



Ca' Foscari  
University  
of Venice

## Master's Degree program

in Languages, Economics  
and Institutions of Asia and  
North Africa

Final Thesis

# Compensation and Rewarding System in China: Changes in Salaries and Wages During the Last Five Years

### **Supervisor**

Ch. Prof. Andrea Pontiggia

### **Graduand**

Giulia Carnero

Matriculation Number 862995

### **Academic Year**

2017/ 2018

Colgo questa occasione per poter ringraziare di cuore tutte le persone che mi sono state vicine durante il mio percorso di studi, e nel corso della redazione della tesi di laurea.

In primo luogo vorrei ringraziare il mio relatore, il professor Andrea Pontiggia, per la Sua fiducia nel mio lavoro e per i Suoi preziosi consigli.

Ringrazio i miei genitori, per avermi dato l'opportunità di frequentare questo percorso di studi e per aver sempre creduto in me. Un ringraziamento particolare va a mio papà, per il suo preziosissimo supporto tecnico durante la stesura della tesi, e per essere presente nella mia vita.

Grazie a mio fratello; la sua amicizia e il suo continuo sostegno rendono migliore la mia esistenza.

Ringrazio Andrea, non ci sono davvero parole sufficienti per descrivere ciò che è per me.

Ringrazio l'Università Ca' Foscari, per avermi dato la possibilità di fare innumerevoli esperienze arricchenti, e per tutte le persone speciali che ho incontrato durante questo percorso, in particolare Giusy, Rosa, Carmen, Federica, Giulia, Ilaria, Costanza, Monica e Linda. Grazie a voi questa laurea magistrale si è rivelata essere una piacevole avventura.

Infine grazie agli amici di sempre, in particolare a Stefania, Federica, Federica, Federica, Andrea, Andrea, Fabio, Agnese, Silvia, Francesca, Martina, Sara, e Sebastian, per essermi sempre stati accanto, per avermi dato forza e sostegno nelle situazioni di difficoltà, e aver condiviso con me ogni momento importante della mia vita.

# Index

导论	p.1
<b>Introduction</b>	p.4
<b>Chapter I Chinese Rewarding System.</b>	p.7
1.1 The Rewarding System Evolution from 1949 to 1994.	p.7
<i>1.1.1 Maoist Era and the Three Old Irons.</i>	p.7
<i>1.1.2 Deng Xiaoping Reforms and the Rewarding System Connected to Performance.</i>	p.11
1.2 Minimum Wage Regulations.	p.13
1.3 Labour Laws.	p.15
1.3.1 1994 Labour Law.	p.15
1.3.2 2008 Labour Contract Law.	p.20
1.4 The Five-year Plan System.	p.26
<i>1.4.1 The 12th Five-Year Plan.</i>	p.27
<i>1.4.2 The 13th Five-Year Plan.</i>	p.30
1.5 Made in China 2025.	p.33
<b>Chapter 2: Chinese Labour Market.</b>	p.36
2.1 The <i>nongmingong</i> .	p.36
2.2 Informal Employment and Dispatched Labour.	p.40
2.3 The reform of State-Owned Enterprises and the <i>xiagang gongren</i> .	p.43
2.4 Young Graduates as Chinese New Underclass.	p.44
2.5 Has China already reached the Lewis Turning Point?	p.46
<b>Chapter 3: Wage Trend during the Last Five Years.</b>	
3.1 National Average Wage.	p.53
3.2 Regional Average Wage.	p.58
3.3 Regional Minimum Wage.	p.64
3.4 Household Disposable Income.	p.102

**Chapter 4: The Influx and Allocation of Foreign Direct Investments in China.**

4.1 History of FDI in China. p.104

4.2 Influx of Foreign Direct Investments at a National Level. p.108

4.3 FDI Regional Allocation. p.113

**Conclusions** p.118

**Bibliography** p.126

**Web references** p.146

## 导论

中华人民共和国在建国初期采用计划经济模式，即政府提出经济和社会发展的总体目标，政府决定资源和劳动力的分配，生产什么和多少。只有国有企业，没有私营企业或者外资企业。在这种模式下，中国政府提倡一种合理的低工资制：为了减少失业率，公民都在单位工作，但是他们只会得到很低工资。根据平均主义的观念，无论什么工作，劳动力都获得几乎一样的工资，没有绩效奖金。这种工资制度让劳动者缺乏激励。此外，国有企业都人浮于事，因为工人不会下岗。毛泽东去世的时候，工业日渐凋敝，诱发经济危机。

为了促进经济增长，邓小平启动改革开放，转变为社会主义市场经济。中国开始实行对内改革、对外开放的政策。中国的对内改革先从农村开始，此外政府开始允许私营企业。对外开放的政策方面，在1979年中央正式批准广东、福建两省在对外经济活动中实行特殊政策和灵活措施，对外开放成为中国的一项基本国策，是社会主义事业发展的强大动力。邓小平也推荐绩效奖金和工资级差；劳动者根据工资级别获得不同的工资待遇。

1980年代起，中国经济快速增长。1980年代起中国GDP年均增长率约10%，是经济增长速度最快的国家之一。2018年中国国内生产总值达900309亿元（13兆6051亿美元），比上一年增长6.6%。其中，第一产业（农业）65468亿元，增加7.9%；第二产业（工业和建筑业）334623亿元，增加40.5%，第三产业（服务业）427032亿元，增加51.6%。

中国的经济发展也造成负面效应，比如国家的快速工业化造成环境污染，各地区的经济不平等。此外，经济发展没有让中国人改善生活，因为企业为了节省开支和加强其产品的竞争力，给工人非常低工资。从二十世纪初叶，中国政府给予工人法律保护，改善他们劳动和生活条件。通过十二五和十三五计划的完成，中国政府保证经济的可持续发展。在这个新经济方式下，中国要转变其经济模式，增加国内的消费开支。此外，中国政府的计划是让其工业转型，把生产低端产品的企业转变成为拥有高技术、生产高端产品的企业。

在本论文中我调查了中国从2013年到2017年的趋势。我研究了全国平均工资，分析了每个省份的情况，哪些省份的平均工资在全国平均工资线以上，哪些省份的平均工资在全国平均工资线以下。我也研究了最低工资的地区水平。我想了解

工资水平对外商直接投资有什么影响。这很重要，因为外商直接投资给中国经济发展做出了很大的贡献。外资企业过去决定在中国投资的原因是为了利用中国的廉价劳动力赚钱。近期中国工资在增加，恐怕将失去很多外商直接投资。

我的论文开始讨论中国报酬的历史，从 1950 年代到现在，从平均主义到根据绩效的报酬。我分析了关于劳动合同最重要的法律，特别是 1994 年中华人民共和国劳动法和 2008 年中华人民共和国劳动合同法。我调查了这两个法律是怎么制定的，并且怎么给予劳动者法律保护。2008 年的法律改善了劳动条件。法律强制雇主和雇员订立合同。在合同里雇主要写明关于工作的信息，如营业时间、责任、义务工资。根据法律，日营业时间不能超过八个小时，周营业时间不能超过四十个小时。此外，工资要高于法律规定的最低工资标准。其实，在每个省份，地方政府要制定各地区的最低工资水平使个工人获取公平的劳动报酬。这些法律都保护了工人的权益，改善了劳动条件，但是造成劳动成本增加。由于企业劳动成本的增加这样会减少它们的盈利，很多公司尝试触犯法律。这样做并非难事，因为地方政府对于此类违法行为往往监管不力。地方政府愿意推动经济发展，但是劳动成本的增加对经济发展有阻碍作用。

在第一章的末尾我讨论了十二和五十三五计划和中国制造 2025 的计划。这些计划的目的是改善中国人的生活条件和劳动条件，保证经济的可持续发展，推进高科技产品，增加国内消费，减少出口。

第二章是关于中国劳动力市场。首先，我调查了农民工的情况。在 1980 年代和 1990 年代他们不被一视同仁：他们的工资比有城市户口的低，工作时间却更多，并从事危险的工作。他们是低端人口，并不享受福利基金，如公费医疗、福利分房、失业保险等等。现在法律改善了他们的情况，但是农民工的工作条件仍然比有城市户口的人差。我也调查了在国有企业重组的时候，百万工人被下岗。那些下岗工人增加了中国的贫困率和失业率，并且推进公司的工人牟利。

1997 中国政府决定扩大招生：从 1999 年到 2008 年招生名额平均增长百分之二十三，高等教育扩散，劳动力的教学水平提高了。1997 年扩招的问题是中国劳务市场对大学生的需求不足，很多毕业生找不到工作，他们是所谓蚁族。农民工，下岗工人和蚁族的存在造成了企业可以压低工资。

第二章的结束是关于中国是否在现在已经到了路易斯拐点。路易斯是一位很有名的经济学家，他是二元经济发展模型的创立者。根据路易斯的学说，剩余劳动力消失的时候，或者多数工人为了在工厂工作而开始离开农村的时候，经济已经达到了路易斯拐点。中国最近的民工荒和工资增加现象是否意味着这个国家已经达

到了路易斯拐点经济学家意见不一。

在第三章我分析从 2013 年到 2017 年的工资趋势。我分析了国家的平均工资和每个省份的平均工资。这是因为在中国各省份工资水平不一。我的论文说明了国家的平均工资从 2013 年到 2017 年一直上涨，造成工人成本的增加。企业的种类很多，它们提供不同的工资：外资企业和国有企业待遇很高。在北京、上海、天津浙江和广东有最高的工资，而在河南、黑龙江、山西、辽宁和江西工资最低。最高工资与最低工资之间的差距很大：2017 年最高工资是在北京的 131700 元，最低是河南的 55495 元。我收集的数据表明地区差异还很大。我也分析了各省份的最低工资水平。虽然每个地方的最低工资水平不一样，但是在所有的省份，从 2013 年到 2017 年最低工资都一直在增加。这个上升趋势体现了中国的法律法规在改变和生效。这些法律法规强制各省份每两年提高一次最低工资。我也调查了每户家庭的平均收入，调查结果表明农村的收入比城市的低得多。

第四章是关于外商直接投资的流入量。外资企业很担心在中国人工成本在增加。这样在中国投资成本太高。中国政府担心这个情况会使得很多外资企业把他们的子公司搬到外国。其实，在亚洲很多国家的人工成本比中国的低。中国国家统计局的数据表示外资企业的数量和投资不断上涨。2013 年外资企业的数量是 445962，2017 年它们的数量达到 539345。这显示近期外资企业在中国投入的最重要原因不是节省成本，而是因为中国的广大市场、长治久安、发达的基础设施以及特别的财政政策。

## Introduction

From the beginning of eighties, China faced an impressive economic growth. It is well known how this fast development was mainly due to the exploitation of an unlimited availability of cheap labour, to the development of labour intensive industries, and to the contribution of foreign direct investments. Since China opened its economy to foreign firms, more and more multinational corporations chose to invest in the Country. They were attracted by the possibility to reduce labour costs, by China's fiscal and material incentives, and by the opportunity to increment profits that the entrance in such a huge market can offer. (Du, Fang et al., 2014)

Although, especially by the nineties, labour protests became more and more common, Chinese workers never had a strong bargaining power which could help them to improve their working conditions. In fact, poverty, the huge availability of manpower, and the diffused unemployment, caused a “race to the bottom”, in which workers competed between each other for low-end and low paid jobs. (Zhang, Vonshay Sharpe et al., 2016) The fast economic growth brought China to become in few decades, one of the world's economic superpower, but this had also negative repercussions on the Country and its population. In fact, it exacerbated internal inequalities (among regions, and among rural and urban areas), it caused serious damage to the environment, and it did not really improve the living conditions of a great part of the population. (Zhang and Fu, 2008)

Chinese leadership, aware of these problems, it is trying to reverse this situation since the Hu Jintao-Wen Jiabao administration, at the beginning of the twenty-first century. Authorities are claiming for a more sustainable economic growth pattern, based more on internal consumption, and less on export. The government is pushing for a rise in wages and for more regulated labour relations, in order to ameliorate employees' working conditions and improve their rights. China aims at being a modern economic power, promoting a shift from the manufacturing of labour intensive, low-cost and low quality products to the production of capital intensive, high-tech, high-quality goods. (Kai, 2014) This change in the economic model is gradual and it is not simple to achieve, also because is encountering the resistance of lots of developing countries that have a great number of subsidiaries in China. Since they were established in the Country to reduce

labour costs, lots of them are against the increase in wages, and they threaten China to move their plants in other countries, where the cost of manpower is still cheap. The problem is that China still needs foreign direct investments, because they bring into the Country technological innovations, know-how, capitals, and create occupation, reducing in this way unemployment. (Ito, Yashiro et al., 2012) Now China is trying to find a balance between the exigence to pursue its new economic growth model, and the need to continue to be attractive to foreign direct investments. In order to do that, Chinese government is investing in improving the level of education of workers, and is still trying to create a favorable business environment for foreign investors. (Liu, Xu et al., 2017)

In my dissertation I will analyze the national increase of wages, the difference in the amount of salaries among regions, and whether and how those factors have an impact on the influx of FDI. In particular, I will focus on the extent to which the local cost of labour influence regional FDI allocation, and on future trend in wage level and FDI influx can be expected.

The first chapter will firstly deal with the creation and characteristics of Chinese rewarding system. It will follow an analysis of the main laws regulating wages and labour relations (the Minimum Wage Regulation, the 1994 Labour Law and the 2008 Labour Contract Law) and their impact on improving workers' conditions. The chapter will be concluded with a study of the recent governments' policies on economic development, expressed in the 12<sup>th</sup> and 13<sup>th</sup> five-year plans, and in the “Made in China 2025” project.

The second chapter will focus on the composition of Chinese labour market, with a particular attention to those categories of workers that contributed to the “race to the bottom” of Chinese workforce. It will be analyzed in details the conditions of migrant workers (the *nongmingong*), of the workers who had been laid-off during the reform of State-owned enterprises (the *xiagang gongren*), of the dispatched workers and of the “ant tribe” of new young graduates. A particular attention will be given to the regulations the government is enhancing to improve their working conditions. Finally, it will be explained the Lewis economic model and its application to China, focusing on the debate among scholars on if and when China has reached the Lewis turning point.

The third chapter furnishes data about Chinese wages during the last five years (from

2013 until 2017), in order to study to which extent they are increasing, and the differences among regions. First of all, the analysis of the wage trend will be at a national level, then I will analyze the wage level of every provinces. A particular attention will be given to the study of minimum wage trend among regions.

The fourth chapter deals with foreign direct investments. In the first part, I will analyze the history of FDI in China, the reasons that push foreign companies to invest in the Country, the laws regulating these investments, and the positive and negative impacts that they had on China. In the second part, there will be presented data about FDI, firstly at a national level, and then about their regional allocation, taking into consideration the number of foreign enterprises in each regions and the amount of their investments.

## Chapter I Chinese rewarding system

### 1.1 The history of Chinese rewarding system.

#### 1.1.1 Maoist era and the three old irons.

When the People's Republic of China was established the first october 1949, Mao Zedong and the Country's new leaders had to face a complicated political and economic situation. After many years of fragmentation and civil war, public order had decayed, and unemployment and poverty were serious problems. Communist leadership's long range goal was to transform China into a powerful, modern, socialist nation. (Macfarquhar, Fairbank,1987) To achieve this objective, it was elaborated an industrialization strategy focused on the development of heavy industry, while light industry, residents' consumption and service sectors played a secondary role. The economy was planned, all resources available were under the central government's control, which decided how allocate them. The Communist Party had the social responsibility to guarantee population welfare, and good living and working conditions. (Liu and Chai, 2015)

The government firstly reformed the pay system previously in use, that was based on material supply, since it was retained no longer suitable for the implementation of the new industrialization plan. The first reform of the rewarding system took place in 1953, and it was the first step for the passage to a salary-based pay system. (Li, 1997) It implied the introduction of different grades that determined each employee's level of pay, according to the principle of the distribution of wages on the basis of labour (*an lao fen pei* 按劳分配). The 1956 announcement of “State Council's Decision on Wage Reforms” sanctioned the definitive passage to a salary-based pay system. It was constituted by pay-scales based on Soviet wage grading system. Different kind of jobs had different scales, that were constituted from 7 to 24 grades, depending on the type of work. (BRØDSGAARD, 1987)

The wages of employees in all State Owned Enterprises (SOE) and government organizations were divided into three major categories: 8-grade wage system, Occupational Wage System and Cadre Wage System. The majority of workers were paid

under the 8-grade wage system, that classified all production jobs according to their complexity, responsibilities, and labour intensity. This system was mainly skill-based, and it was linked to the bonuses' distribution. (Jackson and Litter, 1991) The Occupational Wage system was characterized by fifteen grades, and it was mostly applied to sectors with a strong labour division, small job differences and low skills required. In these industries, such as farms, textile, chemicals and transports, piecework wages were widely used. White collar workers and staff in the public sector instead, were paid under the Cadre Wage System, a responsibility-based scheme constituted by 24 grades. At the top of this salary scale, there were senior officials of the State Council, and at the bottom, office workers of the lowest levels, for example messengers and cleaners. (Choi, 2016)

Wages were generally kept low in order to maintain low prices of products and encourage economic development. Party General Secretary Deng Xiaoping, was the first that publicized the concept of “rational low wage system” (*heli de di gongzizhi* 合理的低工资制) on a report on the Anti-Rightist Campaign<sup>1</sup>, given during the Third Plenary Session of the Eight Chinese Communist Party Congress. This concept stated that wages must be kept low to ensure <<food for everyone>>, that is, keeping salaries low as the only way to provide every Chinese citizen of a job. (Howe and Walker, 1989) A rise in wages could be implemented only if living condition of the whole population became better. This rewarding system differed a lot from that ones used in Western Society, where wage was retained a tool to attract and retain best workers, and to motivate employees in doing a good job performance. On the contrary, in Mao's China and in Marxist tradition, salary had just the basic function to cover the living cost of employees and their family. (Rubery, 1997)

Mao Zedong implemented a Soviet based employment policy known as the “three old irons” (*jiu san tie* 就三铁) system, composed by the “iron rice bowl” (*tie fan wan* 铁饭碗), the “iron wages” (*tie gongzi* 铁工资) and the “iron chair” (*tie jiaoyi* 铁交). The iron

1 The Anti-Rightist Campaign (*Fanyou yundong* 反右运动) was a movement conducted between 1957 and 1959 that aimed at purging alleged “rightist” within the Communist Party and China. With “rightist” Chinese government intended all the intellectuals and politicians that criticized communism and collectivization and appeared in favor of capitalism. For further information LI, Fuzhong, 李福钟, “Guanyu Fanyou qiyan de ruogan yidian shangque – 1956 dao 1958 nian zhonggong zhengju zai sikao”, 关于“反右”起因的若干疑点商榷 – 1956 到 1958 年中共政局再思考, (A discussion on the causes and some unclear points of the Anti-Rightist Campaign-the political situation of the Communist Party of the People's Republic of China between 1956 and 1958), *Guoli zhengzhi daxue lishi xuebao*, 2007, p.43-98.

rice bowl consisted basically on lifetime employment, unified job allocation by the government, and on cradle-to-the-grave welfare. Unemployment was considered a characteristic of capitalism, so enterprises were forbidden to fire workers, even if problems of bad job-performance and overstaffing persist. (Wang and Xie, 2015) The centralized recruitment and allocation of employees, was thought to efficiently fulfill the needs of labour in industries, and it was considered a tool to avoid unemployment. This system was often inefficient because workers were allocated regardless of their education and training. Job mobility was really rare: a worker usually spent his whole life in a single *danwei* 单位, which provided all the services related to welfare, such as child care, health insurance, and pension funds. This way of managing labour relations, aimed at making workers professionally and personally attached to their *danwei*, making them interested in doing a good job. (Yu, 2000)

Under the “iron wage” system, salaries were established by the central government, and enterprises were not authorized to modify the retribution according to their needs. Remuneration was not connected to performance, wages were kept low and salaries' adjustment was very scarce; only the central government could authorize their increase. In addition, remuneration did not take into consideration the cost of life. For example, between 1957 and 1977, costs of living increased by 13.5 percent, while real wages decreased by 5.5 percent. It was implemented a flat wage policy, that meant that the wage gap between production and intellectual workers was greatly reduced, according to egalitarian principles. (Shrik, 1981)

Under the iron chair system, enterprises' directors were appointed directly by the central government, and they were considered as State cadres. Their evaluation was not based on their capabilities or on the performance of their factory, but depended on their loyalty and adherence to the Party's principles. No punishment was given in case of poor performance, and this often resulted in incompetent managers, and inadequate company's management. (Zhao and Nichols, 1996)

Wage policy in China was heavily influenced by political and cultural belief: four norms inspired by the Communist ideology regulated remuneration. The first one was the contribution norm. Its main aspect, seniority, was considered the most important determinant of the wage level, because work experience was retained the main indicator of a good job performance. The second standard was the effort norm, that concerned

the worker's attitude to his job, and influence the allocation of bonuses. The third norm, regarding morality, included loyalty to the Party's principles, moral integrity, personality, and diligence at work. The distribution of various benefits and non-material incentives was given according to this principle. (Cooke Fang Lee, 2010) The fourth norm, egalitarianism, influenced the fairness of wages and rewards, and it was reflected in the narrow wage differential between grades and occupations in the public sector.

In order to stimulate productivity, after the 1956 wage reform, it was adopted a policy of bonuses and material-non material incentives. Bonuses and material incentives were limited, because they were considered in contradiction with the egalitarian Communist policy, and it was believed they were a possible cause of antagonism between workers. (Qi, 2018) Most importance was given to non material incentives, provided in the form of social recognition, and given on the basis of the loyalty to the Communist Party, on patriotism, and on hard work. Model workers were given honorary titles such as “advanced worker”, and “labour hero”; in this way they could be an example to be followed by other workers. During the Great Leap Forward (1958-1960) and the Cultural Revolution (1966-1976), periods in which collective ideology was at its utmost, monetary bonuses were abolished, because they were considered the reasons of workers inequality and class exploitation. Every employee was paid the same, regardless of his job performance and efforts. (Cooke Fang Lee, 2007)

In order to motivate the workforce, Chinese government established a high benefit system in which allowances such as housing, child care, medical care, and pension funds were all dispensed by the *danwei*. This system allowed the State to control people and resources. In addition, it promoted the Communist egalitarian principle stating that every worker must consider himself as a master of factory. To promote this concept, the Party tried to weaken the division of labor through workers participation in management, and cadres participation in manual jobs. (De Cieri, Zhu et al., 1998)

To sum up, rewarding system under chairman Mao Zedong was characterized by low wages, high benefit, job security, egalitarianism and workers regarded as masters of factory. This remuneration policy had heavy consequences on the economic situation at Mao's death. Companies were usually overstaffed, workers lacked motivation, production was low and poverty was diffused. (Li Hanlin, 2008)

### *1.1.2 Deng Xiaoping reforms and the creation of a rewarding system related to performance.*

In order to solve the problems let by Mao Zedong administration, to increase companies efficiency and to speed up economic development, the new chairman Deng Xiaoping implemented a series of economic reforms. First of all he opened China to foreign investments, creating the Special Economic Zones at the beginning of 1980s. He started a gradual passage from a centralized planned economy to a socialist economy, based on marketization and decentralization. (Qian, 2000)

One of the major problems the new government had to face was the widespread unemployment. In 1978, millions of young people came back to cities from the countryside, where they were previously sent by Mao Zedong to “learn from peasants”. Those people were called “young waiting for job assignment” (*daiye qingnian* 待业青年), and they were almost 15 millions of young unemployed. (Meng and Zhang, 2001) To solve this situation, it was implemented in 1980 the “three into one employment policy”, that encouraged enterprises and local labour bureaux to set up labour service companies, designated to provide skill training and job placement service. In addition, unemployed people were encouraged to become self employed, and to open their own business. Flexible employment patterns were also adopted to rise the employment rate, for example contractual workers and temporary workers were allowed. (Won, 2004)

In 1978 Chinese government also started the process of reforms that would put an end to the iron rice bowl system. Those new regulations first of all aimed at encouraging foreign investments, through giving to Foreign Invested Enterprises (FIEs) the power to hire and fire workers autonomously. (Sabin, 1994) By the middle 1980s, also State Owned Enterprises (SOE) were allowed to manage their workforce without been subjected to the State's approval. The scope was to transform SOE into independent business entities, that were responsible for their profit and losses. Those reforms, together with the introduction of contracts in 1983 with the “Temporary Regulations on the Use of Labour Contracts in State-Owned Enterprises”, marked the beginning of the dismantling of the iron rice bowl. The number of State-Owned enterprises employees having a contract grew rapidly, while it decreased the number of workers with a lifetime employment. (Ding and Warner, 2001)

From 1978, it started a deep reform of the rewarding system, with the reintroduction of piece-rates and bonuses. Initially there were fixed quotas for both of them: the maximum monthly piecework pay was fixed at the 20 percent of the standard grade wage, and bonuses could not exceed the 12 percent. (Crook, 1985) The enterprises' fixed total wage quota was replaced by a floating total wage bill, and its amount became related to the enterprise's performance. Firms were allowed to retain part of their profit to give workers bonuses. They became an extra component of wages, and were usually given equally to all the employees as a reward for a good collective job performance. (Meng and Kidd, 1997)

The need of a real reform of wage system (not only regarding the use of bonuses), was ratified during the Third Plenum of the Twelve Party Central Committee, through the adoption of the document on China's Economic Structure Reform. The new norm governing remuneration was the "distribution of salaries according to the quantity and quality of an individual's work". It stated that "a person's grade on the pay scale would be determined mainly by his job performance, his technical level, and his actual contribution". (Child, 1995)

The second reform of the pay system occurred in 1984. It abolished the previous wage-grading system, criticized for being too complicated, for having a great deal of irrationality in the wage differentials, and for not being useful in matching wage with position. The main novelties introduced were the 'floating wage system', and the 'structural wage system'. (Chiu, Wai-Mei Luk et al., 2002) The floating wage, was an output-based system created to replace bonuses, that were considered ineffective to reward individual performance. It included two aspects: firstly, a certain percentage of every worker's remuneration was made by a floating part, that could change according to the employee's performance. Secondly, the enterprise's wage fund was no more fixed, but varied according to certain performance indicators. (Jackson, Litter, 1991) Under the structural wage system, the wage-package was divided into four components: the basic pay (it was the same for everybody, covered basic living expenses, and was about the thirty or forty per cent of the total salary), the positional pay (that was influenced by the employee's position and responsibilities, and it amounted to a third of the total wage), the seniority pay (just a small portion of the total salary), and the variable pay (around twenty or thirty per cent of the total, its amount depended on individual's performance).

(Weng, 2012) According to this system, great importance was given to meritocracy, personal performance and responsibilities, while seniority was only a secondary component. Egalitarianism was no more the guiding principle in determining the rewarding policy, because wages were more and more intended to be an incentive to promote production and retain the best employees. The salary gap between technical, professional and administrative-line workers increased. (Wu, Chen et al., 2011).

After years without a rise in wages, there were implemented three national salary increase campaigns, promoted in 1977-78, 1978-79 and 1979-80. Workers skills and output were the basis for distributing rises. More efficient and educated workers, that were usually young or middle aged, took advantage of these policies, while old workers were usually disadvantaged. (Cohen, 1988)

## **1.2 Minimum wage regulations.**

Before 1994, there were no official law regulating minimum wage in China. It was only in 1984 that the Country started to take into consideration the “Minimum Wage Treaty”, elaborated by the International Labour Organization in 1928. During the late 1980s, because of the sluggish wage growth and the high inflation, some cities and regions started to independently adopt minimum wage regulations. The first one was the city of Zhuhai in Guangdong province, followed by Shenzhen, Guangzhou and Jiangmen in 1989. (Lin and Yun, 2001) From 1992, after the rapid diffusion of private enterprises, the number of labour disputes concerning salaries and working conditions grew. To face this problem, in 1993 the Labor Ministry of China issued the “Enterprise Minimum Wage Regulation”, that was written in the 1994 new version of the Labor Law. By the end of 1994, 7 of 31 provinces had set their minimum wage standards, and their number increased, reaching 24 in 1995. (Wang, Gunderson)

The Minimum Wage Regulation was declared to be issued in order to develop the socialist market economy, to ensure the basic needs of the worker and his family, to improve worker's performance, and to enhance a fair competition between enterprises. (Chapter I: General Provisions, section 1) It required that the wage of all workers must not be below the local minimum wage. (Chapter IV: Guarantee and Supervision on Minimum Wages, section 19) The local governments of all provinces, autonomous-

regions and municipalities, had to set their minimum wage levels, taking into consideration the lowest living expenses of workers, the average number of family members they support, the local average wage, the labor productivity, the local employment, and the level of economic development across regions. (Chapter II: Fixing and Promulgating Minimum Wage Rate, section 9) Minimum wage standard issued must be reported to the State Council of the Central Government. The minimum wage level proposed had to receive the approval of the All-China Federation of Trade-Unions, the China Enterprise Directors' Association, and the State Council Department of Labour Administration. (Chapter II, Sections 12 and 13) Compensation given for overtime work, and for swing shift or night shift, together with social security benefits, should not be regarded as part of the minimum wage. (Chapter III: Payment of Minimum Wage, section 17) Enterprises that did not respect the Minimum Wage Regulation were obliged to pay a fine to workers. Its amount was set between the 20 and the 100 per cent of the wage that the employee should have been received. (Chapter V: Legal Responsibilities, section 27).<sup>2</sup>

Under this regulation, local governments had a great autonomy in establishing minimum wage standards. In doing that, they had to balance the exigence of workers, with the need to continue attracting foreign investments. The problem was that the minimum wage regulation was not very binding. Firstly, penalties for not respecting the law were not severe enough. In addition, the reform covered State-owned and private companies, but not township and village enterprises. Moreover, a lot of workers that were employed in the informal sector, or did not have formal labor contracts, did not enjoy any legal protection. (Dreger, Kosfeld et al., 2016)

In order to reduce the growing wage inequalities within and across Chinese provinces, a more inclusive Minimum Wage Regulations was issued in December 2003 by the Department of Labor and Social Security, and became law in 2004. (Mayneris, Poncet et al., 2018) This law was more binding than the previous one, for example, it intensified penalties for its violation, that now reached the 100-500 per cent of the owed wage. It was extended the coverage to all kind of enterprises and to employees in self employed business units. It established two kinds of minimum wage: a monthly

---

<sup>2</sup> The full text of the 1994 Minimum Wage Regulation is available online at <https://www.ilo.org/dyn/natlex/docs/WEBTEXT/44000/65000/E94CHN02.htm>

minimum wage for full time workers, and an hourly minimum wage applied to part-time workers. In addition, it required local governments to increase minimum wage standards at least once every two years.<sup>3</sup>

It is proved that the Minimum Wage Regulation has a positive impact on increasing the wage level of low-income groups, such as female workers or workers with rural *hukou*, and helps to reduce income disparity among Chinese people. (Jia and Zhang, 2013) Moreover, it gives a contribution in regulating employers' behavior, protecting workers' interests, and improving labor supply quality, by rising labour standards. In addition, higher labour costs force employers to enhance managerial efficiency and labour productivity. (Sun, 2006) Despite these aspects, minimum wage regulations have also negative consequences on employees' working conditions. For example, they impact negatively on the employment rate of less educated workers and female employees, especially in private and individual enterprises. In fact, due to the increase in labour costs, employers are pushed to hire workers that are considered more efficient, namely more educated people and male. Female workers, especially in the past, were usually less educated than men, and were believed less reliable, since they tended to give more importance to the family than to their job. (Sun, Wang et al., 2015)

Because of the binding nature of the 2004 Minimum Wage Regulation and of the strictness of the penalties it impose, the majority of employers respects its impositions, but they often excogitate some stratagems that aim at containing production costs. For example, they force employees to work overtime hours without paying them, or if they are paid for overtime work, they often receive less than the legally-mandated compensation. This is possible because inspections on employees working hours are not very frequent, and penalties for not respecting it are small. (Jia, 2014) Another strategy consists on reducing or eliminating bonuses, or on avoiding to pay workers welfare contribution. (Ye, Gindiling et al., 2015)

### **1.3 Labour Laws.**

#### *1.3.1 The 1994 Labour Law.*

---

3 [http://www.gov.cn/banshi/2005-08/05/content\\_20677.htm](http://www.gov.cn/banshi/2005-08/05/content_20677.htm)

From the beginning of 1990s, more and more workers were employed in foreign invested and domestic private enterprises. In these kinds of companies, Chinese government could not exercise a significant control on employees working conditions. This pushed the State to issue a comprehensive labour law, that could regulate labour relations in every kind of companies. (Zhu, 1995) The early 1990s also witnessed a rapid increase in the number of labour disputes, strikes, mass protests, and stoppages. Since such phenomenon was expecting to worsen, it was evident the necessity to improve employees' working conditions, in order to maintain social stability. (Cheng, 2004)

Before 1994, Chinese world of work was regulated by a wide series of laws, administrative regulations, and State Council directives, that were neither comprehensive nor consistent. Different categories of business ownership (such as private, public or state owned), were treated differently and separately, and they were regulated by a wide range of rules. In this way, employees in different types of enterprises had different kinds of rights and duties. (Chang, 2013)

The Labour Law of the People's Republic of China (《中华人民共和国劳动法》*Zhonghua Renmin Gongheguo Laodong Fa*), adopted by the Standing Committee of the National People's Congress on the 5<sup>th</sup> of July 1994, was the first national law that comprehensively regulated all labour relations. (Casale and Zhu, 2013) With this law, labour contract system became the basic mode of employment in China, that signified the formal end of the “iron rice bowl” system. Enterprises gained the right to dismiss workers for other reasons than their inefficiency, in this way, employers were allowed to run their business independently, and the State promoted a fair market competition. Since China still had far more workers than required by its industry, the government continued to set limits for job reduction, in order to avoid massive laid off that could undermine social stability. (Warner, 1996)

The 1994 Labour Law is made of 13 chapters, that in turn are divided into 107 subsections. The law came into effect on the first of January 1995, and its text was then published in the *Renmin Ribao* 人民日报 (People's Daily).<sup>4</sup>

4 The Chinese version of the law is available online at [http://www.npc.gov.cn/wxzl/gongbao/2000-12/05/content\\_5004622.htm](http://www.npc.gov.cn/wxzl/gongbao/2000-12/05/content_5004622.htm). I will refer to this source in describing the main contents of the law. English translations of the law are also available. “The Labour Law of the People's Republic of China (July 5, 1994)”, *Chinese Law & Government*, vol.33 (1), p.63-75. The International Labour Organization made an informal

Chapter one lists the law's principles and goals: regulating labour relations, and establishing and maintaining a labour system compatible with a socialist market economy. Workers have rights of equal employment and choice of job, of remuneration, rest and holidays, labour safety and hygiene protection. They must enjoy social security and welfare benefits, and employers have to provide them vocational education. All workers must enjoy the same rights, regardless of sex, race, nationality or religion. They can take part in, and organize, trade unions according to the law; these entities shall safeguard the rights and interests of workers in an independent and autonomous way. Workers have also duties that must fulfill: they have to complete their tasks, enhance vocational skills, respect labour discipline and carry out professional responsibilities.

