

# **The Lewisian Turning Point and Its Implications to Labor Protection**

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As noted in some other studies in this book, China is drawing near to Lewisian turning point. In addition to its implication to labor market equilibrium, it is also a turning point for labor protection that we see the changing roles of stakeholders on labor market. When reaching the turning point, the employees have more bargaining power than before, which let it possible for migration workers to *vote with feet*. As response to the turning point, the employers have to care about labor protection otherwise they will lose the competition for workers. That is why we see wage rising and improvement for working conditions in recent years. To sustain regional economic growth, the local governments tend to compete for attracting migration workers by devoting to construction of a friendly environment for migrants. In 2008, a series of new law relating to labor protection is implemented, which witness that China enters the new era of labor protection.

## 1. Labor Market Development and Labor Protection

For a long time, China had been a dual economy characterized by segmented labor market between rural and urban areas. Under the central planning system, the urban workers had been well protected while the farmers worked in collective farm where labor relation did not exist. However, the labor market reforms that stared from rural areas have brought about the needs for labor protection although the issue has

not been well noticed with labor market development.

### 1.1 Protection for Migration Workers

The formation of labor markets in China came about from rural areas. Implementation of the Household Responsibility System meant that rural laborers were released from their engagement in only the agricultural sector, and migrated across villages, towns and even provinces. With productivity growth in agriculture, more and more migration workers moved out of agriculture and worked in urban labor market.

In the early reform period – namely from early 1980s through mid 1990s, the employment of rural and urban China expanded mainly through the transformation of farmers from agricultural job to non-agricultural job. Job creation by township and village enterprises and massive labor migration from rural to urban sectors are most impressive, unique and worldwide-recognized “China miracle”. The volume of rural to urban migration accelerates increasing in the new century. In 2006, there were more than 132 million farmers who moved out of countryside and worked in urban areas for at least 6 months, which accounted for 46.7 percent of urban employment. Since rural migrants take nearly half of urban employment, it is necessary to concern their working status, conditions, and protection for decent work.

Rural migration workers who work on urban labor market face more risks with unemployment, uncertain income and health shock than ever before. Migration workers work dominantly in informal sectors. According to urban household survey conducted by Institute of Population and Labor Economics, urban labor market is more

informalized than before. There were 18.5 percent of local residents working in informal sector in 2001 and the number went up to 32.6 percent in 2005, while for migration workers the shares were 72.5 percent and 84.3 percent respectively. As work in informal sector is less secured, migration workers suffer more from occupational injuries. In addition, due to the informality of work, migration workers face with more income uncertainty while they have limited chances to join social security system, for instance, unemployment insurance. Compared to their local counterpart, migration workers, migration workers, away from their familiar communities and working in the unfamiliar cities, can hardly get help from their relatives, friends and neighborhoods when they fall into straits. In such a case, the social protection has to play role.

## 1.2 Protection for Workers Suffering from Labor Market Shock

During the era of planning economy, workers in urban areas were well protected through comprehensive benefit system including housing, health care, and pension that attach to stable employment. In general, work units that were dominantly state-owned undertook to protect the employees. According to statistics, at the end of the 1950s, 90 percent urban employees had social insurances in terms of medical care, occupational injury, etc. The expenses on pension, health care, etc. paid by the state accounted for 20 percent of employees' total compensation<sup>①</sup>. However, the system excludes

Urban biased employment and benefit system did not end until 1990s. In 1995, China enacted Labor Law that marks a radical economic

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<sup>①</sup> He Jun: *Labor and Social Protection*, the Northeast Finance University Press, 2002, p136.

restructuring of SOEs had taken place since then. With economic depression after Asian Economic Crisis, a shattering of “iron bowl” not only brought about laid-offs and unemployment but produced discouraged workers in urban areas. That is why we see a dramatic decrease of labor force participation rates since the middle of 1990s. Without social security system that is compatible with market economy, non-working laborers in urban areas are easy to fall into unsecured life suddenly when disconnecting with work units that provided labor protection for urban workers previously. As a result, the proportion of the state-owned economy has kept shrinking while the labor force participation rates decline and the unemployment rates increase, as shown in Table 1.

