shenyang Economic and Technology Development Zone
Monitor industry cluster	Fuzhou, Rongqiao Economic and Technology Development Zone

³ China's Regional Policies And Regional Development, 167.

EPZs in China give great priority to technology innovation and human resource development. Rapid development of High-tech industry in EPZs boosts the progress of science and technology in China. State-level Economic and Technology Development Zones have become concentration of modern manufacturing and high-tech industry development, basis of science and technology development, as well as major incubation for high-tech enterprises.

EPZs in China also play a constructive role in achieving efficient and intensive utilization of land resources. State-level EPZs take advantage of industrial clusters and focus on the operation of centralized supply and rational planning, becoming areas with the most intensive utilization of land and energy. By June, 2007, State-level Economic and Technology Development Zones have achieved 1.3 billion yuan industrial value added, with total industrial output value 5.3 billion. They also created nearly 8000 jobs per square kilometer land for industrial use with 275 million revenues⁴.

1.2.4 Policies for EPZs in China

Preferential policies for EPZs are important means to attract foreign investment, mainly including fiscal and tax policies with a loose policy environment. Preferential fiscal policies contributed greatly to the basic development of EPZs (mainly infrastructure construction), while a loose policy environment and preferential tax policies support foreign investment attraction.

In respect of fiscal policy, the most supportive one is financial return policy adopted at the initial stage of EPZs development. The central government returns all the new financial income to each EPZ, or local government as well, to support construction and development of the EPZs. In addition, national finance provides a small amount of a 15-year discount loan to EPZs.

Preferential tax policies mainly include tax cuts and tax project decrease. The taxes with reduction or exemption are: enterprise income tax, value-added tax, import tariffs, export tax and so on. The decreasing tax project includes supplied materials processing project. However, with more consideration on strengthening the technical ability of domestic enterprises, different kinds of preferential policies aiming at attracting investment and business are adjusted gradually. In March 2007, the implementation of the new enterprise income tax law weakened the original tax advantages of foreign companies, bringing challenges to investment-oriented enterprises in EPZs.

Policies for foreign exchange involve allowing foreign investment enterprises to convert RMB into foreign currency in current account, allowing enterprises in Bonded Zones and Export Processing Zones to set up special foreign exchange account for “current account” and “capital account” and to reserve foreign exchange, as well as to remit bank margin system in Bonded Zones and Export Processing Zones.

In terms of the government services, EPZs are special areas endowed with government service priority. Chinese government gives EPZs the right to reform and encourage its endeavor in institutional innovation. Under the circumstance of opening-up, great efforts are made to create a friendly investment environment by simplifying administrative procedures, reducing administrative fees and enhancing administrative efficiency.

The main target of land policies is to promote the infrastructure construction of the EPZs. Local governments have preferential policies on land development, expense privilege and land planning management, etc. In 2003 China begins to rectify national land markets,

⁴ <http://www.sx.chinanews.com/2008-07-05/32/114.html>

especially land markets in EPZs. With the purpose of strictly controlling the total land supply for construction and restricting blind investment and low-level repeated construction, EPZs adopted stricter land policies.

In addition, EPZs have supportive policies on human resource development such as opening and competitive recruitment, competitive salaries and welfare, as well as policies on attracting and maintaining high-end and exceptional talents. Most current personnel policies for EPZs contain high salary, settling-in allowance, privilege for purchasing a house, arrangement for families, various subsidies and rewards, etc. “The twelfth Five-year Plan” sets a goal of putting more emphasis to human capital, so EPZs are using personnel policies as an important means to create talent advantage by attracting and maintaining high-end human resources.

Most of the leaders in enterprise-level trade unions come from the management, only a small part of the leaders are ordinary workers. One explanation provided by Officers in ACFTU, BETDZ is that weak voice of ordinary workers at workplace makes it hard for them to implement any policies to protect workers’ right and benefit, even if they are elected to be leaders of trade unions. However, members in the management, if they are elected to be leaders of trade unions, have strong voice to make sure trade union policies implemented well in enterprises. The officer also stated that due to the above reason, ordinary workers tend to elected members in the management to be the leader of enterprise-level trade unions, and there is no good way to solve this problem yet.

In response to national government’s proactive employment policies, government labor bureaus in EPZs actively improve the Public Employment Service System, and foster the development of labor market. On one hand, local labor bureaus in EPZs provide preferential policies and encouragement for enterprises to attract high-end talents and skill workers. They also protect employers’ right to attract and select employees. On the other hand, to reduce employment cost, local labor bureaus encourage workers to seek employment through flexible and diverse forms, and actively develop labor-dispatch organizations and employment bases to provide services and assistance for flexible employment.

The public employment service systems are open to special groups experiencing employment difficulty. For laid-offs and the unemployed, they provide a “one-stop” service ranging from registration of laid-off and unemployed persons looking for jobs, to providing employment consultancy, job placement, social insurance coverage, and vocational skill training.

Noting that an efficient information flow contributes to an effective the match of labor supply and demand, labor bureaus in EPZs attach great importance to information systems. By gradually improving information system of labor market, the local labor bureaus provide convenient information services for job seekers and enterprises so as to enhance the efficiency in matching supply and demand of labor market.

In view of the significant role that skilled workers play in EPZ economic development, labor bureaus in EPZs take great effort in improving vocational trainings to ensure qualified labor supply. Besides developing vocational education system and on-job training programs, vocational skills contest are widely held in EPZs annually to form a competitive environment that encourages workers to improve their professional skills.

Finally, several labor policies in China’s EPZs should be mentioned so that both generality and peculiarity of labor policies in EPZs could be seen compared to other areas in China.

One kind of labor policies involves employment protections of female workers and the disabled. Enterprises in EPZs, like those in other regions, have to implement labor protect laws and regulations concerning the employment protection of female workers and the disabled. For instance, female worker protection policies contains the following aspects: specified the scope of work considered as taboo for female workers, restrictions on female workers' dismissal during menstruation, pregnancy, child birth and baby nursing period, regulations against employment discriminations, etc. (See part 3.3) Besides, according to national laws and regulations on the protection and employment of the disabled, enterprises in EPZs can enjoy preferential treatment on taxes and other administrative charges if they hire a certain amount of disabled workers. As is stated in Article 36 in the Law of the PRC on the Protection of Disabled Persons (2008 Revision), to an entity employer that has reached or exceeded the prescribed proportion for arranging employment of disabled persons or has employed disabled persons in a centralized manner, or to a disabled person engaged in an individual business, the state shall give tax preferences and support in such aspects as production, business operation, technology, capital, materials and place according to law. The state shall exempt a disabled person engaging in an individual business from the administrative charges according to law. According to the Regulation on the Employment of the Disabled, which came into force on May 1, 2007, government departments, institutions and enterprises that employ more disabled people will enjoy preferential tax and other policies. Organizations providing employment services to the disabled should offer free information, training and job introduction services and compile statistics.

Another kind of labor policies concentrates on workers right to organize trade unions. Although in some countries, enterprises in EPZs are exempt from respecting national labour legislation, especially legislations concerning trade union organization. While in China, the situation is different. At least according to statutory provisions on labor regulation in EPZs in Tianjin⁵, Hebei⁶ and Fuzhou⁷, employees' right to organize and participate in trade unions is protected. In these regulations, employers' responsibilities to allow and support trade union within the enterprise are stated as well, which means that in China, enterprises in EPZs are not exempt from national labor legislation. In practice, labor practices vary between different EPZs as provincial and local labour departments have fairly wide discretion in handling local labour matters. For instance, the development of trade unions varies between different economic regions, which are presented in chapter 4. Though diverse trade union policies are found in different EPZs, One thing is common: no preferential policies are found to exempt enterprises in EPZs from organizing trade unions for the purpose of attracting investment. On the contrary, noting the importance of harmonious labor relations to economic and social development, government agencies in EPZs are making great effort in support of trade unions.

In addition, special preferential policies are provided to enterprises in EPZs to ensure harmonious labor relations. For instance, when large-scale industrial actions were reported, several government agencies would cooperate with trade union officials and play an active role to deal with labor disputes⁸. Through mediation and communication, collective labor disputes are well-resolved within a short period. This turns out to be an attraction for enterprises, especially foreign invested enterprises, since a peaceful industrial relation are the best preferential policies provided by government in EPZ.

⁵ See Regulation for Labor Administration in Tianjin Economic Development Zone (1993), <http://www.51labour.com/lawcenter/lawshow-60907-4.html>, 2012-05-10-16:39

⁶ See Regulation for Labor Administration in Hebei Economic Development Zone (1992), http://china.findlaw.cn/fagui/p_1/228877.html, 2012-05-10-16:41

⁷ See Regulation for Hebei Economic Development Zone (2002), <http://www.fjzt.gov.cn/catalog/1793/14088.html>, 2012-05-10-16:42

⁸ See Chapter 5.4 Labor Dispute Resolution in BETDZ.

2. Labor disputes, labor inspection and female workers protection: laws and practice in China's EPZs

2.1 Laws and regulations on labor dispute resolution in China

Generally, "one mediation process, one arbitration process and final judgment after two trials" is China's current system to deal with labor disputes, which are managed separately by labor dispute regulation commission, labor dispute arbitration committee and the people's court jointly. Labor dispute regulation commission is an internal organ in enterprises. The two parties both have the freedom to decide whether they would resort to mediation process. Any party can put forward a labor dispute arbitration application and no consensus needs to be made between both parties. Since the arbitral award is not final, if a party refuses to accept the arbitral awards, they may bring a suit to a People's Court. China's labor dispute resolution laws and regulations involve Regulations of the PRC on Settlement of Labor Disputes in Enterprises, Labor Law of the PRC and The People's Republic of Labor Dispute Mediation And Arbitration Law. These laws and regulations are also applicable to HIDZ, EPZ and Bonded Zone.

2.2 Labor inspection in China's EPZs

Labor inspection is an important means to safeguard the lawful rights and interests of labors, urge standard recruitment in enterprises and guarantee harmonious labor relations. In China's HIDZ, EPZ and Bonded Zone, valuable experience can be found labor inspection system.

A. Labor security supervision network and classified monitoring system

Shenzhen Bonded Zone adopts labor security supervision network and classified monitoring system to improve working condition and protect workers' right within the zone. Through illegal employment agency inspection, child labor inspection, construction site inspection and entertainment industries examination, the local government combines overall inspection with in-depth inspection to achieve a thorough effect, thereby covering all the enterprises in Bonded Zone.

B. Relying on prevention instead of punishment

To make enterprises consciously abide by labor laws, Labor and Personnel Bureau in EPZs in Nanning City, Guangxi Province, gives priority to labor dispute prevention, rather than punishment. In addition, a hotline is announced to the public via the Internet, newspapers, and television broadcasting, etc., through which workers can express their grievance on mistreatment at workplace. Also, several measures like notice board and interviews are taken to propagate labor protection laws in enterprises, including Labor Contract Law, Employment Promotion Act, Labor Security Supervision and Regulation, Minimum Wage Regulations, Tentative Provisions on Payment of Wages etc.

C. From passive inspection to initiative inspection

With the help of Nanning labor security supervision, Nanning Labor and Personnel Bureau spent weeks on special inspection, aiming at solving labor disputes which were caused by employment, social security and other labor issues. Meanwhile, a monthly feedback system was established in enterprises. By updating information on enterprises' employment, the government was able to trace labor relations status and resolve the labor dispute at source, achieving a switch from passive inspection to initiative inspection⁹.

2.3 Female labor protection and gender discrimination

2.3.1 China's laws and regulations on female worker protection

Aiming at female labor protection, the State Council enacted Female worker labor protection rules in 1988, providing detailed items about special female labor protection. In 1990, the regulations on the working scope banned for female employees, also issued by the State Council, specified the scope of work considered as taboo for female workers and employees due to their physiological features. Then, the Labor Law of the PRC in 1995 and Labor Contract Law in 2008 both set restrictions on female workers' dismissal during menstruation, pregnancy, child birth and baby nursing period, and stipulated signing the collective contract for special protection of female employees. All the laws and regulations above are applicable to HIDZ, EPZ and Bonded Zone.

2.3.2 China's laws and regulations against employment gender discrimination

At present, China doesn't have special laws against employment discrimination, but the issues of equal employment opportunity and anti-discrimination have been covered by related laws.

For example, according to Constitution of the People's Republic of China, "All citizens of the People's Republic of China are equal under the law" and "Citizens of the People's Republic of China have the right as well as the duty to work".

In laws, there are a few provisions involved in equal employment opportunity and anti-discrimination in the Labor Law of the PRC, for example, "Workers enjoy the right of equal employment and career choice", "Workers must not be discriminated against in the

⁹ http://jy.nanning.gov.cn/2913/2008_4_29/2913_273299_1209456421468.html

matter of employment because of ethnic identity, race, sex or religious belief", "The distribution of wages shall follow the principle of distribution according to work and equal pay for equal work".

More specifically, article 13 of China's Labor Law has prescribed that "Women enjoy equal rights with men in employment. In the recruitment of staff and workers, except for special work or post that are not suitable for women, under no circumstance could employers refuse to employ women or raise the employment standards for women on grounds of sex."

Besides, Employment Promotion Act has stipulated that "workers are legally entitled to equal employment and the right to choose their own jobs". And Women Rights Guarantee Law also has provisions on women employment and forbiddance on gender discrimination.

In terms of regulations, Female Worker Labor Protection Rules, the Regulation on Work Injury Insurance and Labor Security Supervision Regulation all have provisions referring to forbidding employment discrimination directly or indirectly. In addition, some departments offer detailed rules for implementation, including the Regulations on the Working Scope Banned for Female Employees issued by Ministry of Labor.

3. Development and Strategies of the Unions in EPZs

3.1 The legal foundation for constructing unions in EPZs

EPZs are specially supported by China's government. Accordingly, labors' rights of legally organizing and participating in trade unions in EPZs are protected by related laws.

3.1.1 Protection on labors' right of organizing

It is stated in Trade Union Law of the People's Republic of China (amended in 2001), “Article 3 All laborers doing physical or mental work in enterprises, public institutions and government organs within Chinese territory who earn their living primarily from wages shall have the right to participate in and form trade union organizations pursuant to the law, regardless of their nationalities, races, sexes, occupations, religious beliefs or educations. No organization or individual may hinder them from doing so or restrict them.”

Although there is protection on labors' rights of organizing and participating in trade unions, labors' right of organizing is still solely realized by participating rather than organizing (Jian Qiao, 2005). The reason is that China's union law is sticking to the unification or centralization of unionism since the foundation of People's Republic of China. All-China Federation of Trade Unions (ACFTU) was established as the only legal union. As the Article 11 stated, “the establishment of a basic-level trade union, local all-level federation of trade unions or a national or local specific industry trade union must be reported to the trade union organization at the next highest level for approval.”

3.1.2 Specific legal requirements on enterprises' support for organizing unions

It is clearly demonstrated in Article 10 that regardless of the number of employees, a trade union shall be established in an enterprise, public institution or government organ. Nevertheless, the way of establishment can differ according to the number of employees. In addition, Article 45 says, “People's governments at all levels and enterprises, public institutions and government organs shall provide the necessary facilities, venues and other material requirements of trade unions to allow them handling office matters and arranging union activities.” This stipulation has provided a better legal environment for union organization in EPZs. However, it is notable that the union law only regulated that enterprises have to support unions' establishment and activities. There is no penal clause for enterprises which refuse to form a union.

3.1.3 Legal guarantee for functions and powers of higher level unions to help and lead employees to form unions

Under the circumstance of market economy, enterprise ownerships have changed. Most enterprises are not administratively subordinated to government agencies. Thus, unions of higher level had lost legal basis to interfere trade union organization in enterprises until 2001. In the union law amended in 2001, Article 11 says, “the trade unions at the higher level may assign personnel to assist the direct the enterprises to establish trade unions, no unit or individual may obstruct.” This regulation helps the legalization of higher level unions' penetrating into enterprises to provide guidance to grass-root trade union organization. It is pointed out that hindering higher level unions' work in forming unions in enterprises is illegal.