Chapter three states that all labour relations must be regulated by signing a written contract. It is required to contain indications about its term, that can be fixed, non fixed or the completion of a specific assignment considered as a term. In addition, it has to contain all the information about work assignment, working conditions, labour protection, labour discipline, labour remuneration, conditions for the termination of the contract, and liabilities for the eventual violation of it. An employer can cancel the labour contract of a worker only if certain conditions occur, for example, if the employee has gravely violated the rules of the company, if he results unqualified for his job during the probation period, or if he has caused great losses to the labour unit because of his neglect of duty, or malpractice for personal gains. The employer is obliged to send a written notice to the worker 30 days before the termination of the contract, explaining in a detailed way the motivations. The law also regulates the conditions and modalities under which a company can conduct massive laid-offs, for example in case of bankruptcy. Moreover, it contains a list of the modalities a worker can use to terminate his contract before the expiring date. This chapter also introduces workers' right to sign collective contracts, on matters related to working hours, labour remuneration, occupational safety and health, vacation and rest, insurance and welfare. The trade union has the task to conclude a collective contract with the enterprise on behalf of employees.

Chapter four regulates employees working hours, rest and vacations. A person has to

---

English translation of the law available online at <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/37357/108026/F1930029246/CHN37357%20Eng.pdf>

work no more than eight hours per day, and no more than 44 hours per week, with at least one day off. If necessary, and if extraordinary circumstances occur, the labour unit may extend employees' working hours, but not for more than one hour per day. Remuneration for overtime work must be higher than the normal, and its amount is fixed by the law.

Chapter five is about remuneration. It asserts that salaries are distributed according to work, and to the principle of equal pay for equal work. The general level of wages must be raised in concomitance to economic development, and the State has to exercise macro control over the total payroll. The employing unit has the right to determine autonomously the form of wage distribution, and wage level, according to the characteristics of its production and business operations. This chapter contains all the regulations concerning the minimum wage. (To further information see chapter 1.2 of this dissertation)

Chapter six states that employers have the duty to guarantee a safe and healthy labour environment. Chapter seven deals with special provisions for female workers (specially during pregnancy), and juvenile workers (workers whose age is between 16 and 18 years old). In chapter eight is expressed the necessity to provide employees vocational training, in order to improve their professional skills, enhancing their employment capability. Chapter nine provides regulations concerning workers' social insurance and welfare. Every employee and employing unit must participate in social insurance, and pay its premium, according to the law. Social insurance funds have the function to assist and compensate workers in circumstances such as old age, illness, work-related injuries, unemployment and child-birth. Labour disputes are the topic of chapter ten. In chapter eleven it is discussed the way in which it is supervised the correct implementation of the labour law. A key role is conferred to trade unions, that have the scope to safeguard the legitimate rights and interests of workers, and to guarantee the respect of the law by the employing units.

The 1994 Labour Law was not readily enforced and not fully implemented, especially toward migrant workers, that were the bulk of industrial working class. Mainly in the non-state sector, a lot of employers were reluctant to sign labour contracts, and to pay workers social insurance premiums, because it involved an increase in labour costs. Some employees were even forced to sign “life and death contracts”, which exempted

bosses from any liability for the eventual injury or death of the employee. Under this situation, a lot of workers still had no rights, and were victims of enterprises' exploitation. They were usually subjected to bad working conditions, and received low wages. (Ngok, 2008)

The scarce law enforcement was caused by many reasons. First of all, since the supply of labour exceeded the demand, Chinese workers did not have any tool to force employers to respect the law. In addition, even though the labour law formally gave trade unions the power to safeguard workers' rights, it did not contain official changes in the government's repressive attitude towards independent union activities. In particular, the law did not defend the right of association, and the right to strike and engage in collective bargaining over employment conditions. In this situation, workers' power to claim against the lack of respects of their rights, was strictly limited. (Josephs, 1995)

Secondly, labour inspectors, that were in charge of control the correct implementation of the Labour Law, had weak enforcement power on common abuses such as excessive working hours, lack of written contracts, and missed payment of wages. They could only impose less severe penalties, such as correction notices, warnings, compensation orders and fines but, if the employer refused to respect penalties' requirements, they could not exercise any pressure on him. To implement more serious penalties, such as ordering a business to close or confiscating earnings, inspectors had to ask the assistance of other State bodies, such as police, that generally only intervened in case of labour unrest and disturbance of public order. (Cooney, 2007) In addition, the enforcement of the law was under the responsibility of local governments, but they were usually reluctant to implement it. The reason was that its enactment could be an obstacle to the attraction of foreign capitals and, consequently, to job creation and tax revenues from investments. The fierce competition among cities to attract attract foreign direct investments, often led to the corruption of local authorities, that were reluctant to apply the law on foreign firms. (Zou, 1998)

Finally, the text of the 1994 Labour Law was vague, and presented many shortcomings, in particular concerning the regulation of labour contracting. For example, there were not detailed regulations on contract formation, and the text of the law did not avoid the emerging of contracting practices which can lead to abuse by employers. In addition, it did not govern form on non-standard employment, such as casual work, that were

greatly diffused. The Labour Law soon resulted inadequate to regulate labour relations, since it only provided a general legal framework. (Cooney, Biddulph et al., 2007)

In 1999 it was issued the Contract Law of People's Republic of China (*Zhonghua Renmin Gongheguo Hetong Fa* 中华人民共和国合同法), that gave more detailed norms about the formation, validity, fulfillment, modification, transfer and termination of a contract. In addition, it provided specific provisions for different kinds of contract, such as lease, loan, technology, warehousing and entrustment contracts.<sup>5</sup> At the beginning of twenty-first century, the State Council issued several regulations to better implement the 1994 Labour Law. They included the 2002 Provisions on Prohibition of Child Labour (*tonggong laodong zhongjie* 童工劳动终结),<sup>6</sup> the 2003 Regulations on Work Injury Insurance (*gongshang baoxian tiaoli* 工伤保险条例),<sup>7</sup> the 2004 Regulations on Labour and Social Security Inspection (*laodong baozhang jiancha tiaoli* 劳动保障监察条例),<sup>8</sup> and the 2007 Regulations on Annual Paid Leave of Employees (*zhigong daixin nian xiujia tiaoli* 职工带薪年休假条例).<sup>9</sup>

### 1.3.2 The 2008 Labour Contract Law.

Under the administration of the chairman Hu Jintao and the Party secretary Wen Jiabao, Chinese government started to pursue an economic model more focused on improving social welfare, working conditions and salaries, and on reducing the Country's internal inequalities. In October 2006, during the Sixth Plenum of the 16<sup>th</sup> Central Committee of the Chinese Communist Party, it was formulated the State's aim to build a “socialist harmonious society”. Given the rapid increase of public protests, taking more into consideration social problems was considered necessary for a stable economic growth. (Mohanty, 2012)

Improving the labour legislation became necessary, since a huge number of employers did not respect the provisions contained in the 1994 Labour Law, especially in dealing

5 The original Chinese version of the text of the law is available online at [http://www.npc.gov.cn/wxzl/wxzl/2000-12/06/content\\_4732.htm](http://www.npc.gov.cn/wxzl/wxzl/2000-12/06/content_4732.htm). To consult an English translation of the law [http://www.china.org.cn/china/LegislationsForm2001-2010/2011-02/12/content\\_21908031.htm](http://www.china.org.cn/china/LegislationsForm2001-2010/2011-02/12/content_21908031.htm)

6 [http://www.npc.gov.cn/englishnpc/Law/2007-12/14/content\\_1384273.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/14/content_1384273.htm)

7 <http://en.pkulaw.cn/Display.aspx?lib=law&Cgid=45660>

8 <http://www.lehmanlaw.com/resource-centre/laws-and-regulations/labor/regulation-on-labor-security-supervision-2004.html>

9 <http://www.12333sh.gov.cn/200912333/2009english/laws/200911/P020100401488717439050.pdf>

with migrant workers. Many employees did not have a contract, or had to sign short term contracts that put them into disadvantageous positions. It was common that wages were lower than the legally fixed minimum, and that workers worked more hours than allowed by the law, without receiving a fair compensation. In addition, employers usually refused to pay for employees social insurance, and to compensate them in case of occupational accidents. (Wang, Appelbaum et al., 2009) Workers did not have enough bargaining power to make their rights respected, and labour inspections and penalties for the missed respect the law were not severe enough. In this situation, it was necessary to issue a law that can enhance workers' effective legal protection. Moreover, in preparation for 2008 Olympic Games, China underwent the pressure of international community, that asked the Country of improving its respect of human rights and of fair working conditions. (Brownell, 2012)

The first draft of the Labour Contract Law (*Zhonghua Renmin Gongheguo Laodong Hetong Fa Cao'an* 中华人民共和国劳动合同法草案)<sup>10</sup> was made public in March 2006 for a thirty-day period, in which interested parts could express their comments. The central government received 191,849 responses through media, internet and mails, 65 per cent of them were from ordinary workers. It is impossible to know exactly what was the public opinion, because the State did not release any information about workers' comments. Probably, lot of them were members of Trade Unions, that therefore supported the draft, since it expanded the power and influence of those organizations. (Wu, 2007)

Other comments to the law's draft came from Chinese trade groups, transnational corporations, and their Chamber of Commerce, that made public their opinions. In particular, lots of USA-based global corporations like Microsoft, Nike, Walmart, AT&T were against the Labour Contract Law. Their interests were represented by the following business organizations: the American Chamber of Commerce of People's Republic of China (AmCham-China)<sup>11</sup>, the Us-China Business Council (USCBC)<sup>12</sup>, and the

---

10 The Chinese version of the draft of the law is available online at

[http://www.npc.gov.cn/npc/xinwen/lfgz/flca/2006-03/20/content\\_347910.htm](http://www.npc.gov.cn/npc/xinwen/lfgz/flca/2006-03/20/content_347910.htm)

11 The AmCham-China is a non-profit, non-governmental organization which aim is to help American companies in successfully doing business in China. Today its membership comprises more than 3,300 individuals from 900 companies operating across China. <https://www.amchamchina.org/about/>

12 The Us-China Business Council is a private, non partisan, non profit organization which provide information, advisory, advocacy and program services to its members that are doing

European Union Chamber of Commerce in China (EUCCC).<sup>13</sup>(Leung and So, 2013) The EUCCC underlined the negative impact that the strict requirements of the new law could have on foreign companies. The resulting increase in production costs could lead enterprises to reconsider the convenience of their investments in China, and therefore move their plants outside the Country. The USCBC added that the Labour Contract Law, reducing China's competitiveness in attracting foreign investments, could reduce employment opportunities, causing in this way a great loss for Chinese workers. (Han, Mok et al., 2011) The AmCham argued that China already had adequate regulations that protect employees, but they were not fully implemented. Therefore the State should concentrate its efforts in improving the enforcement of the existing laws, rather than formulating new ones. In addition, the AmCham affirmed that China was still a developing country, which main priority should be the economic development of the nation. Since the new law could be an obstacle to this development, it could have a negative impact on workers' welfare. (Franceschini, 2013)

The draft of the new Labour Contract Law also caused a great debate among Chinese scholars, and among the leadership of the Communist Party. The government had to find a compromise between two different exigences. On one hand, it had to safeguard workers, in order to legitimate its power, and consolidate again its reputation, partly damaged by recent scandals concerning child and slave labour.<sup>14</sup> On the other hand, China still needed to protect the interests of foreign investors, in order to encourage the Country's economic growth. (Karindi, 2008) Chinese government had to make lot of efforts to overcome the pressure of american lobbies and issue the new Labour Contract Law. With the visit of Liu Cheng (an important scholar, labour law expert and advisor to the drafter of the law) to Washington, China started to pursue an international support campaign for the implementation of the law. Liu noticed to US government that some members of the National People's Congress were influenced by American lobbies, and asked for the support of international union federations, labour and human rights

---

business in China. Today it represents about 200 American Companies.  
<https://www.uschina.org/about>

13 The European Union Chamber of Commerce in China is a non-profit organization that represents European Business in China. It has more than 1,600 members.  
<http://www.europeanchamber.com.cn/en/europeanchamber-background>

14\_ See [http://www.chinadaily.com.cn/china/2007-06/27/content\\_904071.htm](http://www.chinadaily.com.cn/china/2007-06/27/content_904071.htm), and <https://www.economist.com/asia/2007/12/06/union-of-the-state>

organizations, and members of the US Congress.<sup>15</sup>

The new Labour Contract Law (*Zhonghua Renmin Gongheguo Laodong Hetong Fa* 中华人民共和国劳动合同法) was adopted during the 28<sup>th</sup> Session of the Standing Committee of the 10<sup>th</sup> NPC on the 29<sup>th</sup> of June 2007, and went into effect on the 1<sup>st</sup> of January 2008. The final version of the law was less strict than its first draft: many important provisions about matters such as health and safety, wages and layoffs, were heavily weakened, and the role of trade unions in collective bargaining was limited. In spite of this, this regulation issued strict labour standards, comparing with international ones, and it was considered one of the most significant reform of the employment relations in China. (Cheng, Smyth et al., 2013)

The 2008 Labour Contract Law<sup>16</sup> contains eight chapters which include 98 clauses, that are divided in General Principles, Conclusion of Employment Contract, Performance and Amendment of Employment Contract, Rescission and Termination of Employment Contract, Special Provisions, Supervision and Examination, Legal Liabilities and Supplementary. It is more detailed and more binding than the 1994 Labour Law. Its scope is to improve labour contract system, through the regulation of the conclusion, fulfillment, amendment, termination and expiration of labour contracts. Its aim is to protect workers' rights, and establish a fair relationship between employers and employees (General Principles, article 1 and 2). (Zhang, 2013) In General Principles it is stated that, labour unions, labor administrative departments of the People's Governments at the county level and above, and employer representatives, are the legal bodies that must deal with employment relationship and labour disputes (General Principles, article 5 and 6). The law reaffirms the role of the trade unions already stated in the 1994 Labour Law, that is, to protect and represent workers' rights, sustain them in labour disputes, help them in bargaining collective agreements in issues such as wages, working time, holidays, security, insurance and welfare. Since most of workers' and trade unions' rights stated in the 1994 Law, were only on paper, the Labour Contract Law gives more power and autonomy to trade unions. (Remington and Xiao, 2015)

One of the main point of the 2008 Labour Contract Law is that it mandates to sign a

---

15 [http://www.atimes.com/atimes/China\\_Business/ID05Cb01.html](http://www.atimes.com/atimes/China_Business/ID05Cb01.html)

16 The original text of the law in Chinese is available online at [http://www.gov.cn/flfg/2007-06/29/content\\_669394.htm](http://www.gov.cn/flfg/2007-06/29/content_669394.htm). The official English translation of the Labour Contract Law is available at <http://www.12333sh.gov.cn/200912333/2009english/laws/200911/P020091105359417211156.pdf>

written contract within one month after the date on which the employee is recruited (article 10). It provides also clear and severe penalties: employers that do not respect this rule must pay the worker twice the amount of his due remuneration, for the whole period in which he worked without a regular contract. (Kwok, 2017) In addition, the law obliges the employer to give a worker a non-fixed term contract after he has already worked for the same company for ten years, or when he has already signed two fixed-term contract (article 14). If it does not happen, the employer must pay double the wage to the employee, since the time when the permanent contract should have been signed (Article 82). (Becker and Elfstrom, 2010)

Another important issue of the 2008 Labour Contract Law is contained in article 19, and affirms that an employer can require only a probation period with a worker. This period can be from one to six months (it depends on the length of the contract the employee will sign after), and the wage must not be less than the 80% of that one agreed in the official contract, or not less than the local minimum wage level (article 20). In addition, article 21 states that employers can not arbitrarily terminate the probation employment, but this can occur only under certain circumstances. (Li Jing, 2008) These detailed regulations were emanated in order to counteract the previous exploitation of the probation period, conducted to reduce labour costs. This was possible because, under this kind of contract, employees were usually paid less than during a full employment contract. Bosses therefore asked workers long probation periods after that they refused to hire them under a regular contract. The 1994 Labour Law imposed a maximum probation period of six months, but rules about it were not detailed, and there were not clear punishment for employers that did not respect the law. (Lan, Pickles, 2011)

In the 1990s and 2000s more and more workers were employed through dispatching companies, especially in service, manufacturing and construction sectors, and most of them were migrant workers. Those people were particularly vulnerable because of the nature of dispatching contracts, in which there were not specified the legal obligations of the employer and of the dispatching agency. This was also caused by the fact the 1994 Labour Law did not contain regulations about labour dispatching. (Cooke, 2006) The 2008 Labour contract Law introduces this matter, clarifying the business nature of labour dispatching, restricting the sectors in which it can be used, and highlighting the

responsibility of the dispatching agency and of the employer. In this system, the dispatching company is the legal employer of workers, and must respect all the labour regulations prescribed by the law. (Gallagher, Giles et al., 2013)

The 2008 Labour Contract Law still had some implementation problems, first of all because there were a shortage of labour inspectors, and local labour officials were lacking of economic and political incentives to impose the respect of the law. (Zheng, 2009) Lot of employees used various stratagems in order to not respect law's provisions and cut labour costs This behaviors were encouraged by the fact that sanctions that labor authorities could impose, were not sufficient to overcome employers' profits deriving from noncompliance. First of all, bosses took advantage of the fact that, according to article 97, the law has no retrospective effect on contracts signed before its accomplishment. Therefore, they terminated employees with long service records, hiring new workers as replacements, or revised existing contracts of employment, or fired employees before rehiring them with new contracts. (Akee, Zhao et al., 2018)

A study conducted by Chung Sunwook proved that there were different levels of compliance with the law, depending on matters. While the majority of employers were willing to sign written contracts, and comply with minimum wage provisions, they were more reluctant to pay for workers' social insurance. This was also due to the fact that lots of migrant workers, moving from one city to another, were not willing to give their own contribution to social insurance premium. Employers also did usually not comply with the law's regulation on overtime hours restriction. In this way, instead of hiring more workers, they could force existing employees to work more hours. (Chung, 2015)

While the new Labour Contract Law generally improved the working conditions of urban workers, it was not the same for migrants, because toward them the law was poorly enforced. They usually still did not have regular labour contracts, were paid less than urban workers and worked for more hours. In addition, they usually did not have access to social insurance benefits, and were under worse working conditions. Since they were usually less educated than urban residents, they also had less bargaining power. (Li and Freeman, 2015) In order to increase migrant workers (and workers in general) awareness of their rights, when the law passed, Chinese non-governmental organizations and the ACFTU, organized trainings, booklets and mass “legal publicity” (*pufa* 普法) events through mass media. (Zhiming, Russel et al., 2015)

#### 1.4 The five-year plan system

The first five-year plan was implemented in the Soviet Union between 1928 and 1932. Its aim was to facilitate the transition from an agricultural to an industrial economy, through the collectivization of agriculture and the development of heavy industry. This was an “imperative planning”, in which central government decided production level, and investments in human capital, industry and infrastructure. The distribution of labour into sectors and geographical areas, and the target of international trade were also under the government's control. (Liveright, 1929) In this way, market institutions and prices were replaced by the State, that was responsible for resources allocation. Local authorities were in charge of respecting the government's target, and meet the five-year plan goals. Since the first Soviet five-year plan succeeded in pushing the industrialization of the Country, this system was permanently adopted by the Soviet Union, and it spread to all the countries ruled by a communist regime. (Pavloff, 1929)

In China the first five-year plan (*wunian jihua* 五年计划) was introduced in 1953, and was modeled on the Soviet mandatory planning system. Its objectives were similar to those of the first soviet five-year plan: developing the Country's industry (especially the heavy industry) and collectivizing agriculture. While results in the industry sector were very good, that ones in agriculture were less impressive. Despite those moderately good results, and the serious economic crisis happened during the Great Leap Forward and the Cultural Revolution, the five-year plan system continued to be applied as an imperative planning during the whole Maoist era. (Kirby, 1955) When Mao Zedong died in 1976, it was evident that this rigid top-down system of quantitative organization of production was not suitable for the economic growth of the Country. The problem was that it did not take into consideration the price mechanism, but only set production targets.

In 1978, during the Third Plenary Session of the 11<sup>th</sup> Central Committee of the Communist Party (it was in course the 5<sup>th</sup> five-year plan), Deng Xiaoping announced the modernization of the Country through the passage to a socialist market economy. This new economic model integrated planning and economic forces, in a system in which the government regulated the market and the market guided enterprises. (Zeng, 2012) It

started the phase of “developmental five-year plans”, that lasted from the 6<sup>th</sup> to the 10<sup>th</sup> plans (1980-2005), that were more indicative and less mandatory than previous ones. They retained some elements of the old imperative plans only in strategic sectors of production, such as heavy industry and network sectors. (Bertoldi, Weiss et al., 2016) With the 11<sup>th</sup> five-year plan, it started the phase of indicative planning, that was less mandatory than developmental one, and focused less on establishing precise production goals to achieve, while it put more attention on the formation of a general environment favorable to economic growth. Its scope was expanded beyond traditional economic issues, to incorporate environment, culture, economic diplomacy and governance. (Kennedy, Johnson, 2016)

#### *1.4.1 The 12<sup>th</sup> five-year plan (2011-2015).*

The Communist Party of China Central Committee approved the guiding principles of the 12th Five-Year Plan for National Economic and Social Development in October 2010, and the National People's Congress ratified it on March 2011. The 12<sup>th</sup> Five-Year Plan, which was into effect from 2011 to 2015, had as its guiding principle the scope to promote an “inclusive growth” of the Country, that is to spread the benefits of economic development to a greater proportion of Chinese citizens.<sup>17</sup>

The first aim of the plan was the rebalance of the State's economic development. To recover from the Asian financial crisis of 1997-1998, East Asian countries adopted an economic model based on accumulation of savings and national reserves, accompanied by the discouragement for consumption. The same was for China, where people's low wages were another factor that contributed to the Country's low consumption level. (Yang, Tyers, 2001) The low cost of labour encouraged the increase of foreign direct investments, that consequently caused an increment in production. Since its internal consumption level was low, China was overproducing, and this led to an export-oriented economic model, which caused a large influx of foreign capital, and a huge amount of foreign exchange reserve. In 2009 China's share of world exchange reserve was of 28%, and in 2010 it was the world's leading exporting country, taking up 12% share of the

---

<sup>17</sup> “China's 12th Five-Year Plan”, *APCO Worldwide*, available online at [http://www.export.gov.il/UploadFiles/03\\_2012/Chinas12thFive-YearPlan.pdf](http://www.export.gov.il/UploadFiles/03_2012/Chinas12thFive-YearPlan.pdf)

global market. This global macroeconomic imbalance produced more and more trade frictions with its trade partners, and China was subjected to international pressure to rebalance its economy, and reevaluate the RMB. (Wong, 2012)

Also taking into account foreign governments' requests, during the 12<sup>th</sup> Five-Year plan China implemented a blueprint of economic restructuring. It aimed at increasing household consumption and domestic demand of Chinese goods, reducing in this way export, and pursuing a more sustainable economic growth pattern. The share of service sector in China's GDP was also expected to grow of 4 percentage points, reaching the 47% of GDP in 2015. (Fan and He, 2013) This new economic model was also consistent with one of the main goal of the 12<sup>th</sup> five year plan, that was to improve the quality of life of Chinese people. To reach this objective, the government planned to increase household disposable income through raising minimum wages and increasing social safety net. Having wealthy people was now the priority of the State, which considered it fundamental for having a strong and stable nation. (Kok-Kheng Yeoh, Yieng-Ping Ling et al., 2012)

Another main point of the 12<sup>th</sup> Five-Year plan was to promote an “inclusive economic growth”, through pursuing a reduction of living standards' and wages' inequalities between regions, and among rural and urban residents. China faced an unbalanced economic growth since Deng Xiaoping economic reforms. Coastal regions and urban areas were the centers of economic development, while central, western and rural areas were left behind, and suffered from poverty and backwardness. (Cheung, 2012) To reduce interregional development gap, the 12<sup>th</sup> five-year plan led to the adoption of many measures that facilitate the economic growth and the influx of investments in less developed provinces. Convenient tax policies, subsidies to manufacturers who located inland, the construction of good infrastructures, and investments in the education sector, contribute to make those regions more attractive to companies. In addition, more effective land-use policies were applied, in order to make a better use of limited land resources, and fulfill agricultural and environmental goals. (Ash, Porter et al., 2012)

As far as the gap between urban and rural residents living conditions concerned, Chinese government made efforts in enhancing rural areas' social safety net, to provide residents of basic health care coverage. It was also improved rural land distribution, and a reform of the *hukou* system was implemented in order to widen the access to cities.

This was made partly for humanitarian reasons (people living in cities enjoyed a better quality of life), and partly for economic ones. In fact, improving migrant workers access to public services, and granting them an urban *hukou*, would allow them to spend more money, increasing in this way internal consumption. In addition, their migration to cities would help the government's urbanization project. (Wang, 2013)

The 12<sup>th</sup> Five-Year plan established an increase in the urbanization of the Country. Urban clusters were considered the driving force of China's modernization, because they were fundamental to the development of economic activities, and to increase consumption and service trade. The plan gave cities different roles, depending on their size, economic development, location and hinterland. Megalopolis in East coastal areas would be the centers of economic activities and global trade, while other minor cities in the inland could contribute to the poverty alleviation campaign on those areas, as they became strategic nodes of the Country's transportation grid. (Ferdinand, 2012)

On March 2014, the CPC Central Committee and the State Council announced the National New-type Urbanization Plan, that would cover the period from 2014 to 2020. The government would invest 42 thousand million yuan in the project, and the goal would be to increase the urbanization rate from 52.6% of 2012 to 60% by 2020. The number of medium and small cities was expected to grow significantly, while the growth of major urban agglomeration was predicted to slow down. In cities it was planned to improve public services and infrastructures. (Sun and Lisaia, 2018) This blueprint also established an increase of the proportion of urban *hukou* holders from the 35.3% of 2012 to 45% by 2020, that means that by 2020, 100 million migrants would receive full urban registration. The central Government planned to attract migrants into smaller and medium cities, in order to increase their size and economic productivity. Restrictions to the access to urban *hukou* would be lifted gradually in cities of less than 1 million people, would be loosened for cities with 1–3 million residents, and it would be possible to apply for urban *hukou* registration in cities of 3–5 million people. Regulations to achieve an urban *hukou* in megalopolis would remain very strict: only richer and more educated migrants would be able to obtain it. (Chen, Liu et al., 2018)

The 12<sup>th</sup> five-year plan also focused on the industrial development of the Country. The aim was to shift from a production model based on the quantity, to one based on the quality of goods, in order to increase China's competitiveness in the international

environment. The standards of products would be improved through innovation achieved by the introduction of new technologies, the development of new advanced communication methods, and the government's investments on research and development (Hu, 2011) China planned to invest more than 4 trillion yuan for the development of seven “Strategic Emerging Industries”: biotechnology, new energy, high-end equipment manufacturing, energy conservation and environmental protection, clean- energy vehicles, new materials, and next-generation IT. Those high-technology industries required the recruitment of more educated and well paid-workers; this explained China's investments on education. (Gebhardt, 2013)

The 12<sup>th</sup> five-year plan also dealt with the serious environmental pollution problems emerged by the rapid industrialization. They were caused by the reliance on coal as a source of energy, the energy-intensive manufacturing industry, and the lax regulations concerning environmental protection. The plan goal was to reduce the emission of NH<sub>3</sub>-N (ammoniacal nitrogen), NO<sub>x</sub> (nitrogen dioxide) by 10% and COD and SO<sub>2</sub> (sulfur dioxide) by 8% between 2010 and 2015. (Zhang, Wang et al., 2015) In addition, it promoted the development of energy-efficiency technology, and set as a target that the 11% of the total energy consumed must come from renewable energies by 2015. The 12<sup>th</sup> Five-Year specific requirements concerning environmental protection were: the development of clean energy, optimization of the production of coal-fired electricity, rational allocation of peaking power, development of distributed energy, and the construction of a strong and smart electric grid. (Zeng, Xue et al., 2012)

#### *1.4.2 The 13<sup>th</sup> Five-Year Plan (2016-2020)*

The 13<sup>th</sup> Five-Year Plan was approved on March 2014 by the National People' Congress, and covers the years from 2016 to 2020. Its first objective is the shift from a capital-accumulation led growth to innovation-led growth. One of the main indicator of the efficient economic development of a country is the Total Factor Productivity (TFP). This index indicates the growth achieved by improvements in technology and human capital, that differs from that one which implies the continuous addition of capital and manpower. The share of China's economic development coming from TFP has been

gradually eroding from the 8<sup>th</sup> five-year plan (1991-1995), reaching less than 30% during the 12<sup>th</sup> five year plan. (Curtis and Chadwick, 2016) The new plan aims to reverse this trend, innovating Chinese industry and intensifying the investments in the R&D (research and development) sector, that should reach the 2.5% of the total GDP by 2020. (Guo, Guo et al., 2018)

Along with the TFP, another important index that helps to understand the economic situation of a country is the Increasing Capital Output Ratio (ICOR). It measures the efficiency of capital invested, indicating how much capital is spent to generate a unit of real gross domestic product (GDP) growth. From the early 2000s the ICOR rate in China was rising (it takes more yuan to generate a unit of growth), resulting in a decline in the efficiency of investments, and an increase in debts. Consequences of this are the overcapacity of a wide number of sectors, rising energy demand, inconsistent product quality, growing carbon emissions, and pollution problems. A key feature of the 13<sup>th</sup> Five-Year plan is to reduce ICOR, in order to increase the productivity of capital, and to make economy more efficient. (Holz, 2018)

The new five-year plan focuses on industrial innovation, specially towards consumers goods. The size of China's customer market is huge, and this makes essential to invest in the large scale commercialization of new products. It is fundamental to increase the quality and variety of goods, and more local brands are supposed to achieve a global reputation. Investments in R&D must be done to meet consumers exigences and tastes, while keeping low prices in order to survive to the fierce market competition. Internet services must be implemented, since e-commerce is now one of the major channel through which customers buy goods.<sup>18</sup> The industry innovation focuses also on engineering and science improvements: new technologies and materials are created in order to make production more efficient, and improve the quality of goods. By 2020 it is planned that 90% of the standards set to key domestic equipment, for example agricultural machinery, robotics, high-performance medical and advanced rail transportation equipment, must be raised to reach international ones. High equipment standards are necessary for the production of high quality products, in order to expand Chinese firms' international and domestic market. (Hui and Cargill, 2017) This

---

<sup>18</sup>[http://english.gov.cn/premier/news/2017/01/29/content\\_281475554068056.htm](http://english.gov.cn/premier/news/2017/01/29/content_281475554068056.htm)

sanctions the passage from the production of low-end, low cost, labour intensive consumer goods to high-end products. In order to do this, it is also necessary to improve labour productivity through education and training campaigns, and through enhancing the mobility of high-skilled workers. (Pula and Santabarbara 2011)

The 13<sup>th</sup> five-year plan also changes the economic growth goals, passing from an annual average high growth rate up to 10%, which characterized previous years, to a medium-speed growth system. GDP growth is expected to be at 6.5 per cent from 2016 to 2020. This model is known as the “new normal”, and will allow China to have a more sustainable economic growth, moving toward becoming a high income economy. The Country aims to achieve an inclusive economic growth in which all citizens take advantage of it. For this reason, it is planned to double 2010 per capita GDP by 2020. (Brodsgaard, 2015)

Another macro objective of the 13<sup>th</sup> Five-Year plan is the spacial revolution, which aims to integrate rural and urban development. To achieve this objective first of all it is planned a reform of the social welfare system, because it suffered of two serious problems. The first one was the lack of a unified national scheme for financing social welfare provision: its contributions flow into local funds, managed at provincial level. This was an obstacle for migrant workers that could enjoy social welfare benefits only in the place of residence indicated by their *hukou*, and not in the place where they were working. This led most migrant workers to refuse paying social insurance, and not to ask employers to pay it for them, considering it useless. (Carrillo, 2017) The second problem of the Chinese social welfare system was that the quality and availability of those services varied considerably across regions, and among urban and rural areas. The 13<sup>th</sup> Five-Year Plan first aim is to implement migrant workers access to social welfare, and equalize its services among China, investing in inner, western regions and rural areas, where the system operates less efficiently. (Ratigan, 2017)

The spacial reform implemented in the 13<sup>th</sup> Five-Year plan also includes an effort to a more efficient use of rural land, preserving it from uncontrolled urbanization, and distributing it in a more equal way among rural residents. The goals are improving rural residents life tenor, and rising the agriculture's productivity. The State also aims at reforming the urban space, in order to improve residents' quality of life. Fiscal policies

will help local authorities to restructure cities, constructing new infrastructures and transportation greeds, and modernizing urban planning, in order to reduce the negative impact that mega cities have on the environment. (Aglietta, Bai, 2016) In the plan for an inclusive growth, Chinese government must concentrate its efforts in narrowing the gap between regions, pursuing a coordinated regional development through the promotion of less developed areas. The main goals are to revitalize the old industrial bases in the north east of the Country, and promote the rise of central areas, enhancing agriculture and promoting tourism. In the North East, old manufacturing facilities should be updated with the incorporation of advanced technical equipment, in order to allow local economy to start again.<sup>19</sup>

The 13<sup>th</sup> Five-Year plan continues to pursue the 12<sup>th</sup> five-year plan goals of green development and inclusive growth. As far as inclusive development is concerned, China aims at lifting an additional 55.75 million people out of poverty by 2020, and implements the two-child policy to counter the aging of population.