**Table 1 the Declining Labor Force Participation**

year	urban economically active population (million)	Labor Force Participation Rate (%)	Surveyed unemployment rate (%)
1990	176.15	78.0	3.3
1991	180.65	83.0	3.3
1992	184.91	72.6	3.4
1993	189.22	66.9	3.5
1994	193.33	72.3	3.5
1995	198.3	75.9	4.0
1996	207.37	72.9	3.9
1997	217.61	72.1	4.5
1998	230.66	71.2	6.3
1999	238.09	72.9	5.9
2000	250.58	66.1	7.6
2001	253.47	67.3	5.6
2002	264	66.5	6.1
2003	272.82	63.4	6.0
2004	280.99	64.0	5.8
2005	293.83	62.5	5.2

**Source:** Calculation from NBS, *China Statistical Yearbook* (various years), China Statistical Press, and NBS, *China Population Yearbook*,

*China Statistical Yearbook* (various years), China Statistical Press.

With shrinking SOEs, more and more urban workers enter private sectors that consist of a large share of informal work. Although entering informal sector partly reflected the labor market development, the level of protection for informal work is limited. In particular, the employment in the individual and private enterprises is always irregular. Workers' rights such as signing contracts, rest, and access to social security are always infringed. Various labor disputes occur especially in these individual and private enterprises in urban area.

Moreover, the traditional labor protection system including protection from occupational injuries, medical care, etc. is also not compatible with market economy. Therefore, further reforms on the labor protection system are still the challenges for labor market development.

### 1.3 Labor Market Situations: the Context of Labor Protection

Labor market regulations are of importance for labor protection. However, labor market situation is also the basic force that determines the level of labor protection. For example, in 1990s, due to the restructuring of urban economy and cyclical factors, job opportunities reduced greatly in urban areas. Meanwhile, the demographic structure indicates that population at labor age is still at the peak that induce the imbalance between supply side and demand side. In such a case, it is hard to protect the employees who are even reluctant to maintain jobs. As a result, the situation of labor protection deteriorated in 1990s. In 1996, the cases of labor disputes in China amounted to 47951 with

about 189120 litigants. And in 2000, it increased to 135206, three times as much, with 422617 litigants. As for the cause of labor disputes, it focused on the wage payment, insurance, welfare, labor contract, etc.

During this period, it was eye-catching that the legal rights and benefits of rural migration workers were always infringed. First, in the period of rich labor supply, rural migration workers' salary has been stagnant for a long time. It is reported that average wages for migration workers increased only by tens of yuan in the Pearl River Delta in the whole 1990s. Second, it is very often for them to work overtime. According to the urban household survey we mentioned above, on average a migration worker work 73 hours per week for informal work and 61 hours for formal work. Third, a lot of rural migration workers taking jobs mainly in risky occupation such as construction or mining always suffer from occupational injuries without reasonable compensation. Moreover, migration workers hunting for jobs in cities have to face various restrictions. Obviously, they are discriminated against in job-taking and social protection.

In the new century, labor market situations turns out to facilitate labor protection. First, fast economic growth created strong demand for labor. In 2000, China's economy recovered from the previous economic recession with 8.9 percent of annual economic growth rate and in 2003 it increased up to 10.6 percent. Afterwards the economic growth rate of keeps more than 10 percent. Second, population statistics shows that during the period of the 11th Five-Year Plan, incremental population between 15 and 64 kicks off decreasing, which leads to an effect of reducing marginal labor supply. Such new changes of labor market situation make it possible to heighten laborers' rights and to intensify the competition for labor force resource between enterprises. Meanwhile,

the changes strengthen the stress on the government in terms of labor protection.

## 2. The Progress of Labor Protection in China

Protecting the legal rights and benefits of laborers has been one of the key contents of the public administration of China's government, which is indicated by labor market regulations. Early at the very beginning of the founding of the People's Republic of China, the Chinese government issued *The Labor Insurance Regulations of the People's Republic of China*, which stipulated the specific rights and benefits concerning laborers' work and social insurance. In 1986, China established unemployment insurance system. And in 1988, laborers' medical insurance began to change from enterprise insurance to social insurance. After that, pension insurance also realized the conversion from enterprise insurance and industry insurance to social insurance. In 1994, China issued *Labor Law* stipulating such important aspects on labor protection as labor contract, working time, working safety, social insurance and labor disputes in detail, which was the milestone of the improvement of China's labor protection system.