3.1.4 Legal guarantee for the diversification of organizing trade unions

On the national level, the majority of non-state-owned enterprises are small businesses and enterprises with less than 25 staff represent a proportion of 80%. In this occasion, it's impractical to insist on the former principle that only enterprises with 25 staff or above are eligible to organize basic-level unions. Under this circumstance, Trade Union Law has provided various forms for trade union organization. As Article 17 prescribes, “In enterprises with more than 25 staff, basic-level unions should be organized; in enterprises that have less than 25 staff, independent basic-level unions can be organized; it's permissible for two or more enterprises to organize federal unions or select one representative to organize union activities.” This provision is adapted to non-stat-owned enterprises' reality.

3.2 Difficulties confronted with union organization in EPZs

At present, trade union organization came across 4 main challenges in EPZs:

3.2.1 Non-state-owned enterprises are against enterprise-level unions

Most enterprises in EPZs are private enterprises, foreign-funded enterprises, HK Mac TW-funded enterprises and non-state-owned holding joint-stock enterprises, such as Foxconn and Flextronic, etc. They usually engage in labor-intensive production. They are facing intense competition with thinnest profit margin. The investors are afraid that organizing enterprise-level unions will generate resisting force intra-enterprise, which would aggravate their situation.

3.2.2 Local government's protection of investing environment encourages enterprises' objection to trade unions

In EPZs, non-state-owned enterprises contribute more than 90% to GDP. As a consequence, priority is given by local government to attract private and foreign investors. In consideration of non-state-owned enterprises' objection to trade unions, local government worries that dramatic union reform will have negative influence on investing environment.

3.2.3 Workers' heterogeneity and diversified demands pose challenges to union's representativeness

It's a common practice in China to set up one union in one enterprise. However, most enterprises in EPZs have a variety of staffs, including white collars, migrant workers, dispatching employees and informal workers. Variety in constitution results in diversification in demands. For migrant workers, they require to be paid in due time in full and higher standard social security. For white collar workers, disputes are usually caused by time-off security and compensation for contract termination. Workers' diversified demands are hardly represented by a uniform union, so they tend to keep out of the unions, which increase the difficulty in organizing unions.

3.2.4 Flexible employment relationship brings out new problems

To pursue profits, most enterprises in EPZs implement large-scaled labor outsourcing and labor dispatching. Three problems in organizing trade unions stem from frequent labor flow and flexible labor relations: first of all, it's hard to define economic relationship between employers and employees. The employer units sign service contract with workers, establishing service relations rather than long-term continuous labor relations. The fact that simple rights and obligations only exist in a limit time determines part of workers can't join in the unions; secondly, under the flexible employment modes, workers' rights and interests represent characters of informality, movement and instability. Trade unions show skepticism of their representativeness; thirdly, because of informal employment and high turnover rate, new approaches to organize are in need.

3.3 Strategies of organizing trade unions in EPZs

With the accelerating pace of China's economic structural adjustment and continuous deepening of state-owned enterprise reform, as well as the diversity of investors' nationality, ownership structure, production organization form and employment mode, great changes have taken place in organizing trade union in China¹⁰.

Under the new circumstances, ACFTU is committed to integrate organizing work with defending rights, following the demand of expanding coverage and enhancing cohesion (Zhaoguo Wang, 2008)¹¹. Practices in EPZs are consistent with ACFTU in overall direction, but place more emphasis on local features, such as industrial distributions, enterprises characters and production situation. Trade union organization there is characterized by diversity and originality (Mingwei Liu, 2007).

¹⁰ On one hand, state-own enterprises experienced a sharp decline on a national scale, as well as union members which largely constitutes of SOE employees. On the other hand, foreign-funded enterprises, joint-stock enterprises and private enterprises are uncooperative with trade union organizing. As a consequence, trade unions in China are vulnerable in terms of both quantity and quality (Yaping Wu, JianQiao, Ke Li, 2008).

¹¹ Zhaoguo Wang, Report on the Fifteenth National Congress of ACFTU, 2008-10-17
<http://www.acftu.org/template/10004/file.jsp?cid=318&aid=80812>, access time: 2011-12-04, 11:25.

3.3.1 Focus on non-state-owned enterprises

In the new period, ACFTU gives priority to organizing grass-root trade unions in non-state-owned enterprises¹². Since the Ningbo Conference in 2000¹³, ACFTU has started an upsurge of union organization in non-state-owned enterprises. This adjustment attributes to the dramatic changes taken place in China's socioeconomic situation since 1990s. On one hand, state-owned enterprises experienced a sharp decline on a national scale, as well as union members which largely constitutes of SOE employees; on the other hand, foreign-funded enterprises, joint-stock enterprises and private enterprises are of increasing importance in economic development, absorbing a large number of labors, but they are uncooperative with trade union organizing. Trade unions are vulnerable in terms of both quantity and strength (Yaping Wu, Jian Qiao, Ke Li, 2008)¹⁴.

EPZs in China are essential to attract foreign investment, and foreign-funded enterprises, joint-stock enterprises and private enterprises play an important role in EPZs¹⁵. Under the guidance of ACFTU, EPZs has switched efforts to organizing basic-level trade unions in non-state-owned enterprises.

3.3.2 Diversified organizing strategies were adopted

Under the unified system, all the basic-level trade unions are propelled by trade unions at higher levels. Since the peculiar economy status and market structure in EPZs, trade unions organizing in these zones are usually combined with industrial features and enterprise characters. Therefore, diversified organizing strategies are adopted. According to the organizing modes and propellants, organizing strategies can be divided into three categories:

A. Administrative pattern: organize trade unions relying on basic-level Party organizations

Under planned economy system, all government departments, enterprises and institutions in China that have 25 staff or above organized trade unions under the guidance of basic-level Party organs. After the reform and open-up, this practice still exists in most state-owned enterprises and institutions.

¹² New non-state-owned enterprises include private enterprises, foreign-funded enterprises, HK Mac TW-funded enterprises, non-state-owned holding joint-stock enterprises and joint-stock cooperative enterprises, which are developed in the process of establishing China's socialist market economic system.

¹³ Ningbo conference held in Nov. 2000 was the ever largest-scaled and highest-leveled. Ningbo conference introduced a target of absorbing most workers to trade unions. More precisely, by the end of 2002, 36 million union members are to be developed in foreign-funded enterprises and private enterprises, as well as 1 million basic-level trade unions in these enterprises. Since then, ACFTU has switched efforts to non-state-owned enterprises.

¹⁴ Reuter: China will continue to organize trade unions in foreign-funded enterprises, 2007-10-18 <http://cn.reuters.com/article/idCNChina-62220071018>, access time: 2011-12-04, 12: 16

¹⁵ According to ACFTU, by the end of 2009, 54 state-level economic and technological development zones in China have achieved a gross industrial output value of 3.353 billion RMB, rose by 8.7, accounting for 5.3 of nation gross value of industrial output revenue of 6.3104 trillion RMB, rose by 9.1, accounting for 5 of nation total revenue; export sales of 1.2017 trillion dollars, accounting for 15.6 of total exports; actual foreign investment of 90 billion dollars, accounting for 22.6 of total actual foreign investment; cumulated direct foreign investment of 945.4 billion dollars, accounting for 22 of total direct foreign investment, and in some cities, 30% to 40% of direct foreign investment flow to EPZ. According to incomplete statistics, there are more than 60000 investment projects, more than 400 world famous company and ten thousands industrial projects invested by big corporations in EPZ, and all prove to be a big success both in development and economic benefits. The companies are MOTOROLA, P&G, Coca-Cola and Pepsi from America, Mitsubishi, Panasonic, Toshiba, Hitachi, Canon, Sanyo from Japan, Grand cable, Unilever from Britain, Bayer, Hirst, Volkswagen from Germany, Elf, Total Petrochemicals, Citroen from France, ABB and Nestle from Switzerland, Finland's Nokia, Ericsson from Sweden, Canada's Northern telecom and Group's mouth, Italy's Perfetti group, South Korea's Daewoo, Samsung and Modern, Philips and Aksu from Netherlands, Thailand's Charoen Pokphand.

After Ningbo conference, trade union organizing teams were formed in China with the help of Party organs and government departments, and a pattern of “Party promotes trade union, trade union severs Party” was established. Even in today’s non-state-owned enterprises, relying on Party organizations to organize trade unions is still an important practice.

In some EPZs, this pattern is regarded as an efficient way to expand the coverage of trade unions.

B. Employee pattern: enlighten workers to organize trade union

Relying on basic-level Party organizations to organize trade unions is an administrative method with Chinese characteristics. This pattern can promote trade union’s amount and expand coverage in a short time. However, large parts of non-state-owned enterprises in EPZs don’t have basic-level Party organs and their managers show an objection to trade unions. For these enterprises, the administrative pattern, relying on Party organizations to form trade unions, does not work. Facing this dilemma, a special measure of enhancing workers’ legal consciousness and improving trade unions’ influence is used so as to enlighten workers to propose the organization and compel the non-cooperative employees.

Through specialized lectures, trade union bulletins, and online communication, workers are accessible to an overview of the trade union, including its function and position, as well as the organization and related laws. In this way, workers’ initiative to join the union is lighted.

Workers’ offering to organize a trade union attributes to the mass work into workers and is a direct product of higher-level trade unions’ efforts. Therefore, it’s not an individual union in essence, but a branch union which is guided and directed by higher-level trade unions.

C. Preferential attraction pattern: attract workers to join in trade unions via preferential policies

In countries which have centralized trade union or only one trade union, union members and non-union members stand at close positions in trade union relationships, while differences are seen in countries with diversified unions. China is one of the centralized-union countries, indicating that trade unions not only represent all the union members, but represent all the workers in law¹⁶.

The trade union in Guangzhou’s economic and technological development zones provide members with priority in legal aid and difficulty relief, as well as skill training and entertainment. Sunday’s afternoons are named as members’ day, at which time each union member is offered a free access to the entertainment center. Union members feel a sense of belonging and superiority, thereby attracting more workers to join in.

3.3.3 Regard migrant workers and dispatching employees as the key development group

With the acceleration of industrialization and urbanization, millions of rural workers rush to the city. Migrant workers, as the mainstay of China’s industrial workers, have increased to 120 million in 2010. Most of them live on labor income, but policy barriers still exist in terms of employment, social security, social welfare, medical care, housing and education.

¹⁶ Kai Chang, Derong Zhang. The general labor law. [M]. Beijing: The central school of the communist party of China press, 1993.

They are vulnerable compared to the management and should be absorbed by the trade unions for the sake of lawful rights.

There are large groups of migrant workers in China's EPZs and they are the key target of trade unions. It has been confirmed that all the migrant workers living on labor income are, regardless of household registration, unit nature and working time, eligible to join in the trade union.

Production employees in Beijing's EPZs mostly come from dispatching companies. Trade union in EPZs has helped all the dispatching companies set up trade unions and trade union confederations. The president of trade union confederation is sent by the higher-level union, who is in charge of all the basic-level unions in dispatching companies. At present, three organization patterns are adopted in dispatching companies. In the first case, processes concerning on selection, training, retaining and recruiting are under the management of employer. Wages are paid by the employer via dispatching companies. Dispatching workers' union dues are deducted from wages by the employers; in the second case, employer units contact with the dispatching companies when necessary and don't involve in above processes. The dispatching employees join in trade unions in the dispatching companies. Union dues are withheld by the dispatching companies to regional trade union, and then allocated to the company union; in the third case, though the employees are managed by dispatching companies in name but participate in union activities in employer units. Their union dues are withdrawn by the dispatching companies but remained in the accepting units. The purpose of diversified organization patterns is to accomplish cultural integration, and diminish labor conflicts caused by lack of belonging.

3.3.4 Establish a sound constituent network and increase trade union organizations coverage

Trade unions in EPZs are different from other zones due to the diversification of investors and the complication of labor relations. That means unions' working conditions, subjects, contents and methods have greatly changed. Besides, EPZs has a bigger area, where live numerous enterprises, especially small businesses. For years, a lack of middle management has existed, leading to difficulties in union organizing at workplace level. To tackle the problem, trade union in EPZs actively explores the establishment of the basic-level trade union federation by different regions, industries and ownerships, aiming at forming a middle level management connecting between area union and basic-level unions, thereby achieving a comprehensive coverage of trade union organizations.

3.4 General Situation of Collective Bargaining of EPZs in China

Collective bargaining in China is pushed forward by government through carrying out strategies from top to down.

3.4.1 Relevant Laws and Regulations on Collective Bargaining in China

Collective bargaining system in China was born in the middle 1990s. The government issued a numerous laws, regulations and rules during 1994-2000. Those are first explorations for Collective bargaining system in China, including stipulating procedures,

contents and elements of collective bargaining in principle. Since 2001, collective bargaining in China has stepped into the period of comprehensively implementation, and has been given priority to. In 2001, a notice on further implementing equal consultations and improving collective contract signing process stated that all types of enterprises should establish an equal consultation mechanism, regulate and improve the negotiation procedure. It also stressed the importance of collective wage bargaining and its catalytic effect to equal consultations. As for the enterprises without the condition to sign a comprehensive collective contract, the notice allowed them to sign a single collective contract or agreement on wage distribution or other issues. In 2003, the former Ministry of Labor and Social Security revises the *“Collective Contract Provisions”* which comes into effect on May 1st, 2004. Thus collective bargaining and collective contract system are regulated more comprehensively and systematically, especially some contents are clarified such as issues concerning the subjects, principles, contents and procedures of collective bargaining, modification, dissolution and termination of the collective contract, and the collective contract inspection and disputes resolution; etc. In 2006, *Circulation of carrying out Regional and Sectoral Collective Bargaining* marks the beginning of the regional and sectoral collective bargaining system. In 2007, the national tripartism conference put forward a plan to realize national coverage of collective contract. In 2008, China government officially promulgates *Labor Contract Law*, which contains special chapters for re-regulating collective bargaining and collective contract from legal aspects, specifying not only the possibility of special collective contract on wage adjustment mechanism, but also the legal status of sectoral and regional collective bargaining system.

There is no special legislation for collective bargaining in state level, but regulations and rules has made provisions of the overall direction on the following aspects: the subjects, principles, contents and procedures of collective bargaining, the modification, dissolution and termination of the collective contract, and the collective contract inspection and disputes resolutions etc.. Under the guidance of the general provisions, local governments also make efforts on exploring collective bargaining mechanism suitable for local economy and society, and set local regulations or release government documents to promote the popularity of local collective bargaining mechanism. Nationally, 13 provinces (districts, cities) issue documents to promote collective wage bargaining and 23 provinces (districts, cities) formulate local regulations on Collective Contract.

As China's key areas of economic development with government support, collective bargaining in China's EPZs should be developed within the frame of the state-level laws, regulations and rules, and the restraints of local rules and documents. Meanwhile, considering the special economic status, industrial distribution and enterprise type, the EPZs have also launched suitable regulations on collective bargaining, such as *Implementation Schemes on Pushing Forward Enterprise Collective Wage Bargaining Comprehensively by the Trade Union of Luohe Economic and Technology Development Zone*(February 15th, 2011).

3.4.2 Difficulties in pursuing enterprise-level Collective Bargaining mechanism

A. Low-labor-cost development pattern is the main obstacle of carrying out Collective Bargaining.

With the goal of improving regional economy, enterprises in China's EPZs all take full advantage of foreign investment to develop manufacturing and processing industry. This common development strategy leads to a fact that economic added value made by private

and foreign enterprises accounting for a large proportion within the region. Aggravating competition and increasing cost on marketing and production depresses the profit margin in these enterprises, leading to their relying on “low labor cost” competition strategy to win profit. The monthly wage standards of first-line workers in most EPZs have long been equal to or above the local minimum wage.