### **1.5. The “Made in China 2025” Project.**

The “Made in China 2025” (*Zhongguo zhizao 2025* 中国制造 2025) is a blueprint, developed in 2015 by China's National Development and Reform Commission (NDRC), and by the Ministry of Science & Technology (MOST), with the additional collaboration of the Ministry of Industry and Information Technology (MIIT). This project aims to set the economic objectives that must be reached between 2016 and 2020. It will be the first stage of a “three-phase” plan, that will lead China to become a world manufacturing power: phase two will be from 2026 to 2035 and phase three will cover the years from 2036 to 2049. (Li, 2018) It is inspired by the Germany's plan called “industry 4.0”, enacted in 2011. Its objectives are to achieve a higher level of automatization, operational efficiency and productivity, through the correlation of industry with Internet of Things (IoT), Cyber Physical System (CPS), information and communications technology (ICT), Enterprise Architecture (EA), and Enterprise

---

<sup>19</sup><https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2016/10/13fyp-opportunities-analysis-for-chinese-and-foreign-businesses.pdf>

Integration (EI). (Lu, 2017)

The “Made in China 2025” project is in line with the goals set in the 13<sup>th</sup> five-year plan, such as to transform China from a manufacturer of quantity to one of quality, seeking innovation-driven development, applying smart technologies, and pursuing green development.”<sup>20</sup> The project identifies 10 priority sectors for industrial development: next-generation information technology, high-end numerical control machinery and robotics, aerospace and aviation equipment, maritime engineering equipment and high-tech maritime vessel manufacturing, advanced rail equipment, energy-savings and new-energy vehicles, electrical equipment, new materials, biomedicine and high-performance medical devices and agricultural machinery and equipment.<sup>21</sup>

This innovation is supposed to rely on the internet plus manufacturing system, mentioned for the first time by Premier Li Keqiang during the Government Work Report, in march 2015. It implies the integration of Internet with traditional industries, through the use of cloud, big data, and Internet of things. This is made to encourage the development of e-commerce, industrial networks, and Internet banking, and to guide Internet-based companies to increase their presence in the international market. (Xu, Kong et al., 2017) Chinese government has created an investment fund of 40 billion RMB to promote the industry innovation under the “Internet Plus Strategy”. The combination of internet with different industries, creates more business opportunities in retail, manufacturing, telecommunication, logistics, catering and finance, and gives a great contribution to China's economy. (Zhao, Xiong, et al., 2016)

The “Internet Plus” strategy and the innovation in industry that will transform China from a manufacturer of labour-intensive, low cost products into a manufacturer of high-tech and high-quality products, will change the qualification profiles needed in manufacturing. The demand of more educated employees will increase, especially the need of IT and engineering skills.<sup>22</sup> For this reason, human resources development is a

---

20 “Made in China 2025 <<中国制造 2025>>, State Council, July7, 2015, available online at <http://www.cittadellascienza.it/cina/wp-content/uploads/2017/02/IoT-ONE-Made-in-China-2025.pdf>

21 "Made in China 2025:Global Ambitions Built on Local Protections", US Chamber of Commerce report, available online at [https://www.uschamber.com/sites/default/files/final\\_made\\_in\\_china\\_2025\\_report\\_full.pdf](https://www.uschamber.com/sites/default/files/final_made_in_china_2025_report_full.pdf)

22 [http://english.gov.cn/news/top\\_news/2015/12/24/content\\_281475259917630.htm](http://english.gov.cn/news/top_news/2015/12/24/content_281475259917630.htm)

key element of the “Made in China 2025” project. It is also fundamental to develop an adequate work environment to enhance human capital creativity and innovativeness, and to invest a lot of resources on the education and training of workers. (Liu, 2016)

## Chapter II Chinese Labour Market.

### 2.1 The *Nongmingong*

The “Regulations on Household Registration in the People's Republic of China”, promulgated on January 1958, sanctioned the beginning of the Chinese *hukou* (户口) system. This system of population registration, allowed Chinese government to control people's movements and mobility, in order to limit urbanization under the socialist planned economy (Cheng and Selden, 1994) Every citizen was given an *hukou*, that furnished all information about that person, such as place of birth, family members, and parents' occupations. There were two kind of *hukou*, agricultural and non agricultural (also called rural and urban *hukou*), and benefits were assigned to people according to their residency status. While urban residents received benefits such as retirement pension, education and health care, rural residents had less access to social welfare services, and suffered worse living conditions, being in this way legally discriminated. (Wang and Liu, 2018)

The only form of internal migration allowed was the *jihua qianyi* 计划迁移 (planned migration), which implied the change of the *hukou* in that one of the locality of destination. This form of migration was very rare and strictly controlled by the authorities. From the middle eighties, consequently to the increasing demand of cheap manpower in the industrialized urban centers, norms regulating migration became less restrictive, and a form of temporary migration, that did not imply the change of *hukou*, was allowed. (Wing Chan, Liu et al., 1999) People who stayed in a place different from that one of residence for more than one month, had to ask for a temporary residence permit. They were called “temporary population” (*zanzhu renkou* 暂住人口), floating population (*liudong renkou* 流动人口) or, most commonly, “migrant workers coming from the countryside”, (*nongmingong* 农民工). (Wing Chan, 2013)

The *nongmingong* usually migrated from the poor rural areas of the Country to the big urban centers of the richer coastal regions of China, such as Guangdong, Zhejiang, Jiangsu and Shanghai. According to the first census, conducted in 1982, the floating

population registered in urban centers was of 7 million people. The 1990 census reported a temporary population of 22 million people, the 2000 census registered 78.8 million of *nongmingong*. (Goodking and West, 2015) Last migration census, conducted in 2010, reported the presence of 221 million migrant workers in cities, (Liang, Li et al., 2014) and, according to the National Bureau of Statistics, they reached 245 million in 2016,<sup>23</sup> and their number is supposed to continue increase.

The majority of migrant workers usually obtained less qualified and less paid jobs in private firms, in particular in the construction, transportation and production industry. It was also common for them to find occupation in the commercial or service sector, usually as independent workers. This was mainly due to the fact that migrants were often less educated than locals. During the eighties, since the majority of urban residents still had a lifetime employment in State-Owned enterprises, there were no job competition between them and *nongmingong*. (Li, 2010) The situation began to change at the beginning of nineties, consequently to the restructuring of State Owned Enterprises: laid-off workers started to compete with *nongmingong* for the same low-end jobs. Measures were promulgated to assure the re-employment of urban residents: some kind of positions in State Owned Enterprises were reserved exclusively to them, and in private enterprises there was established a maximum amount of migrant workers that employees could hire. (Appleton, Knight et al., 2004) In spite of those restrictions on migrant labour, local governments were aware of the benefits that floating population brought to urban economy. In fact they represented an enormous pool of low-cost manpower that could be used by local industries to save labour costs and enhance the companies' profitability. The number of migrants in cities continued to increase, and their unemployment rate was lower than that one of urban residents, because, given their poor conditions, they were willing to accept every kind of job. (Knight, Deng et al., 2011)

The *nongmingong* were paid less than urban residents, despite they usually worked for more hours per day. According to the data based on the China Household Income Project (*zhongguo jiating shouru diaocha* 中国家庭收入调查), in 2002 the average wage of a migrant worker was 600 yuan per month, that corresponded to the 58% of the

---

<sup>23</sup> Data are taken from the China Statistical Yearbook 2017 and are available online at <http://www.stats.gov.cn/tjsj/ndsj/2017/indexeh.htm>

average wage of an urban resident. Despite the 1994 labour law prescribed people to work five days per week and a maximum of 8 working hours per day, the same project reported that the 80% of *nongmingong* worked 7 days per week, and only the 28% of them for eight hours per day. The 35% worked 9-10 hours per day, the 24% 11-12 hours and the 13% more than 13 hours. On the contrary, the 79% of urban residents worked 8 hours per day, as prescribed by the law. (Li, 2008)

Migrant workers living in cities did not have access to social welfare services: the China Household Income Project reported that in 2002 only the 5% of *nongmingong* had access to pension fund, the 2% could take advantage of unemployment benefits, and the 3% had a health insurance. (Gao and Riskin, 2009) This was caused mainly by the fact that neither employers nor employees were interested in paying taxes for having access to welfare. Employers aimed to prevent the increase in labour costs, and workers did not want to spend money for welfare services that they could not enjoy in cities, since monetary contribution for such benefits were not transferable within the Country. (Gao, Yang et al., 2012)

Migrant workers cheap labour was exploited for many years, and allowed the economic growth of China based on the production of low-end, low-cost, labour intensive consumer goods. From 2003 the labour demand of migrant workers increased, giving birth to the social phenomenon called “migrant labour famine”. This was caused by several factors: the demographic consequences of the only-child policy, the rising education level of Chinese workers, in front of a labour market which strongly relies on unqualified labour force, the increase of labour demand in the inner provinces resulting from their new economic development, the unattractiveness of the low salaries in the manufacture sector, and the short duration of labour contracts. (Franceschini, 2013)

Starting with the 2008 Labour Contract Law, Chinese government implemented many measures to improve *nongmingong* working condition, avoid their exploitation, and include them in the welfare system. This regulations are often non respected by employees, that want to avoid an increase in labour costs. But, at the same time, migrants today are more educated and more aware of their rights, and therefore they more frequently participate in protests and engage in labour disputes. (Becker, 2012) Even though the floating population's working conditions are improving, they continue

to remain an underprivileged social class. According to China Labour Bulletin, in 2014 they continued to do overtime work without being paid, usually working 44 hours per week instead of 40, as prescribed by the law. Their wages increased, reaching on average 2,864 yuan per month, but they remained lower than that ones of urban residents, that on averaged earned 4,600 yuan.<sup>24</sup>

From the end of nineties, in order to promote China's urbanization, the procedures to obtain a local urban *hukou* were simplified, special as far as less populous urban centers were concerned. In 2001 was approved a program<sup>25</sup> that allowed migrant workers, that lived and worked regularly for at least three years in small and medium size cities, to obtain local *hukou*. In addition, cities were given much more autonomy in deciding the annual maximum quota of people allowed to receive it and the requisites requested. In the two years following the entrance into force of this project, 540,000 *nongmingong* obtained an urban *hukou*. (Wu, 2014) Acquiring a local *hukou* in the most populous and developed urban centers, such as Shanghai, Beijing, Tianjin, and Shenzhen, remained very difficult: annual quota remained low and requirements were almost impossible to be met (for example, having a master degree and a high disposable income). Those cities were attractive for workers ,because they offered the best job opportunities, higher wages, and good social welfare services. Given those cities size and economic development, they were not interested in increasing their population, but wanted to retain the most educated and qualified migrant workers. (Quheng and Gustaffson, 2014)

The goal of the New National Urbanization Plan, that went into force in 2014, is that by 2020 the 60% of Chinese citizens will live in cities, and the 45% of them will have a local urban *hukou*. This will imply that, between 2014 and 2020, 100 million *nongmingong* will change their *hukou* status. In addition, the Plan established that by 2020, all people living in cities, also that one who are not in posses of a local *hukou*, will benefit from social welfare services. (Wang, Hui, Choguill, et al. 2015) We still do not know if these objectives will be achieved, but this plan is certainly a great effort made by the Chinese government to improve the living conditions of all Chinese citizens, and it is a first step to put an end to the exploitation of migrant workers cheap

---

24 [www.clb.org.hk/en/content/migrant-workers-and-their-children](http://www.clb.org.hk/en/content/migrant-workers-and-their-children)

25 State Council, & Ministry of Public Security. (2001). Guanyu tuijin xiaochengzhen guanlizhidu gaige de yijian 关于推进小城镇管理制度改革的意见 [guide on the reform of the hukou system in small cities] [www.gov.cn/gongbao/content/2001/content\\_60769.htm](http://www.gov.cn/gongbao/content/2001/content_60769.htm)

labour.

## **2.2 Informal Employment and Dispatched Labour**

There is not a univocal, specific definition of informal employment; the International Labour Organization defines it as a job often temporary, that lacks a formal contract, stability and security, and that does not provide welfare services, or workers protection. Informal employees can be hired in many ways, for example they can be self-employed, or employed through a labour-service company, and they can be employed both for full time, long term jobs, or for part-time, short term jobs. (Hussmans, 2003)

In China, during the Mao Zedong planning economy, urban workers' rights were guaranteed by the *danwei* system, which implied life-time employment, housing, pensions, and health care. However, during the reform period, the rapid rise of an unregulated private sector, the drastic reform of state-owned enterprises, which caused the laid-offs of millions workers, and the diffusion of rural to urban migration, led to an increasingly large number of workers in urban areas who were self-employed, or who lacked formal labor contracts and coverage by social insurance programs. (Park, Wu et al., 2012)

The China Labor Statistical Yearbook reported that in 2004 workers employed informally amounted to the 46% of the total workforce. The majority of them were *nongmingong* working in the private industry and in the tertiary sector. Given the high number of people employed informally, in 2008 it was emanated the Labour Contract Law, that reaffirmed the requirements to sign formal contracts and participate in social insurance programs. (Park and Cai, 2011) In spite of the binding aspect of the Labour Contract Law, it did not solve the problem of informal labour. It is verified that informal employment was still diffused in China, but there are not precise measures of its amount. We take into consideration the measurement conducted by Ying Chen and Zhun Xu, based on national labor statistics, that concluded that in 2014 the 54% of the total workforce was employed informally. (Ying and Zhun, 2017)

The dispatched labour is a form of informal working relation. It implies that a company

entrusts a dispatch work agency of hiring and managing employees on its behalf. This solution allows companies to save money and time, and make them less vulnerable from the consequences of eventual labour disputes, since they are not the direct employers of those workers.<sup>26</sup>

In China labour dispatch have been widely used since the economic reforms of opening up. State Owned Enterprises began to use it extensively from 1985 onwards, when it was established by the State-owned Assets Commission, that their annual general wage quota would be dependent by their annual financial performance. The accounting norms regulating those enterprises stated that only wages of formal workers entered the wage quota, while salaries of temporary workers were categorized as operational fees, and so were not under the control of the State-owned Assets Commission. (Feng, 2018) Under this system, SOEs deployed numerous informal workers, in order to reduce labour costs and, at the same time, rise their profitability. Also foreign companies started to employ a huge number of temporary workers. This initially was due to the fact that the law did not allow them to recruit workers directly, so they had to manage HRM through dispatch labour agencies. In addition, using those agencies was a cheaper, faster and more effective way to recruit workers, since they were not experts of Chinese labour market. (Cai, Park et al., 2007)

The 2008 Labour Contract Law, trying to limit the phenomenon of the dispatched labour, established that agencies must hold a minimum registered capital of 0.5 million yuan. In addition, they had to sign two-year or longer full-time labour contracts with dispatched workers. Companies using dispatched laborers must generally employ them in temporary, auxiliary, or substitute positions. Furthermore, agency workers were obliged to respect the principle of equal pay for equal work, that meant that those workers must be payed the same amount of regular employees. (Zhang and Zhu, 2010) In spite of those rules, the amount of temporary workers employed rose after 2008 in both state owned and foreign enterprises, because companies wanted to reduce the rising in labour cost that followed the promulgation of the law. They usually used agency labour to not pay workers the *wuxian yijin* (五 險一金), namely, the five types of social insurance requested by the law (healthcare, retirement, occupational disease,

---

26 <https://www.china-briefing.com/news/labor-dispatch-in-china-definition-scope-and-limit/>

unemployment, maternity, and housing fund), that corresponded to the 30-40% of the total wage of a regular employee. With dispatched workers, employers could also bypass the established maximum probation period term of six months, prolonging such terms for years, without signing open-ended regular contracts. (Nair, 2014) Labour dispatch was employed also to supply to the more frequent shortages of unskilled workers. Specially to enterprises with a seasonal production rhythm happened that, for meeting their orders in time, they had to temporarily triple or quadruple their workforce. Labour dispatch agencies helped them to find workers in a fast way, and took the advantage of earning monthly commissions for their labour dispatch services (Smith and Chan, 2015)

In 2012 it was promulgated an amendment to the Labour Contract Law that contained many provisions designed to counter the rapid diffusion of dispatched labour. All labour agencies were required to own a dispatch license to be allowed to provide services. The amendment further detailed the provision of equal pay for equal work, requiring the enterprise to adopt a unified compensation scheme for all employees. (Pan, 2016) It also clearly specified the three types of jobs for which it was permitted the use of dispatched labour: temporary positions that last for less than six months; auxiliary positions that provide supplementary services to the primary business; and substitute positions which are vacancies generated by the temporary absence of regular employees. In addition, it increased the minimum registered capital of labour dispatch agencies to 2 million yuan. (Harper Ho and Qiaoyan, 2014)

In spite of the 2012 amendment, the agency labour continues to be widely used. The reasons of the weak implementation of this law remain the same: the conflict of interests that affect local governments, and underfunded and understaffed labour inspection teams. In addition, they have limited authority in enforcing the law. (Wei, Yan et al., 2013) For example, when they are informed of a violation of the principle of equal pay for equal work, the local labour inspectorate would ask the company to furnish the documentation of its compensation policy. This is made to see if it included temporary employees, and if they receive the same wage of regular workers. Even if agency workers are paid less than regular employees, the labour inspectorate has to respect the current compensation policy if it had been approved by the congress of

employees' representatives. If it had not been received approval, the inspectorate would ask the enterprise to submit the compensation policy to the congress for discussion, but this organ usually represents the interest of the company and not of workers, so it would probably approve it. (Kuruvilla, Lee et al., 2011)

### **2.3 The reform of State-Owned Enterprises and the *xiagang gongren*.**

From the eighties, the number of private companies operating China was constantly increasing. Following the wide range of liberalization policies promulgated during the Deng Xiaoping "Tour of the South" in 1992, there was a real boom of the private sector in urban area. At the same time, State Owned Enterprises were in a bad economic situation, because they were often over-staffed, did not have the possibility of fire surplus workers, and suffered the increasing competition from private firms. In 1995 and 1996, approximately the 50% of SOE (the majority of which were small and medium size) reported losses, and the situation worsened with the Asian financial crisis in 1997. (He, Huang et al., 2018)

In order to improve the profitability of those enterprises and stem losses, a restructuring policy was released during the 1997 Fifteenth Communist Party Congress. The strategy adopted was of "grasp the large and let go of the small". Large and medium-sized SOE, (that were usually more profitable and operated in strategic sectors, like telecommunication, electricity, oil and raw materials) were corporatized, while small and less profitable firms were privatize or shut down. (Won, 2004) According to the Chinese Annual Surveys of Industrial Production (ASIP), about two-thirds of the State-Owned Enterprises operating in the manufacturing sector, were privatized or shut down by 2007. This led to the decrease of 62.9% of the employment in SOE between 1998 and 2007. At the same time, the profitability of remaining enterprises grew from 2.8% until 1998, to 21.7% between 1998 and 2007. (Berkowitz, Ma et al., 2017)

The reform of State-Owned Enterprises led to the massive laid-off of million workers, that were called *xiagang gongren* (下岗工人), that is "employees who have stepped down from the workplace". Many of them were middle-aged employees, with a low

level of education and qualification, all factors that made them scarcely attractive for the new labour market. They started to compete with *nongmingong* for the same low-end jobs, giving in this way their contribution to the “race to the bottom” of Chinese labour market. (Smyth, Zhai et al., 2001) According to *Chinese Labour Yearbooks*, the number of registered *xiagang* workers was approximately 10 million in 1997, and 9 million between 1997 and 2000. Their number started to decrease only in 2001. It is impossible to know the exact amount of the laid-off employees, because statistics do not take into consideration the numerous unregistered *xiagang gongren*, previously employed informally in SOE. Laid-off employees only received a small compensation or minuscule subsidies for up to three years, while workers who remained in those enterprises continued to enjoy the benefits of the life-time employment. (He, Huang et al., 2018)

It is noteworthy that these huge waves of laid-offs did not lead to any significant resistance or protests by employees. This was the consequence of an accurate strategy implemented by Chinese government, designed to prevent the formation of an organized labour movement. A great propaganda was done to explain Chinese people of the necessity of those measures to save economy and State enterprises, reaching the consensus of lots of citizens. Furthermore, layoffs were accompanied by targeted allowances and bonuses, which had the scope to divide workers and prevent the emergence of leaders. In addition, they imposed exemplary punishments on protests organizers, instead of on common participants. (Cai and Wang, 2012)

#### **2.4 Young graduates as Chinese New Underclass**

At the end of nineties, China had to face serious unemployment problems. State Owned Enterprises restructuring was causing millions of laid-offs workers, while, consequently to the 1997 Asian economic crisis, the demand of Chinese goods was dropping, and companies were overstaffed. In addition, more than three million high school students were expected to graduate in 1999, and only few of them could be enrolled in universities, while the remaining part would look for a job in a Chinese labour market

already overcrowded, worsening the unemployment situation. (Yang, Tyers, 2001) To solve this problem, in 1997 Chinese government decided to widen the access to university (*Kuozhao* 扩招): the number of students admitted to universities increased from less than one million in 1998 to more than 1.5 million in 1999, at a growth rate of 41.7%, and it continued to increase. Increasing the education level of Chinese citizens was considered important also to improve the quality of human resources, and thus the overall competitiveness of the country. In December 1998, the Ministry of Education promulgated the *Action Plan to Vitalize Education* in the 21st Century, which stated the necessity of a rapid development of China's higher education, and had as objective that university gross enrollment rate would reach 15% by 2010 (Bai, 2006)

Those measures caused the worsening of the quality of education provided by universities, because those structures did not have adequate resources and tools to receive a huge number of students. In addition, with the decentralization of higher education, now under local governments' management, differences in the quality of education increased among regions and cities. Furthermore, despite the fact that the number of peasant students from less developed provinces who entered in universities increased, they were more likely to be enrolled in lower tier institutions, so their university degree was not so useful to be employed in a good job position. (Chan and Ngok, 2011)

At the beginning of the 21<sup>st</sup> century, the Chinese Labour market was not capable of absorbing the increased number of university graduates. This led to new wave of graduate unemployment and under-employment, to the worsening of their labour conditions, and to a decrease in their salaries. They formed a "new underclass", and they were also called *ant-tribe*, a common expression which in general indicated young educated under-employed or unemployed workers. (Solinger, 2006) In 2011 more than six million students received the university degree, and six months after graduation, 570 thousand of them were still unemployed. In 2014, official statistics revealed that 17.6% of the new graduates, were still unemployed after two months after their graduation. Their salary faced a reduction, becoming more similar to that one of a migrant worker: in 2011 is reported that a newly graduated earned on average 2,766 yuan per months, while the same year a *nongmingong* on average earned 2.015 yuan a month (Liu, 2014)

Despite the fact that Chinese labour market is assisting to a growing demand of qualified and educated workers, there is still a higher availability of graduates than the requested ones. Newly graduated can quite easily find a job, but their expectations are too high, and they have not enough experience to earn high wages; this push them to change job frequently, giving rise to a phenomenon called “job-hopping”. This is negative both for employees and enterprises: workers can not accumulate the right competencies, and companies do not have the possibility to find the professional figures they need. (Pontiggia, Hu et al, 2013)

## **2.5 Has China already reached the Lewis Turning Point?**

Consequently to the reforms of agriculture, promulgated in the late 1970s and early 1980s, the productivity of rural areas increased, leading to the creation of a huge amount of labour surplus in the agricultural sector. As a result, workers started to look for an employment in the industrial and service sectors. The institutional barriers to labour mobility were released, in order to satisfy the labour demand in urban centers, giving rise to a mass migration from rural to urban sectors, and from central and western regions to east coastal provinces. (Meng, 2012) Migrant workers became the main workforce in the manufacturing and service sectors, providing Chinese industry a pool of cheap manpower that allowed the fast economic growth of the Country. Until the beginning of the 21<sup>st</sup> century, the supply of labour seemed to be unlimited, enabling China's manufacturing sector to maintain a competitive advantage in the production and export of labor-intensive goods. China, thanks to the low price of its products and the huge quantities produced, became the exporter leader of low-end products, acquiring the name of “World's factory”. (Wang and Li, 2017)

From the beginning of the 21<sup>st</sup> century, the East coastal regions started to suffer from the shortage of unskilled workers. This phenomenon was called “migrant labour famine” and initially emerged at Pearl River Delta in 2004. It was considered by scholars a temporary problem which happened occasionally, but, instead of disappearing, it was extended to the Yangtze River Delta areas, and then to inland regions, until it became a national phenomenon. Only 2008 global economic crisis, that led to the reduction of

the demand of Chinese products, reduced temporarily the acuteness of labour shortage, that intensified again as soon as the demand of Chinese goods rose again. (Wang, 2014)

With the appearance of labour shortage phenomenon, scholars started a debate on whether the Country has reached the Lewis turning point. The Lewis model is an economic theory that relates the economic development with changes in labour market. It was first formulated by Arthur Lewis in 1954, refined by Gustav Ranis and John C. H. Fei in 1961 and 1964, and then reviewed by many scholars. (Ranis, 2004) According to the Lewis model, the initial phase of economic development is characterized by a dual economy based on a 'subsistence', 'traditional' or agriculture sector and on a 'capitalist', 'modern' or industrial sector. In the first sector is employed a huge amount of unskilled rural labour, a significant proportion of which is considered as 'surplus', because its marginal productivity is below the subsistence wage. Since the modern sector offers slightly higher wage than the subsistence wage, it attracts workers from agriculture. (Lewis, 1954)

As long as the surplus labour exist, thus drawing workers away from the subsistence sector has only a little impact on output in agriculture and, at the same time, it allows the economic growth of the industrial sector, without having any impact on wages. Once labour surplus ended, it occurs a substantial change in the relationship between supply of and demand for unskilled workers, and the Lewis turning point is reached. Wages started to rise in both sectors, consequently to the labour shortage, and inequalities between the remuneration of skilled and unskilled workers gradually diminish, tending towards the wage convergence. (Golley and Meng, 2011) Low-income people are the group who benefits more from the increase in wages. The growth of their income leads to an increase in their consumption, and to a consequently raise the weight of consumption in GDP. As unskilled labour becomes a scarce resource, the social status of that workers improves: State starts to put more efforts in the protection of their rights and they gradually acquire more bargaining power. (Chen, Chang et al., 2016)

While in the first phase of economic growth, labour-intensive industries are profitable due to the unlimited pool of cheap labour available, after passing the Lewis turning point, labour costs gradually increase, hindering the growth of industry if technological conditions do not change. In fact, labour-intensive products progressively lose their

competitiveness based on low prices, and their exporting share decrease. This would entail passing from an “extensive” economic model to a more “intensive” one, that rely more on the production of capital-intensive goods and on the improvement of total factor productivity. (Pan, 2016) Passing the Lewis turning point also comports changes in the agricultural sector. In fact, because of the labour shortage, produced by the continuous outflow of workers from the traditional sector to the modern one, outputs in the labour intensive agriculture will decrease. Since the rise in the cost of labour, agriculture will depend much more in machinery, acquiring a more capital-dependent, skill-intensive mode of production. (Zhang, Yang et al., 2011)

In China, scholars' opinions do not converge in establishing when and if the Country has already reached the Lewis turning point. Many of them, as Liu (2015), Cai (2007), and Zhang, Yang and Wang (2011) collocate the Chinese Lewis turning point between the years 2002-2004, when labour shortage occurred for the first time. Others, for example Zhang, Shao and Dong (2018), affirm that the turning point has been reached in 2010. Some scholars also declare that China is still in the first phase of the economic development and will reach the Lewis turning point in the future. This divergence in opinions can be due to many factors, such as as the scarcity of data available, differences in the analytical methods used, and the definition of ‘subsistence wage’ in the Lewis Model. (Kwan, WU et al., 2018)

The point of view affirming that China has already passed the Lewis Turning Point could be challenged by the following two argumentations. First, millions of university graduates face difficulties in finding jobs in cities every year, and many of them are unemployed. Passing the LTP would involve a significative reduction in urban unemployment, but in China its rate remains quite high, suggesting that the Country has not already reached the LTP. Second, the labor shortage in Chinese urban centers may be caused by the restrictions on the population's mobility imposed by the *hukou* system. According to this point of view, the labor shortage is not real and could be eliminated if the restrictions on labor migration would have been abolished. (Molero-Simarro, 2016) Despite those two aspects are relevant, they are not evidence that China is still in the first phase of the Lewis model of economic development. First of all, Lewis theory focuses on the shortage and demand of unskilled workers, while the actual

unemployment in urban areas is regarding, to a great extent, people with a high education level. University graduates do not compete in the same job market of unskilled people, and they do not represent a labour surplus because they often refuse to accept jobs that do not fulfill their expectations. Second, it is undeniable that the *hukou* system hinders labour mobility, but the extent of its impact is reducing with the numerous reforms that aim at releasing the restrictions on labour mobility. (Liu, 2015)

According to Lewis theory, during the passage between the first and the second phase of economic development, the number of people employed in the traditional sector constantly decline, because they are moving to work in the more profitable modern sector. Data furnished by National Bureau of Statistics confirm this trend in China: starting from 2003, the rate of agricultural employment starts to decrease substantially and steadily: it dropped from 49% of the total occupation in 2003 to 40% in 2008. (Wang, 2010) At the same time, it decreased the amount of labour surplus. Taking into account the fact that estimating the exact number of manpower surplus in China is very difficult, I consider the evaluation made by Kwan, Wu et al. (2018), that estimate it around 40 million in 2001 and around 26 million in 2013, of which the 72% was from farming. Knight, Deng et al. (2011) reported data covering the period from 1995 to 2007, they point out that urban employment increased rapidly, by 3.7% per annum. The fact that labour surplus decreases in the countryside while urban employment increases, prove that modern sector in urban areas is attracting migrant workers and it is gradually reducing the pool of surplus labour. In rural areas non-farm employment (jobs belonging to the modern industrial sector) rise by 1.6% per annum, while farm employment, that pertains to traditional sector, decrease markedly with an average of 1.4% per annum. This means that also in rural areas the modern sector is attracting workers; this phenomenon can cause labour shortage in the traditional sector, and a resulting increase in its wages (Knight, Deng et al., 2011)

The increase in wages in both agricultural and industrial sector is one of the main feature of an economy who has reached the Lewis turning point. This increase will gradually led to a convergence in salaries and income, that in China is supposed to happen among regions and between migrant workers and urban residents, reducing inequalities. Despite the fact that salaries in all Chinese provinces are increasing,

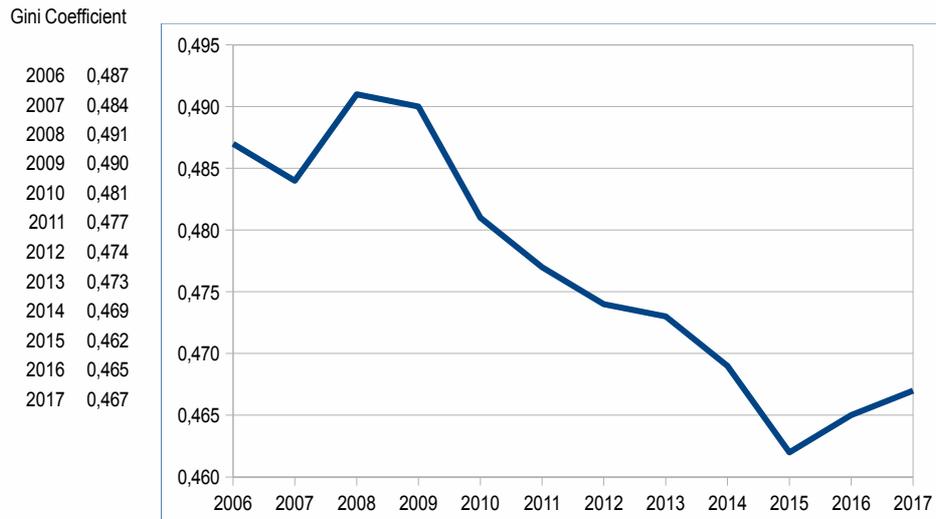
income inequalities still persist, and the policies adopted by the government will be crucial to reduce them: measures concerning labor migration and cooperation in transportation and business should be reinforced, while continuing the carrying out of regional development strategies. (Chen, Chang et al., 2016)

Chinese government is implementing regional strategies which aim at reducing inequalities among provinces and promote the economic growth in less developed regions. The “Go-West”, “Rejuvenation Northeast China and Other Old Industrial Bases”, and “Rise of the Central Regions” are some of those policies that encourage favorable and subsidized investments in infrastructures and industries in the central and western regions. Even though these strategies temporarily help local economies, the subsidies and favorable loans that they give are often inefficient investments, because lead local enterprises and infrastructure to a heavy reliance on policy support, without improving their real industrial capacity. (Liu, Niu et al., 2012)

The Gini coefficient is an index that can be used to understand the extent of Chinese income inequalities. Its recent trend in China demonstrates that, although inequalities still persist, they are gradually reducing. (Shu and Xiong, 2018) The Gini coefficient measures the unequal distribution of earnings within a country. It is a number between 0 and 1. More this indicator is near to the 0, more the income distribution is equal; on the contrary, more the coefficient is near the number 1, more unequal is the distribution of revenues. (Rodriguez and Salas, 2014) According to CEIC data, China's Gini coefficient decreases from 0.491 in 2008 to 0.462 in 2015, respecting Lewis theory of the inequalities reduction, while it was subjected to a slight increment until 2017, when it reaches 0.467.<sup>27</sup>

---

27 <https://www.ceicdata.com/en/china/resident-income-distribution/gini-coefficient>

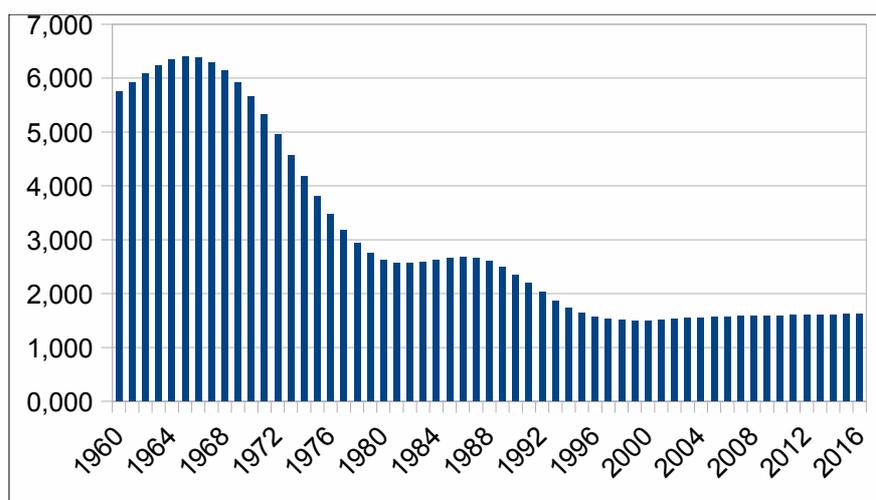


Graph. Gini Coefficient. Data source CEIC data.