China's labor protection has made prominent progress in this century, which is evidenced by promulgation of a flock of labor related regulations and laws. *Trade Union Law*, *Regulations on Occupational Injury*, *Regulations on Minimum Wages*, and *Labor Contract Law* have been enacted and implemented in the past few years. In addition, the coverage of social insurance increased significantly. Combining with changing relationships between labor demand and labor supply, the turning point of the labor protection of China is just around the corner.

## 2.1 Coverage of Social Insurance

In contemporary China, the social insurance programs mainly consists of pension system, medical insurance, unemployment insurance, and occupational injury insurance as well. Since the middle of 1990s, the coverage rates of social insurance have kept rising with acceleration in this century. In 2006, the employees participating in the pension insurance accounted for 65.4 percent of total employees in urban labor market, and the ratios for the later three insurance are 55.3%, 39.23%, and 35.9% respectively. Table 10-1 displays the details of changing coverage of social insurance.

Prior to urban economic restructuring, only the employees in the state-owned enterprises and the collective enterprises of cities and towns participated in the social pension insurance in China. Then, in 1999, the employees in foreign enterprises and private enterprises were allowed to participate into the pension system. And the individual enterprises in provinces, autonomous regions and municipalities directly under the Central Government might, in line with the local situation and according to relevant stipulations, join the system as well. Apart from that, in 2002, workers in informal sectors began to participate in the social pension insurance. Thus, in 2006, the participants of pension system in China amounted to 186 million, 3 times that of 1990.

In 1998, China issued *The Resolutions on Establishing the Social Medical Insurance System in Urban Areas*, furthering the reform of the social medical insurance of the employees in cities and towns. By the end of 2006, there were 157 million urban employees who joined the medical insurance. And many employees and retired employees in all



kinds of institutions and enterprises, social organizations, and non-enterprise units run by the local people, benefit from this system.

China endeavors to establish the employment injury insurance system including employment injury prevention, employment injury compensation and employment injury recovery. After the January of 2004 in which Employment Injury Insurance Regulations was issued, the participation rate of the insurance rises rapidly. And at the end of 2006, the participants to injury insurance amounted to 102 million.

In 1999, China issued *Unemployment Insurance Regulations*, improving the unemployment insurance system. It stipulates that the employees in enterprises and institutions of cities and towns must participate in the unemployment insurance. At the end of 2006, employees enjoying the unemployment insurance in China amounted to 112 million (Table 2).

**Table 2 Number of the Employees Participating in the Social Insurance**

Year	Pension Insurance		Medical Insurance		Unemployment Insurance		Employment Injury Insurance	
	The Number of Employees (million)	Participation Rate (%)*	The Number of Employees (million)	Participation Rate (%)	The Number of Employees (million)	Participation Rate (%)	The Number of Employees (million)	Participation Rate (%)
1993	100.88	55.24	2.90	1.59	-	-	11.04	6.05
1994	107.35	57.55	6.32	3.39	76.98	41.27	18.22	9.77
1995	110.96	58.28	7.46	3.92	82.38	43.27	26.15	13.73
1996	112.92	56.68	8.56	4.30	83.33	41.83	31.03	15.58
1997	113.98	54.85	17.62	8.48	79.61	38.31	35.08	16.88
1998	114.59	53.01	18.79	8.69	79.28	36.68	37.81	17.49
1999	126.72	56.54	20.65	9.21	98.52	43.96	39.12	17.45
2000	138.28	59.73	37.87	16.36	104.08	44.96	43.50	18.79
2001	144.10	60.19	72.86	30.43	103.55	43.25	43.45	18.15
2002	149.89	60.49	94.01	37.94	101.81	41.09	44.06	17.78
2003	157.49	61.43	109.02	42.52	103.72	40.45	45.75	17.84
2004	163.53	61.77	124.04	46.85	105.84	39.98	68.45	25.85
2005	174.87	63.98	137.83	50.43	106.48	38.96	84.78	31.02
2006	186.49	65.40	157.37	55.19	111.87	39.23	102.35	35.89