Implementing the real collective wage bargaining things under such backgrounds will no doubt deprive the EPZs of their “low labor cost” advantage, which is an unpleasant result for both enterprises and local governments. This kind of competition strategy will finally result in lots of difficulties of collective bargaining in EPZs. Even in the enterprise that nominally set up enterprise-level collective bargaining mechanism, procedure of negotiation is easily hollowed out.

B. Turnover rate of first-line workers is high in enterprises in EPZs, and the workers are not so active in signing the collective contract.

Most first-line workers in enterprises in EPZs are migrant workers from different areas. They view themselves as passers-by in the city and will soon go back home after they get their money from work, so they form a loose but competitive group. At the same time, these workers are mainly labor dispatching workers with high turnover rate, making it impossible to sign a long-term enterprise-level collective contract. The workers lack the motivation of signing an enterprise-level collective contract, making the enterprise not active in increasing the workers' wages. As a consequence of few channels for workers to express their wills, the situation appears to be that the workers' wages are artificially depressed.

C. There is information asymmetry between the two sides (workers and the management), and the financial situation of the enterprise is unavailable to the employees, both of which limit the negotiation power of the employees.

Information asymmetry in collective bargaining refers to the imbalanced situation that the enterprise get much more information than the employees and can be regarded as conspicuous unfair. The two parties involving in collective wage bargaining have equal standing legally, but there may be serious inequalities in practice, such as the creation of information channels, access to the information, and adoption of information. Particularly, imbalance in power is the basic reason to information asymmetry between the two parties, which exerts serious impacts on the justice of bargaining procedure and effectiveness of collective contracts. In addition, the management is reluctant to reveal financial information, leading to passive status of employees in collective bargaining process.

3.4.3 Strategies on pursuing collective bargaining in EPZs

To overcome difficulties in collective bargaining in EPZs, local governments are trying diverse means to push collective bargaining forward from top-to-down on the basis of unique economic and social situations. The government mainly takes financial rewards as a measure to encourage enterprises with low profit to carry out collective bargaining. As for the high mobility of migrant workers and the information asymmetry, the choice is to push forward regional and sectoral collective bargaining.

4. Case study on Beijing Economic and Technological Development Zone

4.1 Overall information

4.1.1 Basic information

Beijing Economic and Technological Development Zone (BETDZ) is an EPZ with relatively independent policy environment. It is the only state-level economic and technological development zone located in Beijing. Being both a state-level ETDZ and a national hi-tech industry garden, BETDZ enjoys double preferential policies.

In August 15th, 1991, BETDZ started its preparation of establishment. It was accredited as a state-level economic and technological development zone by China's state council three years later on August 25th, 1994.

4.1.2 An overview on its economy¹⁷

As of the end of October 2011, 4480 enterprises (branches not included) have entered the Development Zone. Among them, more than 300 enterprises have over 100 employees and more than 500 enterprises with over 30 employees. These some 500 enterprises create more than 90% of jobs in BETDZ totally.

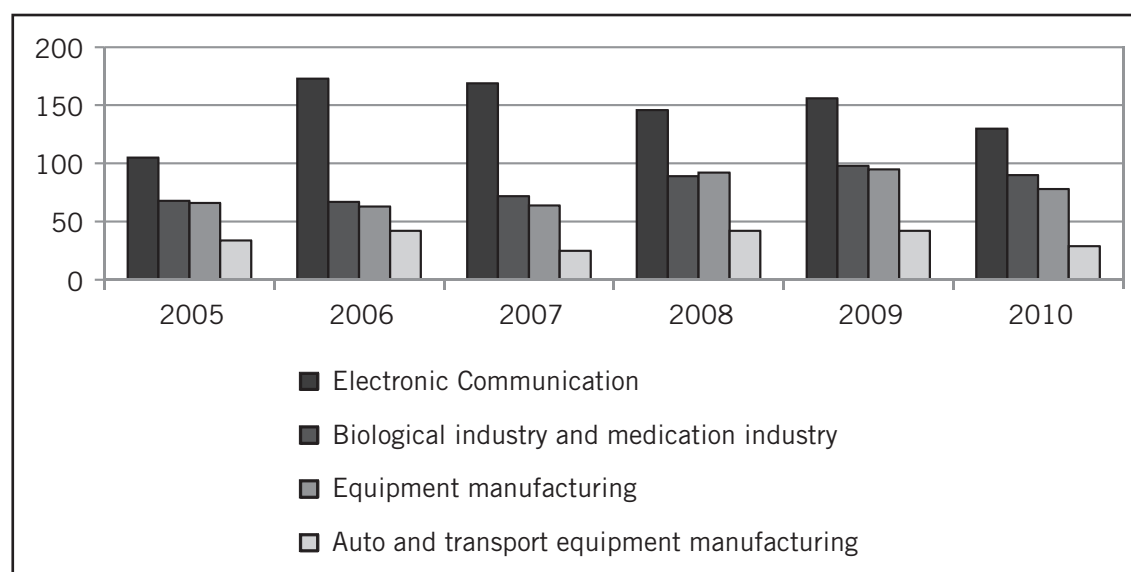
In terms of industrial distribution, various kinds of industrial agglomerations have stationed here. Some outstanding enterprises are: Nokia, the leading corporation of telecommunication industry, BOE, the leader of display industry, SMIC, the leading corporation of microelectronics industry, and GE, leading the industry of medical equipment industry.

After 20 years of development, Beijing Economic and Technological Development Zone has formed several leading industries such as electronic information, equipment manufacturing, automotive and transportation equipment manufacturing, bio-engineering and medicine, etc. Electronic information, equipment manufacturing, bio-engineering and medicine and automotive and transportation equipment are the four leading industries of Beijing Economic and Technological Development Zone, accomplishing output value of 199.03 billion yuan in 2010, and accounting for 89.6% of the gross industrial value in BETDZ.

¹⁷ Data Source: statistics bureau of Beijing Economic and Technology Development Zone, <http://tjj.bda.gov.cn/cms/znjg.htm>

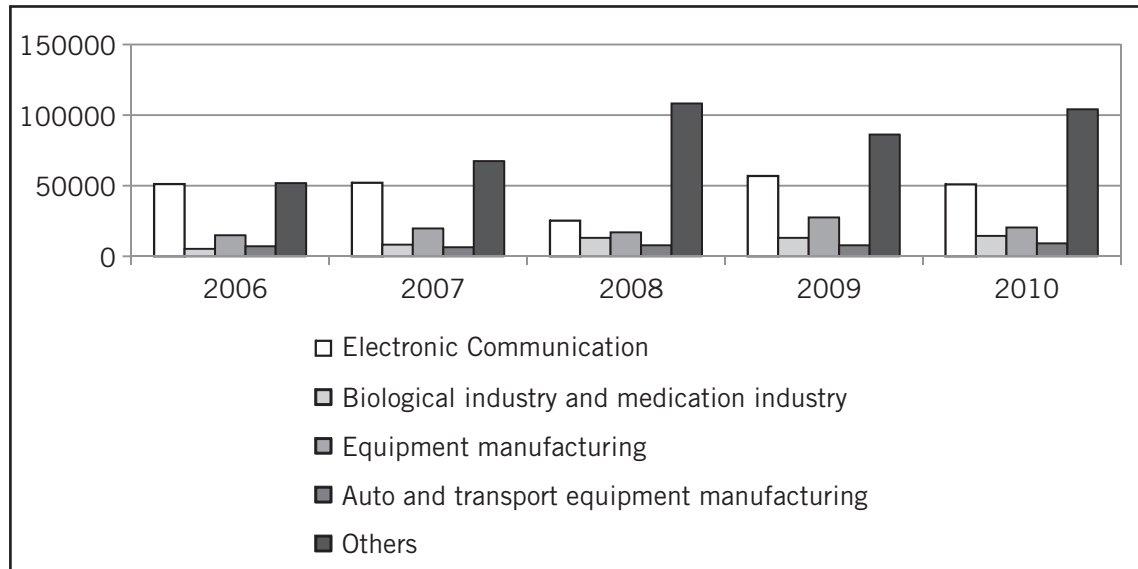
Among the four leading industries, electronic information enterprises outnumber the others, accommodating the most employees as well. But they are influenced by international competition environment, especially the recession since 2008, leading to gradual decrease of enterprise number and employment absorbing ability. While industries like equipment manufacturing, automotive and transportation equipment and bio-engineering and medicine were not impacted by the financial crisis in 2008 and the number of enterprises was rising in 2008 and 2009. However, a substantial drop of enterprise number in all those four leading industries was seen in 2010. There was a drop of 17%, 8%, 18% and 31% in the number of enterprises respectively in 2010.

Figure 4-1 No. of enterprises in four main industries



In terms of total employment, around half of all workers are employed by the four leading industries in BETDZ. This ratio once went down to around 37% in the 2008 and then gradually bounced back. The major reason for the dramatic drop of total employment in 2008 was due to massive layoffs in electronic information enterprises owing to financial crisis. Some 27 thousand employees were laid off in 2008. Also, about 3000 employees were reduced in the industry of automotive and transportation equipment.

Development of other types of industries, mainly including fast-consumption industry (ice-cream, beverage etc.), package industry and cosmetic industry, is relatively rapid in BETDZ. These industries are collectively called urban industry. Growth rate of enterprises in urban industry is faster than leading industries. From February, 2011 to July, 2011, urban industry accounted for 10.2% of all larger industries, 1.3% above the share of bio-engineering and medicine industry which is one of the four leading industries. Urban industry achieved production value of 12.46 billion yuan, an increase of 22.5% over last year.

Figure 4-2 No. of employment in main industries

4.2 Employment situation in BETDZ

4.2.1 The overall Employment situation

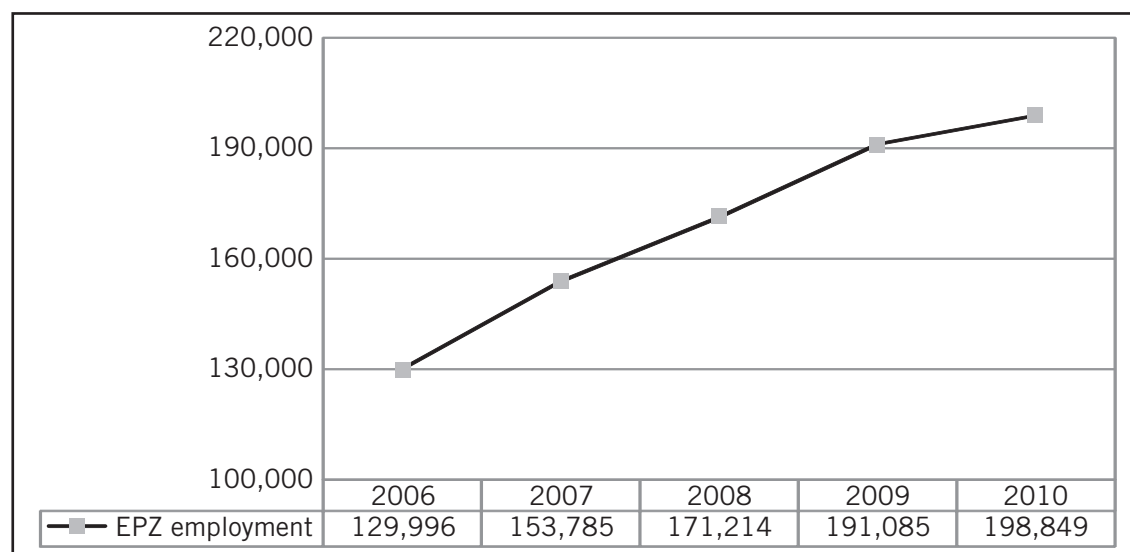
A. The general trend of employment situation of 2006-2010 was rising, but the growth was slowing down.

During “The 11th Five-Year Plan”, from 2006-2010, the general trend of employment situation was rising, but in 2010, the growth started to slow down. At the end of each year from 2006-2010, the average employment growth rate was 8.9%. Compared to 2009, the employment rate rose slower with the growth of 4.1% in 2010. At the same period, employment growth rate in Beijing’s enterprises is 5.2%. The average annual employment growth of the four leading industries is 3.9% compared to 2009, the employment of 2010 decreased by 9.6%. Growth of employment in corporations in Beijing is 5.2%. The average annual employment growth of the four leading industries is 3.9%. Compared to 2009, the employment in BETDZ decreased by 9.6% in 2010. In 2009 and 2010, the total employment number was 2.32% that of Beijing’s corporation. However, the growth of employment slowed down, with growth rate decreasing from 18.3% to 4.1% gradually during 2007 to 2010.

The “Labor shortage” started from the south east coast area of China had a remission during the global financial crisis. Except for this period, it has been more serious year by year from 2003 till now. Some scholar hold the opinion that China’s “Demographic bonus” started to disappear¹⁸. There was also “Labor Shortage” in Beijing Economic and Technological Development Zone, especially in those enterprises demanding low-skilled migrant workers. Previously, ordinary workers can be getting at any time in the labor market; however, only better payments can attract them now. This is the main reason for the Administrative Committee’s preference of stable labor policies.

¹⁸ Cai, Fang and Dewen Wang, “China’s Demographic Transition: Implications for Growth”, in: Garnaut and Song(eds), *The China Boom and Its Discontents*, Canberra: Asia Pacific Press.

Figure 4-3 Trend of employment number



B. Employment concentrate in the large-scale enterprises

Job creation in Beijing Economic and Technological Development Zone mainly attributes to the four leading industries, the world's top 500 enterprises and enterprises with higher gross product.

In 2010, the four leading industries have created 101 thousand jobs. This number has increased by 46 thousand from 2005, which takes up 90% of job creation increase in all industries. Among those industries, IT industry has created 44 thousand jobs, which increased by 24 thousand from 2005, and its increase constitutes 48% of job creation increase. The industry that follows is manufacturing, whose increase constitutes 26.9%, among which, the world's top 500 enterprises created 49 thousand jobs. This number has increased by 29 thousand from 2005, which takes up 63% of job creation increase in all industries. Those enterprises with more than one billion gross product created 91 thousand jobs. This number has increased by 43 thousand from 2005, which takes up 93.4% of job creation increase overall.

Table 4-1 No. of employees of enterprises of different scale, Beijing EPZ

Enterprise Scale	Number of Enterprises	Proportion of Employment
More than 5,000	0.43%	17.05%
1001-5000	3.03%	39.91%
501-1000	3.20%	13.08%
101-500	15.30%	20.42%
1-100	10.80%	9.53%

The employment aggregation in large-scale manufacturing corporations has several negative impacts on the workers in BETDZ. On one hand, pressure from the global economic environment is more easily to be transferred to factory workers. A decrease in international orders will immediately trigger a substantial increase in unemployment. On the other hand, the aggregation of workers will also help spread the resistance among individuals and boost the probability of unexpected incidents. Later we will discuss several strikes in the development zone contributed by the fast spread of antagonism.

The BETDZ Federation of Trade Unions encounters great hurdles in reinforcing collective contracts or collective bargaining in large-scale electronic information corporations such as Nokia and Foxconn. It is primarily due to the corporations' high output value, great economic contributions to the development area, and large number of employment that they possess relatively high bargain power against the BETDZ Federation of Trade Unions. The BETDZ Federation of Trade Unions is also exploring strategies for reinforcement regarding to these large-scale corporations. Nevertheless, such effort is built on the premise of stabilizing economic advancement of the development zone.