The gradual wage convergence among qualified and unqualified workers, along with the widespread unemployment among young graduates, could become a disincentive for schooling, causing the weakening of human capital accumulation in the near future. (Cai and Du, 2011) This is in contrast with the new high-tech and capital intensive economic model of China, which will require more skilled and educated workers, so the school disincentive could cause, in the long run, a difficulty of employment for groups of less educated workers. To avoid such risk, it is necessary that Chinese government subsidize secondary education, vocational education, and on-job-training, in order to support industrial upgrading and innovation. (Zhang, Shao et al., 2018)

It is demonstrated that Chinese demographic trend of the last decades is gradually impacting the Country's labour market. China's total fertility rate (TFR) decreased drastically from Deng Xiaoping economic reforms: according to World Bank, it dropped from a 5.648 rate in 1970 to 1.494 in 1999, and it is estimated 1.624 in 2016<sup>28</sup> showing that this trend is not expected to totally reverse, (in spite of the two-child policy promulgated the same year).

28 <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=CN>



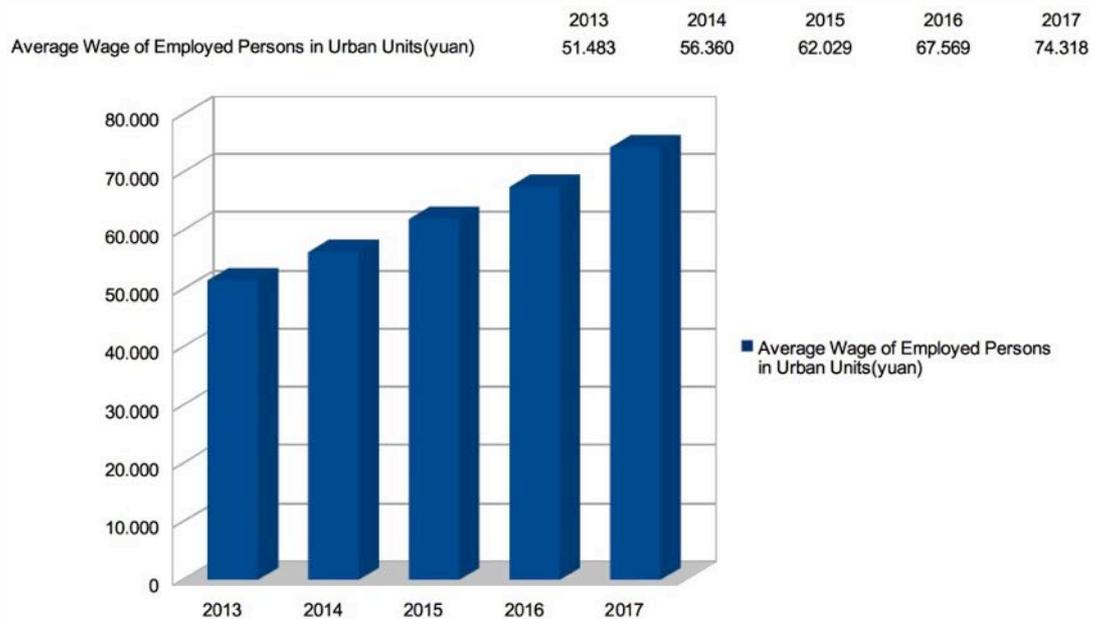
Graph 2. Total Fertility Rate. Data source: World Bank

This dramatic reduction in the fertility was caused mainly by the Country's socioeconomic development, and by the adoption of family planning, consequently to the one-child policy. China's population is aging, that means that the percentage of young people on the total population is diminishing, while it is increasing the number of elderly people. (Peng, 2013) This led to a reducing proportion of the working age population on the total, that we consider as people between 15 and 59 years old giving the fact that in China the retirement age for men is 60, while for women is 55. Between 2001 and 2011, the demand of workers in the urban sectors, taking into consideration the demand of both migrants and urban residents, grew at an annual rate of 3.2%, whereas the annual growth rate of the number of people in working age increase of only 1.1%. (Cai, 2013) An aging population can represent a problem for the economy, because it raise financial difficulties in the sustainability of the pension system and elderly care infrastructure. In addition, it has a huge impact on the Chinese labour market, gradually reducing labour supply. The government, being aware of this phenomenon, is changing China's economic development model, through the 13<sup>th</sup> five-year plan and the Made in China 2025 project, pushing towards the growth of capital-intensive high tech industries, and in the meantime, diminishing the production of labour intensive goods. (Xu, 2014)

## CHAPTER III Chinese Wage Trend During the Last Five Years

### 3.1 National average wage

In this section it will be studied the national annual average wage of an employed person in urban unit. Even though these data are too general to explain in a significative way the real situation of salaries in China, I take them into consideration to see to which extent, wages are increasing in the Country, and if their trend is respecting the State's economic development policies expressed in the 12<sup>th</sup> and 13<sup>th</sup> Five-Year plans. All the sources I examined to understand China's average wage (World Bank, CEIC database, Statista, Trading Economics, and China Briefing) reported the same data illustrated by the National Bureau of Statistics.



Graph 3. Average wage of employed persons in urban units. Data source: National Bureau of Statistics

According to National Bureau of Statistics<sup>29</sup>, Chinese national average wage was

<sup>29</sup> The Chinese National Bureau of Statistics (国家统计局 *guojia tongji ju*), is the official government platform which express all the statistics and surveys made my Chinese authorities about their Country.

subjected to a constant increase during the last five years. It is estimated that the annual average salary of an employed person in urban unit was of 51483 yuan in 2013, 56360 yuan in 2014, 62029 yuan in 2015, 67569 yuan in 2016 and 74318 yuan in 2017. Starting from these data, I made a calculation of the percentage of growth from every year to the following; according to my results, average wage increased of 8.65% between 2013 and 2014, of 9.14% between 2014 and 2015, of 8.2% between 2015 and 2016 and of 9.08% between 2016 and 2017. Between 2013 and 2017 the total increase of Chinese average salary was of the 30.73%.

This increase is in line with the economic development policy of China, which aims at improving living condition and consumption expenditure of citizens. In addition, the Country is pushing towards a rise in human capital to face the increasing demand of skilled workers caused by the technological innovations introduced in industry. Since more educated workers receive higher wages, the increase in human capital is leading to an overall increase in salaries. (Ge and Tao Yang, 2014)

The growth trend is not constant, it has a peak in 2015 (9.14%) and a minimum in 2016 (8.2%). The growth decline in 2016 can be justified by the fact that it was the year in which it started the implementation of the 13<sup>th</sup> five-year plan. This plan prescribed a more controlled increase in wages, in order not to discourage foreign direct investments in the Country. The growth recovery happened in 2017 could be due to the renewed focus of the central government on the alleviation of poverty in China. (Baaquie, Roehner et al., 2017)

This increase in wages is impressive if we consider it in comparison with the same rate of other developed countries. For example, according to Trading Economics (which takes its data from the U.S Bureau of Economic Analysis), the increase in USA wages and salaries was of the 6.22 percent from 1960 until 2018, reaching an all time high of 13.78 percent in January of 1979 and a record low of -5.88 percent in March of 2009.<sup>30</sup> In Italy, according to data taken from Statista<sup>31</sup>, we can calculate that the increase in wages was of the 0.69% between 2013 and 2014, of the 0.95% between 2014 and 2015, of the 0.79% between 2015 and 2016 and of the 0.34% between 2016 and 2017.

Chinese wages vary a lot depending on the status of registration of the company in

---

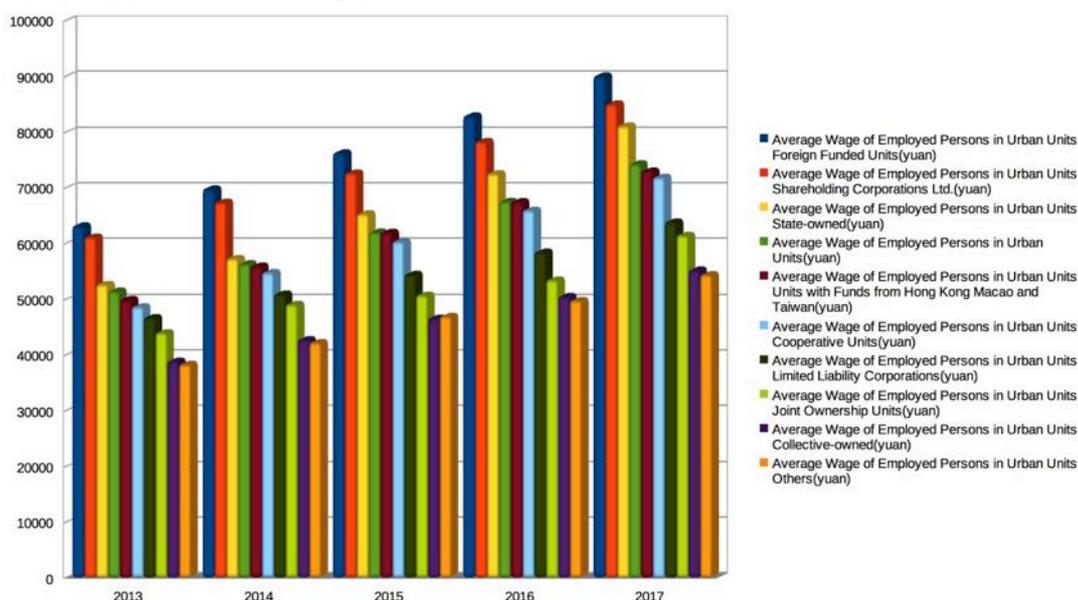
Those data are used by lots of authoritative international statistical database such as Trading Economics, Statista, and CEIC database.

30 <https://tradingeconomics.com/united-states/wage-growth>

31 <https://www.statista.com/statistics/416213/average-annual-wages-italy-y-on-y-in-euros/>

which people work. The National Bureau of Statistics takes into consideration foreign founded companies, shareholdings corporations, State-owned enterprises, companies with funds from Hong Kong, Taiwan and Macau, Cooperative Units, Limited Liability corporations, enterprises with joint ownership and collective-owned enterprises.

Indicators	2013	2014	2015	2016	2017
Average Wage of Employed Persons in Urban Units Foreign Funded Units(yuan)	63171	69826	76302	82902	90064
Average Wage of Employed Persons in Urban Units Shareholding Corporations Ltd.(yuan)	61145	67421	72644	78285	85028
Average Wage of Employed Persons in Urban Units State-owned(yuan)	52657	57296	65296	72538	81114
Average Wage of Employed Persons in Urban Units(yuan)	51483	56360	62029	67569	74318
Average Wage of Employed Persons in Urban Units Units with Funds from Hong Kong Macao and Taiwan(yuan)	49961	55935	62017	67506	73016
Average Wage of Employed Persons in Urban Units Cooperative Units(yuan)	48657	54806	60369	65962	71871
Average Wage of Employed Persons in Urban Units Limited Liability Corporations(yuan)	46718	50942	54481	58490	63895
Average Wage of Employed Persons in Urban Units Joint Ownership Units(yuan)	43973	49078	50733	53455	61467
Average Wage of Employed Persons in Urban Units Collective-owned(yuan)	38905	42742	46607	50527	55243
Average Wage of Employed Persons in Urban Units Others(yuan)	38306	42224	46945	49759	54417



Graph 4 Average wage of employed person in urban units by status of registration. Data source: National Bureau of Statistics

Analyzing data we can see that, for every year taken into consideration, foreign funded units are that one which pay more their employees. Since remuneration is a way of attracting and retaining best employees, we can deduce that foreign founded enterprises have the best selection of workers, and this could allow them to produce goods of a better quality and to manage the production in a more efficient way. Also State-Owned enterprises are supposed to attract the best employees, even if wages are lower, because

in China being employed in the State sector is historically considered an honor. (Appleton, Song et al., 2005)

A research conducted by Zhigong Chen, Ying Ge and Huiwen Lai in 2010, affirms that the influx of foreign and Hong Kong, Macao, and Taiwan (HMT) investment, has a significantly negative side effect on the remuneration level in domestic companies. This is due to the fact that many foreign funded enterprises are multinational corporations that have adequate resources to pay more their employees. Since domestic firms have to face the fierce competition of those enterprise, and so have to maintain the price of their products low, they are discouraged in increasing the wages. This situation contributes in enlarging the salary gap between foreign and domestic enterprises. (Chen, Ge et al., 2011)

On 2013 the annual average wage in foreign founded companies' workers was of 63,171 yuan, on 2014 of 69,826 yuan, on 2015 of 76,302 yuan, on 2016 of 82,902 yuan, on 2017 of 90064 yuan, all these values are far above the annual national average wage. Collective owned units are, on the contrary, that one which pay less: in 2013 the average wage of an employee was of 38306 yuan, in 2014 was of 42742 yuan, in 2015 of 46607 yuan, in 2016 of 50527 yuan, on 2017 of 55243 yuan; their salary is lower that the national average wage. The wage gap between people who are employed in foreign founded companies' and who work in collective owned companies is significant. In 2013, foreign founded enterprises' employees earned the 39.4% more than that ones working in collective owned enterprises, in 2014 the 38.8% more, in 2015 the 38.9% more, in 2016 the 39% more and in 2017 the 38.6% more. The difference between the two salaries is not constant: it has a peak in 2013 and a minimum in 2014. It is noteworthy that 2016, that is the year with the minimum national growth of average wage in last five years, is one of the two years in which the gap between wages in different kind of companies is bigger.

Starting from the National Bureau of Statistics' data, I calculate the growth percentage of wages in every kind of companies and for every year taken into account.

	2014	2015	2016	2017
Growth Percentage of Average Wage of Employed Persons in Urban Units Joint Ownership Units	10,40%	3,26%	5,09%	13,03%
Growth Percentage of Average Wage of Employed Persons in Urban Units State-owned	8,10%	12,25%	9,98%	10,57%
Growth Percentage of Average Wage of Employed Persons in Urban Units Collective-owned	8,98%	8,29%	7,76%	8,54%
Growth Percentage of Average Wage of Employed Persons in Urban Units Limited Liability Corporations	8,29%	6,50%	6,85%	8,46%
Growth Percentage of Average Wage of Employed Persons in Urban Units Cooperative Units	11,22%	9,21%	8,48%	8,22%
Growth Percentage of Average Wage of Employed Persons in Urban Units Foreign Funded Units	9,53%	8,49%	7,96%	7,95%
Growth Percentage of Average Wage of Employed Persons in Urban Units Shareholding Corporations Ltd.	9,31%	7,19%	7,21%	7,93%
Growth Percentage of Average Wage of Employed Persons in Urban Units Units with Funds from Hong Kong Macao and Taiwan	10,68%	9,81%	8,13%	7,55%

Table 1, Growth percentage of average wage of employed persons in urban units by status of registration. Data source: calculation from National Bureau of Statistics data.

In 2014 industries with a higher salaries growth percentage were Cooperative units (11.22%) and industries with funds from HK, Taiwan and Macau (10.68%), while the lower growth rate was registered in State-Owned enterprises (8.10%) and Limited Liability companies (8.29%). In 2015 State-owned enterprises and companies with funds from HK, Taiwan and Macau had the higher percentage of growth, 12.25% and 9.81% respectively, while joint ownership companies and limited liability companies had the lower growth rate, 3.26% and 6.50% respectively. In 2016, industries with an higher salaries' percentage of growth were State-owned enterprises (9.98%) and Cooperative units (8.48%), while that ones with lower growth were Joint ownership companies (5.08%) and Limited Liability companies (6.85%). In 2017 joint ownership companies and state-owned enterprises were the ones with higher wage growth rate, 13.03% and 10.57% respectively, while companies with funds from Hong Kong, Macau and Taiwan and Shareholding corporations were the ones with lower wages growth, 7.55 and 7.93 respectively.

It is noteworthy that foreign funded units never register the higher growth rate, notwithstanding they give the highest wages in every year considered. From 2015 onwards, State-owned enterprises are the one with a more significant and constant wage

increase. This means that the gap between them and foreign funded enterprises is gradually reducing. The growth in salary of joint ownership units vary a lot: in 2017 they are the industries with higher increase, exceeding a lot others, while in 2015 they are the industry sector with the lower record of growth in the years considered (3.26%).

### **3.2 Regional Average Wage**

The wage inequality among and across Chinese regions, is an historical phenomenon that has interested the Country from the economic reforms of opening up, at the end of 1970s. China's high Gini coefficient that, according to World Bank, far exceeds that of other South Asian countries such as India, Bangladesh and Pakistan, highlights the great extent to which regional inequalities persist. Salaries' difference among provinces could be explained taking into consideration many factors: the quality of labour, which is reflected by the education level of workers; labour productivity, which could be indicated by the industrial composition in each province, and the local economic development. (Candelaria, Daly et al., 2015)

Now it will be analyzed the amount of the average wage in each province of China between 2013 and 2017.

Annual average wage by Province (yuan)					
	2013	2014	2015	2016	2017
Beijing	93006	102268	111390	119928	131700
Shanghai	90908	100251	109174	119935	129795
Tibet	57773	61235	97849	103232	108817
Tianjin	67773	72773	80090	86305	94534
Zhejiang	56571	61572	66668	73326	80750
Guangdong	53318	59481	65788	72326	79183
Jiangsu	57177	60867	66196	71574	78267
Qinghai	51393	57084	61090	66589	75701
Guizhou	47364	52772	59701	66279	71795
Chongqing	50006	55588	60543	65545	70889
Ningxia	50476	54858	60380	65570	70298
Sichuan	47965	52555	58915	63926	69419
Yunnan	42447	46101	52564	60450	69106
Shandong	46998	51825	57270	62539	68081
Xinjiang	49064	53471	60117	63739	67932
Hainan	44971	49882	57600	61663	67727
Fujian	48538	53426	57628	61973	67420
Inner Mongolia	50723	53748	57135	61067	66679
Hubei	43899	49838	54367	59831	65912
Shaanxi	47446	50535	54994	59637	65181
Anhui	47806	50894	55139	59102	65150
Guangxi	41391	45424	52982	57878	63821
Hunan	42726	47117	52357	58241	63690
Gansu	42833	46960	52942	57575	63374
Hebei	41501	45114	50921	55334	63036
Jilin	42846	46516	51558	56098	61451
Jiangxi	42473	46218	50932	56136	61429
Liaoning	45505	48190	52332	56015	61153
Shanxi	46407	48969	51803	53705	60061
Heilongjiang	40794	44036	48881	52435	56067
Henan	38301	42179	45403	49505	55495

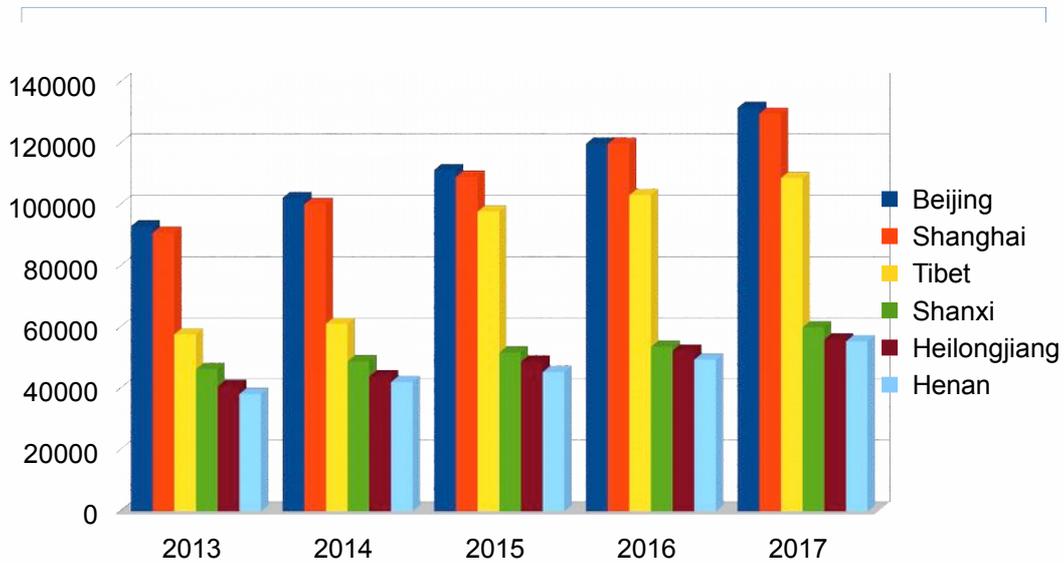
Table 2, annual average wage by province. Data source: National Bureau of Statistics

Data in the table show that the wage inequality among provinces is significant and persistent in recent years. From the chart is evident that Beijing and Shanghai are always the regions in which employees earn more: in the last five years Beijing is always the richest province, with the exception of 2016, when salaries in Shanghai were higher. On the contrary, Heilongjiang and Henan are the provinces in which people earn less money, with Henan as the poorest region of the Country. In 2013, salaries of people living in Beijing, that earned on average 93006 yuan per year, were the 58.82% higher of that one of Henan, where people earned 38301 yuan. In 2014, Beijing citizens were paid the 58.76% more than Henan citizens (the average wage in Beijing was of 102268

yuan per year, in Henan 42179 yuan per year). During 2015 Beijing average salaries were 111390 per year, the 59.24% more of Henan average salaries, which amount was 45403 yuan per month. In 2016 Shanghai wages (119935 yuan per year) were the 58.72% more of Henan's (49505 per year). During 2017 wages in Beijing (131700 yuan per year) were the 57.86% more of wages in Henan (55495 yuan per year). Those result show that the income gap between Beijing and Henan is gradually reducing in the last years, but it is still remaining considerable.

In the following graph is reported the salary trend of the three regions with higher wages (Beijing, Shanghai and Tibet) and the three regions with lower wages (Shanxi, Heilongjiang and Henan), according to the wage data of 2017.

Annual average wage by Province (yuan)	2013	2014	2015	2016	2017
Beijing	93006	102268	111390	119928	131700
Shanghai	90908	100251	109174	119935	129795
Tibet	57773	61235	97849	103232	108817
Shanxi	46407	48969	51803	53705	60061
Heilongjiang	40794	44036	48881	52435	56067
Henan	38301	42179	45403	49505	55495



Graph5 Data source: National Bureau of Statistics. Data are put in a decreasing order, according to the results obtained in 2017.

The income disparity is noteworthy and remains approximately constant in the last five years. In order to examine in depth regional inequalities in wages, I take into consideration the division of China in eight economic regions, conducted by the National Bureau of Statistics. Those eight areas are: the North-East Region (Liaoning, Jilin, Heilongjiang), the North Coastal Area (Beijing, Tianjin, Hebei, Shandong), the Eastern Coastal Area (Shanghai, Jiangsu, Zhejiang), the South Coastal Area (Fujian, Guangdong, Henan), the Middle Yellow River Area (Shanxi, Inner Mongolia, Henan, Shaanxi), the Middle Reaches of the Yangtze River (Anhui, Jiangxi, Hubei, Hunan), Southwest China (Guangxi, Chongqing, Sichuan, Guizhou, Yunnan) and the Big Northwest China (Tibet, Gansu, Qinghai, Ningxia, Xinjiang). In the following table is reported the annual average wage of every economic region.

Annual average wage in the eight economic areas (Yuan)

	2013	2014	2015	2016	2017
Northeast Region	43048	46247	50923	54849	59557
North Coastal Area	62319	67995	74918	81026	89338
Eastern Coastal Area	68219	74230	80679	88278	96261
South Coastal Area	48942	54263	60339	65320	71443
The Middle Yellow River	45719	48858	52333	55978	82472
Middle Reaches of the Yangtze River	44226	48517	53199	58327	64045
Southwest China	45835	50488	56941	62816	69006
Big Northwest China	50308	54722	66476	71341	77224

Table3. Annual average wage in the eight economic areas. Data sources: National Bureau of Statistics.

In 2013 the area in which salaries were higher was the East Coastal area (68218 yuan per year), while the poorest area was that of the Northeast Region (43048 yuan per year). Eastern Coastal Area had the highest salaries also in 2014 (74230 yuan), and at the same time, the Northeast Region remained the area in which salaries were lower (46247). The situation remained unvaried in the following years: in the Eastern Coastal area wages amounted at 80679 in 2015, 88278 yuan in 2016, 96261 yuan in 2017; in the Northeast Region 50923 yuan in 2015, 54849 in 2016, and 59557 yuan in 2017. In general, the East Coastal area, followed by the North Coastal Area and the Big Northwest China are the three economic regions which also have higher salaries, while Southwest China, the Middle Reaches of the Yangtze River, and the Northeast region

are the area in which are always registered lower wages. This static situation highlights how wages inequalities still persist in China, and the partial ineffectiveness of the numerous policies adopted by the Chinese government to promote the economic development of the western and central regions. Those policies, even if subsidize the construction of infrastructures and the welfare services, have scarce effect in diminishing income inequalities in the short run. (Liu, Niu et al.,2012) In order to understand if such inequality is reducing, I calculate the proportion between the higher and the lower average wage. In 2013, salaries in East Coastal Area exceed those in Northwest area by the 36.9%, in 2014 by the 37,7%, in 2015 by the 36.9%, in 2016 by the 37.9%, and in 2017 by the 38.1%. From this approximate analysis it is evident that the trend of this proportion is not constant: the disparity is reducing between 2004 and 2015, but between 2015 and 2017 years it is slightly rising.

Despite the fact that the average wage increases in every province during the last five-years, the growth rate of every region is different. In the following table are reported the percentage of wage growth in each province, calculated according to data furnished by National Bureau of Statistics.<sup>32</sup>

---

32 These results are obtained doing the following operation:  $[(\text{wage level of the following year} - \text{wage level of the previous year}) / \text{wage level of the following year}] \times 100$ . In this way we consider as the 100% the wage amount of the following year.

Annual average wage growth by Province (percentage)				
	2014	2015	2016	2017
Beijing	9,06%	8,19%	7,12%	8,94%
Shanghai	9,32%	8,17%	8,97%	7,60%
Tibet	5,65%	37,42%	5,21%	5,13%
Tianjin	6,87%	9,14%	7,20%	8,70%
Zhejiang	8,12%	7,64%	9,08%	9,19%
Guangdong	10,36%	9,59%	9,04%	8,66%
Jiangsu	6,06%	8,05%	7,51%	8,55%
Qinghai	9,97%	6,56%	8,26%	12,04%
Guizhou	10,25%	11,61%	9,92%	7,68%
Chongqing	10,04%	8,18%	7,63%	7,54%
Ningxia	7,99%	9,15%	7,92%	6,73%
Sichuan	8,73%	10,80%	7,84%	7,91%
Yunnan	7,93%	12,30%	13,05%	12,53%
Shandong	9,31%	9,51%	8,43%	8,14%
Xinjiang	8,24%	11,06%	5,68%	6,17%
Hainan	9,85%	13,40%	6,59%	8,95%
Fujian	9,15%	7,29%	7,01%	8,08%
Inner Mongolia	5,63%	5,93%	6,44%	8,42%
Hubei	11,92%	8,33%	9,13%	9,23%
Shaanxi	6,11%	8,11%	7,79%	8,51%
Anhui	6,07%	7,70%	6,71%	9,28%
Guangxi	8,88%	14,27%	8,46%	9,31%
Hunan	9,32%	10,01%	10,10%	8,56%
Gansu	8,79%	11,30%	8,05%	9,15%
Hebei	8,01%	11,40%	7,98%	12,22%
Jilin	7,89%	9,78%	8,09%	8,71%
Jiangxi	8,10%	9,26%	9,27%	8,62%
Liaoning	5,57%	7,91%	6,58%	8,40%
Shanxi	5,23%	5,47%	3,54%	10,58%
Heilongjiang	7,36%	9,91%	6,78%	6,48%

Table 4. Average wage growth by province. Data source: calculation using data from National Bureau of Statistics.

Between 2013 and 2014 the regions with faced a higher growth in salaries were Hubei (11.92%), Guangdong (10.36%), Guizhou (10.25%) and Chongqing (10.94%), while areas with a lower increase were Shanxi (5.23%), Liaoning (5.75%) and Tibet (5.65%). From 2014 to 2015 Tibet's wage level had an extraordinary increase, the 37.42%, that far exceed the rise in other regions. Guangxi, Hainan and Yunnan were the other provinces were the growth was higher, the 14.27%, 13.40% and 12.30% respectively. Shanxi, Inner Mongolia and Qinghai are the areas with a minor increment, the 5.47%, 5.39% and 6.65% respectively. Between 2015 and 2016 the major increase in wages

was registered in Yunnan (13.05%), Hunan (10.10%) and Jiangxi (9.27%), while the minor increment were in Shanxi (3.54%) Tibet (5.21%), and Xinjiang (5.68%). From 2016 to 2017 Yunnan (12.53%), Hebei (12.22%) and Qinghai (12.04%) reported the higher increase in salaries, while Tibet (5.13%), Xinjiang (6.17%) and Ningxia (6.73%) register lower rise. It is noteworthy that provinces with higher growth rate are not that ones with higher wages. This data is positive, because it can imply a reduction in income inequalities in the long run.

Analyzing data it is evident that every province has different percentage of growth, depending on years. Tibet is the region with a more different growth rate among years: in 2015 it is the area which registered the maximum increase of the Country, while in other years it is collocated between the provinces with a lower increment. 2015 is, in general, the year of the highest growth in salaries, while the lowest general increment occurred between 2013 and 2014.

### **3.3 Regional Minimum Wage**

As it is discussed in chapter 1.2, an important measure that aims at safeguarding workers' fair and equal pay, is the Minimum Wage Regulation: Chinese employers must not pay their employees a salary beyond the minimum wage level. There are two types of minimum wage: a monthly one for full time workers, and an hourly one for people that work part-time. In China minimum wage is not established at a national level, but every province has a great autonomy in setting its standard, even if they have to receive central government's approval. (Fan, Lin et al., 2018) Every province does not establish a unique minimum wage level, but the local government sets out multiple minimum wage “classes” for the region as a whole, and each city and county within the region is assigned to its appropriate level, according to its local economic conditions, and living standards. Class A is that one with higher wage standards, while class D has the lowest minimum wage. The 2004 Regulation on Minimum Wages established also that minimum wage must be raised at least every two years. (Haepf and Lin, 2017)

China Briefing<sup>33</sup> provides a yearly complete guide of minimum wage level across the Country's provinces. It will be examined its findings concerning the period between 2013 and 2017. The years 2013, 2014 and 2015 are subjected to the directives of the 12<sup>th</sup> five year plan, that prescribes an average hourly increase of minimum wage of 13%. Governments' aim is to reduce poverty's rate in the Country and limit salary's inequalities among workers, increasing the income of less paid people. (Lu, Lin et al., 2013)

The table below shows the minimum wage level of each province and each province's classes, updated at the 28<sup>th</sup> of January 2013.