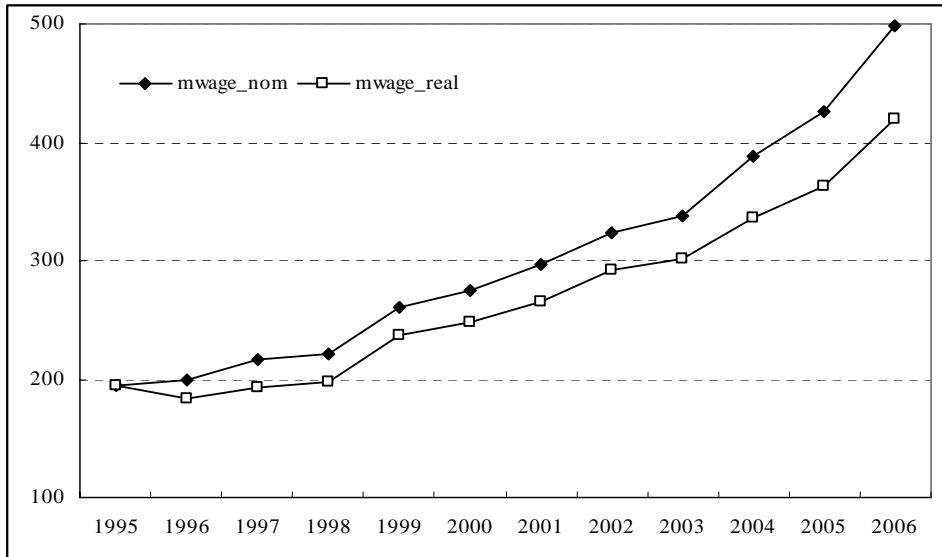
**Note:** Participation rate refers to the proportion of the employees participating in social insurance to all of the employees in cities and towns.

**Source:** *China Labor Statistics 2001, China Labor Statistics 2005; The Statistical Bulletin of Labor and Social Protection Development 2006*, Department of Labor and Social Protection.

## 2.2 Regulations on Minimum Wages and Implementation

In China, the minimum wage policies are only applicable in urban labor market instead of the rural areas. Basically, China's cities are categorized as four types of hierarchy, the largest metropolis that are central administered, vice-provincial level cities, prefecture level cities, and county level cities. A prefecture level city might administer several county level cities. Typically, a province defines its minimum wages by prefecture, so we can see variations of the levels of minimum wage across prefectures instead of those cities under prefecture. For that reason, we collected minimum wage data for all the cities at prefecture level or with higher hierarchy. There were 286 cities that meet such a criterion in 2006. At the very beginning of minimum wage was introduced into China, only a few cities took it seriously. But the implementation was improved since then. In 1995, there were 130 cities that made use of the tool. By the end of the last century, nearly all the prefecture level cities have introduced the tool. By taking advantage of the city level data, we may describe the trends of minimum wage since the middle of 1990s.

Figure 1 presents the nominal and real minimum wage rates. Since we do not have sufficient information on CPI by city and by year, we deflate the minimum wage rates by aggregated urban CPI. As shown in the figure, minimum wage rates increase substantially in terms of both nominal and real term. In 1995, there were 130 cities implementing minimum wages and the average level of minimum wages was 195 yuan per month. In 2006, the average level of minimum wages went up to 498 yuan per month.



**Figure 1 Average Level of Minimum Wages 1995-2006**

**Source:** Minimum Wage Dataset by City, data collected by IPLE-CASS.

It is not surprising that the gap between real minimum wages and nominal minimum wages is increasing since we measure the real term in terms of constant price in 1978. In general, the adjustments on nominal minimum wage make up the increased price level with a few exceptions in the early stage of when the policies were introduced. The increase of minimum wages has been quite substantial in the last three years, which implies that the tool has been more valued than before to those local governments.

However, given that fact of substantial increase of average wage in the same period, one can not draw a conclusion of whether China has inappropriate (in other word, low) level of minimum wage so far. Besides, current statistical system is not effectively to include the employment and wage information of migration workers and those urban workers working informally, which leads to an overestimate of the level of average wage on urban labor market. Based on those facts, one

must be cautious of proposing a policy recommendation like further increasing minimum wage rates.