C. Employment in electronic information sector fluctuate dramatically due to impact from international market

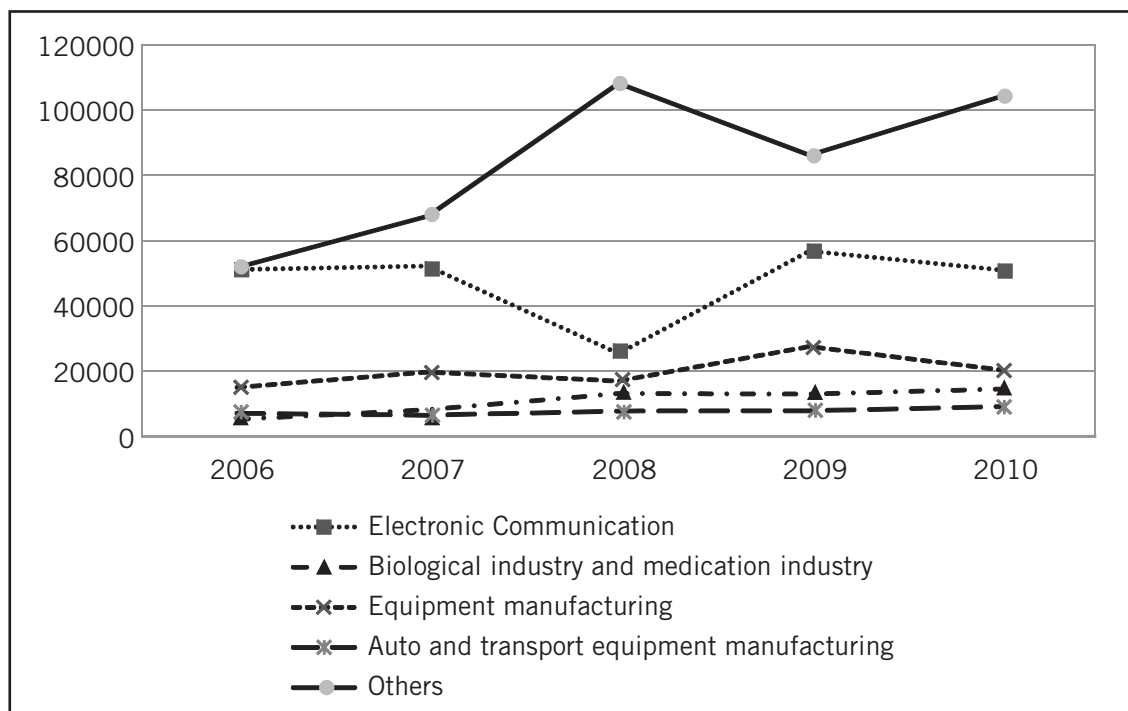
According to the statistics on the employment figures by sector, the employment figures in electronic information sector made up the largest part of the total in BETDZ from 2006 to 2010. Although there was a comparatively large decrease in this proportion, it soon recovered to around 26%. The global financial crisis in 2008 and the shrink of consumption demand in the international market had a significant influence on the electronic information sector of BETDZ. The employment figures of electronic information sector decreased around 27,000. Later, with the international market starting its recovery, there was a temporary increase in the employment figures of electronic information sector. However, the electronic information sector has not got its complete recovery, confronting with the deep adjustment in the international market, meanwhile, the decrease of employment quantity and the shrink of employment scale have the tendency of becoming long-term problems. There were less electronic information enterprises and employment in BETDZ in 2010, a decrease of 17% and 10.3% respectively compared to last year.

According to statistics, both in 2008 and 2010, there was a shrink of employment scale in the electronic information sector of the BETDZ. According to the practical investigation and interview, the reasons behind the manifestations of this shrink are not the same. In 2008, this shrink was mainly caused by the huge reduction in employment demand as the result of the considerable decrease of international order, with the wide fluctuation of the employment demand as the manifestation. In 2010, the major cause for the drop in development speed of the electronic information sector was that those multi-national corporations in the zone started its deep-level strategic adjustment, facing fierce international competition and the progressively increase of cost in domestic market. Nokia was confronted with many problems, such as the desperate need for the update of the mobile operation system, the plight of terminal marketing channel, and the compression of the market share. Facing the progressively increase of labor cost, Foxconn was forced to think about increasing the employment of robots to replace human labor. All these increased uncertainties for electronic information sector in BETDZ to provide employment opportunities.

D. The proportion of employment in other sectors rose sharply due to rapid growth of these sectors

During the recession of electric industries, other industries in the development zone enjoyed a fast development period, which mainly contained fast-consumption (ice-cream, beverage), packing and make-up industries. The proportion of employment in these enterprises rose from 39.78% in 2006 to 52.29% currently, and became the important driven power of the development in such circumstance. Facing the domestic market, those enterprises were less influenced by the international market. Thus, the administrative committee of BETDZ noticed the potential power of these enterprises and their roles of industrial restructuring in the future.

Figure 4-4 Change of employment number in main industries

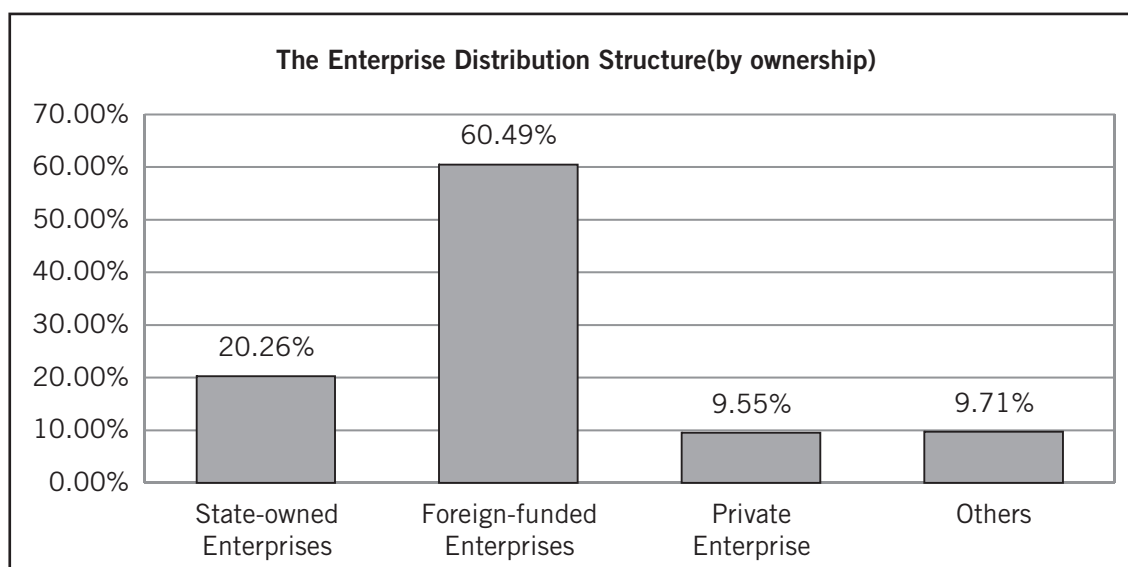


E. The majority type of enterprise is foreign-funded enterprise in which HRM is more effective

More than 60 percent of the employees are in the 2300 foreign-funded enterprises from over 30 countries and/or areas, 58 of which are among the global top 500 enterprises.

On the whole, enterprises in BETDZ, especially those of foreign ownership, are more standardized than domestic enterprises in terms of labor relations and human resource management. Meanwhile the foreign enterprises are possessed with better brand effect and more systematic training program, promoting the individual human capital and attracting outer labor to come in.

Figure 4-5 Proportion in employment number of enterprises of different ownership



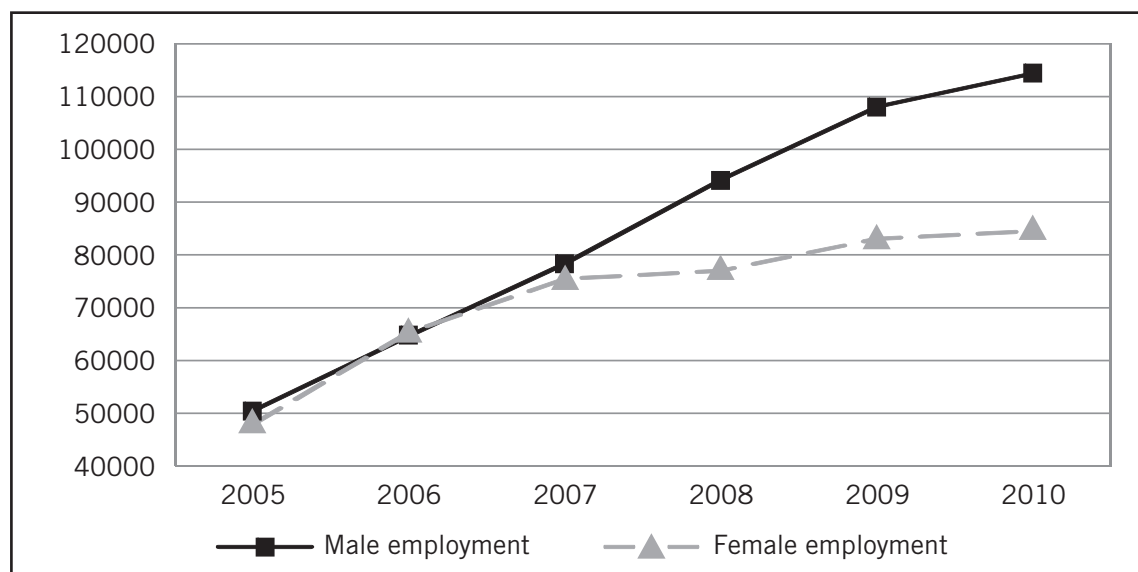
4.2.2 Statistics on human resources in 2006-2010

A. Widening Differentials of Sexual Proportion

In 2010, the composition of BETDZ's workforce was 57.5% male and 42.5% female. During 2006 to 2007, the proportion of male and female workers was equally the same, and the proportion of female was slightly lower than that of male. Since 2008, the number of male labor started to rise, but the proportion of female labor went down, the differential became higher and higher.

The decreasing quantity of female workers mainly related to decline of electronic information enterprises' scale and product, in which low-skilled female worker occupied 90% of the production positions.

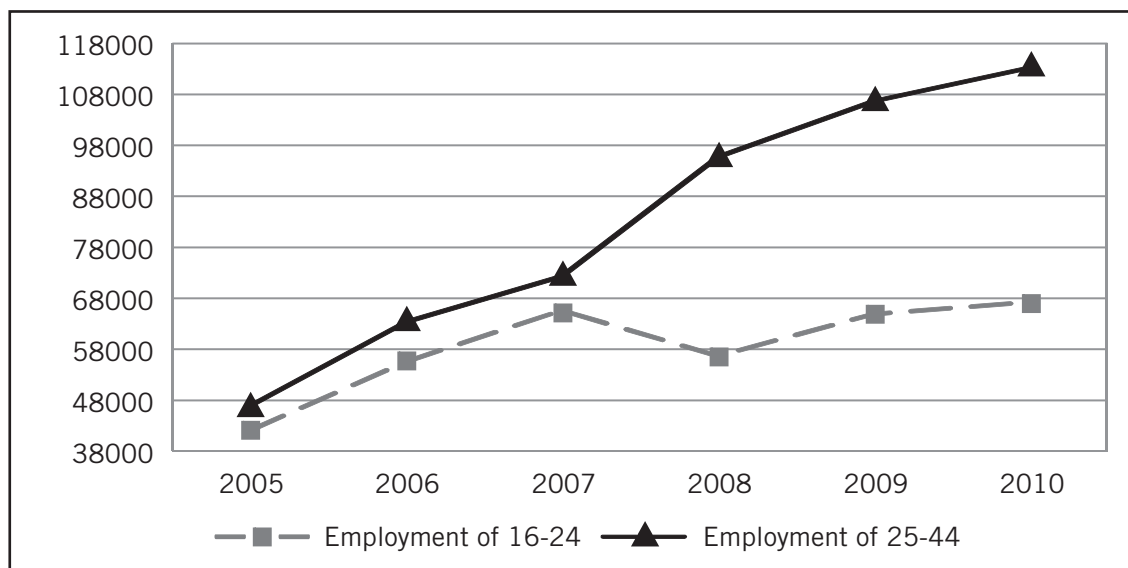
Figure 4-6 Change of employment number of different gender



B. Labor supply under 25 slow down

In our study, the workforce was divided into four groups by age: 16-24, 25-44, 44-retired age (Generally: Male: 60, Female: 55), and rehired retired group. Among which, the proportion of the first two groups are consistently about 90%. Moreover, from 2005-2010 the ratio remained at the same level. However, further studies of these two groups show new results. From 2005 to 2007, the employment growth of group 16-24 was almost the same as that of the group 25-44, growing slowly after this period. Meanwhile, the employment growth of group 25-44 was faster than before. From 2005 to 2010, the employment rate of group 16-24 decreased from 42.8% to 33.8%, while that of group 25-44 increased from 47.6% to 56.9%.

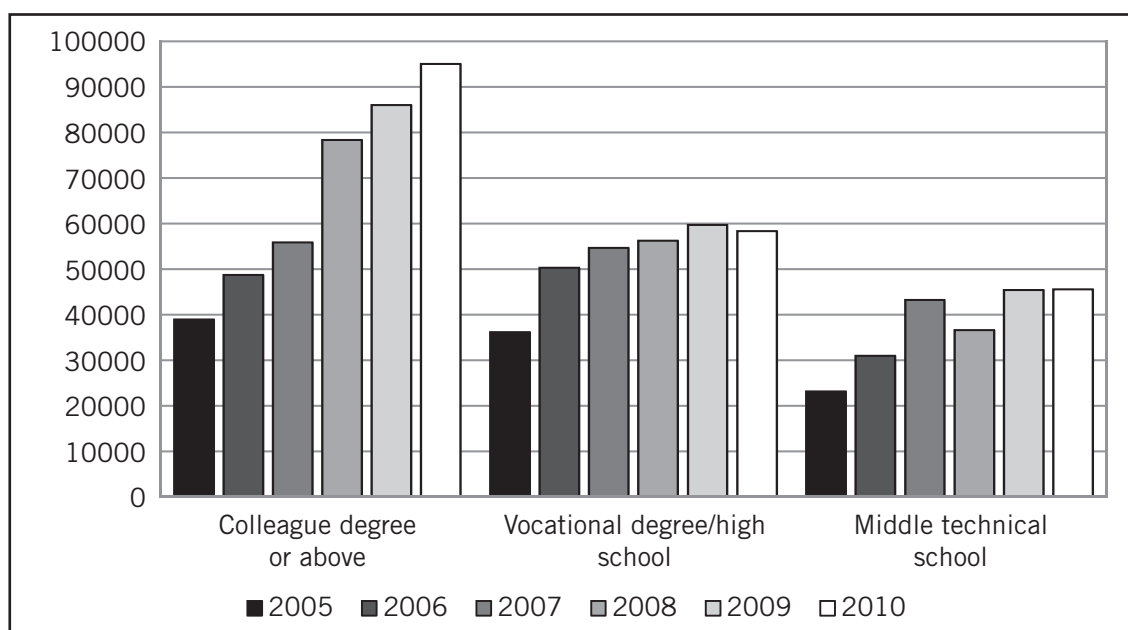
Figure 4-7 Change of employment number of different age



C. Increasing educational attainment in BETDZ

The education level of the workforce in development zone is comparatively higher and there is an increase trend of the education level in general. According to figure 5-8, the number of workers with college or higher education were the most and increased with fastest speed, especially during 2008. While compared to this, the growth of workers with high school education were slower. And the workers with vocational training education decreased a lot in 2008, showing that employers with lower education are more likely to be cut during financial crisis.