Province / Region	Class	City / Urban Area	Montly Minimum Wage (RMB)	Hourly Minimum Wage (RMB)
Shenzhen	A	Shenzhen	1.500	13,3
	A	Hangzhou		
Zhejiang	A	Ningbo	1.470	12,0
		Wenzhou		
		Jiaxin		
	B	Jinhua	1.310	10,7
		Taizhou		
		Linan (2011)		
	C	Jiande (2011)	1.200	9,7
		Zhoushan(2011)		
		Quzhou (2011)		
		Pingyang County (2011)		
	D	Cangnan County (2011)	1.080	8,7
		Wencheng County (2011)		
		Shuntai County (2011)		
Shanghai			1.450	12,5
Beijing			1.400	15,2
Xinjiang		Karamay		
	A	Taxkorgan Tajik Autonomous County	1.340	13,4
		Urumqi		
	B	Fukang	1.140	11,4
		Shihezi		

33 China Briefing is a subsidiary of Dezan Shira & Associates, an expert in foreign direct investment practice, that provides corporate establishment, business advisory, tax advisory, accounting, payroll, and financial review services to multinational corporations investing in China, Hong Kong, India, Vietnam, Singapore and the rest of ASEAN. To obtain further information <https://www.dezshira.com/>

		Hutubi County		
		Manas County		
		Turpan		
	C	Hami	1.060	10,6
		Kashgar		
		Korla		
		Yining		
		Toksun County		
	D	Barkol Kazak Autonomous County	980	9,8
		Jeminay County		
		Shijiazhuang		
		Baoding		
	A	Langfang	1.320	13,0
		Tangshan		
		Qinghuangdao		
		Handan		
		Xintai		
	B	Hengshui	1.260	12,0
		Zhangjiakou		
		Chengde		
		Shenzhou		
	C	Xinle	1.150	11,0
		Yizhou		
		Zanhuang County		
		Shunping County		
	D	Tang County	1.040	10,0
		Pingxiang County		
		Nanjing		
		Suzhou		
	A	Zhenjiang	1.320	11,5
		Changzhou		
		Wuxi		
		Yangzhou		
	B	Nantong	1.100	9,6
		Liangyungang		
	C	Suqian	950	8,3
			1.310	13,1
	A	Guangzhou	1.300	12,5
		Zhuhai		
	B	Foshan	1.100	10,5
		Dongguan		
		Zhongshan		
		Huizhou		
	C	Shantou	950	9,3
		Jiangmen		
	D	Shaoguan	850	8,3
		Heyuan		

Henan	A	Meizhou	1.240	11,7		
		Zhengzhou				
		Luoyang				
		Pingdingshan				
		Anyang				
	B	Hebi	1.100	10,4		
		Jiaozuo				
		Kaifeng				
		Puyang				
		Nanyang				
C	Shangqiu	960	9,0			
	Xinyang					
	Zhoukou					
	Weihui					
	Kaifeng County					
Shandong	A	Lankao County	1.240	13,0		
		Luoshan County				
		Jinan				
		Qingdao				
		Zibo				
	B	Yantai	1.100	11,0		
		Weifang				
		Weihai				
		Zaozhuang				
		Jining				
C	Taian	950	10,0			
	Rizhao					
	Linyi					
	Binzhou					
	Dezhou					
Tibet	A	Liaocheng	1.200	11,0		
		Heze				
		Lhasa				
	B	Shannan			1.150	10,5
		Linzhi				
Inner Mongolia	A	Changdu	1.200	10,2		
		Naqu				
	B	Ali			1.100	9,3
		Shigatse				
	C	Hohhot			1.000	8,5
		Erenhot				
		Hulunbuir				
Fujian	D	Xilinhot	900	7,6		
		Bayanur				
	A	Ulanhot			1.200	12,7
		Arxan				
B	Zhuozi County	1.050	11,1			
	Xiamen					
		Fuzhou				
		Fuqing				

Hunan	C	Changle	930	9,8	
		Jinjiang			
	D	Wuyishan	830	8,8	
		Jiayang			
		Zhangping			
	A	Ninghua County	1.160	11,5	
		Changsha			
	B	Jianning County	1.050	10,0	
		Zhuzhou			
	C	Taining County	950	9,5	
Yueyang					
D	Mingxi County	870	9,0		
	Changde				
Heilongjiang	A	Zhangjiajie	1.160	11,0	
		Yongzhou			
	B	Yiyang	1.050	9,0	
		Loudi			
	Jilin	C	Harbin	900	8,5
			Daqing		
		D	Qiqihar	850	8,0
			Mudanjiang		
		A	Jiamusi	1.150	10,0
			Jixi		
B		Hegang	1.050	9,0	
		Shuangyashan			
C		Qitaihe	900	8,5	
		Suihua			
D	Suifenhe	850	8,0		
	Fuyuan County				
A	Heihe	1.150	10,0		
	Yinchun				
B	Jidong County	1.050	9,0		
	Baishan				
C	Daxinganling Region	950	8,0		
	Songyuan				
D	Yanji	850	8,0		
	Huichun				
A	County-level cities	1.150	10,0		
	Other cities and counties				
B	Changchun	1.050	9,0		
	Jilin				
C	Siping	950	8,0		
	Liaoyuan				
D	Tonghua	850	8,0		
	Baicheng				

		Other cities and areas		
		Xi'an		
	A	Xianyang	1.150	11,5
		Yulin		
		Tongchuan		
	B	Weinan	1.050	10,5
		Yanan		
		Baoji		
	C	Ankang	950	9,5
		Shangluo		
		Lantian County		
	D	Shiquan County	870	8,7
		Yijun County		
		Taiyuan		
	A	Jincheng	1.125	12,3
		Datong		
		Changzhi		
		Gaoping		
	B	Linfen	1.015	11,3
		Houma		
		Qingxu County		
		Yangqu County		
	C	Zuoyun County	945	10,4
		Datong County		
		Changzhi County		
		Loufan County		
	D	Daning County	855	9,4
		Yonghe County		
		Yanggao County		
	A	Yinchuang	1.100	11,0
		Shizuishan		
		Wuzhong		
	B	Qingtongxia	1.020	10,0
		Zhongwei		
		Guyuan		
		Xiji County		
	C	Longde County	950	9,0
		Pengyang County		
	A	Kunming	1.100	10,0
		Anning		
		Yulong County		
	B	Counties under Kunming Jurisdiction	930	9,0
	C	Other counties	830	8,0
	A	Shenyang	1.100	11,0
		Dalian		
	B	Anshan	900	8,5
		Fushun		

		Benxi		
		Dandong		
		Jinzhou		
		Yingkou		
		Liaoyang		
		Panjin		
		Fuxin		
	C	Tieling	780	7,5
		Chaoyang		
		Huludao		
	A	Wuhan	1.100	10,0
		Huangshi		
		Xiangyang		
	B	Yichang	900	8,5
		Jingzhou		
		Shiyan		
		Huanggang		
		Yicheng		
	C	Danjiangkou	750	7,0
		Guangshui		
		Yangxin County		
		Haixi		
	A	Guoluo	1.070	10,8
		Yushu		
		Hainan		
	B	Haibei	1.060	10,7
		Huangnan		
	C	Xining	1.050	10,6
		Haidong		
		Wanzhou District		
	A	Yuzhong District	1.050	10,5
		Fuling District		
		Dadukou District		
		Jiangbei District		
	B	Liangping County	950	9,5
		Chengkou County		
		Fengdu County		
	A	Haikou	1.050	9,2
		Sanya		
	B	Qionghai	950	8,3
		Danzhou		
	C	Other cities and counties	900	7,9
	A	Chengdu	1.050	11,0
	B	Zigong	960	10,0
		Panzhihua		
		Deyang		

		Mianyang		
		Yibing		
		Guangyuan		
	C	Luzhou	880	9,3
		Nanchong		
	D	Liangshan	800	8,4
		Ziyang		
	A	Hefei	1.010	10,6
	B	Maanshan	900	9,4
		Wuhu		
	C	Huainan	3.800	8,4
		Huaibei		
		Tongling		
		Anqing		
Anhui	D	Huangshan	750	7,8
		Chaohu		
		Fuyang		
	E	Suzhou	720	7,5
		Liuan		
		Feidong County		
	F	Wuhu County	680	7,1
		Fengtai County		
		Nanning		
		Liuzhou		
	A	Guilin	1.000	8,5
		Wuzhou		
		Beihai		
		Fangchenggang		
		Qinzhou		
Guangxi	B	Guigang	870	7,5
		Yulin		
		Baise		
	C	County-level cities	780	6,5
		Counties and autonomous counties		
	D	Lanzhou	690	6,0
		Lanzhou		
	A	Jiayuguan	980	10,3
		Yumen		
		Dunhuang		
		Hezuo		
		Yuzhong County		
Gansu	B	Guazhou County	940	10,0
		Yongdeng County		
		Linxia		
	C	Huining County	900	9,5
		Lingtai County		
		Xiahe County		
	D	Taian County	860	9,1

Guizhou	A	Gangu County	930	10,0		
		Shandan County				
		Wushan County				
		Guiyang				
		Liupanshui				
	B	Zunyi	830	9,0		
		Anshun				
		Tongren				
		Fuquan				
		Kaiyang County				
C	Xiuwen County	740	8,0			
	Xifeng County					
	Fenggang County			870	8,7	
	Nanchang					
	Jiujiang					
Shangrao						
Ji'an						
Jiangxi	B	Pingxiang	800	8,0		
		Yichun				
		Jinggangshan			730	7,3
		Ruijin				
		Xingzi County				
	Wuning County					
	Waizai County					
	D	Duchang County	670	6,7		
		Xiushui County				
		Lianhua County			610	6,1

Table 5. 2013 minimum wage by province. Data source: China Briefing.

Zhejiang, Beijing, Henan and Shaanxi – have improved their minimum wage levels since January 1, 2013, while other Twenty-three regions, such as Beijing, Sichuan, Jiangxi, Shaanxi, Shenzhen, Shandong, Shanghai, Tianjin, Guangxi, Ningxia, Gansu, Shanxi, Yunnan, Chongqing, Jiangsu, Xinjiang, Fujian, Hainan, Qinghai, Hunan, Hebei, Inner Mongolia and Heilongjiang, adjusted the minimum wage standard in 2012, and therefore it remained unvaried in 2013.

The highest monthly minimum wage is the one of Shenzhen (1,500 yuan per month), followed by the standard of Zhejiang class A, which amounts at 1,470 yuan per month. The lowest monthly minimum wage is the one of Jiangxi classes C (730 yuan per month) class D (670 yuan per month) and class E (610 yuan). The minimum wage standard in Jiangxi is the 40.6% of Shenzhen one. As far as hourly minimum wage is

concerned, Beijing has the highest rate with 15.2 yuan per hour, followed by Xinjiang (13.4 yuan) and Shenzhen (13.3 yuan), while Guangxi class D and Jiangxi class E have the lowest level, which amounts at 6.0 and 6.1 yuan respectively. Guangxi minimum wage is the 39.5% of Beijing one.

2014 minimum wage level across provinces, updated at the 11<sup>th</sup> of June 2014.

Province / Region	Class	City / Urban Area	Monthly Minimum Wage (RMB)	Hourly Minimum Wage (RMB)
Zhejiang	A	Hangzhou	1.470	12,0
		Ningbo		
		Wenzhou		
	B	Huzhou	1.310	10,7
		Jinhua		
		Shaoxing		
		Taizhou		
	C	Lishui	1.200	9,7
		Zhoushan		
	D	Jiaxing	1.080	8,7
Shanghai		1.820	17,0	
Beijing		1.560	16,9	
Xinjiang	A	Karamay	1.520	15,2
		Taxkorgan Tajik Autonomous County		
		Urumqi		
	B	Changji	1.320	13,2
		Shixenze		
		Wuiyachu		
		Turpan		
	C	Aksu	1.240	12,4
		Kashgar		
		Korla		
Altay				
D	Atush	1.160	11,6	
	Bortala			
	Gulja			
	Shijiazhuang			
Hebei	A	Baoding	1.320	13,0
		Langfang		
		Tangshan		
	B	Qinghuangdao	1.260	12,0
	Handan			

		Xintai		
		Hengshui		
		Zhangjiakou		
		Chengde		
		Shenzhou		
	C	Xinle	1.150	11,0
		Yizhou		
	D	Certain county-level cities	1.040	10,0
		Nanjing		
		Suzhou		
	A	Zhenjiang	1.480	13,0
		Changzhou		
Jiangsu		Wuxi		
		Yangzhou		
	B	Nantong	1.280	11,0
		Liangyungang		
	C	Suqian	1.100	9,5
Tianjin			1.680	16,8
	A	Shenzhen	1.808	16,5
	B	Guangzhou	550	15,0
		Zhuhai		
		Foshan		
		Dongguan		
	C	Zhongshan	1.130	11,1
Guangdong		Huizhou		
		Shantou		
		Jiangmen		
		Shaoguan		
	D	Heyuan	1.010	10,0
		Meizhou		
		Zhengzhou		
		Luoyang		
	A	Pingdingshan	1.240	11,7
		Anyang		
		Hebi		
		Jiaozuo		
Henan		Kaifeng		
		Puyang		
	B	Nanyang	1.100	10,4
		Shangqiu		
		Xinyang		
		Zhoukou		
	C	Weihui	960	9,0
Shandong	A	Jinan	1.500	15,0
		Qingdao		

		Zibo		
		Yantai		
		Weifang		
		Weihai		
		Zaozhuang		
		Jining		
	B	Taian	1.350	13,5
		Rizhao		
		Linyi		
		Binzhou		
		Dezhou		
	C	Liaocheng	1.200	12,0
		Heze		
		Lhasa		
		Shannan		
	A	Linzhi	1.200	11,0
		Changdu		
		Naqu		
		Ali		
	B	Shigatse	1.150	10,5
	A	Hohhot	1.350	11,4
		Erenhot		
	B	Hulunbuir	1.250	10,6
		Xilinhot		
	C	Bayanur	1.150	9,7
		Ulanhot		
	D	Arxan	1.050	8,9
	A	Xiamen	1.320	15,0
		Fuzhou		
	B	Zhangzhou	1.170	13,4
		Quanzhou		
		Ningde		
		Sanming		
	C	Nanping	1.050	12,1
		Longyan		
	D	Certain county-level cities	950	11,1
	A	Changsha	1.265	12,5
		Zhuzhou		
		Xiangtan		
	B	Yueyang	1.145	10,9
		Changde		
		Zhangjiajie		
	C	Yongzhou	1.035	10,4
		Yiyang		
	D	Loudi	945	9,8

Heilongjiang	A	Harbin	1.160	11,0	
		Daqing			
		Qiqihar			
		Mudanjiang			
		Jiamusi			
	B	Jixi	1.050	9,0	
		Hegang			
		Shuangyashan			
		Qitaihe			
		Suihua			
	C	Suifenhe	900	8,5	
		Heihe			
Yinchun					
D	Other cities and counties	850	8,0		
Jilin	A	Changchun	1.320	11,5	
		Jilin			
		Siping			
		Liaoyuan			
	B	Tonghua	1.220	10,5	
		Baishan			
		Songyuan			
		Hunchun			
	C	Baicheng	1.120	9,5	
	Shaanxi	A	Xi'an	1.150	11,7
			Tongchuan		
Weinan					
B		Yan'an	1.170	11,7	
		Baoji			
		Xianyang			
C		Ankang	1.060	10,6	
		Shangluo			
D	Certain county-level cities	970	9,7		
	Taiyuan				
	Jincheng				
Shanxi	A	Datong	1.450	16,0	
		Changzhi			
		Yangquan			
	B	Yuncheng	1.350	15,0	
		Xinzhou			
		Linfen			
Ningxia	C	Certain county-level cities	1.250	14,0	
	D	Other Counties	1.150	13,0	
	A	Yinchuan	1.300	12,5	

		Shizuishan		
		Wuzhong		
	B	Lingwu	1.220	11,5
		Zhongwei		
	C	Guyuan	1.150	10,5
		Kunming		
	A	Anning	1.420	12,0
Yunnan		Counties under Kunming Jurisdiction	1.270	11,0
	C	Other counties	1.070	10,0
	A	Shenyang	1.300	13,0
		Dalian		
		Anshan		
		Fushun		
		Benxi		
	B	Dandong	1.050	9,8
Liaoning		Jinzhou		
		Yingkou		
		Liaoyang		
		Panjin		
		Fuxin		
	C	Tieling	900	8,6
		Chaoyang		
		Huludao		
	A	Wuhan	1.300	14,0
		Huangshi		
		Xiangfan		
		Yichang		
Hubei	B	Jingzhou	1.020	11,0
		Shiyan		
		Huanggang		
		Tianmen		
	C	Certain county-level cities	900	9,5
		Haixi		
	A	Guoluo	1.270	12,9
		Yushu		
		Hainan		
Qinghai	B	Haibei	1.260	12,8
		Huangnan		
	C	Xining	1.250	12,7
		Haidong		
Chongqing	A	Wanzhou District Yuzhong District	1.250	12,5

		Fuling District		
		Dadukou District		
		Jiangbei District		
		Liangping County		
	B		1.150	11,5
		Chengkou County		
		Fengdu County		
	A	Haikou	1.120	9,9
		Sanya		
Hainan	B	Qionghai	1.020	9,0
		Danzhou		
	C	Other cities and counties	970	8,6
	A	Chengdu	1.400	14,6
		Zigong		
		Panzhuhua		
	B	Deyang	1.250	13,2
Sichuan		Mianyang		
		Yibing		
		Guangyuan		
	C	Luzhou	1.100	11,5
		Nanchong		
	A	Hefei	1.260	13,0
		Maanshan		
		Bengbu		
	B	Huainan	1.040	11,0
		Huaibei		
		Wuhu		
Anhui		Xuancheng		
		Anqing		
	C	Bozhou	930	10,0
		Fuyang		
		Lu'an		
	D	Certain county-level cities	860	9,0
Guangxi		Nanning		
		Liuzhou		
	A	Guilin	1.200	10,5
		Wuzhou		
		Beihai		
	B	Fangchenggang	1.045	9,5
		Qinzhou		
		Guigang		
		Yulin		
		Baise		

Gansu	C	County-level cities	936	8,6
	D	Counties and autonomous counties	830	7,5
		Lanzhou		
	A	Jiayuguan	1.350	13,7
		Yumen		
		Dunhuang		
	B	Hezuo	1.300	13,3
C	Linxia	1.250	12,7	
Guizhou	D	Certain county-level cities	1.200	12,2
		Guiyang		
	A	Qingzhen	1.030	11,0
		Chishui		
		Kaili		
	B	Certain county-level cities	950	10,0
	C	Other cities and counties	850	9,0
Jiangxi	A	Nanchang	1.230	12,3
		Jiujiang		
	B	Shangrao	1.150	11,5
		Ji'an		
		Pingxiang		
		Yichun		
	C	Jinggangshan	1.070	10,7
D	Ruijin	980	9,8	
	Certain county-level cities			
E	Duchang County	900	9,0	
	Xiushui County			
	Lianhua County			

Table 6. 2014 minimum wage by province. Data source: China Briefing.

In 2014 Wages has been subjected to increase in eleven areas: Beijing, Chongqing, Gansu, Guangdong (Shenzhen), Qinghai, Shaanxi, Shandong, Shanxi, Shanghai, Tianjin and Yunnan, at an average rise of 11 percent. Considering the date of their last respective updates, also in Sichuan, Hebei, Heilongjiang and Tibet wages are expected to increase before the end of 2014. Taking into account the fact that in the previous year

wages were growth of the 17% from 2012, it seems that increase is started to slow down, in order to maintain the Country's economic growth target and to not discourage foreign investments. Beijing, Shanghai and Tianjin are the cities with higher percentage of wage increase, for monthly minimum wage these are respectively the 11.4%, the 12.3% and the 12%, for hourly minimum wage the increase is respectively of 11.2%, 21.4% and 12%. This increases are a response to the local economic growth, higher living standards, and higher cost of living. Based on the date of their last respective updates, also in Sichuan, Hebei, Heilongjiang and Tibet wages are expected to increase before the end of 2014.

The higher monthly minimum wage level are the one of Shenzhen (1808 yuan per month), Shanghai (1820 yuan), Tianjin (1680 yuan), while lower monthly minimum wage registered are in Guangxi D class (830 yuan), Heilongjiang class D and Guizhou class D (850 yuan). Wages in Guangxi amount at the 45.9% of wages in Shenzhen. Higher hourly minimum wages can be found in Shanghai (17 yuan per hour), Beijing (16.9 yuan) and Tianjin (16.8 yuan), while lower standards are reported in Guangxi class C and D (8.5 yuan and 7.5 yuan respectively) and class D in Heilongjiang (8 yuan per hour). Lowest hourly wage is the 44% of the highest.

2015 minimum wage level across provinces, updated the 26<sup>th</sup> of May 2015.

Province / Region	Class	City / Urban Area	Monthly Minimum Wage (RMB)	Hourly Minimum Wage (RMB)
Shenzhen	A	Shenzhen	2.030	18,5
	A	Hangzhou		
Zhejiang	A	Ningbo	1.650	13,5
		Wenzhou		
		Shaoxin		
	B	Jinhua	1.470	12,0
		Taizhou		
		Huzhou		
	C	Lishui	1.350	10,9
		Zhoushan		
	D	Jiaxing	1.220	9,8
Shanghai			2.020	18,0
Beijing			1.720	18,7
Xinjiang	A	Karamay	1.520	15,2

		Taxkorgan Tajik Autonomous County		
		Urumqi		
	B	Changji	1.320	13,2
		Shixenze		
		Wujyachu		
		Turpan		
	C	Aksu	1.240	12,4
		Kashgar		
		Korla		
		Atlay		
	D	Bortala	1.160	11,6
		Gulja		
		Kuytun		
		Shijiazhuang		
		Baoding		
	A	Langfang	1.480	15,0
		Tangshan		
		Qinghuangdao		
		Handan		
		Xintai		
	B	Hengshui	1.420	14,0
		Zhangjiakou		
		Chengde		
		Shenzhou		
	C	Xinle	1.310	13,0
		Yizhou		
		Zanhuang County		
	D	Shunping County	1.210	12,0
		Tang County		
		Pingxiang County		
		Nanjing		
		Suzhou		
	A	Zhenjiang	1.630	14,5
		Changzhou		
		Wuxi		
		Yangzhou		
	B	Nantong	1.460	12,5
		Liangyungang		
	C	Suqian	1.270	11,0
			1.850	18,5
Tianjin	A	Guangzhou	1.895	18,3
Guangdong	B	Zhuhai	1.510	14,4

		Foshan		
		Dongguan		
		Zhongshan		
		Huizhou		
	C	Shantou	1.350	13,3
		Jiangmen		
		Shaoguan		
	D	Qingyuan	1.210	12,0
		Meizhou		
		Zhengzhou		
	A	Luoyang	1.400	13,5
		Anyang		
Henan		Kaifeng		
	B	Puyang	1.250	12,0
		Nanyang		
	C	Weihui	1.100	10,5
		Jinan		
		Qingdao		
	A	Zibo	1.600	16,0
		Yantai		
		Weifang		
		Weihai		
		Zaozhuang		
Shandong		Jining		
	B	Taian	1.450	14,5
		Rizhao		
		Linyi		
		Binzhou		
		Dezhou		
	C	Liaocheng	1.300	13,0
		Heze		
Tibet			1.400	13,0
	A	Hohhot	1.500	12,2
		Erenhot		
	B	Hulunbuir	1.400	11,4
Inner Mongolia		Xilinhote		
	C	Bayanur	1.300	10,5
		Ulanhot		
	D	Arxan	1.200	9,7
Fujian	A	Xiamen	1.320	15,0
		Fuzhou		13,4
	B	Zhangzhou	1.170	
		Quanzhou		
	C	Sanming	1.050	12,1
		Nanping		

		Longyan		
	D	Certain County-level cities	950	11,1
	A	Changsha	1.390	13,5
		Zhuzhou		
		Xiangtan		
	B	Yueyang	1.250	11,9
		Changde		
		Zhangjiajie		
	C	Yongzhou	1.130	11,4
		Yiyang		
	D	Loudi	1.030	10,7
	A	Harbin	1.160	11,0
		Daqing		
		Qiqihar		
	B	Mudanjiang	1.050	9,0
		Jiamusi		
		Suihua		
	C	Heihe	900	8,5
		Yinchun		
	D	Other cities and counties	850	8,0
	A	Changchun	1.320	11,5
		Jilin		
		Siping		
	B	Liaoyuan	1.220	10,5
		Tonghua		
	C	Baicheng	1.120	9,5
	A	Xi'an	1.480	14,8
		Xianyang		
	B	Weinan	1.370	13,7
		Yanan		
		Baoji		
	C	Ankang	1.260	12,6
		Shangluo		
	D	Certain County-level cities	1.190	11,9
		Taiyuan		
	A	Juncheng	1.450	16,0
		Shuozhou		
		Luliang		
	B	Xinzhou	1.350	15,0
		Linfen		
	C	Yangqu County	1.250	14,0
		Zuoyun County		
		Datong County		

		Changzhi County		
		Loufan County		
	D	Danling County	1.150	13,0
		Yonghe County		
		Yanggao County		
	A	Yinchuang	1.300	12,5
		Shizuishan		
		Wuzhong		
Ningxia	B	Qingtongxia	1.220	11,5
		Zhongwei		
	C	Guyuan	1.150	10,5
	A	Kunming	1.420	12,0
		Yulong County		
Yunnan	B	Counties under Kunming Jurisdiction	1.270	11,0
	C	Other counties	1.070	10,0
	A	Shenyang	1.300	13,0
		Dalian		
		Anshan		
	B	Fushun	1.050	9,8
Liaoning		Dandong		
		Yingkou		
		Fuxin		
	C	Tieling	900	8,6
		Chaoyang		
		Huludao		
	A	Wuhan	1.300	14,0
		Huangshi		
	B	Yichang	1.020	11,0
		Tianmen		
Hubei		Huanggang		
		Yicheng		
	C	Danjiangkou	900	9,5
		Guangshui		
		Yangxin County		
		Haixi		
	A	Guoluo	1.270	12,9
		Yushu		
		Hainan	1.260	
Qinghai	B	Haibei		12,8
		Huangnan		
	C	Xining	1.250	12,7
		Haidong		

Chongqing	A	Wanzhou District	1.250	12,5	
		Yuzhong District			
		Fuling District			
		Dadukou District			
		Jiangbei District			
Hainan	B	Liangping County	1.150	11,5	
		Chengkou County			
	A	Haikou	1.270	11,2	
		Sanya			
	B	Qionghai	1.170	10,3	
Sichuan	C	Other cities and counties	1.120	9,9	
	A	Chengdu	1.400	14,6	
	B	Zigong	1.250	13,2	
		Panzhihua			
		Deyang			
	Anhui	C	Mianyang	1.100	11,5
			Yibing		
Guangyuan					
A		Luzhou	1.260	13,0	
B		Nanchong	1.040	11,0	
Huainan					
Guangxi	C	Hefei	930	10,0	
		Bengbu			
	D	Xuancheng	860	9,0	
		Huangshan			
Guangxi	A	Anqing	1.200	10,5	
		Fuyang			
		Huangshan			
	B	Chaohu	1.045	9,5	
		Nanning			
C	Liuzhou	936	8,5		
D	County-level cities	830	7,5		
		Counties and autonomous counties			

Gansu	A	Lanzhou	1.350	13,7
		Jiayuguan		
		Yumen		
	B	Dunhuang	1.300	13,3
		Hezuo		
		Linxia		
Guizhou	D	Taian County	1.200	12,2
		Gangu County		
		Shandan County		
	A	Wushan County	1.030	11,0
		Guiyang		
		Qingzhen		
Jiangxi	B	Chishui	950	10,0
		Tongren		
		Fuquan		
	C	Kaiyang County	850	9,0
		Xiuwen County		
		Xifeng County		
Jiangxi	A	Fenggang County	1.230	12,3
		Nanchang		
		Jiujiang		
	B	Shangrao	1.150	11,5
		Ji'an		
		Yichun		
	C	Jinggangshan	1.070	10,7
		Ruijin		
		Xingzi County		
D	Wuning County	980	9,8	
	Waizai County			
E	Duchang County	900	9,0	
	Xiushui County			
	Lianhua County			

Table 7. 2015 minimum wage by province Data source: China Briefing.

The provinces that increase their minimum wage level in 2015 were Heilongjiang, Jilin, Inner Mongolia, Henan, Shanxi, Shaanxi, Gansu, Anhui, Shanghai, Zhejiang, Jiangxi, Fujian, Guangdong, Guangxi, Hunan, Hubei, Sichuan, Yunnan, Guizhou, Ningxia, Tibet, Xinjiang. (China Labour watch). The most great changes in relation to the wage level of 2014 are the rise in the monthly wage of Shaanxi and Tibet (that amount at the 16 and 17 percent respectively) and the 22 percent raise of the hourly minimum wage in

Guangzhou city. Minimum wage level continues to increase, reaching in 2015 for the first time the 2000 yuan per month. Higher monthly minimum wage are 2030 yuan per month in Shenzhen, 2020 yuan in Shanghai, 1895 in Guangzhou (Guangdong). Lower monthly minimum wages are in Guangxi (830 yuan), Guizhou (850 yuan) and Heilongjiang (850 yuan). The lowest minimum wage is the 59.2% of the highest.

From 2016 it went into effect the 13th five-year plan and its directives regarding China's economy between 2016 and 2020. The plan claims the need for more reasonable wage levels, and a reduction of minimum wage increase, in order not to discourage foreign companies in investing in the Country. Therefore, it introduces a controlled mechanism for wage adjustment, and it prescribe an average increase of 10% annually (the 12<sup>th</sup> five-year plan required an annual average growth of 13%). (Aglietta and Bai, 2016) In addition, minimum wage are no more expected to be increased every two years, and provinces acquire more autonomy in deciding when adjusting minimum wage level, taking into consideration local economic conditions. These measures aims to push the competitiveness of enterprises in China by lowering labour costs, and maintaining them aligned with production rates. (Long and Yang, 2016) In this way Chinese government has to conciliate two different exigences: in one hand, it has to keep the costs of labour relatively low, in order to create favorable conditions to attract foreign investors, and to maintain the international competitiveness of Chinese products. On the other hand, it has to improve the quality of life and the consumption rate of Chinese citizens. Under this situation, minimum wage level continues to raise in the Country, even though at a less fast growth rate. (Dieppe, Gilhooly et al., 2018)

2016 minimum wage level across provinces, updated the 14<sup>th</sup> of december 2016.

Province / Region	Class	City / Urban Area	Montly Minimum Wage (RMB)	Hourly Minimum Wage (RMB)
Shenzhen	A	Shenzhen	2.030	18,5
	A	Hangzhou		
Zhejiang		Ningbo	1.860	17,0
		Wenzhou		
		Shaoxin		
	B	Jinhua	1.660	15,2
		Taizhou		

		Huzhou		
	C	Lishui	1.530	13,8
		Zhoushan		
	D	Jiaxing	1.380	12,5
Shanghai			2.190	19,0
Beijing			1.890	21,0
		Karamay		
	A	Taxkorgan Tajik Autonomous County	1.670	16,7
		Urumqi		
	B	Changji	1.470	14,7
		Shixenze		
		Wujyachu		
Xinjiang		Turpan		
	C	Aksu	1.390	13,9
		Kashgar		
		Korla		
		Atlay		
	D	Bortala	1.310	13,1
		Gulja		
		Kuytun		
		Shijiazhuang		
		Baoding		
	A	Langfang	1.650	17,0
		Tangshan		
		Qinghuangdao		
		Handan		
		Xintai		
	B	Hengshui	1.590	16,0
		Zhangjiakou		
Hebei		Chengde		
		Shenzhou		
	C	Xinle	1.480	15,0
		Yizhou		
		Zanhuang County		
	D	Shunping County	1.380	14,0
		Tang County		
		Pingxiang County		
Jiangsu	A	Nanjing	1.770	15,5
		Suzhou		
		Zhenjiang		
		Changzhou		
		Wuxi		

	B	Yangzhou Nantong Liangyungang	1.600	14,0
Tianjin	C	Suqian	1.400	12,0
	A	Guangzhou Zhuhai	1.950 1.895	19,5 18,3
Guangdong	B	Foshan Dongguan Zhongshan	1.510	14,4
	C	Huizhou Shantou Jiangmen Shaoguan	1.350	13,3
	D	Qingyuan Meizhou Zhengzhou	1.210	12,0
Henan	A	Luoyang Anyang Kaifeng	1.600	15,0
	B	Puyang Nanyang	1.450	13,5
	C	Weihui Jinan Qingdao	1.300	12,0
Shandong	A	Zibo Yantai Weifang Weihai Zaozhuang Jining	1.710	17,1
	B	Taian Rizhao Linyi Binzhou Dezhou	1.550	15,5
	C	Liaocheng Heze	1.390	13,9
Tibet			1.400	13,0
Inner Mongolia	A	Hohhot Erenhot	1.540	13,3
	B	Hulunbuir Xilinhot	1.540	12,5
	C	Bayanur Ulanhot	1.440	11,7

	D	Arxan	1.340	10,9
	A	Xiamen	1.500	16,0
		Fuzhou		
	B	Zhangzhou	1.350	14,3
		Quanzhou		
		Sanming		
Fujian	C	Nanping	1.230	13,0
		Longyan		
	D	Certain County-level cities	1.130	12,0
	A	Changsha	1.390	13,5
		Zhuzhou		
		Xiangtan		
	B	Yueyang	1.250	11,9
		Changde		
		Zhangjiajie		
Hunan	C	Yongzhou	1.130	11,4
		Yiyang		
	D	Loudi	1.030	10,7
	A	Harbin	1.480	14,2
		Daqing	1.450	14,0
		Qiqihar		
	B	Mudanjiang	1.270	11,5
		Jiamusi		
		Suihua		
Heilongjiang	C	Heihe	1.120	10,8
		Yinchun		
	D	Other cities and counties	1.030	10,0
	A	Changchun	1.480	13,5
		Jilin		
		Siping		
Jilin	B	Liaoyuan	1.380	12,5
		Tonghua		
	C	Baicheng	1.280	11,5
	A	Xi'an	1.480	14,8
		Xianyang		
	B	Weinan	1.370	13,7
		Yanan		
		Baoji		
Shaanxi	C	Ankang	1.260	12,6
		Shangluo		
	D	Certain County-level cities	1.190	11,9
Shanxi	A	Taiyuan	1.620	17,7
		Juncheng		

		Shuozhou		
		Luliang		
	B	Xinzhou	1.520	16,6
		Linfen		
		Yangqu County		
		Zuoyun County		
	C	Datong County	1.420	15,6
		Changzhi County		
		Loufan County		
	D	Danling County	1.320	14,5
		Yonghe County		
		Yanggao County		
	A	Yinchuang	1.480	14,0
		Shizuishan		
Ningxia	B	Wuzhong		
		Qingtongxia	1.390	13,0
		Zhongwei		
	C	Guyuan	1.320	12,0
	A	Kunming	1.570	15,0
		Yulong County		
Yunnan	B	Counties under Kunming Jurisdiction	1.400	13,0
	C	Other counties	1.180	10,0
	A	Shenyang	1.530	15,0
		Dalian		
		Anshan		
	B	Fushun	1.320	13,0
		Dandong		
Liaoning		Yingkou		
		Fuxin	1.200	10,8
	C	Tieling		
		Chaoyang	1.020	9,5
		Huludao		
	A	Wuhan	1.550	16,0
		Huangshi		
	B	Yichang	1.320	15,0
		Tianmen		
Hubei		Huanggang		
		Yicheng		
	C	Danjiangkou	1.225	14,0
		Guangshui		
		Yangxin County		
Qinghai	A	Haixi	1.270	12,9
		Guoluo		

		Yushu		
		Hainan		
	B	Haibei	1.260	12,8
		Huangnan		
	C	Xining	1.250	12,7
		Haidong		
		Wanzhou District		
	A	Yuzhong District	1.500	15,0
		Fuling District		
		Dadukou District		
Chongqing		Jiangbei District		
		Liangping County		
	B	Chengkou County	1.400	14,0
		Fengdu County		
	A	Haikou	1.430	12,6
		Sanya		
Hainan	B	Qionghai	1.330	11,7
		Danzhou		
	C	Other cities and counties	1.280	11,3
	A	Chengdu	1.500	15,7
		Zigong		
		Panzhihua		
	B	Deyang	1.380	14,4
		Mianyang		
		Yibing		
		Guangyuan		
Sichuan	C	Luzhou	1.260	13,2
		Nanchong		
	A	Hefei	1.520	16,0
		Bengbu		
	B	Xuancheng	1.350	14,0
		Huainan		
		Anqing		
Anhui	C	Fuyang	1.250	13,0
		Huangshan		
		Anqing		
	D	Huangshan	1.150	12,0
		Chaohu		
Guangxi	A	Nanning	1200	10,5
		Liuzhou		
		Guilin		
		Beihai		

Gansu	B	Fangchenggang Qinzhou Guigang	1045	9,5
	C	County-level cities	936	8,5
	D	Counties and autonomous counties Lanzhou	830	7,5
	A	Jiayuguan Yumen Dunhuang	1.460	15,5
	B	Hezuo	1.420	15,0
	C	Linxia Taian County	1.370	14,4
	D	Gangu County Shandan County Wushan County	1.320	13,9
	A	Guiyang Qingzhen Chishui Tongren	1.600	17,0
	B	Fuquan Kaiyang County Xiuwen County	1.500	16,0
	C	Xifeng County Fenggang County	1.400	15,0
Jiangxi	A	Nanchang Jiujiang	1.530	15,3
	B	Shangrao Ji'an Yichun	1.430	14,3
	C	Jinggangshan Ruijin Xingzi County	1.340	13,4
	D	Wuning County Waizai County	1.180	11,8
	E	Duchang County Xiushui County Lianhua County		

Table 8. 2016 minimum wage by province. Data source: China Briefing.