### 2.3 Wage Arrear and Working Safety

Migration workers often encounter the delay of payment, which, in the past few years, has become a serious issue in urban labor market. In order to resolve wage arrears and to protect the basic rights for migration workers, in 2003 the General Office of the State Council issued *Circular of Resolving Wage Arrear in the Domain of Construction*. The Circular requires relevant departments to strengthen the supervising and examining of the labor contracts of peasant workers and establish system of supervision so as to strictly control wage arrears for migration workers. As following-up, eight departments jointly issued a document to put the Circular into effect. The local governments respond to the Circular by publishing their own regulations. Thanks to those measures drastically taken by the governments of all levels, the problems of wage arrears have been resolved effectively.

In recent years, working safety has been an issue that was widely concerned by the public. In particular, some risky sectors had been high incidence of accident, which caused large number of casualty. Figure 2 shows the monthly accident frequency and casualty in coal mining sector from July, 2000 to December, 2006. We may find that both indicators had been increasing before 2004. In 2004, a flock of laws and regulations were implemented to treat the issue. To large extent, that is the reason of why we see a declining accident incidence since then, particularly in recent two years.

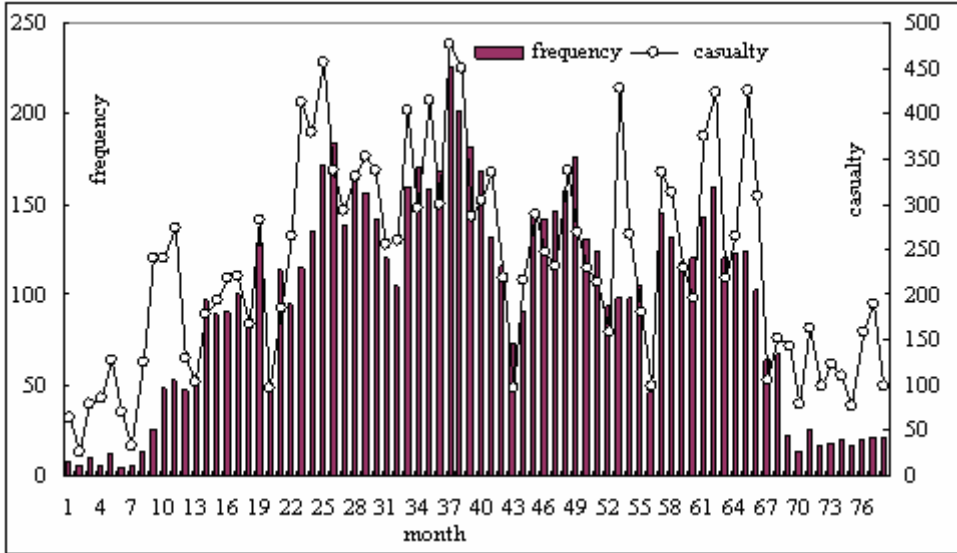


Figure 2 The Monthly Accident Frequency and Casualty in Coal Mining Sector

Source: <http://media.chinasafety.gov.cn:8090/iSystem/shigumain.jsp>.

### 3. The Implications of *Lewisian* Turning Point to Labor Protection

As we mentioned earlier, the coming *Lewisian* turning point is also a turning point for labor protection. The implications of such a turning point to labor protection are reflected by the following aspects.

#### 3.1 Competition for Labor Forces between Enterprises

During the era of unlimited labor supply, the ceaseless labor flow out of agriculture weakened the bargaining power of labor. Since the employers take a dominant position, employees are not capable of imposing stress on the enterprises in the aspects of the salary level, working time, labor intensity and working environment, etc. so that they are always obliged to accept conditions unbeneficial to themselves.

Under such circumstance, even if the laborers require to raise wages and to improve the labor protection conditions, the enterprises would not commit to do so.

With the coming Lewisan turning point, the labor market situations press the firms to compete for laborers. As a result, the employers have to raise the wage offer and other conditions so as to attract labor otherwise workers will vote with feet and choose other opportunities.