Figure 4-8 Change of employment number of different educational background

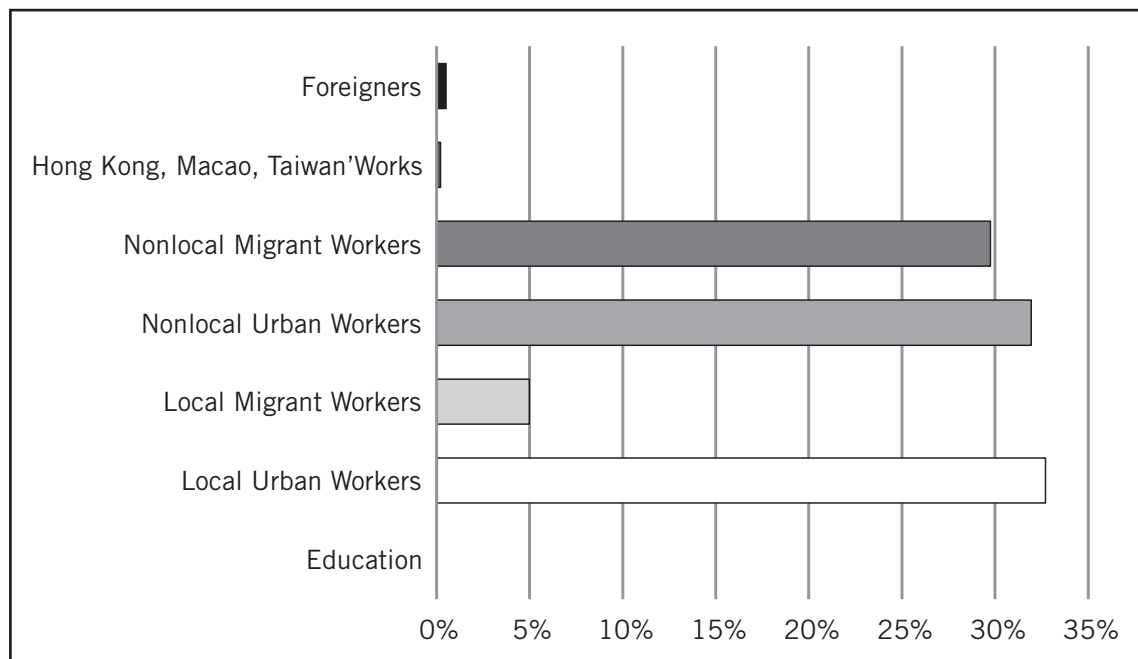


D. Geographic distribution of Employees

Divided by origin, the workforce in the development zone mainly contains local urban staffs, local rural workers, other urban staffs, other rural migrant workers and small number of Hong Kong, Macao and Foreign workers. Among the entire workforce, other urban staffs and other rural migrant workers accounted for 61.69%, which are the main force of the production workers. Workers with higher education background mostly at the skilled position.

There is no discrimination of worker's origin when hiring production workers in the development zone.

Figure 4-9 Proportion of source of the employment



4.2.3 Skill level, skill development strategies and practice in BETDZ

In 2011, there are 84,341 assembly line workers and 48,839 professional and technical employee in the development zone. Evident skill differentials can be seen between and in the two groups.

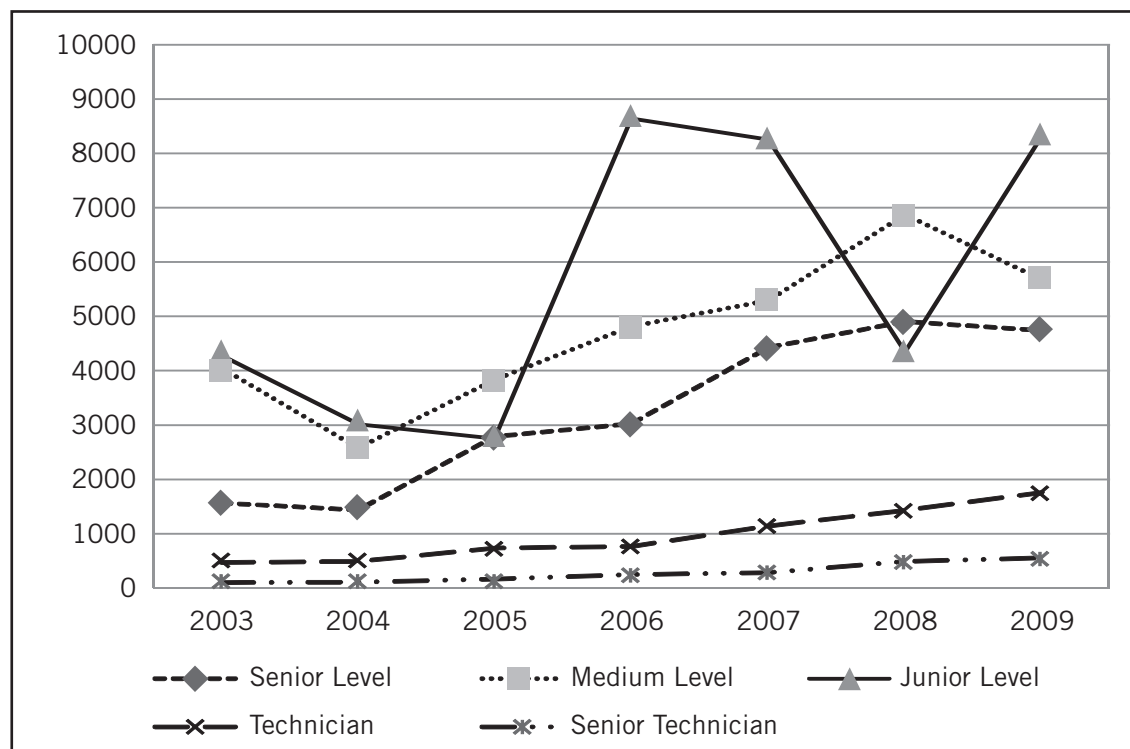
A. Although production workers skill level is keep on rising, the general skill level of assembly line workers is still at a comparative low level.

If professional certificate was considered as criterion for the assembly line workers, though the trend of skill level was rising, the general skill is still at a comparative low level.

It can be seen from Figure 4-10 that there is a general rise of the workers' skill level. Among which the average growth rate of senior skilled workers, skilled workers, and senior staffs was 27.98%, 20.72% and 17.19% from 2003-1009, while the junior skilled worker and the primary skilled worker were with growth rate of 4.92% and 9.95%.

Technicians and senior technicians were enjoyed a stable rise, the number of them was increasing all the way before 2008, but in 2009 there was a decrease with rate of 3.33% and 17.44% compared to 2008.

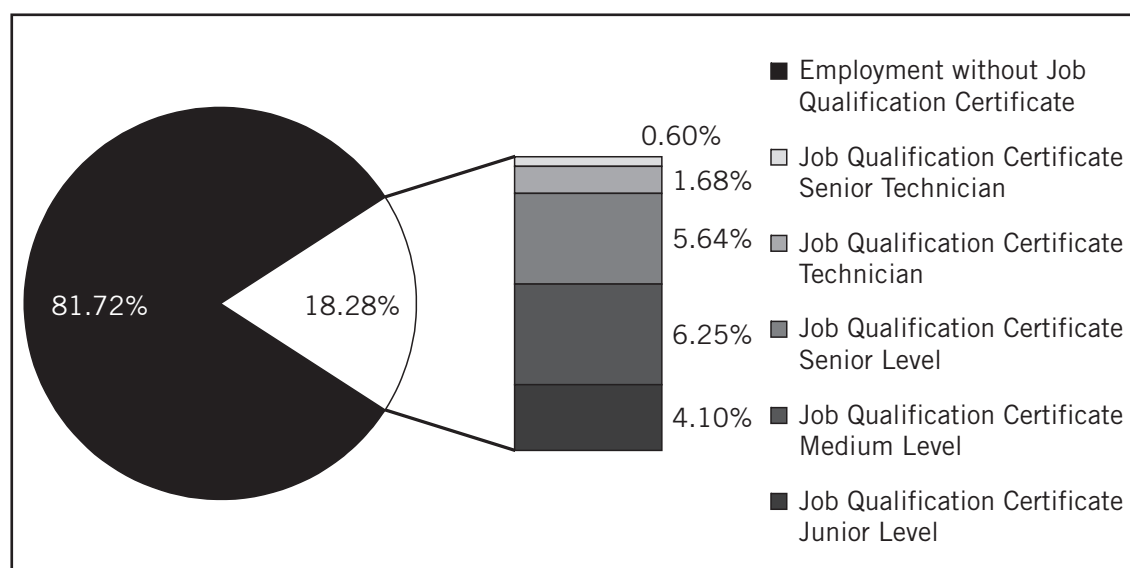
Figure 4-10 Change of the No. of the first-line workers with job qualification certificate



There were fluctuations on the number of junior-level workers, especially in 2008 with the decrease of 47.4%, showing that primary workers are mainly in those processing export enterprises which are seriously affected by financial crisis. Moreover, the job security of them is lower than that of workers with higher skills.

Only data of 2011 on employee's professional certificate were available. It can be seen from Figure 4-11, workers without professional certificate accounted for 81.72%, while those with professional certificate only account for 18.28%, indicating that the skill of the assembly workers should be improved.

Figure 4-11 No. of the first-line workers of different job qualification certificate levels

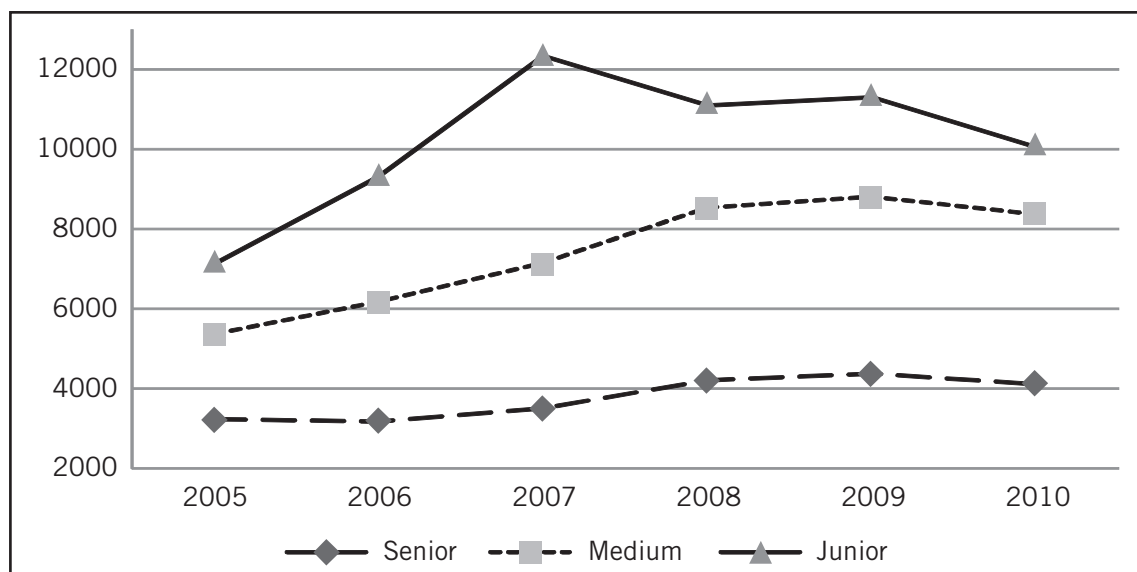


B. The structure of the professional and technical employee is reasonable, however the aggregate growth rate tended to be relatively low.

During 2011, technicians with professional titles only accounted for 46.1% among the professional and technical employee consisting of junior professional titles (44.61%), intermediate professional titles (37.14%) and senior professional titles (18.25%). In general, the majority of the technical specialists had various titles. What's more, the distribution of different level of the titles is scientific and appropriate.

Based on the trend of development that described the situation of the technicians with certificates, it is easily found that after reaching the peak in 2007, the junior titles declined much faster than others. On the other hand, intermediate and senior titles enjoyed their growth but there was indication that the margin of the growth rate shrank.

Figure 4-12 No. of professional and technical employees of different titles



C. Strategies for workers' skill development practice

Beijing Economic and Technological Development Zone is the one which mainly depends on processing industry. Among main industries in the development zone, except for electrical industry and Fast-Consumption industry, most industries such as equipment manufacturing, auto and transportation, equipment, and biology engineering requires assembly workers with certain skills, so as to the professional and technical employees. Therefore, the skill training and development are attracted both the management committee and the enterprises' attention, and it has been more evident after the global financial crisis of 2008.

Prior to the financial crisis in 2008, requirements for workers at the production line were nothing but basic operation skills, which can be rapidly acquired through some simple on-job-training. Nonetheless, after the crisis, especially in 2010, requirements were added, and for jobs of the same type, requirements for workers became more specific and detailed. This was mainly because supply of low-end labor declined. In days when labor supply were sufficient, companies had relatively low recruitment cost and gave no consideration in whether to keep the employees stay. Due to the fall in the Chinese young labor supply, the recruitment cost climbs, and companies will take a second thought to lay off employees and begin to think about entering a long-term contract with them, hence the basic quality and level of skill are more valued.

One of the measures to develop employees' skills is to provide various kinds of training, including two aspects—the company side and the government side.

Foreign companies possess systematic trainings and abundant resources, thus are capable of providing satisfactory training plans and relating arrangements.

The training provided by government mainly comes from Personnel and Labor Bureau and BETDZ Federation of Trade Unions. The trainings provided by Personnel and Labor Bureau open to not only common skilled workers but also talents. Personnel and Labor Bureau intentionally drafted “Beijing economic and Technological Development Zone of occupation skill training subsidies” and “The detailed rules for the implementation”, so as to provide policy subsidies to staffs who participated in the professional training provided by the unit of work and finally got the qualification certificate which was identified. The subsidies are as follows:

Table 4-2 Subsidies standard of different job qualification certificate levels

Level	Allowance
Junior (National job qualification certificate Level 5)	200(Yuan/person)
Medium (National job qualification certificate Level 4)	500(Yuan/person)
Senior (National job qualification certificate Level 3)	800(Yuan/person)
Technician (National job qualification certificate Level 2)	1000(Yuan/person)
Senior Technician (National job qualification certificate Level 1)	1200(Yuan/person)

The trainings provided by BETDZ federation of trade unions were aimed at skilled workers, since 2009, in order to provide specific skill training, BETDZ federation of trade unions put in 300 million RMB as the foundation to support enterprises ,encouraging enterprise themselves organize skill training. The plan focused on providing 2600 workers with training in 2009, 6100 workers with training in 2010 and 11000 workers with training in 2011.

4.3 Conditions on social security

4.3.1 Social insurance

Social insurance in the Development Zone is managed under territorial administration. Therefore, not all of the contributors provided by the Human Resource and Social Security Bureau of the Beijing Economic and Technological Development Zone are employees in this Development Zone, for instance, social insurance data analyzed in this research is not of employers in the BETDZ but of contributors to a wider extent.

