

New labor law 'no harm to firms'

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A top labor official has defended the new Labor Contract Law against claims it would will weaken enterprise vitality and raise the cost of law-abiding employers.

Sun Baoshu, vice-minister of labor and social security, said the law had met resistance from reluctant employers as a result of them misinterpreting it.

"I think these concerns are a result of incomplete or inaccurate interpretation," Sun told a news conference at the annual session of National People's Congress yesterday.

The law, which took effect on Jan 1, requires firms to award open-ended contracts to staff of 10 years or more, or those who have completed two fixed-term contracts, to protect them from dismissal without cause.

It also mandates higher company contributions to pension and insurance funds after many companies previously derived economic gains from violation of labor rights.

Some companies complain that such regulations will reduce labor flow, weaken enterprise vitality and increase labor costs, while others even suggest revising terms of the law.

According to Sun, compared with the previous Labor Law, the new labor contract law has actually loosened terms set for contract dismissal. "Therefore, the open-term contract is by no means an iron rice bowl. It will not lead to rigidity in the labor market," Sun said.



Sun Baoshu

Huo Yan

He was referring to the former cradle-to-grave system of employment - the norm for urban workers under China's planned economy - while alluding to an iron rice bowl.

Sun added that a contract without specific time limits would also help employees feel more attached to their companies and do no harm to employers.

Despite terms of compensation set for contract dismissal by the employers, "the cost of this law is actually very limited," Sun said.

But those who had minimized the cost through illegal employment practice, such as refusing to pay for employees' social insurance, will now "pay much more", said Sun.

In response to claims that the new law will frighten away investment, Sun stressed that improved labor relationship will help improve the investment environment and also employment. "It won't affect the investment environment. On the contrary, it will improve it," said Sun.

But Sun, who has been conducting surveys on the new labor contract law's implementation during the first three months, said that actually there had been some resistance in implementation.

"Some employers misread the law and try to steer clear of it," Zhang Mingqi, deputy president of the All-China Federation of Trade Unions (ACFTU) and member of the top political advisory body CPPCC, said on the weekend.

In one instance, the Guangdong-based Huawei Technologies Co Ltd, China's telecom network equipment giant, made headlines for its controversial "voluntary resignation" scheme late last year.

In a bid for more forceful implementation of the new law, Sun said the government would soon map out detailed codes, relevant judicial explanations and government supplement regulations in addition to enhancing supervision from the relevant labor departments and media.

Employment and social aid

With inflation in China at 11-year highs, the Ministry of Labor and Social Security said minimum wages should continue to be

"adjusted reasonably".

China had an urban jobless rate of 4 percent at the end of 2007, but the ministry set the target for this year at 4.5 percent, saying the employment situation was "very severe".

About 20 million new job seekers enter the market each year, but China can provide only about 12 million posts, said Minister of Labor and Social Security Tian Chengping.

At the same time, employers complain they cannot find enough skilled workers.

"This can only be addressed with more skills training," Tian told the news conference.

Meanwhile, Li Xueju, minister of civil affairs, told the same conference that China had set up a comprehensive social aid system to protect those stuck in poverty and caught out by emergencies.

The country has set up a long-term social aid system, consisting of medical aid and legal aid, with abundant financial input from the central and local governments, according to Li.

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