According to the survey on shortage of migration workers in China's southeastern coastal area in 2004, the labor shortage mainly occurred in the small-sized and medium-sized private enterprises in which the workers usually are lack of labor contract arrangements and have to work overtime, and earn low wages. In contrast, the enterprises with good labor protection and high wage offers have no trouble in recruiting enough migration workers. Thus, under the conditions of being short of labor supply, enterprises must improve laborers' treatments so as to reduce the reservation wages for those who were out of labor market previously. The new changes of the supply and demand of labor force in China make more and more entrepreneurs follow "enterprises shouldering social responsibilities" with great interest.

### 3.2 Increasing Bargaining Powers of Labor

Under the circumstance of unlimited labor supply, facing powerful employers, workers are in a disadvantageous position. First, the employers make employment decisions in terms of hiring how many workers and what types of workers they want. Second, due to the unlimited labor supply, the employers tend to offer the very basic level of wage rate that was above the workers' productivity in agriculture but

below the marginal productivity in current work. Since there was no negotiation process in employment decision and wage formation, the employees have little power to determine the procedure. Third, the employees lack of power to determine some other important aspects of the work. For example, in general the employee makes decision on daily working time, working intensity, and working conditions.

The coming of the Lewisian turning point means the greater need of the labor force and brings more job opportunities to laborers, which enhances the laborers' right to speak in the laborer-employer negotiation because laborers can impose stress on employers through *voting with feet*. Therefore, the employers have to pay more attention to improving working conditions and labor protections as well as raising the wages. In addition, the government is promoting the tripartite talk mechanism for employment and wage decisions, which increases the opportunities for workers to express their demand for wage rates, working conditions, and other work related requirements.

### 3.3 Reactions of Local Government to the Turning Point

In China, local governments take the responsibility of keeping economic development in local areas. In addition, the local governments are responsible for social stability too. For those reasons, the decisions of local governments were often rooted from political concerns. For example, during the period of unlimited labor supply, the local governments were required to protect local residents' employment opportunities, which led them to make policy excluding rural migration workers in urban labor market. When facing with the situations of labor shortage, attracting the migration workers is of importance to guarantee



the labor input and then sustain local economic growth. Under such situation, local governments tend to make friendly policies for migrants. For example, in recent years some practices on social security system have been applied in coastal areas in order to cover migration workers. In addition, local government plays active role on labor market by passing on the information about labor supply and job opportunities so as to mitigate the impacts of labor shortage.

#### 4. Laws and Regulations on the Labor Protection

Labor protection is also reflected by the legal framework in the Chinese labor market. In recent years, the Chinese labor market is more regulated than before by enacting a flock of laws and regulations to protect the rights of labor.

##### 4.1 Labor Law

In 1994 China enacted *Labor Law* that is widely regarded as a milestone of market- oriented reforms on employment and other labor related areas. The *Labor Law* covers a lot of areas including labor contract, collective contract, working time, holidays, wage, working safety, labor disputes, etc. Since then China drew up and revised a flock of regulations and laws so as to set up the labor market system under a legislative framework. The law and regulations include *Regulations on Employees' Working Time*, *Temporary Ordinances on Levying Expenses of Social Insurances*, *Regulations on Unemployment Insurance*, *Regulations on Forbidding the Employment of Child Laborers* and *Industrial Injury Insurance Regulations*, etc. In the December of 2003

the Department of Labor and Social Security promulgated *Regulations on the Minimum Wage* and in the same month published *Regulations on Collective Contract* regulating collective negotiation and the signing of collective contracts. In addition to that, the State Council issued *Regulations on the Labor Protection of Female Employees* so as to protect female workers' rights that were neglected before. Moreover, in the October of 2004 China promulgated *Regulations on Labor Protection Supervision* for the purpose of implementing laws and regulations on labor and social protection and safeguarding laborers' legal rights and benefits.

Through bringing the legal framework to completion, China has established a labor protection system with regard to all the laborers including the labor contract system, the wage standard system, the system of labor dispute resolving, and the social insurance system etc.

#### 4.2 Employment Contract Law

*Employment Contract Law* was adopted by the Standing Committee of the 10th National People's Congress on June 29, 2007 and took into effect from January 1, 2008. This Law has been formulated to improve the employment contract system, specify the rights and obligations of the parties to employment contracts, protect the lawful rights and interests of employees, build and develop harmonious and stable employment relationships. *Employment Contract Law* was built on the basic framework of labor contract system established by *1994 Labor Law*, however, it has made a lot of revisions.