The contribution ratio of social insurance in the BETDZ is drafted in accordance with the unified standard regulated by the Human Resources and Social Security Bureau of Beijing, see the chart below:

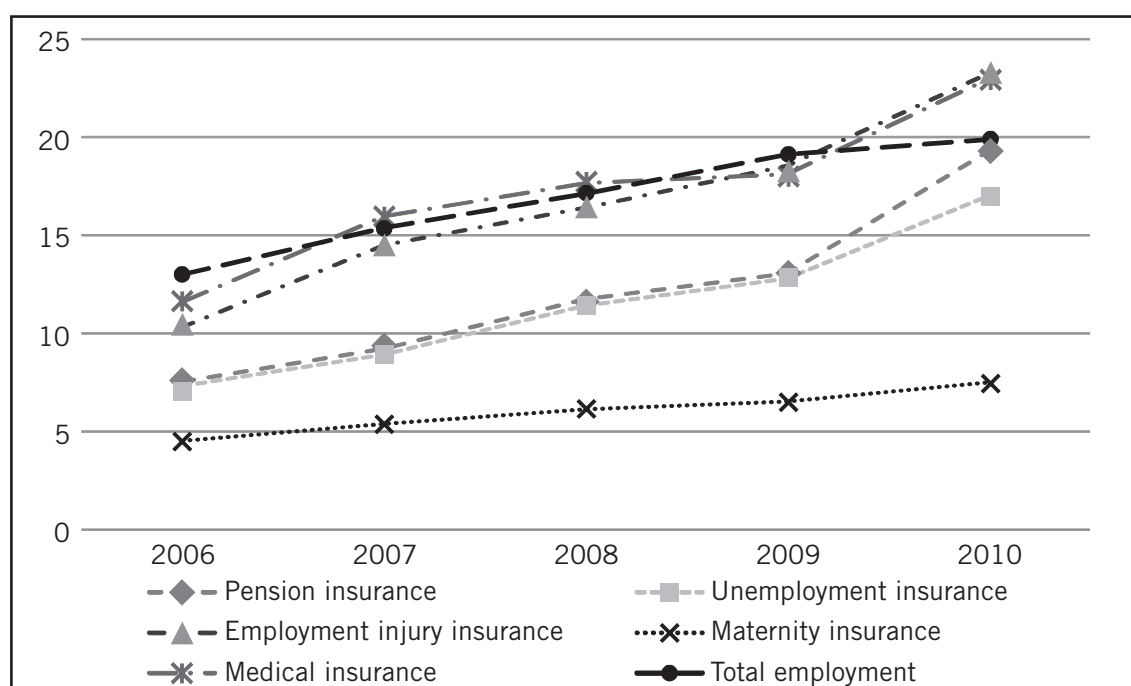
Table 4-3 Pay cost ratio of social insurance

Type of insurance	Individual capture to expend scale(%)	Organization capture to expend scale(%)	Total Capture to expend scale(%)
Pension	8	20	28
Unemployment Insurance	0.2	1	1.2
Insurance against Injury at Work	N/A	0.5	0.5
Maternity Insurance	N/A	0.8	0.8
Medical insurance	2% +3 yuan	10	12% +3 yuan

Due to the policy of territorial administration, some enterprises in the Development Zone don't pay their social insurance funds to the Human Resource and Social Security Bureau of the BETDZ. Those enterprises may include Central SOEs and their subsidiaries, Municipal SOEs. In 2010, the number of enterprises which paid their funds was 2616, with an increase of 22.6% over the year of 2009. More than 219 thousand employers were insured, an increase of 17.9% over 2009. Collection of social insurance fund was 2.02 billion yuan in total, 550 million yuan more than that of 2009 and an increase of 37.5% over 2009.

Inspections on those enterprises are given by the Human Resource and Social Security Bureau of the BETDZ. But that is not the case for catering industry (social insurance registration certificate are made compulsory by the administrative committee of the Development Zone) and security industry (with management that is confusing, there is basically no social insurance) whose employers are not enthusiastic about participating in social insurance due to the fact that their employment turnover rate is too high, resulting in poor participation.

Figure 4-13 Change of No. of the protected of social insurance



Although data cannot accurately reflect the situation of social insurance participation in the Beijing Economic and Technological Development Zone, it may indicate some current issues related to social insurance contribution in the Beijing Economic and Technological Development Zone.

4.3.2 Wages

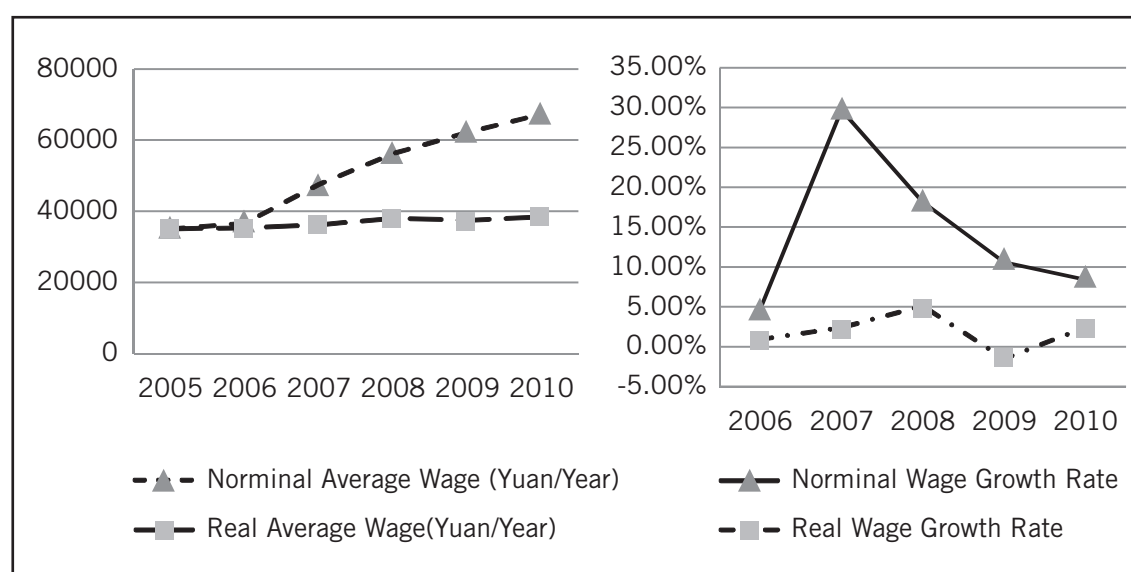
Wage levels in the Beijing Economic and Technological Development Zone are based on the minimum wage standard of Beijing. Employees' wages are adjusted based on the minimum wage standard according to their skill levels. Wage increase in BETDZ goes in tandem with the increase of the minimum wage standard of Beijing.

An ordinary production worker working in a manufacturing enterprise can earn 1800-2000 yuan a month, which is basically in a slim range above the minimum wage standard in 2011. Production workers in more lucrative enterprises can earn as much as 3000 yuan a month, but to a very low proportion. The minimum wage standard of Beijing in 2011 is 1160 yuan a month. And if employees in the Development Zone are paid less than that, the BETDZ Labor Supervision Department will send salary commissioners to negotiate with the enterprise and use administrative intervention even by means of law to correct its wage practice.

The overall wage level in the Beijing Economic and Technological Development Zone is lower than EPZs in southern China. In comparison with enterprises outside the Development Zone, there is no advantage in the aspect of payment. The main attractions for workers are the brand effect and effective management. And there is no discrimination in wage level between genders.

It can be observed in the figure 5-14 that from 2005 to 2010, nominal average wage in the Beijing Economic and Technological Development Zone grows at a rapid pace, with an average annual growth rate of 11.5%. However, the average annual growth rate of real wage is 1.53%, basically the same as that of the whole city.

Figure 4-14 Nominal wages, real wages and their growth rate



In terms of average wage growth rate, nominal wage saw a quite rapid growth in 2007 but suffered constant drop since then. Real wage slightly rose in 2008, and then decreased in 2009, with a decrease rate of 1.51%. Facing challenges proposed by decline of orders in 2008-2009, enterprises in BETDZ chose to reduce the number of employees rather than reduce workers' wages to cope with problems brought by recession. Yet in 2009, enterprises modulated their wage practices.

The government plays an instructive role in developing wage policies in BETDZ. Guidance lines for enterprise wage will be released in the form of worker's average wage growth rate by Beijing Human Resources and Social Security Bureau. Specifically, there are three lines, namely reference line, leading line and bottom line. In 2010, the reference line is 11%; leading line 16% and bottom line 3%. Guidance lines only serve an instructional role for enterprises, not compulsory. The average wage growth rate in Beijing Economic and Technological Development Zone in 2010 is 8.37%, lower than the reference level which is required by the government.

4.3.3 Working hours, rest and leave

A. Major working time arrangement in BETDZ is Comprehensive Working Time Arrangement

Different kinds of working time arrangement are formulated by China's labor law and other relevant regulations, namely Standard Working Time Arrangement, Reduced Working Time Arrangement, Irregular Working Time Arrangement and Comprehensive Working Time Arrangement, Part-Time Working Time Arrangement. Comprehensive Working Time Arrangement is adopted by most of the enterprises in BETDZ, particularly those in the manufacturing industry. Few enterprises adopt the eight-hour standard working time arrangement. That is because those enterprises have to cope with the uncertainty of market orders and the imbalance of production. In addition, they have to avoid being in breach of the legal rules that overtime cannot be over 36 hours a month in those months which orders are in abundance.

Comprehensive working time arrangement refers to a working time arrangement applying to employees of enterprises engaged in trades necessary for consecutive operations due to the special nature of their work and trades, which are restricted by seasonal and natural conditions, under which working time are calculated comprehensively with weekly, monthly, quarterly or annual basis as a cycle. In a cycle of such comprehensive calculation, e.g., one day or one week, the working time where of may exceed 8 hours a day or 40 hours a week, subject to the precondition that the average working time of one day or one week must be approximately the same as the statutory standard working time.

According to the requirements of the Labor Law, enterprises that implement comprehensive working hour system have to get the approval of the Labor Administration Department first. The Human Resource and Social Security Bureau of BETDZ is in charge of labor record and ratification of comprehensive working hour system and non-regular working hour system. From the aspect of law enforcement, all enterprises in the Development Zone arrange working hours in accordance with the Labor Law.

Management of comprehensive working hour is done annually or biannually in enterprises that have been ratified to implement comprehensive working hour system. Enterprises will arrange workers to change their shifts or to have rest based on the basis of distribution of orders in different months within a year. The workers' working hours meet the requirement of the laws on yearly average. Yet workers work overtime more commonly in months when

orders are concentrated. Workers are paid minimum wage in those months that orders are rare and they are asked to take a rest. The standard in 2010 is 1100 yuan a month. So it is more preferable for the workers to earn more money by the means of working overtime.

The Administrative Committee of Beijing Economic and Technological Development Zone has been supervising enterprises for excessive overtime work since 2005 and providing concentrated rest time for employees who adopt comprehensive working hour system. Generally speaking, overtime for Development Zone workers in electronic information industry is controlled within 60 hours a month and the working time of a year is controlled within 2880 hours (generally around 2720 hours). The Committee will intervene by administrative measures if working time is seriously excessive.

B. Rest

Weekly rest: Based on China's provisions on working hours of workers and staff, two days of rest every week is executed by most employers.

Daily rest period: Based on China's provisions on working hours of workers and staff, workers employed by enterprises which adopt single shifts or double shifts should have the rights to get rest at least half an hour after 4 hours of continuous work. For those adopt triple shifts, the working time for day shift is 8 hours and the working time for night shift is 7 hours, with a rest of 20 minutes in the interval. The major working hour system in manufacturing enterprises in Beijing Economic and Technological Development Zone is "four shifts with three rotations". That is, workers are divided into four shifts and each one work for eight hours. There are three rotations between these four shifts. The rest time for each shift is 15 minutes. Night shift subsidies for are provided by some enterprises which are more compassionate towards employees.

In Beijing Economic and Technological Development Zone, administrative and management personnel from mainland China work on standard working hour system in general. They can enjoy two days of public rest every week. Different from that, Comprehensive Working Hour System is applied for production line workers. They get their rest time by means of rotation and cannot enjoy two days of public rest every week.

C. Paid Holidays / Annual Leave

According to the provisions of relevant laws and regulations in China, the prime C. Paid Holidays/ Annual Leaves that workers may enjoy include: legal holidays, home leave and annul leaves.

Shifts arranged among legal holidays should be paid three times as much in accordance with the requirements of relevant laws. No matter administrative and management personnel or production line workers, they can enjoy annul leaves. Home leaves are implemented mainly in state-owned enterprises. Whether the staff can enjoy home leaves is up to the internal rules of the enterprise.

The principal method for the government of Beijing Economic and Technological Development Zone to control enterprise's illegal employment practices is through labor inspection. Patrol on enterprises and special inspections on working hours and rest & leave are used to regulate enterprise's behavior. Enterprise union and employees are not empowered to give comments at the enterprise level. However, they may declare their rights to government and regulators.

4.3.4 Facilities

All kinds of facilities are provided in Beijing Economic and Technological Development Zone that meet employees' needs. Such as:

- Kindergartens: SMIC International Kindergarten, which was set up by SMIC for its employees. Other enterprises don't have affiliated kindergartens. However, there are kindergartens run by public that are located in the Development Zone.
- Clinics: It is common that internal clinics are set up inside enterprises which employment is larger than 100, such as Nokia. Medical service of employees in other enterprises is provided by public hospitals, for example Tong Ren Hospital Yi Zhuang Branch.
- Canteen: All enterprises of considerable scale are equipped with staff dining halls.
- Night transportation: Shuttle bus service is provided by all enterprises of considerable scale and the Development Zone.
- Dormitory: The district government has set up apartments: Yong Kang Apartment and Youth Apartment which are only rent to employees working in the park. And they can provide accommodation for some 8000 people altogether. Enterprises of considerable scale have their own staff dormitory.

4.3.5 Health and safety

Legislations ruling health and safety in China mainly include: *the Production Safety Law of the PRC*, *the Occupational Disease Prevention Law of the PRC*, *Industrial Injury Insurance Regulations* and *Industrial Injury Identification Measures*.

In order to promote economic development, the safety of the lives and property of the people has to be ensured. The main purpose of introducing the *Production Safety Law of the PRC* is to strengthen the supervision and administration of production safety, preventing and reducing safety accidents.

Other than ensuring the safety of lives and property, economic development also calls for protection of workers' health and their related rights and interests. The objective of *the Occupational Disease Prevention Law of the PRC* is to prevent, control and eliminate the hazards of occupational diseases, and to prevent and cure occupational diseases.

Industrial Injury Insurance Regulations took effect in 2004 and was revised in 2010. The main change in the revised version is that it expanded the scope of industrial injury insurance. Institutions, social organizations, as well as the private non-enterprise units, foundations, law firms, accounting firms and other organizations which not refer to the management of civil servant law were added into the scope of application.

Industrial Injury Identification Measures, which is parallel for Industrial injury insurance regulations, also got its revision in 2010 and put into effect in 2011.

Safety in production and prevention of occupational disease within Beijing Economic and Technological Development Zone are supervised by the Bureau of Production Safety Supervision and Administration of the Development Zone. In 2010, only 6 workers were infected by occupational diseases in the Development Zone.

Manufacturing enterprises in the Development Zone put great emphasis on various kinds of safety work such as construction safety, production safety, fire safety and traffic safety. They widen employees' safety knowledge by the means of training, propaganda and establishing occupational safety and health management system etc. They also enhance employees' safety protection skills, improve their safety awareness and cultivate enterprise safety culture at the meantime.

Injuries at work happen frequently in manufacturing enterprises. Industrial injury certification is executed by the Human Resource and Social Security Bureau of Beijing Economic and Technological Development Zone. Enterprises in the Development Zone handle industrial injuries in accordance with relevant laws and regulations. The number of determined work-related injuries in BETDZ is rising year by year along with the increase of employment and the gradual loosen up of the standard of work-related injury certification.