The table shows that only nine provinces have revised their minimum wage level in 2016, less than the previous years (in 2014, 24 regions did it and in 2015, 19 provinces). Also the average growth rate decrease from the 17% of the previous year, to a current 14.5%. A higher growth percentage of minimum wages is maintained by less developed regions, while many developed provinces diminish their wage growth rate, such as Fujian, Jiangsu, Zhejiang, and Sichuan. In particular, Shanghai decreases its wage growth rate from 12.3% in 2015 to 8.4% in 2016. The local government of Guangdong decides to maintain the same minimum wage level as 2015 for both 2016 and 2017. The only exception to the general trend of reducing minimum wage growth is Guizhou, which increases it of the 55% by the previous year, continuing at the same time to be one of the most attractive regions for foreign investors.

In 2016, higher monthly minimum wages are reported in Shenzhen (2030 yuan), Shanghai (2190 yuan), and Tianjin (1950 yuan), while lower minimum wages are in Guangxi D area (1000 yuan per month), Liaoning C area (1020 yuan), and Hunan and Heilongjiang D area (1030 yuan). The lowest wage correspond to the 45.6% of the highest monthly minimum wage. As far as hourly minimum wage is concerned, Tianjin, Shanghai and Shenzhen have the higher wages with 19.5 yuan, 19 yuan and 18.5 yuan respectively, while Liaoning C area, Guangxi D area and Heilongjiang D area with 9.5 yuan, 9.5 yuan and 10 yuan respectively. The lowest hourly minimum wage is the 51.3% of the highest.

#### 2017 minimum wage level across regions, updated the 15<sup>th</sup> of November 2017

Province / Region	Class	City / Urban Area	Monthly Minimum Wage (RMB)	Hourly Minimum Wage (RMB)
Shenzhen	A	Shenzhen	2.130	19,5
	A	Hangzhou		
Zhejiang		Ningbo	1.860	17,0
		Wenzhou		
		Shaoxin		
	B	Jinhua	1.660	15,2
		Taizhou		
		Huzhou		
	C	Lishui	1.530	13,8



		Liangyungang		
	C	Suqian	1.400	12,0
Tianjin			1.950	19,5
	A	Guangzhou	1.895	18,3
		Zhuhai		
	B	Foshan	1.510	14,4
		Dongguan		
		Zhongshan		
Guangdong		Huizhou		
	C	Shantou	1.350	13,3
		Jiangmen		
		Shaoguan		
	D	Qingyuan	1.210	12,0
		Meizhou		
		Zhengzhou		
	A	Luoyang	1.600	15,0
		Anyang		
		Kaifeng		
Henan				
	B	Puyang	1.450	13,5
		Nanyang		
	C	Weihui	1.300	12,0
		Jinan		
		Qingdao		
	A	Zibo	1.810	18,1
		Yantai		
		Weifang		
		Weihai		
		Zaozhuang		
Shandong		Jining		
	B	Taian	1.640	16,4
		Rizhao		
		Linyi		
		Binzhou		
		Dezhou		
	C	Liaocheng	1.470	14,7
		Heze		
Tibet			1.400	13,0
	A	Hohhot	1.540	13,3
		Erenhot		
	B	Hulunbuir	1.540	12,5
Inner Mongolia		Xilinhote		
	C	Bayanur	1.440	11,7
		Ulanhot		
	D	Arxan	1.340	10,9
Fujian				
	A	Xiamen	1.700	18,0
	B	Fuzhou	1.650	17,5

Hunan	C	Zhangzhou	1.500	16,0
		Quanzhou		
	D	Ningde	1.380	14,6
		Sanming		
		Nanping		
	E	Longyan	1.280	13,6
		Certain County-level cities		
	A	Changsha	1.390	13,5
		Zhuzhou		
	B	Xiangtan	1.250	11,9
Yueyang				
Changde				
Heilongjiang	C	Zhangjiajie	1.130	11,4
		Yongzhou		
	D	Yiyang	1.030	10,7
		Loudi		
	A	Harbin	1.480	14,2
		Daqing		
	B	Qiqihar	1.450	14,0
		Mudanjiang		
		Jiamusi		
	C	Suihua	1.120	10,8
Heihe				
D	Yinchun	1.030	10,0	
	Other cities and counties			
	Changchun			
Jilin	A	Jilin	1.480	13,5
		Siping		
	B	Liaoyuan	1.380	12,5
		Tonghua		
Shaanxi	C	Baicheng	1.280	11,5
	A	Xi'an	1.680	16,8
		Xianyang		
	B	Weinan	1.580	15,8
		Yan'an		
		Baoji		
C	Hancheng	1.480	14,8	
	Huayn			
	Ankang			
Shanxi	D	Shangluo	1.380	13,8
		Certain County-level cities		
	A	Taiyuan	1.620	17,7
		Juncheng		

		Shuozhou		
		Luliang		
	B	Xinzhou	1.520	16,6
		Linfen		
		Yangqu County		
		Zuoyun County		
	C	Datong County	1.420	15,6
		Changzhi County		
		Loufan County		
	D	Daning County	1.320	14,5
		Yonghe County		
		Yanggao County		
	A	Yinchuang	1.480	14,0
		Shizuishan		
		Wuzhong		
Ningxia	B	Qingtongxia	1.390	13,0
		Zhongwei		
	C	Guyuan	1.320	12,0
	A	Kunming	1.570	15,0
		Yulong County		
Yunnan	B	Counties under Kunming Jurisdiction	1.400	13,0
	C	Other counties	1.180	10,0
	A	Shenyang	1.530	15,0
		Dalian		
		Anshan		
	B	Fushun	1.320	13,0
		Dandong		
Liaoning		Yingkou		
		Fuxin	1.200	10,8
	C	Tieling	1.020	9,5
		Chaoyang		
		Huludao		
	A	Wuhan	1.550	16,0
		Huangshi		
	B	Yichang	1.320	15,0
		Tianmen		
Hubei		Huanggang		
		Yicheng		
	C	Danjiangkou	1.225	14,0
		Guangshui		
		Yangxin County		
Qinghai	A	Haixi	1.270	12,9
		Guoluo		

		Yushu		
		Hainan		
	B	Haibei	1.260	12,8
		Huangnan		
	C	Xining	1.250	12,7
		Haidong		
		Wanzhou District		
	A	Yuzhong District	1.500	15,0
		Fuling District		
		Dadukou District		
		Jiangbei District		
Chongqing				
	B	Liangping County	1.400	14,0
		Chengkou County		
		Fengdu County		
	A	Haikou	1.430	12,6
		Sanya		
Hainan	B	Qionghai	1.330	11,7
		Danzhou		
	C	Other cities and counties	1.280	11,3
	A	Chengdu	1.500	15,7
		Zigong		
		Panzhihua		
	B	Deyang	1.380	14,4
		Mianyang		
		Yibing		
		Guangyuan		
	C	Luzhou	1.260	13,2
		Nanchong		
	A	Hefei	1.520	16,0
		Bengbu		
	B	Xuancheng	1.350	14,0
		Huainan		
		Anqing		
	C	Fuyang	1.250	13,0
		Huangshan		
		Anqing		
	D	Huangshan	1.150	12,0
		Chaohu		
	A	Nanning	1200	10,5
		Liuzhou		
		Guilin		
		Beihai		
Guangxi				

Gansu	B	Fangchenggang Qinzhou Guigang	1045	9,5	
	C	County-level cities	936	8,5	
	D	Counties and autonomous counties Lanzhou	830	7,5	
	A	Jiayuguan Yumen Dunhuang	1.460	15,5	
	B	Hezuo	1.420	15,0	
	C	Linxia Taian County	1.370	14,4	
	D	Gangu County Shandan County Wushan County Guiyang	1.320	13,9	
	A	Qingzhen Chishui Tongren	1.600	17,0	
	Guizhou	B	Fuquan Kaiyang County Xiuwen County	1.500	16,0
		C	Xifeng County Fenggang County	1.400	15,0
A		Nanchang Jiujiang	1.530	15,3	
B		Shangrao Ji'an Yichun	1.430	14,3	
Jiangxi	C	Jinggangshan Ruijin Xingzi County	1.340	13,4	
	D	Wuning County Waizai County	1.180	11,8	
	E	Duchang County Xiushui County Lianhua County			

Table 9. 2017 minimum wage by province. Data source: China Briefing.

2017 is the year with a minimal increase in minimum wage: only local governments of the cities of Shanghai and Shenzhen, and of the provinces of Shandong, Fujian, and Shaanxi decide to increase it 2017. This fact reflects China's concern to keep under control wage growth, in order to maintain competitiveness, particularly considering that China economic growth is slowing down.

From the table it is also evident the presence of changes in the composition of different classes for minimum wages. Qinghai for example, eliminates the division in classes, instituting a common regional minimum wage level. Hunan gives individual districts the autonomy to choose their class, rather than imposing one.

Regions with higher monthly minimum wages are Shanghai (2300 yuan), Shenzhen (2130 yuan) and Beijing (2000 yuan), while lower minimum minimum wage are reported in Guangxi D area (1000 yuan), Liaoning D area (1020 yuan) and Anhui D class (1150 yuan). The lowest monthly minimum wage is the 43.5% of the highest one. Beijing, Tianjin and Shanghai have the highest hourly minimum wages, with 22 yuan, 20.8 yuan and 20 yuan respectively. Guangxi D class, Liaoning D class and Liaoning C class have the lower hourly minimum wages with respectively 9.5 yuan, 9.5 yuan and 10.8 yuan respectively. The lowest minimum wage is the 46.8% of the highest.

The binding aspect of the 2004 minimum wage regulation and its provisions about the imposed increase every two years had repercussions on the labour costs. Many enterprises illegally tried to reduce this negative effect in many ways, for example, hiring more migrant workers (that were payed less than urban residents), or obliging employees to work more than the 8 hours per day, as prescribed by the law. Other stratagemms used were cutting various fringe benefits such as pension and insurance, and laying off low-skilled workers and short-term workers. (Long and Yang, 2016) A research on the effects of minimum-wage reform on firm survival, employment, productivity and profitability, conducted by Mayneris et al., proves that a negative effect is that firm survival probability falls. The positive effect is that, in companies that survive and respect the reform's provisions, both wages and productivity significantly rise, allowing them to maintain their profits and limit job losses. This could be partly due to the fact that the increase in wages pushes companies in enhancing their

productivity by implementing better inventory management practices, and by making greater and more effective capital investment. (Mayneris, Poncet et al., 2018) Other studies, on the contrary, sustain that the implementation of minimum wage regulation and the consequent increase in labour cost, had a negative impact on the competitive advantage of low-end products. For example, a study conducted by Li Gan et al. In 2007 affirms that <<A 10% raise in the minimum wage is associated with a 0.9% increase in the price of the exported good, a 1.1% decline in the volume of exports and an overall 0.4% decline in the value of exports>>. (Gan, Hernandez et al., 2016)

### **3.4 Household Disposable Income**

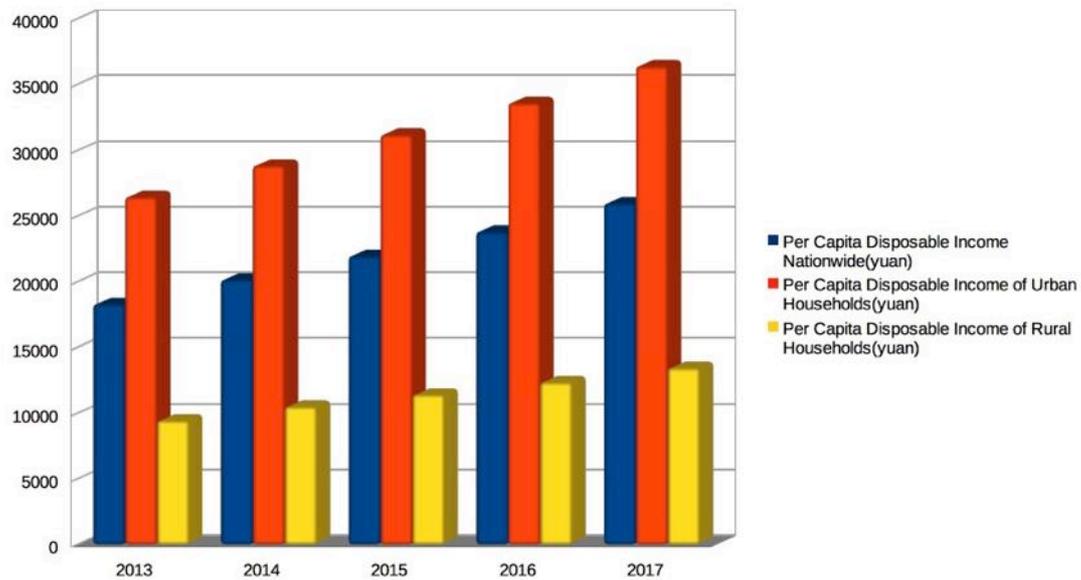
The rural-urban income gap, together with salaries' disparity among regions, is one of the main causes of China's high overall income inequality. A calculation made on the basis of data collected by National Bureau of Statistics affirms that, from 1983, rural-urban income gap (calculated as the ratio between urban per capita disposable income and rural per capita net income) continues to increase, reaching a peak in 2010 and, after that, it started to slightly decrease. Since the industrial sector is more profitable than the agricultural one, urban wages increase at a faster rate than agricultural one. In addition, the restrictions on internal migration due to the *hukou* system, are an obstacle to the reduction of this inequality (Zhou and Song, 2016)

In analyzing data taken from National Bureau of Statistics we must take into consideration the fact that urban-rural income gap is probably overestimated. Statistics are based on people's status of registration, so on the possession of a rural or urban *hukou*, excluding from surveys most rural-urban migrants, which data are reported in neither rural, nor urban household surveys. This alter the results, making difficult to attest the real entity of rural and urban income. (Xie and Zhou, 2014)

Now I will analyze the amount of rural and urban income between 2013-2017. I use data from the National Bureau of Statistics because, even if inaccurate, are the only official data available.

## Per Capita Disposable Income (yuan)

	2013	2014	2015	2016	2017
Per Capita Disposable Income Nationwide(yuan)	18310,76	20167,12	21966,19	23820,98	25973,79
Per Capita Disposable Income of Urban Households(yuan)	26467	28843,85	31194,83	33616,25	36396,19
Per Capita Disposable Income of Rural Households(yuan)	9429,59	10488,88	11421,71	12363,41	13432,43



Graph6. Data source: National Bureau of Statistics.

The diagram shows the nationwide disposable income and that one of rural and urban household. It is evident that urban disposable income is always superior to rural and national one, and that the income inequality between urban and rural residents is significant. In 2013, rural disposable income is the 35.6% of urban ones, in 2014 it is the 36.4%, in 2015 the 36.6%, in 2016 the 36.8% and in 2017 the 36.9%. From this calculation it seems that the income disparity is reducing, even if in a slowly way. The graph also highlights that every class of disposable income is increasing in the years considered.

## **Chapter IV The influx and allocation of foreign direct investments in China.**

### **4.1 History of FDI in China.**

From the creation of the People's Republic of China in 1949, to Deng Xiaoping opening up reforms in 1978, China was a closed economy rigidly controlled and planned by the central government, and the presence of foreign-invested enterprises (FIEs) was not allowed in the Country. The “Law on Sino-Foreign Equity Joint Ventures”, promulgated in July 1979, was the first measure regulating FDI in China, and sanctioned the beginning of a new legal regime which allowed foreign firms to invest and conduct business in the Country. From the 1980s to the early 1990s, a series of laws and implementation measures were further introduced to control and attract FDI. (Salem, 1981) Foreign firms could invest in China in three ways: through the establishment of an equity joint Venture ("EJV"), of a contractual or cooperative joint venture ("CJV") and through a wholly foreign-owned enterprise ("WFOE"). The EJV was the most commonly used method, and was the first that received Chinese government approval. It consists on the creation of a separate legal entity, a limited liability company, in which each party makes its own contribution, and share profits in proportion to those contributions. (Liu, Liu et al., 2017) The CVJ was formally approved with the “1988 Cooperative Joint Venture Law”; it did not comport the foundation of a separate legal entity, and it was more flexible and subject to fewer legal restrictions than the EJVs. The WFOEs were formally allowed in 1986, but only in the Special Economic Zones, and, despite being owned and controlled only by foreigners, they were subjected to Chinese law. (Potter, 1993)

During the first years of China's economic reforms, the afflux of foreign direct investments was not significant. They had a rapid increase since the 1992 Southern Tour of president Deng Xiaoping, when he stressed out the importance of the Country's opening policy to push its economic growth. According to UNCTAD, FDI in China were valued at 1 billion US dollars by 1980, at US\$ 327 billion USD at the end of 2007,

with a compound annual growth rate of 23.6%. the peak of FDI was estimated between 1993 and 1998, when China received the largest amount of FDI per year worldwide. The majority of them were located in the secondary industry, in particular in manufacturing. (Fetscherin, Voss et al., 2010) East coastal regions' area was the first to be gradually opened to foreign firms; in those provinces were implemented particular regulations that made the financial environment favorable to foreign investments. In particular, Guangdong, Fujian, Hainan, Pudong, and 14 coastal cities were chosen and declared as Special Economic Zones, Development Zones, or Economic and Technology Development Zones. By the middle 1980s also northern regions were opened to FDI, and by the early 1990's it was the turn of central and western provinces. (Lessman, 2013)

China, specially before entering the World Trade Organization in 2001, granted preferential policies to companies that invested in the Country. Three types of incentives were given to attract foreign investments: the first included a wide range of tax incentives, like reduction of income and export tax rates, tax holidays, duty drawback and the exemption from import duties; the second type was related to other financial incentives, such as loan guarantees, grants for investment, reinvestment allowances and accelerated depreciation; the third type regarded non-financial incentives, for example provision of infrastructure and raw materials, land use, and pre-built factory premises. (Mah and Yoo, 2000) Preferential treatments were specially conceded to technologically advanced export-oriented foreign firms, in order to facilitate the introduction in China of more advanced technology, that could increase the Country's productivity and promote export. In order to lead China benefit to the utmost of FDI, it imposed to foreign firms several limitations. For example, foreign companies were forced to use locally produced goods in their production system, and they must respect the import balancing requirement, that means that companies must export goods of at least as much value as that of goods they import. (Raby, 2012) In addition, foreign investment firms were obliged to self-sustain foreign exchange for the import of material and machinery; they had to balance their foreign exchange receipts and payments, and Chinese government was not responsible for potential exchange shortage problem. Moreover, the equipment and machinery introduced in China by foreign companies had to meet technological standards established by the government. Furthermore, other restrictive

provisions were the requirement for foreign capital enterprises to turn to Chinese insurance companies for local insurance coverage they need, and restrictions on the price of goods exported. (Shen, Wei et al., 2017)

Lots of those restrictions imposed on foreign firms, infringed WTO regulations on foreign direct investments, for example the WTO Agreement on Trade-Related Investment Measures (TRIMs), related to foreign companies' performance requirements. Consequently to its access to the World Trade Organization in 2001, China had to change lots of its policy regarding FDI, lowering or abolishing lot of the restrictions it imposed. An entrance requirement was trade liberalization, and Chinese government promulgated many regulations, such as 'antidumping ordinance', the 'anti-subsidy ordinance', and the 'safeguard measure ordinance', that aimed at the creation of a unified and transparent trade systems. (Long, Yang et al., 2015) The Special Economic Zones had to abandon their fiscal incentives toward foreign investments, and must implement the same foreign trade policy as other regions. A uniform treatment was put into practice for both foreign and domestic firms, and it was practiced a uniform, transparent, and simplified licensing procedure for investors. The entrance into the WTO sanctioned the abolishment of the restrictions on the importing activities of foreign enterprises, that are now allowed to import goods into China without a Chinese intermediary. China was also required to lower trade barriers, such as import and export tariffs, and to enlarge market entry for foreign products, reducing or abolishing annual imports permits and quotas. (Tong, 2012)

Another request of WTO was to open up more industries (for example, information industry, oil industry, and aircraft) to foreign investors. With the extent to promote FDI, the government in 2002 promulgated the Interim Provisions on Guiding Foreign Investment Direction. At the same time, it was edited an updated version of the 1995 Catalogue for the Guidance of Foreign Investment Industries, that distinguished four groups of foreign investment projects: the encouraged, the allowed, the restricted and the prohibited. The amount of encouraged foreign investment projects raised from 186 to 262, and the amount of the restricted diminished from 112 to 75 in 2002. (Teng, 2004) Many industries like banking and insurance, commerce, telecommunications, tourism, foreign trade, tourism, auditing, accounting, and transport were all opened up

further. To be allowed to be part of the WTO, China had also to emanate a series of laws and regulations regarding the protection of the intellectual property, such as the Copyright Law and the Trademark Law of the People's Republic of China. (Lin and Kwan, 2016)

China's entrance in the WTO was a further push to the inflow of FDI. Several studies analyze the effects that they had on Chinese economy and society; results reveal that there are both positive and negative consequences. One of the positive effect is that FDI helped the economic growth of the Country: this is proved by the rapid economic growth of the regions in which FDI were concentrated, where there is a strong correlation between FDI and the local GDP growth. This is due to the fact that foreign investments allow the transfer to Chinese firms of capital, modern technology, knowledge and know-how, enhancing their productivity. (Huang, Chen et al., 2017) In addition, the increasing market competition originated by the presence of foreign firms, push domestic companies to increase investments, improve the quality of their goods and their productivity targets. Moreover, in order to attract FDI, local governments are encouraged to invest in the construction of modern infrastructures and transports; also domestic enterprises would benefit from those investments. Foreign firms also called for a better, more regulated and transparent business environment, pushing in this way Chinese government to promulgate regulations that furnished legal protection to all the enterprises. Additionally, foreign firms usually hire local people, reducing in this way the national unemployment rate. (Wang and Wang, 2015)

FDI had also some negative effects on China's economy. Since, specially during the first years, they were not allocated equally in all Chinese provinces, they contributed to exacerbate the Country's regional inequality and to widen the economic development gap between regions. In addition, many local governments also compete with their neighboring governments in offering the most favorable policies to foreign companies, this partially caused a fierce strategic tax competition and 'race to the top/ race to the bottom' problem. Special treatments for foreign firms had negative effects on domestic companies that were under a disadvantageous fiscal policy. (Appleton, Song et al., 2008)

Another issue studied by many scholars is the influence of FDI on environmental pollution. Environmental deterioration is a serious problem affecting China since the

beginning of its economic growth, and industrial pollutant emissions are the main reasons of the Country's environmental problem. Some scholars sustained that developed countries tend to locate their pollution intensive industries in developing countries, because in those places environmental regulations are not so strict, and they can cut costs by avoiding interventions on the reduction of pollutant emissions. The relation between FDI and pollution problems has not been univocally demonstrated, but it is certain that the most polluted Chinese provinces are that one with a major concentration on FDI. (Belkhodja, Mohiuddin et al., 2017) This is not an absolute evidence because the major pollution could be a result of the major industrialization of those areas. Chinese government has enhanced many regulations to face this problem, the first of which was the Environmental Protection Law (EPL) enacted in 1979. With its amendments in 2003 and 2006, and with the introduction of the 11<sup>th</sup> five-year plan and the following 12<sup>th</sup> and 13<sup>th</sup> five-year plans, the State impositions to limit industrial emissions and environmental regulations are becoming more and more stringent. (Lin and Sun, 2016)

Now I will analyze the net influx of foreign direct investments, that is measures in US dollars, according to World Bank, that specifies that <<Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital>>

#### **4.2 Influx of Foreign Direct Investments at a National Level.**

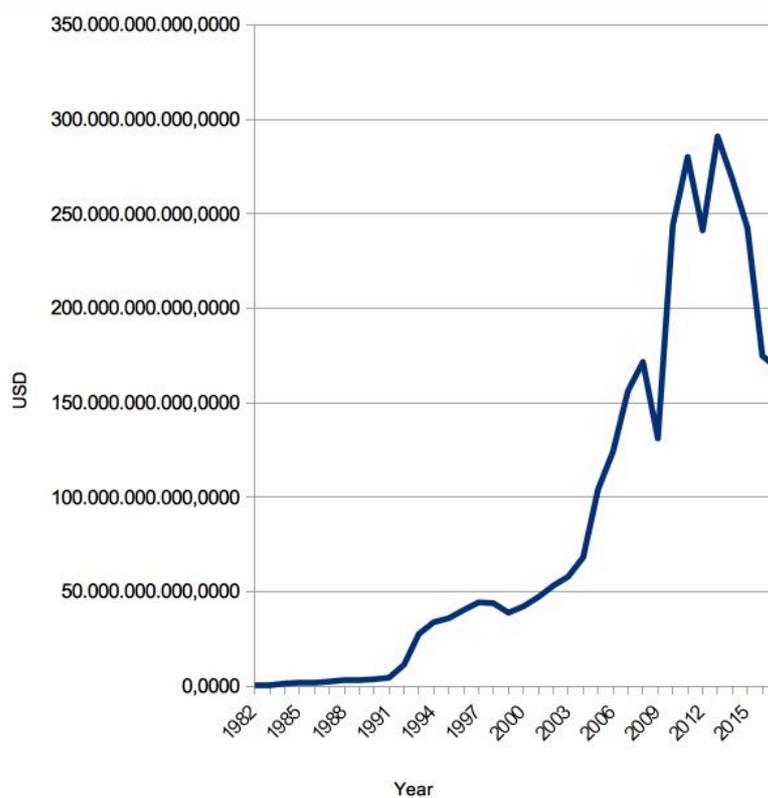
The table below shows the net inflow of foreign direct investments in China from 1982 to 2017.

Foreign direct investment, net inflows (BoP, current US\$)				
Year	USD		Year	USD
1982	430.000.000,0000		2000	42.095.300.000,0000
1983	636.000.000,0000		2001	47.053.000.000,0000
1984	1.258.000.000,0000		2002	53.073.618.897,4036
1985	1.659.000.000,0000		2003	57.900.937.467,3864
1986	1.875.000.000,0000		2004	68.117.272.181,2194
1987	2.314.000.000,0000		2005	104.108.693.867,0850
1988	3.194.000.000,0000		2006	124.082.035.618,5060
1989	3.393.000.000,0000		2007	156.249.335.203,2020
1990	3.487.000.000,0000		2008	171.534.650.311,5690
1991	4.366.000.000,0000		2009	131.057.052.869,5000
1992	11.156.000.000,0000		2010	243.703.434.558,1780
1993	27.515.000.000,0000		2011	280.072.219.149,9350
1994	33.787.000.000,0000		2012	241.213.868.161,4200
1995	35.849.200.000,0000		2013	290.928.431.467,0030
1996	40.180.000.000,0000		2014	268.097.181.064,3350
1997	44.237.000.000,0000		2015	242.489.331.627,3990
1998	43.751.000.000,0000		2016	174.749.584.584,0510
1999	38.753.000.000,0000		2017	168.223.583.736,7890

Table 10. Net inflow of foreign direct investments. Data source: World Bank

According to World Bank, the net inflow of foreign direct investments increase from 1982 (430000000 USD) to 2008 (171535 billions USD), with the only exception of a small decrease between 1998 (43751 billion USD) and 1999, when the net inflow amounted as 38753 billion. While until 1992 its growth was not very consistent, the increase become faster after Deng Xiaoping southern tour in 1992, and the rise was even faster after the entrance of China in the WTO, happened in 2001. Between 2008 and 2009, in concomitance with the world's economic crisis, there is a decrease of 40478 billion USD in foreign direct investment (from 171535 billion in 2008 to 131057 billion in 2009). It followed a rapid increase until 2011, when the inflow of FDI reached 280072 billion USD, and then a fast decrease between 2011 and 2012, when the total amount of FDI was of 241214 billions. On the contrary, 2013 was the year of the highest historical amount of foreign investments in China, 290928 billion USD. After

this year, the total amount of FDI decrease constantly, and in 2017 it is attested at 168224 billion.



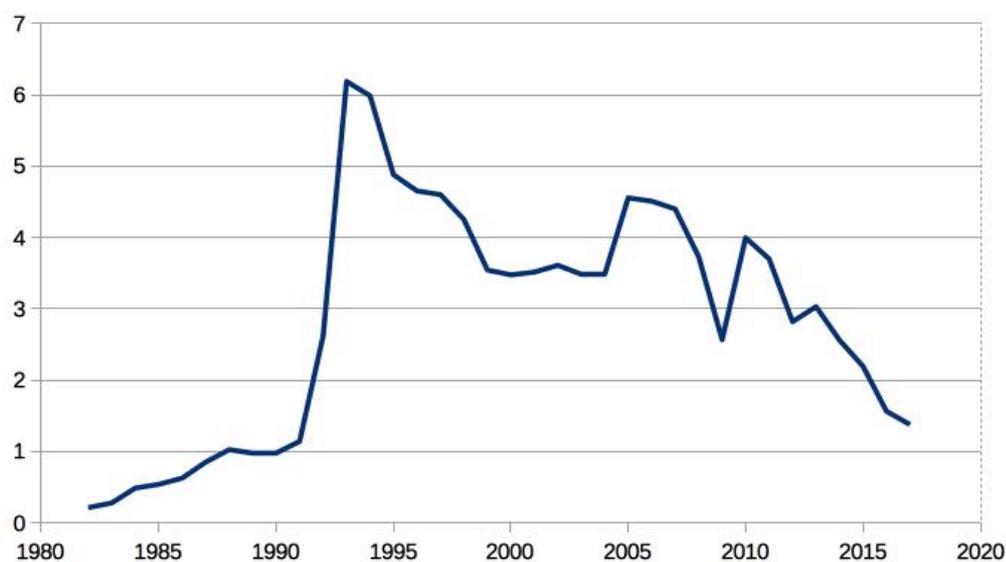
Graph7. Foreign direct investments, net inflow (USD) Data source: World Bank

In the table below it is analyzed the percentage of foreign direct investments on China's GDP, in order to try to understand the FDI impact on the Country's economic growth.