Chapter 3 of *1994 Labor Law* includes some regulations on labor contract and collective contract. Compared with regulations on other

aspects such as promoting employment and wage, regulations on labor contract in *1994 Labor Law* are more detailed. For example, this law prescribes what matters a labor contract should specify, categories of labor contract term, when labor contract can be terminated and also some issues on collective contracts, etc. However, *Employment Contract Law of 2008* gives more detailed provisions on the conclusion, performance, amendment, termination and ending of employment contract, collective contract, placement of employees, part-time labor, monitoring inspection and legal liability, etc.

The improvement of *Employment Contract Law of 2008* is mainly reflected by the following aspects: Firstly, for contents prescribed by *1994 Labor Law*, *Employment Contract Law of 2008* gives more detailed and operable stipulations to resolve the main problems existing in the current employment contract system. The employers are prone to conclude short-term employment contract with their employees, which affects the harmony and stability of employment relationship. In order to maintain the stability of employment, *Employment Contract Law* gives more stipulations on the conclusion of open-ended employment contract between employers and employees.

By *1994 Labor Law*, the employer shall conclude an open-ended employment contract with the employee when the employee has been working for the employer for not less than 10 years and the employee and employer have reached a consensus to renew employment contract and the employee proposes to conclude an open-ended employment contract. However, according to *Employment Contract Law of 2008*, an employer and an employee can conclude a fixed-term employment contract if they reach a negotiated consensus. An open-ended employment contract shall be concluded if an employee proposes or

agrees to renew or conclude his employment contract in the following circumstances, unless the employee requests concluding a fixed-term employment contract: (1)The employee has been working for the employer for not less than 10 years; (2)When the employer just begins to implement the employment contract system or state-owned enterprises re-concludes the employment contract with the employee due to restructuring, the employee has been working for the employer for not less than 10 years and is less than 10 years away from legal retirement age, etc. If an employer fails to conclude a written employment contract with an employee within one year from the date when the employee starts working for the employer, the employer will be deemed to have concluded an open-ended employment contract with the employee.

Secondly, stipulations on placement of employees and part-time labor are the new contents of *Employment Contract Law* and are not mentioned in *1994 Labor Law*. Thirdly, *Employment Contract Law* prescribes some contents on protect lawful rights and interests of employers. For example, it includes provisions on confidentiality matters in order to maintain the confidentiality of the trade secrets of the employer and intellectual property. If an employee has a confidentiality obligation, the employer can agree with the employee on competition restriction provisions in the employment contract or confidentiality agreement. The employer has to pay financial compensation to the employee on a monthly basis during the term of the competition restriction after termination or ending of the employment contract. If the employee breaches the competition restriction provisions, he or she has to pay liquidated damages to the employer.

#### 4.3 Labor Disputes Mediation and Arbitration Law

Labor disputes settlement system is an important lawful system to accept and settle labor disputes and is also an important lawful assistance way for labor disputes parties, especially for laborers, to protect for their lawful rights and interests. Since the renewal of labor disputes arbitration system in 1987, with the issue of *Regulations on Settlement of Labor Disputes in Enterprises*, China has formulated labor disputes settlement system which is centered by negotiation, mediation, arbitration and lawsuit. This system has played very important roles on protecting the lawful rights and interests of employers and employees, promoting harmonious employment relationships and maintaining social stability.

With the complicated changes of employment relationships, the contradiction between employers and employees and the number of labor disputes cases have been increasing. And the cases have been more complicated than before. There exist many problems with the current labor disputes settlement system. For example, it takes too long time to settle labor disputes and the time limit for application for arbitration is too short, etc. In order to improve the current labor disputes settlement system, *Labor Disputes Settlement Law* was adopted by the Standing Committee of 10th National People's Congress on Dec.29, 2007 and began to take into effect on May 1, 2008.

This law is formulated to resolve labor disputes fairly, protect lawful rights and interests of parties and promote harmonious and stable employment relationships. It stipulates on labor disputes mediation, arbitration, application and acceptance, hearing and award, etc. The law enhances the protection for lawful rights and interests of two parties of employment relationships from lawful procedure and guarantees the effective implementation of *Employment Contract Law*.