Table 4-4 No. of determined work-related injuries in recent years

Year	Number of Industrial Injuries
2006	252
2007	360
2008	378
2009	331
2010	467

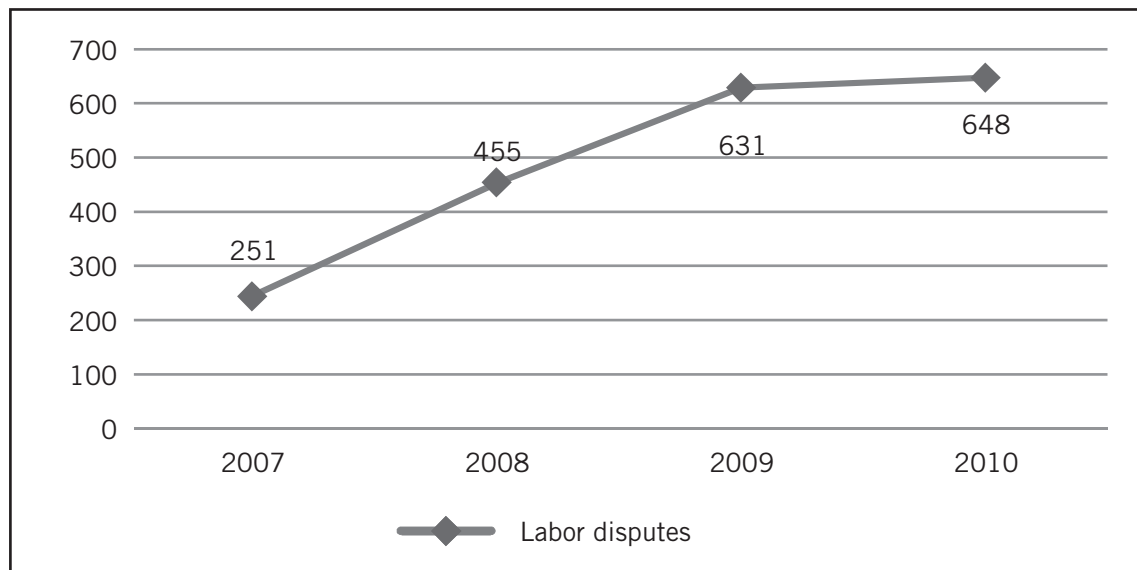
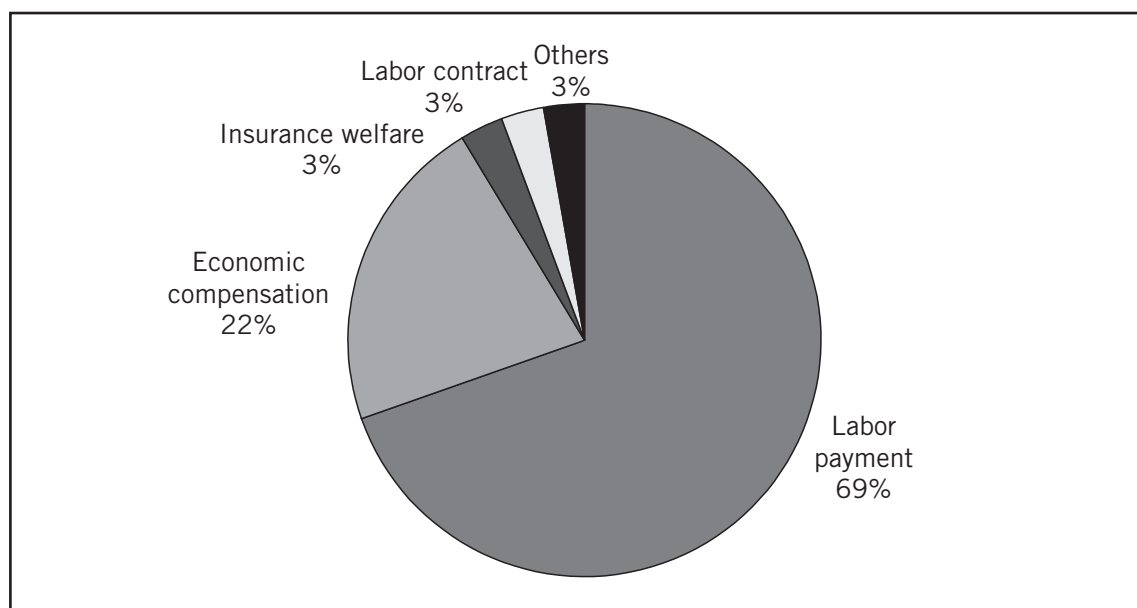
4.4 Labor dispute resolution in BETDZ

4.4.1 General description of labor disputes since 2007

1) Labor disputes were on a rise in 2007-2011, with remunerations being the major cause of conflicts

Labor dispute arbitration committee in Beijing Economic and Technology Development Zone handled 257 labor disputes in 2007. This number rose to 455 in 2008 after the implementation on Labor Contract Law and Labor Dispute Resolution and Arbitration Law. In 2009, the number of labor disputes skyrocketed to 631. This trend maintained in 2010 with 648 labor disputes handled. At the end of the third quarter in 2011, the number cases handled by labor dispute arbitration committees was 633, which means the total number of labor disputes in 2011 would break the record in 2010. Cases handled by labor inspection agency in 2011 decreased slightly compared to last year. Most of the cases were raised by migrant workers from construction industries.

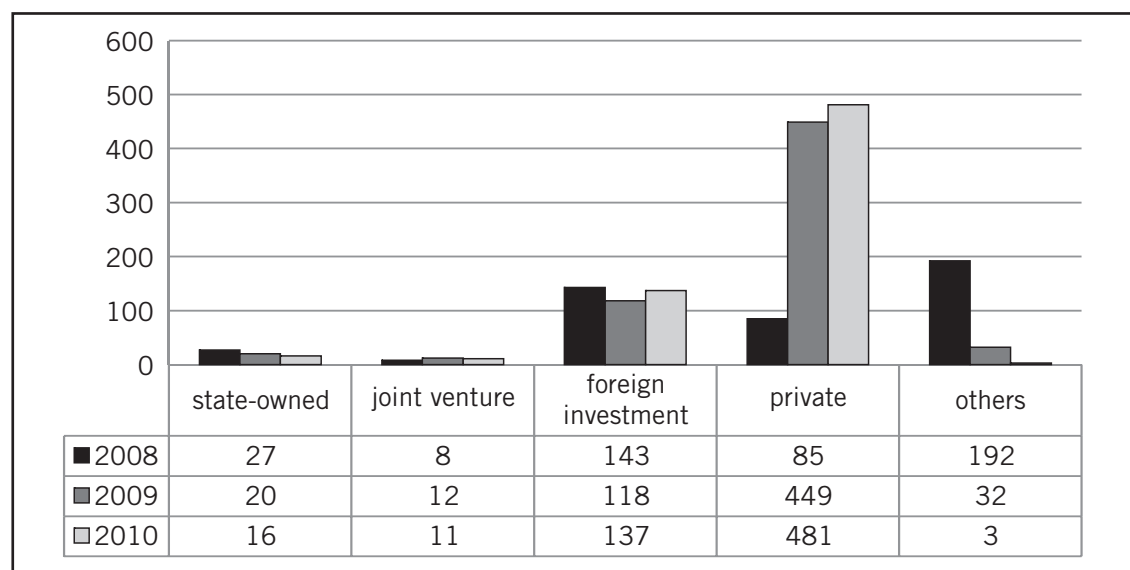
In 2010, the number of labor disputes caused by remunerations was 451, accounting for 69% of total number of labor disputes. Second to that, the number of labor disputes caused by economic compensation was 141, accounting for 22% of total number of labor disputes. Labor remuneration and economic compensation were two major factors that caused labor disputes in Beijing Economic and Technology Development Zone.

Figure 4-15 No. of labor disputes cases (2008-2010)**Figure 4-16 Causes of labor disputes in 2001**

Source: Federation of trade unions of Beijing Economic and Technology Development Zone

2) Most labor disputes took place in private enterprises

Most labor disputes took place in private enterprises and foreign-invested enterprises. The number of labor disputes in private enterprises rise from 85 in 2008 to 481 in 2010. While the number of labor disputes in foreign-invested enterprises remained at 110-140 from 2008-2010.

Figure 4-17 No. of labor disputes in different types of enterprises

Source: Federation of trade unions of Beijing Economic and Technology Development Zone

3) Large scale strikes broke out monthly from March to September, 2010

From March to September, 2010, several large scale strikes broke out in Beijing Economic and Technology Development Zone. In March 2010, a strike involving 86 workers broke out. In May, a strike involving 400 workers broke out. In Jun, 84 workers were involved in a strike and 500 workers were involved in a strike in July. Three strikes took place in August and September, the number of workers involved in strikes were 215 and 200. According to statistics, among labor disputes in 2010, collective labor disputes accounting for 63.5%, while in 2009, nearly no collective labor disputes were reported in Beijing Economic and Technology Development Zone.

4) Major reasons for large scale strikes in post-recession period

In 2010, changes in economic situation and policy environment set off a chain effect on labor market and employment situation, contributing to a series of strikes and protests in BETDZ.

Government emergency assistant during the financial crisis were stopped while some enterprises have not yet found the way to restore prosperity. During the financial crisis, Chinese government adopted lots of preferential policies in order to help enterprises in difficulty cross the bridge of change and restore vitality. These policies aimed at lightening the burden on enterprises and stabilizing employment relations, including policies such as permitting enterprises having difficulties to defer the payment of social insurance premium in 2009 for a maximum period of six months, reducing the premium of four social insurance products by stages, using unemployment insurance fund to carry out programs of on-job-training and stabilize employment situation, etc. These policies played a positive role to ease burden on enterprises in 2009. In 2010, these temporary policies provided by government were stopped, though some of the enterprises have not found ways out. As a result, changes took place in market competition, with some enterprises regaining vitality while some still struggling for a living.

In tandem with changes in market situation, changes in labor supply and demand situation emerged as well. Enterprises with regained vitality expanded labor demand while

enterprises with relatively low productivity needed further downsizing. Structural changes in demand side left workers more choices in labor market, along with higher expectancies of wage increase. In enterprises with lower productivity, employees' expectancies for higher wages were not satisfied, leading to conflictions between employers and employees.

In addition to that, in post-crisis period, some enterprises, especially foreign-invested enterprises started reform in operation strategies. Under this circumstance, management shake-ups were frequent in these enterprises, causing deep influence in employees' morale. Changes in operation strategies, if not properly dealt with, turned out to be a trigger for large-scale protests from employees.

4.4.2 Characteristics of large scale strikes in 2010

A. Workers had no uniform appeals during strikes

During 2010, seven large-scale strikes happened in BETDZ. It is found in interview that workers involved in these strikes expressed various appeals. On contrast to our original hypothesis that most appeals would concentrate on wage issues, workers in BETDZ have no uniform appeals even in one strike. So far, no strike plans or strategies were discovered in BETDZ, although this does not mean that workers have no strategies or plans when carry out a strike. Besides, no workers' organization other than BETDZ Federation of Trade Unions was discovered either. According to officers in BETDZ Federation of Trade Unions, all the strikes broke out in a sudden, there were no signals beforehand. However, further researches should be carried out to figure out if workers in BETDZ have adopted any plans or strategies in strikes. While it was found that workers involving in strikes had no independent representatives, which, according to interviews, were their strategies of self-protection. However, without representatives, it was hard for employers to carry out negotiations with workers, and it was also difficult for trade unions at work place to coordinate relationship between employers and employees.

B. Lacking communication turned out to be the root for large-scale dissatisfaction

According to interviews, most of the workers' dissatisfaction came from lacking communication mechanisms to express their feelings to the management. It was found that in most enterprises, only one-way communication channels were found, messages were passed on to employees from employers through billboards and bulletins. Employees, being passive recipients of information, seldom had the chance to convey their feelings, ideas and expressions to the management. Gradually, their feelings of dissatisfaction were abeyance and accumulated. Driven by accumulated dissatisfaction and lacking ways of communication, when someone in the work shop stopped working, other workers were easily encouraged to follow them and stop work. Workers behavior of slow-down and their feelings of grievance would quickly spread out and became large-scale strikes throughout the workplace. On contrary, it was found that in some enterprises with effective mechanisms of two-way communication, fewer collective labor disputes broke out.

C. Workers showed weak abilities in self-adaptation, communication, and strong abilities in organization during strikes

As was showed in interviews, most workers involving in strikes were migrant workers in their twenties, most of who temporary and dispatched workers with junior high school degrees working directly on assembly lines. BETDZ Federation of Trade Unions carried out a psychological test on these workers, showing 4 characteristics of their psychological

situation. First, these migrant workers born in the 1990s have relatively weak ability to adapt to new environment. They psychologically tend to isolate themselves from the outside world. Lacking a sense of independence, they tend to follow the choice of their counterparts in order to be accepted. As a result, they are easily affected by others, especially their workmates. Secondly, with relatively lower self-confidence, these workers are not good at express themselves and demonstrate weak problem solving abilities. Thirdly, without clear career development goals these workers have vague vision on their future development. Finally, it was found that these workers showed strong ability in organization and demonstrated high level of cooperation and coordination in collective actions. Special psychological characteristics determine that young migrant workers are easily involved in collective actions and efforts should be made to set up mechanisms for grievance ventilation in order to form a relatively harmonious relationship between workers and the management.

Table 4-5 Labor dispatching personnel structure in 2009

Region	Number	Proportion (%)
Local urban	2662	8.86
Local rural	2024	6.74
Nonlocal urban	2277	7.58
Nonlocal rural	23069	76.81
Total	30032	100%

4.4.3 Practice on individual labor disputes resolution

A. Mediation is the major way to resolve individual labor disputes

In order to reduce cost of labor dispute resolution and solve disputes within a shorter period, mediation is given priority in labor dispute resolution process in BETDZ. Traditional labor dispute resolutions that highly depend on labor arbitration committees and labor court takes up a lot of time and waste much money, which turn out to be not effective in deal with individual labor disputes.

B. Innovations were made to enhance labor dispute resolution efficiency

Innovation methods were adopted to enhance cooperation between departments in BETDZ administrative committee to improve labor dispute resolution efficiency. Bureaucratic procedures were canceled, and barriers in inter-departmental cooperation were reduced. A reception counter was set up in administrative committee to deal with labor issues. Once a labor dispute happened, workers or staffs in the management can go to the reception counter and fill a form concerning the labor dispute. Necessary information such as dispute cause; appeals of workers, contact information of enterprises are collected through interviews on the reception counter. Then, the information would be reviewed, and the case would be passed onto proper department to follow up. For instance, if there's sufficient evidence to proof that worker's rights are violated, the case would be hand onto labor inspection department. If the employers and employees persisted in their own opinions and neither would concede, the case would be passed onto labor administration department.

C. Trade unions actively involved in the process of dispute resolution BETDZ Federation of Trade Unions employed professional

BETDZ Federation of Trade Unions employed professional lawyers and labor dispute mediators to help solving labor disputes. Professional labor dispute mediators help workers get access to labor laws and relative regulations so that workers could know how to protect their right through legal method. Also, BETDZ Federation of Trade Unions plays an active role in mediating conflictions between workers and employers. Once a case of dispute is reported to the trade union, professional staffs in ACFTU would involve in mediation process and help workers and employers to reach an agreement. The result of mediation would be recorded in a conciliation statement issued by BETDZ Federation of Trade Unions. Although the conciliation statement has no real legal force, it can be changed for a legal conciliation statement in labor arbitration committee. Trade unions' efforts really work to reduce the number of labor dispute cases passed onto the labor arbitration committee and labor inspection department in BETDZ.

D. Individual workers were provided professional advices on self-protection

Public media are also used to provide professional advices for workers to protect their rights. In the best-selling newspaper in BETDZ, Beijing Daily Messenger, a special edition called Yizhuang Edition is created, on which there're plenty of information on labor dispute cases, labor laws and relative regulations and hotlines for workers. This provides workers a regular platform to get access to legal methods to protect their rights. It also helps enterprises to restrict their behavior at workplace within the frame of labor laws and regulations.