Foreign direct investment, net inflows (% of GDP)

1982	0,209664357	2000	3,4750822457
1983	0,275698543	2001	3,5130021201
1984	0,483945715	2002	3,6090998846
1985	0,536046583	2003	3,4874033098
1986	0,623424606	2004	3,4836411137
1987	0,847702965	2005	4,5542540339
1988	1,022558946	2006	4,5085790157
1989	0,97565029	2007	4,398685695
1990	0,966308311	2008	3,730468946
1991	1,138837732	2009	2,5647405611
1992	2,613162193	2010	3,9947319294
1993	6,186882076	2011	3,6985173719
1994	5,987156294	2012	2,8177388582
1995	4,88044416	2013	3,0282256028
1996	4,651826651	2014	2,5576003051
1997	4,600334666	2015	2,1915648013

Table11. Foreign direct investments, percentage of GDP. Data source: World Bank



Graph8, Foreign direct investment, net inflows (% of GDP). Data source: World Bank

Data taken from World Bank show that from 1982 to 1993 the percentage of FDI on

GDP continues to grow, with a rapid increase from 1991, when it accounts for the 1.139%, to 1993, when it reached the 6.187%. From that moment, it decreased until 2004, reaching the 3.484%, and it further increased until 2005, when it amounted at 4.554%. After that, the FDI percentage of GDP continued to decrease, reaching in 2009 the 2.565% and, after a rapid increase between 2009 and 2010 (3.995%), it decreased reaching the 1.375% in 2017 (reaching in this way almost the level of 1991). From this analysis I can deduce that, after a great reliance on FDI during nineties, China progressively rely less on foreign investments for its economic growth. This could be both a result of the Country's economic policy, that planned to rely more on internal consumption, and to the increasing reluctance of foreign firms in investing in China, given the increasing labour costs.

Data from National Bureau of Statistics show the number of foreign funded enterprises and their total amount of investments, at a national level.

Years	Number of Foreign Funded Enterprises(unit)	Total Investment of Foreign Funded Enterprises(USD million)
2017	539,345	6,899,243.56
2016	505,151	5,124,007.83
2015	481,179	4,539,020.25
2014	460,699	3,797,728.62
2013	445,962	3,517,608.47
2008	434,937	2,324,130.47
1998	227,807	774,229.00

Table12. Number of foreign funded enterprises and their total investments. Data Source: National Bureau of Statistics.

From the table it is evident that the number of foreign funded enterprises is constantly

increasing: from 227807 in 1998, their number rises to 539345 units in 2017, almost twofold the amount of 1998. Also the amount of their investments steadily augment, from 774229 million USD in 1997 to 6899243.56 millions. This last data it is apparently in contrast with data about the net inflows of foreign direct investments furnished by World Bank, that indicate a decrease in foreign investments. It is noteworthy that the quantity of foreign funded enterprises and of their investments increases also in the last five years, in spite of the constant increase in wages.

### **4.3 FDI regional allocation.**

Scholars identified four many kinds of firms investing in a foreign country: natural resources seekers, market seekers, efficiency seekers, and strategic asset seekers. Those motivations are related to the allocation choice of FDI. The location selection is usually determined by factors such as the economic development, prosperity and coastal proximity of a place, levels of education, labour costs, the institutional environment and trade policies. First investors in China were usually attracted by the huge availability of cheap work force, and by the incentives and preferential policies given by the government. (Chen, 2012)The majority of early investors chose to enter Chinese market through a Joint Venture in order to reduce overall transaction costs, minimize risks, and understand better the local business environment, thanks to the help of a local partner. The 80% of FDI in China were initially located in the East coastal regions and in the Special Economic Zones, such as Fujian, Guangdong, Jiangsu, Liaoning, Shandong, Shanghai, Tianjin and Zhejiang. (Fatehi and Danskin, 2012)

Now I will examine data from National Bureau of Statistics about the number of foreign funded enterprises and the amount of foreign direct investments in each Chinese province. I take into consideration the years 1998, 2008, 2013, 2014, 2015, 2016 and 2017, in order to give a comprehensive view of the changes in FDI, with a particular focus on more recent years.

The following table shows the number of foreign funded enterprises in each province of China.

Number of foreign funded enterprises (units)

Region / Year	2017	2016	2015	2014	2013	2008	1998
Beijing	31442	30401	29396	28041	27061	22485	9629
Tianjin	13938	13339	12278	11507	11413	14536	9384
Hebei	7956	7286	6867	6811	6832	10536	4403
Shanxi	3437	3699	3606	3531	3535	2168	1279
Inner Mongolia	3453	3362	2967	3036	2925	2326	977
Liaoning	16883	16949	17745	17091	17250	22321	14136
Jilin	4044	3853	4437	4370	4350	4158	3049
Heilongjiang	4444	4227	4149	5016	4924	5901	3858
Shanghai	84007	79410	74885	68952	64412	51532	17622
Jiangsu	58577	55938	53551	51634	50514	49928	21403
Zhejiang	37422	34442	32778	31005	30674	28533	10106
Anhui	6135	5549	5063	4721	4466	5523	2737
Fujian	28264	28351	25895	24322	23546	23809	18071
Jiangxi	6059	6918	7094	7020	6667	6640	2383
Shandong	29512	28527	27240	26023	25755	32052	14204
Henan	7827	8058	8316	10056	9934	11166	4254
Hubei	10962	8976	8646	8160	7693	7560	6041
Hunan	7733	6677	5865	5353	5020	5085	2673
Guangdong	135869	119688	111169	104555	100639	90114	57665
Guangxi	4872	4485	4215	3949	3756	4297	3452
Hainan	2442	2660	3111	3038	3105	4921	6784
Chongqing	5739	5555	5009	5147	5397	4333	2155
Sichuan	11462	10370	10594	10253	9147	9398	3633
Guizhou	1671	1511	1662	1515	1386	2201	1112
Yunnan	4366	4087	3901	4046	4262	4084	1575
Tibet	252	236	221	255	240	132	74
Shaanxi	5629	5953	6017	6782	6443	4312	2452
Gansu	2061	2079	2130	2282	2229	2142	840
Qinghai	470	440	404	363	370	469	97
Ningxia	738	651	584	538	488	637	430
Xinjiang	1679	1474	1384	1325	1302	1402	597

Table13. Number of foreign funded enterprises. Data source: National Bureau of Statistics

For every year taken into consideration, Guangdong is always the province with the higher number of foreign funded enterprises. This is partly due to the fact that this province was historically facilitated to receive FDI, since it contains three Special Economic Zones (Shenzhen, Shantou and Zhuhai). It is noteworthy that Guangdong is

also one of the regions with higher wages, and one of the few regions that increase its minimum wage standard in 2017. The province with a lower number of foreign funded enterprises is Tibet. In spite of the numerous economic projects that aim at the economic development of this region, companies are not pushed to invest there, probably because of the unstable political situation of that place.

In the majority of provinces the number of foreign funded enterprises increase constantly. The exceptions are Liaoning, Jilin, Heilongjiang, Jiangxi, Henan, Hainan, Shaanxi and Gansu, that faced a slightly decrease between 2016 and 2017.

The following table shows, for every year, the three regions with a higher number of foreign funded enterprises and the three regions with a lower number.

1998	2008	2013	2014	2015	2016	2017
Guangdong (57665)	Guangdong (90114)	Guangdong (100639)	Guangdong (104555)	Guangdong (111169)	Guangdong (119688)	Guangdong (135869)
Jiangsu (21403)	Shanghai (51532)	Shanghai (64412)	Shanghai (68952)	Shanghai (74885)	Shanghai (79410)	Shanghai (84007)
Fujian (18071)	Jiangsu (49928)	Jiangsu (50514)	Jiangsu (51634)	Jiangsu (53551)	Jiangsu (55938)	Jiangsu (58577)
Ningxia (430)	Ningxia (637)	Ningxia (488)	Ningxia (538)	Ningxia (584)	Ningxia (651)	Ningxia (738)
Qinghai (97)	Qinghai (469)	Tibet (370)	Qinghai (636)	Qinghai (404)	Qinghai (440)	Qinghai (470)

Table 14. Data source: National Bureau of Statistics

It is noteworthy that provinces with higher and lower concentration of foreign enterprises are almost the same for every year taken into consideration. Guangdong, Shanghai, Jiangsu, Zhejiang, Beijing, Shandong Fujian and Liaoning are the provinces with a higher amount, while Tibet, Qinghai, Ningxia, Guizhou, Xinjiang, Gansu, Hainan, Shanxi and Inner Mongolia have the lower amount. Those data highlight the unequal distribution of foreign funded enterprises in the Country, that is remaining substantially unvaried.

The table below shows the total investments of foreign funded enterprises in every Chinese province.

Total Investment of Foreign Funded Enterprises(USD million)							
Region / Year	2017	2016	2015	2014	2013	2008	1998
Beijing	486409	427371	380963	201027	177105	98295	32608
Tianjin	254823	222594	181328	144146	127423	93814	23663
Hebei	95818	84821	73624	62135	54542	33841	15223
Shanxi	49724	42163	41107	39119	34182	18000	3691
Inner Mongolia	45979	41080	35142	26449	22911	22155	2178
Liaoning	315850	213278	206639	198641	183207	124756	42808
Jilin	38874	35606	35230	33328	31779	17489	7253
Heilongjiang	33669	28280	22302	23983	22794	16170	9925
Shanghai	798239	734246	661273	530467	457933	293991	91765
Jiangsu	965819	879868	782154	718131	666376	415930	71730
Zhejiang	373415	319870	291813	262881	240408	158255	27727
Anhui	86641	67256	106486	48026	41612	25465	8713
Fujian	260721	226315	196713	173245	156516	112129	47891
Jiangxi	80797	77738	72578	67025	58770	33485	5657
Shandong	304218	251874	219334	199227	176491	101163	39304
Henan	104538	82249	68710	58878	47787	29305	12194
Hubei	115103	99316	89231	77671	65357	34030	17151
Hunan	163392	58000	52147	46307	40486	26622	7809
Guangdong	1762227	781571	644310	562063	512640	372646	221736
Guangxi	56200	43720	42529	37396	31927	25826	11972
Hainan	76089	76039	31174	27888	26994	96659	22804
Chongqing	94558	88065	78845	67517	58841	23848	6630
Sichuan	112797	94193	88409	82752	72490	42113	9627
Guizhou	31251	23719	18147	15472	11856	3215	2394
Yunnan	37382	33005	32720	25253	24097	14106	4183
Tibet	3031	2259	1997	1328	1311	550	284
Shaanxi	80039	56081	51571	44734	36629	13692	6848

Table 15. Total investments of foreign funded enterprises. Data source: National Bureau of Statistics.

It is evident that the investments of foreign funded enterprises increase in every province during the whole period considered. The table below show which are the three regions with a higher and lower investments' amount in every year considered. Guangdong, Jiangsu, and Shanghai are the regions with higher amount of investments,

while Tibet, Qinghai, Ningxia, Gansu and Xinjiang are that one with lower amount.

1998	2008	2013	2014	2015	2016	2017
Guangdong (221,736)	Jiangsu (415,930)	Jiangsu (666,376)	Jiangsu (718,131)	Jiangsu (782,154)	Jiangsu (879,868)	Guangdong (1,762,227)
Shanghai (91,765)	Guangdong (372,646)	Guangdong (512,640)	Guangdong (562,063)	Shanghai (661,273)	Guangdong (781,571)	Jiangsu (965,819)
Jiangsu (71,730)	Shanghai (293,991)	Shanghai (457,933)	Shanghai (530,467)	Guangdong (644,310)	Shanghai (734,246)	Shanghai (798,239)
Ningxia (579)	Guizhou (3,215)	Ningxia (3,537)	Ningxia (5,164)	Gansu (7,657)	Gansu (7,529)	Xinjiang (13,323)
Qinghai (401)	Ningxia (2,449)	Qinghai (2,981)	Qinghai (3,095)	Qinghai (7,396)	Qinghai (7,527)	Qinghai (7,699)

Table 16. Data source: National Bureau of Statistics.

## Conclusions

From the study I have conducted it emerge that, at a national level, the annual average wage increases from 51483 yuan in 2013 to 74318 yuan in 2017, and the minimum wage level also constantly rise in the last five years, following government's directives. This situation is in line with the State's policy, expressed in the 13<sup>th</sup> five-year plan, that claims for a “new normal” economic growth, that will conduce China to become a high-income, service and consumption driven economy, changing in this way its historical economic model, based on low-cost manufacturing and export. In the past years, foreign firms used to invest in the Country mainly because of the cheap cost of labour. (Chan, Dang et al., 2016)

From my dissertation it is evident that, although the cost of labour is growing, foreign firms are still willing to invest in Chinese market. In fact, between 2013 and 2017, the number of foreign funded enterprises increases from 445962 to 539345 units, and the amount of their total investments grows from 3517608 million USD to 6899243 million. This can be explained by many reasons. First of all, the cost of labour is still cheaper than it is in most developed countries, while at the same time, the workforce is more and more skilled, since the education level of Chinese people is increasing. (Salike, 2016) Other attractive factors for foreign companies are the huge availability of natural resources, the good infrastructures' system, and China's economic and political stability. In addition, given the huge size of the Country's population and market, foreign firms see in the possibility of sell their products directly to Chinese people, a good chance to increase their profits. (Lu, Tao et al., 2017)

Analyzing the annual average wage at a provincial level, it emerged that Beijing and Shanghai are the places which enjoy highest salaries, while Heilongjiang and Henan have the lowest wage level. As far as minimum wage standards are concerned, in 2013 the highest minimum wages are registered in Shenzhen and Zhejiang, the lowest in Jiangxi. From 2014 to 2017, Shenzhen and Shanghai have the highest minimum wage level, while the lowest is reported in Guangxi, Heilongjiang, Guizhou and Liaoning. The highest number of foreign funded enterprises is found in Guangdong and Shanghai,

while the lowest is in Qinghai and Tibet. Their total investment's amount is higher in Guangdong, Jiangxi and Shanghai, while Qinghai, Ningxia and Tibet have the lowest amount.

In general, we can assume that regions with higher average salaries, such as Shanghai, Beijing, Shenzhen, Guangdong, Zhejiang and Jiangxi, are the same places with a higher concentration of foreign funded enterprises and foreign direct investments. This means that foreign firms usually do not move their plants to the Chinese provinces where the cost of labour is still lower. In fact, provinces with lower wages, like Qinghai, Ningxia, Xinjiang, and Heilongjiang, are that ones with lower concentration of FDI. Tibet represents an exception: from 2015 it is the third region with higher average wage at a national level, but, in every year taken into consideration, is one of the provinces with the lower number of foreign funded enterprises and foreign investments. The extraordinary increase in salaries can be explained as a tool of the government, to push Chinese people to move to Tibet. In fact, in order to maintain this region under a strict control, the State is promoting a campaign increase the percentage of Han people living there. In spite of China's efforts to improve the economic situation and infrastructures of Tibet, foreign firms are not willing to establish their plants there, since the instability of the political situation, and the risks deriving from it. (Elliot and Zhou, 2015)

In order to analyze in a more detailed way the situation of China, I have examined the characteristics of the 8 macroeconomic regions of the Country: the Northeast Region, the North Coastal Area, the Eastern Coastal Area, the South Coastal Area, the Middle Yellow River, the Middle Reaches of the Yangtze River, the Southwest China and the Big Northwest China. For each area I calculate the average value of the annual average wage, of the monthly average minimum wage (to calculate this amount, for every province, I have considered the highest wage standard), of the number of foreign funded enterprises, and of the total amount of their investments.

Northeast Region (Liaoning, Jilin and Heilongjiang)

Northeast Region	2013	2014	2015	2016	2017
Annual average wage (yuan)	43048	46247	50923	54849	59557
Monthly average minimum wage (yuan)	1137	1260	1260	1497	1497
Number of foreign funded enterprises (unit)	8841	8826	8777	8343	8457
Total investments of foreign enterprises (USD million)	79260	85317	88057	92388	129464

Table:17. Northeast Region. Data source: National Bureau of Statistics.

In the Northeast Region, the most developed province is Liaoning: it has higher average and minimum wages, and a higher concentration of foreign funded enterprises and investments. In this economic area, between 2013 and 2017, the annual average wage is subjected to an increase of the 27.7%. Those provinces revise the minimum wage level in 2014 and 2015, and its amount reaches the 1497 yuan per month in 2017. The number of foreign funded enterprises instead, constantly decrease, from 8841 in 2013 to 8457 in 2017. On the contrary, their total investment grows of the 38.8%, from 79260 million USD in 2013, to 129464 million in 2017.

#### North Coastal Area (Beijing, Tianjin, Hebei, Shandong)

North Coastal Area	2013	2014	2015	2016	2017
Annual Average Wage (yuan)	62319	67995	74918	81026	89338
Monthly Average Minimum Wage (yuan)	1317	1515	1662	1779	1825
Number of foreign funded enterprises (unit)	17765	18095	18942	19888	20712
Total investments of foreign enterprises (USD million)	133890	151634	213812	246665	285317

Table:18. North Coastal Area. Data source: National Bureau of Statistics.

This area is one of the most developed of China. Those regions were the first interested by the industrialization of the Country, promulgated by Mao Zedong, from the beginning of fifties. Beijing and Tianjin are the places where annual average wage and monthly minimum wage standards are higher, while Beijing and Shandong are the provinces with higher concentration of foreign funded enterprises and their investments. All the values contained in the table are subjected to a constant increase between 2013

and 2017. The annual average wage increased of 27019 yuan (the 30.2%), while the monthly minimum wage rose of 508 yuan (the 27.8%). For every year taken into consideration, at least one of the four provinces revised its minimum wage standard. This was possible because wages, productivity and cost of living incessantly increased, in this way local authorities were pushed to adjust minimum wage level according to local economic conditions. Between 2013 and 2017 the number of foreign funded enterprises increased of the 14.2%, and the their total investments of the 53.07%.

#### East Coastal Area (Shanghai, Jiangsu, Zhejiang)

East Coastal Area	2013	2014	2015	2016	2017
Annual average wage (yuan)	68219	74230	80679	88278	96271
Monthly average minimum wage (yuan)	1413	1590	1767	1940	1977
Number of foreign funded enterprises (units)	48533	50530	53738	56507	60002
Total investments of foreign enterprises (USD million)	454905	503826	578413	644661	712491

Table:19. East Coastal Area. Data source: National Bureau of Statistics.

The East Coastal area is the most economic developed of China; thanks to its proximity to coasts and important harbors, and to the fact that the majority of Special Economic Zones are concentrated in this provinces, this area is the most industrialized of China, since Deng Xiaoping economic reforms. Between its regions, Shanghai has the highest annual average wage, monthly minimum wage level, number of foreign funded enterprises and amount of their investments, for every year considered. All the values contained in the table increased from 2013 to 2017: the annual average wage rise of the 29.1%, the minimum monthly wage had an increment of 28.5%, the number of foreign funded enterprises of 19.1%, and their total investment of the 36.2%.

#### The South Coastal Area (Fujian, Guangdong, Hainan)

South Coastal Area	2013	2014	2015	2016	2017
Annual average wage (yuan)	48942	54263	60339	65320	71443
Monthly average minimum wage (yuan)	1183	1416	1495	1608	1675
Number of foreign funded enterprises (units)	42430	44397	46725	50233	55525
Total investments of foreign enterprises (USD million)	232050	254309	290732	361306	690679

Table:20. South Coastal Area. Data source: National Bureau of Statistics.

Guangdong is the most economic developed province of this macro economic area, and it is also the province with the higher number of foreign funded enterprises at a national level. In spite of its high wage level, this region is attractive for foreign firms, because it is one of the places in which China is investing more in the research and development sector, and in the production of high-tech machinery. (Choi, 2018) In the South Coastal Area all the values taken into consideration are increasing between 2013 and 2017. The annual average wage increased of 22501 yuan per year (the 31.5%), the monthly minimum average wage of 492 yuan per month (the 29.4%), the number of foreign funded enterprises of 13095 units (the 23.6%), and the total investments of foreign enterprises of 458629 million USD (the 66.4%).

The Middle Yellow River (Shanxi, Inner Mongolia, Henan, Shaanxi)

The Middle Yellow River	2013	2014	2015	2016	2017
Annual average wage	45719	48858	52333	55978	82472
Monthly average minimum wage (yuan)	1179	1297	1457	1560	1610
Number of foreign funded enterprises (units)	5709	5857	5226	5268	5086
Total investments of foreign enterprises (USD million)	35377	42295	49132	55393	70070

Table21. The Middle Yellow River. Data source: National Bureau of Statistics.

In the Middle Yellow River Area, Henan is the region with higher annual average wage and minimum wage level, major number of foreign funded enterprises and investments. In this macroeconomic area, both annual average wage and monthly average minimum wage constantly increase between 2013 and 2017, of the 44.6% and 26.8% respectively. On the contrary, the number of foreign funded enterprises was subjected to a decrease; its amount rose between 2013 and 2014, than diminished between 2014 and 2015, later it slightly grew between 2015 and 2016, and it decreased again between 2016 and 2017. In spite of this decrement, the total investments of foreign funded enterprises grew of the 49.5%.

## The Middle Reaches of the Yangtze River (Anhui, Jiangxi, Hubei, Hunan)

The Middle Reaches of the Yangtze River	2013	2014	2015	2016	2017
Annual average wage (yuan)	44226	48517	53199	58327	64045
Monthly average minimum wage (yuan)	1035	1264	1295	1497	1497
Number of foreign funded enterprises (unit)	5962	6313	6667	7030	7722
Total investments of foreign enterprises (USD million)	57556	59757	80110	75577	111483

Table22. The Middle Reaches of the Yangtze River. Data source: National Bureau of Statistics.

With reference to 2017, Hubei is the region of those macroeconomic area in which average wages are higher, and there is a bigger number of foreign funded enterprises, while Hunan is the region with greater foreign investments. All the values in the table are subjected to an increase between 2013 and 2017: the annual average wage increase of the 30.9%, the monthly average wage of the 30.9%, the number of foreign enterprises of 22.8%, and investments of the 48.4%.

## Southwest China (Guangxi, Chongqing, Sichuan, Guizhou, Yunnan)

Southwest China	2013	2014	2015	2016	2017
Annual average wage (yuan)	45835	50488	56941	62816	69006
Monthly average minimum wage (yuan)	1026	1260	1260	1474	1474
Number of foreign funded enterprises (unit)	4597	4982	5076	5201	5622
Total investments of foreign enterprises (million USD)	39842	45678	52130	56540	66437

Table23. Southwest China. Data source: National Bureau of Statistics.

In Southwest China area, Sichuan is the region with the highest number of foreign funded enterprises and of foreign investments, while Guizhou is the province where annual average wage and minimum wage level are higher. Annual average wage,

Monthly average minimum wage, the number of foreign funded enterprises and the total of their investments all increase between 2013 and 2017, of the 33.6%, 30.4%, 18.2%, 40% respectively.

Big Northwest China (Tibet, Gansu, Qinghai, Ningxia, Xinjiang)

Big Northwest China	2013	2014	2015	2016	2017
Annual average wage (yuan)	50308	54722	66476	71341	77224
Monthly average minimum wage (yuan)	1138	1328	1368	1444	1456
Number of foreign funded enterprises (units)	925	952	944	976	1040
Total investments of foreign funded enterprises (million USD)	4158	4787	6908	7137	14934

Table 24. Big Northwest China. Data source: National Bureau of Statistics.

Ningxia is the province with highest wages, while Gansu is the region with highest foreign funded enterprises and total investments, in the Northeast China area. All the values in the table increase: the annual average wage of the 34.8%, the monthly average minimum wage of the 21.8%, the number of foreign funded enterprises of the 11%, the total investments of the 72%.

In the majority of macroeconomic areas, the annual average wage, the monthly minimum wage, the number of foreign funded enterprises and their total investments constantly increase between 2013 and 2017. The exceptions are the Middle Yellow River and the Northeast Region, in which the number of foreign funded enterprises decrease, while it grows the total amount of investments. Data show that huge inequalities across Chinese regions still persist, in spite of the “inclusive economic growth model”, promulgated since the 12<sup>th</sup> five-year plan, that aim at reducing those differences in income and living standards. (Fan, Kamran et al., 2017) Its important to highlight that, even though income inequalities are still huge, in every Chinese province the average wage and the minimum wage standard are constantly increasing, comports an improving in the quality of life of all citizens.

The East Coastal Area, and the North Coastal Area are the regions in which the annual average wage is higher for every year considered, while the NorthEast and the Middle Yangtze River have the lowest average wage. The East Coastal Area and the North

Coastal Area are also the zones with higher minimum wage standards, while the lowest standards can be found in the Big Northwest area and the Southwest area. The places with a major number of foreign funded enterprises are The North Coastal and the East Coastal areas, while the smallest concentration of foreign funded enterprises is in the Big Northwest China and the Middle Reaches of the Yangtze River. The same areas have respectively the higher and lower amount of total foreign investments.

These results show how foreign companies do not seem to be attracted by lower costs of labour, but they tend to remain in the areas in which infrastructures are more developed, living standards are higher, plants are more technologically advanced and the workforce is more skilled. This can indicate that China is effectively changing its economic growth pattern, moving towards becoming a manufacturer of high-tech and high-quality goods, and towards a high-income economy.

## Bibliography

AGLIETTA, Michel, BAI, Guo, (2016) “China 13th Five-Year Plan. In Pursuit of a “Moderately Prosperous Society”, *Policy Brief*, vol.12, p.1-16.

AKEE, Randall, ZHAO, Liqiu, ZHAO, Zhong, (2018) “Unintended consequences of China's new labor contract law on unemployment and welfare loss of the workers”, *China Economic Review*, vol.30, p.1-19.

AmCham-China, “Comments on the Draft Labor Contract Law of the People’s Republic of China,” 19.04.06, available online at [https://lawprofessors.typepad.com/china\\_law\\_prof\\_blog/files/AmChamChinaLaborLawComments.pdf](https://lawprofessors.typepad.com/china_law_prof_blog/files/AmChamChinaLaborLawComments.pdf)

APPLETON, Simon, KNIGHT, John, SONG, Lina, XIA, Qingjie, (2004) “Contrasting paradigms: segmentation and competitiveness in the formation of the Chinese labour market”, *Journal of Chinese Economic and Business Studies*, vol.2(3), p.185-205.

APPLETON, Simon, SONG, Lina, XIA, Qingjie, (2005) “Has China crossed the river? The evolution of wage structure in urban China during reform and retrenchment”, *Journal of Comparative Economics*, vol. 33, p.644–663.

APPLETON, Simon, SONG, Lina, XIA, Qingjie, (2014) “Understanding Urban Wage Inequality in China 1988–2008: Evidence from Quantile Analysis”, *World Development*, vol.62, p.1-13.

ASH, Robert, PORTER, Robin, SUMMERS, Tim, (2012) “China, the EU and China's Twelfth Five-Year Programme”, *Europe China Research and Advice Network*.

BAAQUIE, Belhal Ehsan, ROEHNER, Bertrand M., WANG, Qinghai, (2017), “The wage transition in developed countries and its implications for China”, *Physica A*, vol.470(c), p.197-216.

BAI, Limin, (2006) "Graduate unemployment: Dilemmas and challenges in China's move to mass higher education", *The China Quarterly*, vol.185, p.128-144.

BECKER, Jeffrey, (2012) “The Knowledge to Act, Chinese Migrant Labor Protests in Comparative Perspective”, *Comparative Political Studies*, vol.24 (11), p.1379-1404.

BECKER, Jeffrey, ELFSTROM, Manfred, (2010) “The Impact of China's Labor Contract Law on Workers”, *International Labor Rights Forum*.

BELKHODJA, Omar, MOHIUDDIN, Muhammad, KARUNGA, Egide, (2017) “The determinants of FDI location choice in China: a discrete-choice analysis”, *Applied Economics*, vol. 49 (13), p. 1241 -1254.

BERKOWITZ, Daniel, MA, Hong, NISHIOKA, Shuichiro, (2017) “Recasting the Iron Race Bowl: the Reform of China's State-Owned Enterprises”, *The Review of Economics and Statistics*, vol.99(4), p.735–747.

BERTOLDI, Moreno, WEISS, Peter, ERIKSGARD MELANDER, Annika, (2016) *Can economic transition be planned? China and the 13th five-year plan*, Luxembourg, European Economy, Economic Brief.

BRØDSGAARD, Kjeld Erik, (1987) “Economic and Political Reforms in Post-Mao China”, *CBS Open Journal*, p.31-57.

BRØDSGAARD, Kjeld Erik, (2015) “China's 13th Five-Year Plan: A Draft Proposal”, *The Copenhagen Journal of Asian Studies*, vol. 33(2), p. 97-105.

BROWNELL, Susan, (2012) “Human Rights and the Beijing Olympics: Imagined Global Community and the Transnational Public Sphere”, *The British Journal of Sociology*, vol.63 (2), p.306-327.

CAI, Fang, (2007) “China’s labor market development and employment change,” *Economic Research Journal*, vol.7 (22), pp. 4–14.

CAI, Fang, (2013) “Approaching a neoclassical scenario: the labour market in China after the Lewis turning point”, *China Finance and Economic Review*, vol.1 (1), p.1-15.

CAI, Fang, DU, Yang, (2011) “Wage increase, wage convergence and the Lewis Turning Point in China”, *China Economic Review*, vol.22 (4), p.601-610.

CAI, Fang, PARK, Albert, ZHAO, Yaohui, (2007)“The Chinese Labour Market in the Reform Era”, Forthcoming in Loren Brandt and Thomas Rawski, eds., *China’s Great Economic Transformation* (Cambridge University Press).

CAI, Fang, WANG, Meiyang, (2012) “Labour Market Changes, Labour Disputes and Social Cohesion in China”, *OECD Development Centre*, Working Paper n.307, p.1-43.

CANDELARIA, Cristopher, DALY, Mary, HALE, Galina, (2015) “Persistence of Regional Wage Differences in China”, *Pacific Economic Review*, vol.20 (3), p. 365-387.

CARRILLO, Beatriz, (2017) “Migrant Labour and the Sustainability of China's Welfare System”, p.28-31, chapter of the book *Disturbances in Heaven*, Australian National University press.

CASALE, Giuseppe, ZHU, Changyou, (2013) “Labour Administration Reforms in China”, *International Labour Office*, Geneva, p.1-104.

CHAN, Kennet S., DANG, Vinh Q.T., LI, Tingting, SO, Jacky Y.K., (2016) “Under-consumption, trade surplus, and income inequality in China”, *International review of economics & finance*, vol. 43 (C), p. 241 -256.

CHAN, Wing Kit, NGOK, Kinglun, (2011) “Accumulating Human Capital while

Increasing Educational Inequality: a study on higher education policy in China”, *Asia Pacific Journal of Education*, vol.31 (3), p.293-310.

CHANG, Kai, 常凯, (2013), “Laodong guanxi de jitihua zhuanxing yu zhengfu laogong zhengce wanshan” 劳动关系的集体化转型与政府劳工政策完善 (The collective transformation of labour relations and the improvements of the government's labour policy), *Zhongguo shehui kexue*, vol.6 p.91-108

CHEN, Christina, (2011) *The politics of labor protection in authoritarian system: evidence from labor law and enforcement in post-reform China*, dissertation for the degree of Doctor in Philosophy, University of California, San Diego.

CHEN, Chunlai, (2012) “Location determinants and provincial distribution of FDI”, chapter 12, p.189-216 of the book GARNAUT, Ross, SONG, Ligang, *China: New Engine of World Growth*, ANU press, Canberra.

CHEN, Mingxing, LIU, Weidong, LU, Dadao, CHEN, Hao, YE, Chao, (2018) “Progress of China's new urbanization construction since 2014: A preliminary assessment”, *Cities*, vol.78, p.180-193.

CHEN, Yang, CHANG, Hsu-Ling, SU, Chi-Wei, (2016) “Does real wage converge in China?”, *Journal of Economic Interaction and Coordination*, vol.11, p.77-93.

CHEN, Zhihong, GE, Ying, LAI, Huiwen, (2011) “Foreign Direct Investment and Wage Inequality: Evidence from China”, *World Development*, vol.39 (8), p.322-332.

CHENG, Tiejun, SELDEN, Mark, (1994) “The Origins and Social Consequences of China's hukou system”, *The China Quarterly*, vol.139, p.644-668.

CHENG, Yanyuan, (2004) “The Development of Labour Disputes and the Regulation of Industrial Relations in China”, *The International Journal of Comparative Labour Law and Industrial Relations*, vol.20 (2), p.277-295.

CHENG, Zhiming, SMYTH, Russel, GUO, Fei, (2013) “The Impact of New China's Labour Contract Law on Socioeconomic Outcomes for Migrant and Urban Workers”, *Monash University Business and Economics*, Discussion Paper 51/13, p.1-31.

CHEUNG, Peter T. Y., (2012) “China's changing regional development: Trends, strategies and challenges in the 12th Five-Year Plan (2011-2015)”, *Asia Pacific Viewpoint*, vol.53, p.1-6.

CHILD, John, (1995) “Changes in the structure and prediction of earnings in Chinese state enterprises during the economic reform”, *The International Journal of Human Resource Management*, vol. 6(1), p.1-30.

CHIU, Randy K., WAI-MEI LUK, Vivienne, LI-PING TANG, Thomas, (2002) “Retaining and Motivating Employees. Compensation Preferences in Hong Kong and

China”, *Personnel review*, vol.31 (4), p.402-431.

CHOI, Jinbaek, (2016) *Embedded authoritarianism: China's labor politics and its market transformation*, the University of Chicago, A DISSERTATION SUBMITTED TO THE FACULTY OF THE DIVISION OF THE SOCIAL SCIENCES IN CANDIDACY FOR THE DEGREE OF DOCTOR OF PHILOSOPHY.

CHOI, Jhonny, (2018) “Labour Law Reforms in China: Key Take-Away from two Congresses and Impact of Trade War”, *Law Highlights*.

CHUNG, Sunwook, (2015) “Explaining Compliance: A Multi-Actor Framework for Understanding Labor Law Compliance in China”, *Human Relations*, vol.68 (2), p.237-260.

COHEN, Paul A., (1988) “The post Mao reforms in historical perspective”, *Journal of Asian Studies*, vol.47 (3), p.518-540.

COOK, Sarah, (2001) “After the Iron Rice Bowl: Extending the Safety Net in China”, *Institute of Development and Studies*, Discussion paper n.377, p.1-40.

COOKE, Fang Lee, (2006) “Informal employment and gender implications in China: the nature of work and employment relations in the community services sector”, *The International Journal of Human Resource Management*, vol.17 (8), p. 1471-1487, 2006.