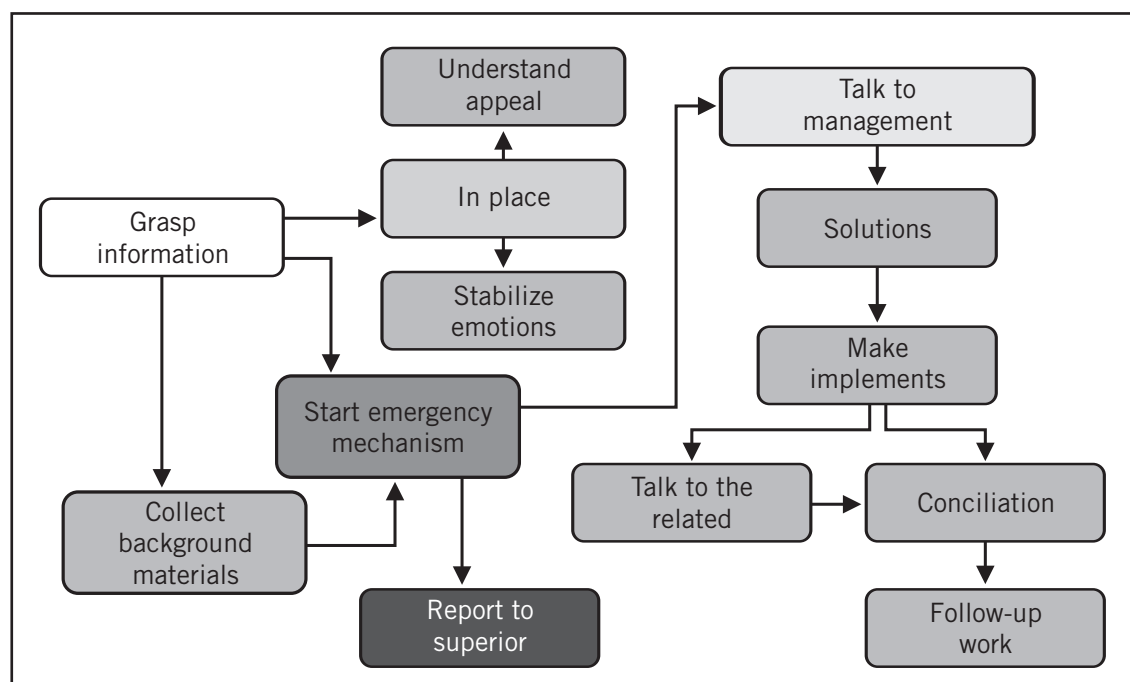
4.4.4 Resolutions on large-scale strikes

Currently, several resolutions are developed in BETDZ to handle large-scale strikes.

A. Emergency mechanisms are set up at workplace level

Once large-scale strikes happened, trade union at workplace level should report this event to trade union of higher level. The trade union of higher level would arrive at the workplace and provide proper guidance to trade union of lower level on dealing with such emergencies. The main responsibility of trade unions at workplace level is collecting appeals of all the workers involved in strikes in order to help trade unions of higher level to coordinate relations between workers and the management.

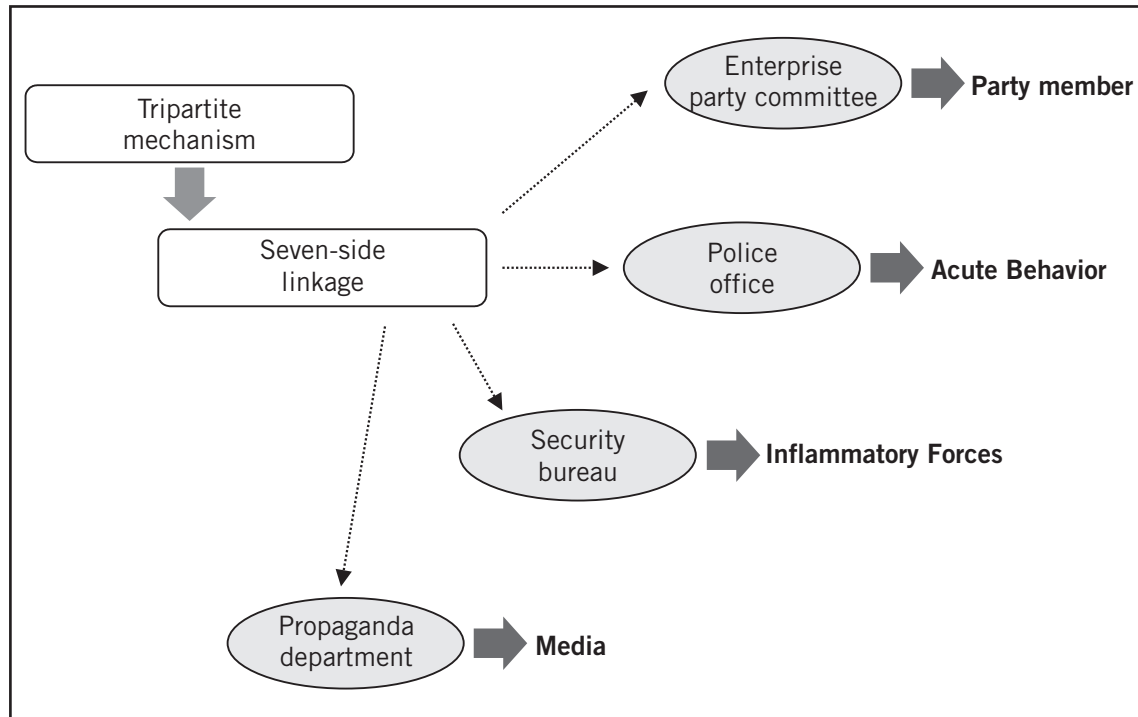
Besides, trade unions at workplace are also responsible of organizing collective consultation and urge the employers to make a schedule of change according to appeals of workers. Trade unions are also responsible to supervise the fulfillment of that schedule of change in order to protect workers' legal rights.

Figure 4-18 Emergency mechanism for collective shutdowns at workplace level

B. Seven departments cooperate with each other in the dealing with emergency strikes outside enterprises

When large-scale industrial actions were reported, seven departments including Human Resources and Labor Bureau, BETDZ Federation of Trade Unions, Business associations in BETDZ, government's propaganda departments, Public Security Bureau in BETDZ, the State Security Department, as well as the Party committee at enterprise level would be called in and cooperate with each other in solving the problem. Specifically, Human Resources and Labor Bureau, BETDZ Federation of Trade Unions and Business associations carried out tripartism dialogues and actively take part in mediation process. Public Security Bureau in BETDZ is responsible for protecting social stability in BETDZ during the period of strikes. The State Security Department is called in when foreign-funded enterprises were involved in industrial actions. The government propaganda departments are called in to regulate mass media, in case they made some false reports. The interactions of the seven departments are illustrated in Figure 4-19.

Figure 4-19 “Seven-side linkage” emergency mechanism



C. Different strategies are adopted in different stages to avoid a skirmish grow into a big mass

In late 2010, Flextronic changed its business strategy and was planning to move their factories into central China. Under this circumstance, Flextronic in BETDZ was planning to cut off 3000 local employees. BETDZ Federation of Trade Unions took actions in different stages to avoid large scale confliction caused by downsizing. First, they communicated with the management and told them not to carry out downsizing plan during Spring Festival. Since Spring Festival is the most important festival in Chinese culture, during which period large-scale conflictions would be easily caused by downsizing. Second, after Spring Festival, when the enterprises announced its plan of changing locality and downsizing, trade unions made efforts to ensure workers in difficulty can receive enough compensation. Also, trade unions actively provided employment services to offer better job to employees being cut-off. It is so effectively implemented that most migrant workers got a new job the very day they leave the Flextronic. Owing to these efforts, the Flextronic finished its downsizing plan in three days without causing any labor conflictions.

D. Prevention mechanism for large-scale collective labor disputes is set up

In 2011, BETDZ Federation of Trade Unions cooperated with Human Resources and Labor Bureau in setting up a prevention mechanism for large-scale collective labor disputes. Several methods were involved in this mechanism: First, trade unions in BETDZ provide trainings for enterprises to regulate their employment activities. Second, efforts were made to set up enterprise-level trade unions and promote collective bargaining at enterprise level. In addition, for enterprises in difficulties, trade unions also help enterprises with their downsizing plans and set up a “bankruptcy security deposit” in each enterprise to pay for workers wage and compensation in case enterprises break down.

4.5 Practice of labor inspection in BETDZ

A. Labor inspection in BETDZ put emphasis on flexible enforcement of regulation

Labor inspection in BETDZ attaches great emphasis on flexible enforcement of regulation. Administrative punishments are not used if necessary. They carry out regular inspections in enterprises on working conditions and workers' right protections. They issued Suggestions from Labor Inspection to enterprises whose working condition and workers' protection do not meet basic standards. This Suggestion, though has no legal compulsion force, is instructive for enterprises to adjust their working condition and worker's protection to meet the basic standard. For some stubborn enterprises that refuse to make any change after receiving the Suggestions, labor inspection department choose to communicate with the management and urge them to make change by telling the serious consequences of their current deeds. If all the above measures do not work, labor inspection department would issue an announcement to the enterprises and urge them to make change within a period. This announcement enjoys legal compulsion enforce. If the enterprises do not make any change within the period, the labor inspection department would issue Written Decision of Administrative Penalty, which would receive compulsory execution by local court after taking effect.

B. Labor inspections are effectively used to enhance labor dispute resolution efficiency

Labor inspection department and labor arbitration committee in BETDZ cooperate well with each other in dealing with labor disputes. Once a case is received by the Reception Counter of BETDZ Administration Committee, it is passed onto proper departments. Labor inspection department was responsible for cases with clear appeals, and its ability of evidence collection is taken full advantage of. While labor arbitration committee mainly deals with cases in which both employers and employees stick to their own opinions. This arrangement improved both effectiveness and efficiency of labor dispute resolution in BETDZ.

4.6 Protection of female workers and anti-discrimination practice in BETDZ

In BETDZ, national laws and regulations on women protection take effects as well. Since there's no women's federations, a common organization of women protection supported by Chinese government, protection of female workers and employees are implemented by trade unions in BETDZ. It is found in interviews that over 90%workers working in manufacturing enterprises were female workers. So far, no discriminations on female workers were found in BETDZ and labor protections of female workers were strictly enforced. No labor disputes on mistreatment of female workers were reported.

4.7 Trade union organization and collective bargaining in BETDZ

Interviews showed that all the enterprises in the BETDZ were selected according to a series of strict criteria, including annual revenues, tax contribution and productivity. The world's top 500 companies and leading companies in relevant business were major focus of government to attract foreign investment. However, it is discovered that no criteria on labor protection or trade union organization were included, aggravating enterprises' strong attitudes against trade organization in non-state-owned enterprises.

Currently, trade union rate in BETDZ is 16.9%, much lower than that of other EPZs in China. Officers in BETDZ Federation of Trade Unions attributed this phenomenon to large numbers of enterprises with less than 10 employees, which are not able to set up an enterprise level trade union. Officers in BETDZ Federation of Trade Unions also stated that current emphasis of ACFTU is put on trade union organization in enterprises with more than 100 employees, which absorbed over 90% employees in BETDZ. In these enterprises, trade union rate reached 87.5% in world's top 500 companies and leading companies this year, with 76% employees join in trade unions. For those enterprises with less than 10 employees, efforts were made by ACFTU to set up unite unions so that regional trade union rate could be enhanced. As a result, more workers in small enterprises could be organized by ACFTU.

Owing to relatively low trade union rate and government's attitudes toward investment environment, collective bargaining in BETDZ made very little progress currently. So far, most enterprises that have set up collective bargaining systems are state-owned enterprises and the rest are large private enterprises with strong economic power. No foreign-funded enterprises have set up collective bargaining system. In 2011, the coverage of enterprise-level collective contract is less than 30%.

Difficulties for enterprises in BETDZ to set up collective bargaining mechanism come from the following three aspects: 1) since 2009, owing to recessions caused by financial crisis, enterprises in BETDZ have experienced a long period of hard time. Some enterprises broke up, some moved out of the BETDZ, and some were merged by larger enterprises. Facing with challenges proposed by aggravating competition and increasing cost, more and more enterprises in BETDZ are planning to change their operational strategies in order to cross the bridge of change. 2) Currently, there're no sectoral trade unions in BETDZ, and grass-root trade unions, owing to weak bargaining power, have difficulty in carry out an enterprise-level collective bargaining. 3) Migrant workers in BETDZ have a high turnover rate, and long term collective contract cannot cover this workers. Owing to this, most migrant workers are reluctant to sign enterprise-level collective contracts. 4) Enterprises in BETDZ view collective bargaining a mechanism only for the purpose of wage increase. With concerns that employees would keep on asking for a wage increase even in economic recessions, enterprises are reluctant to set up such mechanism at enterprise level.

To overcome the above difficulties, several strategies were drawn by trade unions in BETDZ: 1) Sectoral trade unions are under preparation, and collective contract coverage would be enhanced through industrial-level collective bargaining system. 2) Mechanisms for labor-management communication at enterprise level are set up to enhance mutual understanding between the two parties in order to solve some labor disputes through communication. For instance, in some foreign-funded enterprises, regular consultation meetings between labor and the management are set up to enhance communication between the two parties. Also, workers participating in board of supervisors, mailbox of general managers are common ways of communication in enterprises in BETDZ.

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Appendix

Table A-1 Development data of ETDZ

	2010	2009	2008	2007	2006
Statistical number	90	54	54	54	
GDP/regional GDP (hundred million yuan)	26849.13	17730	15313	12695.96	10136.90
Industrial value added (hundred million yuan)	18660.5	12482	10972	9199.70	7414.24
Total industrial output value (hundred million yuan)	77541.52	51271	45935	38426.28	30219.22
Tax revenue (hundred million yuan)	4650.3	3145	2481	2036.77	1570.02
Actual use of total foreign investment (hundred million dollar)	305.85	204	195	173.21	147.12
Total import (hundred million dollar)	2430.12	1644	1804	1527.95	1338.63
Total export (hundred million dollar)	2536.32	1874	2051	1780.84	1492.33
Employment at the year end (ten thousand)	898.23	818.48	—	535.04	474.25

Table A-2 Development data of HITZ

	2009	2008	2007	2006	2005
No. of enterprises	53692	52632	48472	45828	41990
Total industrial output value (hundred million yuan)	61151.4	52684.7	44376.9	35899	28957.6
Industrial value added (hundred million yuan)	15416.7	12507	10715.4	8521	6820.6
Total revenues (hundred million yuan)	78706.9	65985.7	54925.2	43320	34415.6
Retained profits (hundred million yuan)	4465.4	3304.2	3159.3	2128.5	1603.2
Tax revenue (hundred million yuan)	3994.6	3198.7	2614.1	1977.1	1615.8
Export foreign exchange (hundred million dollar)	2007.2	2015.2	1728.1	1361	1116.5
Employment at the year end (ten thousand)	815	717	650	573	521

Table A-3 Development data of Bonded Zone

	2009	2007	2006
Industrial value added (hundred million yuan)	2384.88	1833.55	1444
Total industrial output value (hundred million yuan)	3347.30	3206.56	2608.24
Sales revenue (hundred million yuan)	14747.94	12569.53	10119.01
Product sales (hundred million yuan)	10700.64	9130.64	7340.1
Tax revenue (hundred million yuan)	1221.84	874.1	652.66
Actual use of total foreign investment (hundred million dollar)	38.02	26.62	22.08
Fixed Investments (hundred million dollar)	467.04	292.51	241.72
Total import (hundred million dollar)	772.91	824.05	704.86
Total export (hundred million dollar)	371.38	457.19	385.14
Employment at the year end (ten thousand)	60.13	56.2	47.29

Table A-4 Development data of EPZ

	2009	2007	2006
Industrial value added (hundred million yuan)	569.3	459.01	262.96
Total industrial output value (hundred million yuan)	7326.47	5645.52	4239.91
Industrial profit (hundred million yuan)	133.75	178.02	80.75
Industrial product sales (hundred million yuan)	7129.63	5637.52	4300.86
Tax revenue (hundred million yuan)	74.75	26.93	15.31
Actual use of total foreign investment (hundred million dollar)	16.94	20.37	15.78
Fixed Investments (hundred million dollar)	251.28	317.91	111.09
Total import (hundred million dollar)	469.56	447.33	364.53
Total export (hundred million dollar)	973.05	757.92	543.18
Employment at the year end (ten thousand)	61.05	38.92	31.84

Table A-5 Development data of Bonded Logistics Zones

	2009	2007	2006
Total No. of enterprises	—	601	329
New project approval	13	277	221
Investment (hundred million dollar)	1.59	11.11	6.38
Total export (hundred million dollar)	34.51	38.21	10.77
Total import (hundred million dollar)	29.49	37.49	17
Enterprise business income (hundred million yuan)	57.89	110.74	39.35
Value added (hundred million yuan)	5.59	8.03	—