COOKE, Fang Lee, (2007) “Public-sector pay in China: 1949–2001”, *The International Journal of Human Resource Management*, vol.15, p. 895-916.

COOKE, Fang Lee, (2010) “Seven Reforms in Five Decades”, *Journal of the Asia Pacific Economy*, vol.8 (3), p.380-404.

COONEY, Sean, (2007) “China's Labour Law, Compliance and Flaws in Implementing Institutions”, *Journal of Industrial Relations*, vol.49 (5), p.673-686.

COONEY, Sean, BIDDULPH, Sarah, KUNGANG, Li, ZHU, Ying, (2007) “China's New Labour Contract Law: Responding to the Growing Complexity of Labour Relations in the PRC”, *Legal Studies Research Paper n.317*, vol.30 (3), p.786-801.

CROOK, Frederick W., (1985) “The *Baogan Daohu* Incentive System: Translation and Analysis of a Model Contract”, *The China Quarterly*, vol.102, p.291-303.

CURTIS, C. CHADWICK, (2016) “Economic Reforms and the Evolution of China's Total Factor Productivity”, *Review of Economic Dynamics*, vol.21, p.225-245.

DAS, Mitali, N'DIAYE, Papa, (2013) “Chronicle of a Decline Foretold: Has China Reached the Lewis Turning Point?”, *IMF Working Paper*, vol.26, p.1-22.

DE CIERI, Helen, ZHU, Cherry Jiuhoa, DOWLING, Peter J., (1998) “The Reform of Employee Compensation in China's Industrial Enterprises”, *CAHRS Working Paper*

*Series*, vol.5, p.1-28.

DIEPPE, Alistair, GILHOOLY, Robert, HAN, Jenny, KORHONEN, Iikka, LODGE, David, (2018) “The transition of China to sustainable growth – implications for the global economy and the euro area”, *European Central Bank, Occasional Paper Series*, n.206, p.1-65.

DING, Daniel Z., GOODALL, Keith, WARNER, Malcom, “The end of the 'iron rice-bowl': whither Chinese human resource management?”, *International Journal of Human Resource Management*, vol.11(2), p.217-236.

DING, Daniel Z., WARNER, Malcom, (2001) “China’s Labour-Management System Reforms: Breaking the ‘Three Old Irons’ (1978–1999)”, *Asia Pacific Journal of Management*, vol.18, p.315–334.

DREGER, Christian, KOSFELD, Reinhold, ZHANG, Yanqun, (2016) “Determining Minimum Wages in China: Do Economic Factors Dominate?”, *IZA*, Discussion paper n.9716, p.1-19.

DU, Julan, FANG, Hongsheng, JIN, Xiangrong, (2014) “The “growth-first strategy” and the imbalance between consumption and investment in China”, *China Economic Review*, vol.31, p.441-458.

ELLIOTT, Robert Jr, ZHOU, Ying, (2015) “Co-location and Spatial Wage Spillovers in China: The Role of Foreign Ownership and Trade”, *World Development*, vol.66, p.629-644.

FAN, Gang, HE, Liping, (2013) “China's 12th Five-Year Plan”, *KraneShares*, p.1-8.

FAN, Haichao, LIN, Faqin, TANG, Lixin, (2018) “Minimum Wage and Outward FDI from China”, *Journal of Development Economics*, vol.135, p.1-19

FAN, Hongzhong Fan, KAMRAN, Shah Muhammad, LI, Mingliang, ZHOU, Qiliang, (2017) “Congestion costs and differences in the regional distribution of FDI in China”, *Quality & Quantity*, vol.51 (4), p.1789-1809.

FANG, Tony, LIN, Carl, (2015) “Minimum wages and employment in China”, *IZA Journal of Labor Policy*, vol. 4(22), p. 1-30.

FATEHI, Kamal, DANSKIN ENGLIS, Paula, (2012) “Exploitation, exploration, and how learning affects strategic intent in multinational enterprises' foreign direct investment decisions: A commentary essay”, *Journal of Business Research*, vol.65, p.1295-1297.

FENG, Xiaojun, (2018) “Regulating Labour Dispatch in China: A cat-and-mouse Game”, *China Information*, p.1-22.

- FERDINAND, Peter, (2012) “China's 12th Five-Year Plan and global economic rebalancing”, *Journal of Asian Public Policy*, vol. 5(2), p.168-180.
- FETSCHERIN, Marc, VOSS, Hinrich, GUGLER, Philippe, (2010) “30 Years of foreign direct investment to China: An interdisciplinary literature review”, *International Business Review*, vol.19, p.235–246.
- FRANCESCHINI, Ivan, (2013) *Labour and Rights in Contemporary China Beyond the Hegemonic Discourse*, Tesi di Dottorato.
- FRIEDMAN, Eli, KURUVILLA, Sarosh, (2015) “Experimentation and Decentralization in China's Labor Relations”, *Human Relations*, vol.68 (2), p.181-195.
- FUNG, Ho-lup, (2001) “The Making and Melting of the “Iron Rice Bowls” in China 1945 to 1995”, *Social Policy and Administration*, vol.35 (3), p.258-273.
- GALLAGHER, Mary, GILES, John, PARK, Albert, WANG, Meiyang, (2013) “China's 2008 Labor Contract Law: Implementation and Implications for China's Workers”, *IZA*, discussion paper n.7555.
- GALLAGHER, Mary, LEE, Ching Kwan, KURUVILLA, Sarosh, (2011) *From Iron Rice Bowl to Informalization: Markets, Workers and the State in a Changing China*. Cornell University Press.
- GAN, Li, HERNANDEZ, Manuel A., MA, Shuang, (2016) “The higher costs of doing business in China: Minimum wages and firms' export behavior”, *Journal of international economics*, vol. 100, p. 81 -94.
- GAO, Qin, YANG, Sui, LI, Shi, (2016) “Labor contracts and social insurance participation among migrant workers in China”, *China Economic Review*, vol.23, n.1, p.1195-1205.
- GAO, Q., & RISKIN, C. (2009) “Market versus social benefits: Explaining China's changing income inequality.” In D. Davis, & F. Wang (Eds.), *Creating wealth and poverty in postsocialist China*, Stanford, Stanford University Press.
- GE, Suqin, TAO YANG, Dennis, (2014) “Changes in China's Wage Structure”, *Journal of the European Economic Association*, vol.12 (2), p.300-336.
- GEBHARDT, Christiane, (2013) “Upgrading the Chinese Economy by Overhauling Special Economic Zones. Innovation Model Shopping or the Emergence of a Chinese Innovation Model?”, *Industry & Higher Education*, vol.27 (4), p.297-312.
- GILES, John, PARK, Albert, CAI, Fang, (2006) “How has Economic Restructuring Affected China's Urban Workers?”, *The China Quarterly*, vol.185, p.61-95.

GOLLEY, Jane, MENG, Xin, (2011) "Has China Run Out of Surplus Labour?", *China Economic Review*, vol.22, p.555-572.

GOODKIND, Daniel, WEST, Loraine, (2002) "China's Floating Population: Definitions, Data and Recent Findings", *Urban Studies*, vol.39, n.12, p. 2237-2250.

GUO, Di, GUO, Yang, JIANG, Kun, (2018) "Evaluating R&D investments efficiency in China's high-tech industry", *Technovation*, vol.74, p.18-31.

HE, Guangye, WU, Xiaogang, (2017) "Marketization, occupational segregation, and gender earnings inequality in urban China", *Elsevier, Social Science Research*, vol.65, p.96-111.

HAEPP, Tobias, LIN, Carl,(2017) "How Does the Minimum Wage Affect Firms Investments in Fixed and Human Capital? Evidence from China", *Review of Development Economics*, vol.21 (4), p.1057-1080.

HAN, Zhaozhou, MOK, Vincent, KONG, Lina, AN, Kang, (2011) "China's Labour Contract Law and Labour Costs of Production", *China Perspectives*, n.2011/3, p.59-66.

HARPER HO, Virginia, (2009) "From Contracts to Compliance? An Early Look at Implementation under China's New Labour Legislation", *Columbia journal of Asian law*, vol.23, p.35-357.

HARPER HO, Virginia, QIAOYAN, Huang, (2014) "The Recursivity of Reform: China's Amended Labor Contract Law", *Fordham International Law Journal*, vol.37 (4), 2014, p.974-1018.

HE, Hui, HUANG, Feng, LIU, Zheng, ZHU, Dongming, (2018) "Breaking the 'Iron Race Bowl': Evidence of the Precautionary Savings from the Chinese State-Owned Enterprises Reform", *Journal of Monetary Economics*, vol.94, p.54-113.

HOLZ, Carsten A., (2018) "China's Investments rate: Characteristics and Implications", p.1-30, available online at <http://carstenholz.people.ust.hk/CarstenHolz-ChinaInvestmentRate-13May2018.pdf>

HONG, Yu, (2017) "Pivot to Internet Plus: Molding China's Digital Economy for Economic Restructuring?", *International Journal of Communication*, vol.11, p.1486-1506.

HOWE, Christopher, WALKER, Kenneth R., (1989) *The Foundations of the Chinese Planned Economy. A documentary survey: 1953-65*. Macmillan, London.

HOWELL, Anthony, (2017) "Impacts of Migration and Remittances on Ethnic Income Inequality in Rural China", *World Development*, vol.94, p.200-211.

- HU, Yong, (2011) “Reading the Twelfth Five-Year Plan: China's Communication Driven Mode of Economic Restructuring”, *International Journal of Communication*, vol.5, p.1045-1057.
- HUANG, Jianhuan, CHEN, Xudong, HUANG, Bihong, YANG, Xiaoguang, (2017) “Economic and environmental impacts of foreign direct investment in China: A spatial spillover analysis”, *China Economic Review* vol. 45, p. 289–309.
- HUI, Liu, CARGILL, Carl F., (2017) “Setting Standards for Industry: Comparing the Emerging Chinese Standardization System and the Current US System”, *Policy Studies*, vol.75, p.1-64.
- HUSSMANN, Ralf, “Defining and Measuring Informal Employment”, Bureau of Statistics, International Labour Office, Geneva, 2003, available online at <https://www.ilo.org/public/english/bureau/stat/download/papers/meas.pdf>
- INGMAR, Björkman, FAN, Xiucheng, (2002) “Human resource management and the performance of Western firms in China”, *International Journal of Human Resource Management*, vol. 13(6), 853-864.
- ITO, Banri, YASHIRO, Naomitsu, XU, Zhaoyuan, CHEN, Xiaohong, WAKASUGI, Ryuhei, (2012) “How do Chinese industries benefit from FDI spillovers?”, *China Economic Review*, vol.23, p.342-356.
- JACKSON, Sukhan, LITTLER, Craig R., (1991) “Wage trends and policies in China: dynamics and contradiction”, *Industrial Relation Journal*, vol.22 (1), p.5-19.
- JIA, Peng, (2014) “Employment and Working Hour Effects of Minimum Wage Increase: Evidence from China”, *China & World Economy*, Vol. 22 (1), p. 61-80.
- JIA, Peng, ZHANG, Shiwei, (2013) “Spillover Effect of Minimum Wages Increases”, *Statistical Research*, vol.30 (4), p.37-41.
- JOSEPHS, Hilary K., (1995) “Labor Law in a “Socialist Market Economy”: the Case of China”, *Columbia Journal of Transnational Law*, vol.33 (3), p.559-581.
- KAI, Chang, (2014) “The Collective Transformation of Labor Relations and Improvement of the Government's Labor Policy”, *Social Sciences in China*, vol.35 (3), p.82-99.
- KARINDI, Liisi, (2008) “The Making of China's New Labour Contract Law”, *China Analysis*, vol.66, p.1-15.
- KENNEDY, Scott, JOHNSON, Cristopher K., (2016) *Perfecting China Inc.: the 13th five years plan*, New York, Lanham, CSIC report, p.1-51.
- KIEWIET, Rick, (2009) *Reward Systems in China. A search for the most favorable*

*reward system in a Chinese Foreign Invested Company*. Master Program Business Administration: Human Resource Management Rotterdam School of Management, Erasmus University Rotterdam.

KIRBY, Stuart E., (1955) “China's first five year plan”, *Journal of the Royal Central Asian Society*, vol.42 (3-4), p.269-274.

KNIGHT, John, DENG, Quheng, LI, Shi, (2011) “The Puzzle of Migrant Labour Shortage and Rural Labour Surplus in China”, *China Economic Review*, vol.22, p.585-600.

KOK-KHENG YEOH, Emile, YIENG-PING LING, Susie, PIK SHY, Fan, (2012) “Fiscal reform, decentralization and poverty alleviation in the context of China's 12th Five-Year Plan”, *Journal of Asian public policy*, vol. 5 (2), p. 231 -251.

KURUVILLA, Sarosh, LEE, Ching Kwan, GALLAGHER, Mary E., (2011) *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China*, Cornell University Press, London.

KWAN, Fung, WU, Yanrui, ZHUO, Shuaihe, (2018) “Surplus Agricultural Labour and China's Lewis Turning Point”, *China Economic Review*, vol.48, p.244-257.

KWOK, Josephine, (2017) “China's Labor Contract Law and its Effect on Chinese Labour Relations”, *Western Australian Student Law Review*, vol.98, available online at <http://classic.austlii.edu.au/au/journals/WASuLawRw/2017/6.html>

LAN, Tu, PICKLES, John, (2011) “China's New Labour Contract Law: State Regulation and Worker Rights in Global Production Networks”, *Capturing the Gains*, working paper n.5, p.1-24.

LEWIS, W. Arthur, (1954) “Economic development with unlimited supplies of labour”, *The Manchester School*, vol. 22(2), 139–191.

LI, Fuzhong, 李福钟, (2007) “Guanyu Fanyou qiyin de ruogan yidian shangque – 1956 dao 1958 nian zhonggong zhengju zai sikao”, 关于“反右”起因的若干疑点商榷—1956到1958年中共政局再思考, (A discussion on the causes and some unclear points of the Anti-Rightist Campaign-the political situation of the Communist Party of the People's Republic of China between 1956 and 1958), *Guoli zhengzhi daxue lishi xuebao*, p.43-98.

LI, Hanlin, 李汉林, (2008) “Bianqian zhong de Zhongguo danwei zhidu. Huigu zhong de sikao” 变迁中的中国单位制度。回顾中的思考。(Changes of the Chinese *danwei* system. Retrospective reflections), *Society*, vol.3, p.31-40.

LI, Jing, (2008) “China's New Labour Contract Law and the Protection of Workers”, *Fordham International Law Journal*, vol.32 (3), p.1083-1131.

- LI, Shi, (2008) “Rural Migrant Workers in China: Scenario, Challenges and Public Policy”, *International Labour Office, Policy Integration and Statistic Department, ILO*, vol.89, p.1-34.
- LI, Shi, (2010) “The Economic Situation of Rural Migrant Workers in China”, *China Perspectives*, vol.4, n.1, p.4-15.
- LI, Shi, MA, Xinxin, (2015) “Impact of minimum wage on gender wage gaps in urban China”, *IZA Journal of Labor & Development*, vol. 4:20, p.1-22.
- LI, Shi, XIONG, Liang, YE, Linxiang, (2016) “Understanding impacts of minimum wage policy on labor market in China”, Presented by Carl Lin Beijing Normal University and IZA
- LI, Xiaoying, FREEMAN, Richard B., (2015) “How Does China's New Labour Contract Law Affects Floating Workers?”, *British journal of Industrial Relations*, vol.53 (4), p.711-735.
- LIANG, Zai, LI, Zhen, MA, Zhongdong, (2014) “Changing Patterns of the Floating Population in China, 2000-2010”, *Population and Development Review*, vol.40, n. 4, p. 695-716.
- LIU, Sylvia Xihui, (2016) “Innovation Design: Made in China 2025”, *Design Management Review*, Vol.27(1), pp.52-58.
- LEE, Jong-Wha, WIE, Dainn, (2017) “Wage Structure and Gender Earnings Differentials in China and India”, *World Development*, vol.97, p.313-329.
- LEE, Leng, (2012) “Decomposing wage differentials between migrant workers and urban workers in urban China's labor markets”, *Elsevier, China Economic Review*, vol.23, p.461-470.
- LESSMAN, Christian, (2013) “Foreign direct investment and regional inequality: A panel data analysis”, *China Economic Review*, vol.24, p.129-149.
- LEUNG, Parry, SO, Alvin Y., (2013) “The New Labour Contract Law in 2008: China's Legal Absorption of Labour Unrest”, *Journal of Studies in Social Sciences*, vol.4 (1), p.131-160.
- LI, Ling, (2018) “China's manufacturing locus in 2025: With a comparison of “Made-in-China T 2025” and “Industry 4.0””, *Technological Forecasting & Social Change*, vol.135, p. 66–74.
- LI, Xiaoxiong, (1997) “Wage System of the State Administrative Personnel in the People's Republic of China”, *China Report*, vol.33 (2), p.145-163.
- LIN, Liguu, SUN, Wei, (2016) “Location choice of FDI firms and environmental

- regulation reforms in China”, *Journal of Regulatory Economics*, vol.50 (2), p.207-232.
- LIN, Mi, KWAN, Yum K., (2016) “FDI technology spillovers, geography and spacial diffusion”, *International Review of Economics and Finance*, vol.43, p.257-274.
- LIVERIGHT, Horace, (1929) *The Soviet Union Looks Ahead, (The Five-Year Plan for Economic Construction)*, New York.
- LIVERMORE, Adam, XU, Allan, (2018) “HR Management Tools for China”, *China Briefing*, Issue 181.
- LIU, Dian, (2014) “Graduate Employment in China: Current Trends”, *Chinese Education & Society*, vol.47 (6), p.3-11.
- LIU, Deqiang, (2015) “Has Chinese Economy Passed the Lewis Turning Point?”, *Journal of the Asia Pacific Economy*, vol.1, p.1-19
- LIU, Guanchun, LIU, Yuanyuan, ZHANG, Chengsi, (2017) “Financial Development, Financial Structure and Income Inequality in China”, *The World Economy*, vol. 40 (9), p. 1890 -1917.
- LIU, Tianbao, CHAI, Yanwei, (2015) “Daily life circle reconstruction: A scheme for sustainable development in urban China”, *Habitat International*, vol.50, p.250-260.
- LIU, Ye, XU, Wei, SHEN, Jianfa, WANG, Guixin, (2017) “Market expansion, state intervention and wage differentials between economic sectors in urban China: A multilevel analysis”, *Urban Studies*, vol.17 (11), p.2631-2651.
- LIU, Zhong 刘忠, NIU, Wentao, 牛文涛 LIAO, Bingling, 廖冰玲, (2012) “Wo guo ‘Xibu dakaifa zhanlue’ yanju zongshu ji fansi”, 我国“西部大开发战略”研究综述及反思, (A study and in-depth analysis on China's West development strategy), *Jingjixue Dongtai*, vol.6, p.77-84.
- LONG, Cheryl, YANG, Jin, ZHANG, Jing, (2015) “Institutional Impact of Foreign Direct Investments in China”, *World Development*, vol.66, p.31-48.
- LONG, Cheryl, YANG, Jin, (2016) “How do firms respond to minimum wage regulation in China? Evidence from Chinese private firms”, *China Economic Review*, vol.38, p.267-284.
- LU, Shuang, LIN, Yi-Ting, VIKSE, Juliann H., HUANG, Chien- Chung, (2013) “Effectiveness of social welfare programs on poverty reduction and income inequality in China”, *Journal of Asian Public Policy*, vol. 6(3), p.277-291.
- LU, Yang, (2017) “Industry 4.0, a Survey on Technologies, Applications and Open Research Issues”, *Journal of Industrial Information Integration*, vol.6, p.1-10.
- LU, Yi, TAO, Zhigang, ZHU, Lianming, (2017) “Identifying FDI spillovers”, *Journal*

*of International Economics*, vol.107, p.75-90.

MA, Xinxin, (2018) “Labor market segmentation by industry sectors and wage gaps between migrants and local urban residents in urban China”, *China Economic Review*, vol.47, p. 96-115.

MA, Xinxin, (2018) “Ownership sector segmentation and the gender wage gap in urban China during the 2000s”, *Post -Communist Economies*, [1463-1377] p. 1 -30.

MACFARQUHAR, Roderick, FAIRBANK, John K., (1987) *The Cambridge History of China: volume 14. The People's Republic, part I: the Emergence of Revolutionary China, 1949–1965*. Cambridge University Press, New York.

MAGNANI, Elisabetta, ZHU, Rong, (2012) “Gender wage differentials among rural-urban migrants in China”, *Regional Science and Urban Economics*, vol. 42 (5), p.779-793.

MAH, Jai S., YOO, Kyung-sun, (2000) “The Relationship Between FDI Regulations in China and the WTO”, *China Report*, vol.36 (2), p.191-200.

MAYNERIS, Florian, PONCET, Sandra, ZHANG, Tao, (2018) “Improving or disappearing: Firms-level adjustments to minimum wages in China”, *Journal of Development Economics*, vol.135, p.20-42.

MENG, Xin, (2012) “Labour Market Outcomes and Reforms in China”, *Journal of Economic Perspectives*, vol.26 (4), p.65-102.

MENG, Xin, KIDD, Michael P., (1997) “Labor Market Reform and the Changing Structure of Wage Determination in China’s State Sector during the 1980s”, *Journal of Comparative Economics*, vol.25, p.403–42.

MENG, Xin, ZHANG, Junsen, (2001) “The Two Tier Labour Market in urban China. Occupational Segregation and Wage Differentials between Urban Residents and Rural Migrants in Shanghai”, *Journal of Comparative Economics*, vol.29, p.485-504.

MOHANTY, Manoranjan, (2012) “'Harmonious Society', Hu Jintao's Vision and the Chinese Party Congress”, *Economic and Political Weekly*, vol.47 (5), p.12-16.

MOLERO-SIMARRO, Ricardo, (2016) “Is China Reaching the Lewis Turning Point? Agricultural Prices, Rural-Urban Migration and the Labour Share”, *Journal of Australian Political Economy*, vol.78, p.48-86.

NAIR, Reeja, (2014) “Remaking Labour: the Informalisation of Labour Relations in China, 1994-2008”, *Proceedings of the Indian History Congress*, Vol. 75, p.876-887.

NGOK, Kinglun, (2008) “The Changes of Chinese Labor Policy and Labor Legislation in the Context of Market Transition”, *International Labor and Working Class History*,

vol.73, p.45-64.

PAN, Yijia, (2016) “The failure of labour dispatch regulation and its remedy”, *Social Sciences in China*, vol.37 (1), p.191-202.

PARK, Albert, CAI, Fang, (2011) “The informalization of the Chinese Labour Market”, chapter 2, p.17-35, of the book *From Iron Race Bowl to Informalization: Markets, Workers and the State in a Changing China*, edited by Sarosh Kuruvilla, et al., Cornell University Press.

PARK, Albert, WU, Yaowu, DU, Yang, (2012) “Informal Employment in Urban China: Measurement and Implications”, *The World Bank Documents*.

PAVLOFF, Joseph M., (1929) *The Upbuilding of Soviet Russia (five-year plan for industrial development of the Soviet Union)*, Amtorg Trading Corporation, New York.

PENG, Xizhe, (2013) “Understanding China's Demographic Dividends and Labour Issue”, *Journal of Policy Analysis and Management*, vol.32(2), p.408-410.

PI, Jiancai, ZHANG, Pengqing, (2016) “Hukou system reforms and skilled-unskilled wage inequality in China”, *China Economic Review*, vol.41, p. 90-103.

PI, Jiancai, ZHANG, Pengqing, (2018) “Rural–urban human capital disparity and skilled–unskilled wage inequality in China”, *Review of Development Economics*, vol. 22 (2) p. 827 -843

PONTIGGIA, Andrea, HU, Lala, SAVORGNAN, Marco, (2013) “China’s Human Resources Development: Recent Evolution and Implications for the Global Market”, *Università Ca' Foscari Venezia, Department of Management*, working paper series n.29.

POTTER, Barbara, (1993) “China's Equity Joint Venture Law: A Standing Invitation to the West for Foreign Investments?”, *Journal of International Business Law*, vol.14 (1), p.1-36.

PULA, Gabor, SANTABARBARA, Daniel, (2011) “Is China Climbing Up the Quality Ladder? Estimating Cross country Differences in Product Quality Using Eurostat's Comex Trade Database”, *European Central Bank Working Paper Series*, n.1310, p.1-27.

PUNDARIK, Mukhopadhaya, (2013) “Trends in income inequality in China: the effects of various sources of income”, *Journal of the Asia Pacific Economy*, vol. 18(2), p. 304-317.

QI, Hao, (2018) “Distribution According to Work”: A Historical Analysis of the Incentive System in China’s State-Owned Sector”, *Review of Radical Political Economics*, Vol. 50(2), p. 409–426

- QI, Yaqiang, LIANG, Tongxin, (2016) “Regional segregation or industrial monopoly? Dual labor market segmentation and income inequality in China”, *The Journal of Chinese Sociology*, vol. 3 (28), p.1-20.
- QIAN, Yingyi, (2000) “The Process of China's Market Transition (1978-1998): the Evolutional, Historical and Comparative Perspective”, *Journal of Institutional and Theoretical Economics*, vol.156, p.151-172.
- QUHENG, Deng, GUSTAFSSON, Bjorn, (2014) “The Hukou Converters -China's Lesser Know Rural to Urban Migrants”, *Journal of Contemporary China*, vol.23, n.88, p.657-679.
- RABY, Geoff, (2012) “Entry into the WTO: commitments and implementation”, p.131-140, chapter 8 of the book GARNAUT, Ross, SONG, Ligang, *China: New Engine of World Growth*, ANU press, Canberra.
- RANIS, Gustav, (2004) “Arthur Lewis' contribution to the development thinking and policy”, *The Manchester School*, vol.72 (6), 2004, p.712-723.
- RATIGAN, Kerry, (2017) “Disaggregating the Developing Welfare State: Provincial Social Policy Regimes in China”, *World Development*, vol.98, p.467-484.
- REMINGTON, Thomas F., XIAO, Wen Cui, (2015) “The Impact of the 2008 Labor Contract Law on Labor Disputes in China”, *Journal of East Asian Studies*, vol.15, p.271-299.
- RODRIGUEZ, Juan Gabriel, SALAS, Raphael, (2014) “The Gini Coefficient: Majority Voting and Social Welfare”, *Journal of Economic Theory*, vol.152, p.214-223.
- RUBERY, Jill, (1997) “Wages and the Labour Market”, *British Journal of Industrial Relations*, vol.35 (3), p.337-366.
- SABIN, Lora, (1994) “New Bosses in the Workers' State: the Growth of Non-State Sector Employment in China”, *The China Quarterly*, vol.140, p.944-970.
- SALEM, David I., (1981) “The Joint Venture Law of People's Republic of China: Business and Legal Perspectives”, *Maryland Journal of International Law*, vol.7 (1), p.73-118.
- SALIKE, Nimesh, (2016) “Role of human capital on regional distribution of FDI in China: New evidences”, *China Economic Review*, vol.37, p.66-84.
- SMITH, Chris, CHAN, Jenny, (2015) “Working for two bosses: Students interns and constrained labour in China”, *Human Relations*, vol.68 (2), p.305-326.
- SMYTH, Russel, ZHAI, Qingguo, WANG, Jing, (2001) “Labour Market Reform in China's State Owned Enterprises: A Case Study of Post-Deng Fushun in Liaoning Province”, *New Zealand Journal of Asian Studies*, vol.3 (2), p.42-72.

- SHEN, Jing, WEI, Yehua Dennis, YANG, Zi, (2017) “The impact of environmental regulations on the location of pollution-intensive industries in China”, *Journal of Cleaner Production*, vol.148, p.785-794.
- SHRIK, Susan L., (1981) “Recent Chinese Labour Policies and the Transformation of Industrial Organization in China”, *The China Quarterly*, vol.88, p.575-593.
- SHU, Hui, XIONG, Pingping, (2018) “The Gini coefficient structure and its application for the evaluation of regional balance development in China”, *Journal of cleaner production*, vol.199, p.668-686.
- SOLINGER, Dorothy, (2006) "The creation of a new underclass in china and its implications", *Environment & Urbanization*, Vol. 18 n.1, pp. 177-193.
- SUN, Shu Qing, (2006) “The economic analysis for the Chinese employment influence to the adjusting the lowest wage policy”, *Journal of Hubei College of Finance and Economics*, Vol. 18 No. 5, pp. 13-5 (in Chinese).
- SUN, Wenkai, WANG, Xianghong, ZHANG, Xiaoxi, (2015) “Minimum wage effects on employment and working time of Chinese workers——evidence based on CHNS”, *IZA Journal of Labor & Development*, Vol.4(1), pp.1-22.
- SUN, Yimin, LISAIA, Daria, (2018) “History Matter: Chinese Urbanization as an Emergent Space”, *Urbanization*, vol.3 (1), p.1-16.
- TAYLOR, Robert, (2011) “China's labour legislation: implications for competitiveness”, *Asia Pacific Business Review*, vol.17 (4), p.493-510.
- TENG, Bing-Sheng, (2004) “The WTO and entry modes in China”, *Thunderbird International Business Review*, vol.46 (4), p.381-400.
- “The Labour Law of the People's Republic of China (July 5, 1994)”, *Chinese Law & Government*, vol.33 (1), p.63-75.
- TIAN, Xu, ZHANG, Xiaoheng, ZHOU, Yingheng, YU, Xiaohua, (2016) “Regional income inequality in China revisited: A perspective from club convergence”, *Economic Modeling*, vol.56, p.50-58.
- TONG, Jiaodong, (2012) “WTO commitment: further marketization and trade liberalization”, p.141-150, chapter 9 of the book GARNAUT, Ross, SONG, Ligang, *China: New Engine of World Growth*, ANU press, Canberra.
- WANG, Bijun, LI, Xiang, (2017) “From world factory to world investor: the new way of China integrating into the world”, *China Economic Journal*, vol.10 (2), p.175-193.
- WANG, Fenglong, LIU, Yungang, (2018) “Interpreting Chinese hukou System from a Foucauldian Perspective”, *Urban policy and Research*, vol.36 (2), p.153-167.

- WANG, Fuxi, SONG, Haojie, CHENG, Yanyuan, LUO, Nanfeng, GAN, Bernard, FENG, Jiaojiao, XIE, Pengxin, (2016) “Converging Difference: the Effect of China's Employment Contract Law on Signing Written Employment Contracts”, *The International Journal of Human Resource Management*, vol.27 (18), p.2075-2096.
- WANG, Haiyan, APPELBAUM, Richard P., DEGIULI, Francesca, LICHTENSTEIN, Nelson, (2009) “China's New Labour Contract Law: is China Moving towards Increased Power for Workers?”, *Third World Quarterly*, vol.30 (3), p.485-501.
- WANG, Jia, XIE, Yu, (2015) “Feeling good about the iron rice bowl: Economic sector and happiness in post-reform urban China”, *Social Science Research*, vol.53, p.203-217.
- WANG, Jian, WANG, Xiao, (2015) “Benefits of foreign ownership: Evidence from foreign direct investment in China”, *Journal of International Economics*, vol. 97, 2015, p. 325–338.
- WANG, Jing, GUNDERSON, Morley, “Minimum wage effects on employment and wages: dif-in-dif estimates from eastern China”, *International Journal of Manpower*, vol.33(8), p.860-876.
- WANG, Meiyang, (2010) “The rise of labour cost and the fall of labour input: Has China reached Lewis turning point?”, *China Economic Journal*, vol.3 (2), p.137-153.
- WANG, Xin-Rui, HUI, Eddie Chi-Man, CHOGUILL, Charles, JIA, Sheng-Hua, (2015) “The New Urbanization Policy in China: Which Way Forward?”, *Habitat International*, vol.47, n.1, p.281.
- WANG, Zhikai, (2014) “China's “labour shortage” and migrant workers' lack of social security”, *International Labour Review*, vol.153 (4), p.649-659.
- WARNER, Malcolm, (1996) “Chinese enterprise reform, human resources and the 1994 Labour Law”, *The International Journal of Human Resources Management*, vol.7 (4), 1996, p.779-796.
- WARNER, Malcolm, ZHU, Ying, (2010) “Labour and management in the People's Republic of China: seeking the ‘harmonious society’”, *Asia Pacific Business Review* Vol. 16 (3), p.285–298.
- WEI, Qian, YAN, Dong, YE, Jingyi, (2013) “Rethinking the Labour Contract Law of China”, available online at
- WENG, Jingjing, (2012) *Pay System Reforms in Public Service Units in Contemporary China: The Implementation and Impact of Performance-Related Pay*, Employment Relations & Organisational Behaviour Group Department of Management London School of Economics and Political Science A dissertation submitted to the London School of Economics and Political Science for the Degree of Doctor of Philosophy

January.

WHALLEY, John, XING, Chunbing, (2016) "Ownership restructuring and wage inequality in urban China", *International Labour Review*, vol.155, p. 1-57.

WING CHAN, Kam, (2013) "China, Internal Migration", *The Encyclopedia of Global Migration*, vol.5, p.1-17, available online at [faculty.washington.edu/kwchan/Chan-migration.pdf](http://faculty.washington.edu/kwchan/Chan-migration.pdf)

WING CHAN, Kam, BUCKINGHAM, Will, (2008) "Is China Abolishing the Hukou System?", *The China Quarterly*, vol.195, n.1, p.582-606.

WON, Jaeyoun, (2004) "Withering Away of the Iron Rice Bowl? The Reemployment Project of Post-Socialist China", *Studies in Comparative International Development*, Vol. 39, No. 2, pp. 71-93.

WONG, John, (2012) "China's 12th Five-Year Plan: a potential game changer for economic restructuring and socio-economic development", *Journal of Asian public policy*, vol.5(2), p.214-230.

WU, Dongjie, PRASADA, Rao, (2017) "Urbanization and Income Inequality in China: An Empirical Investigation at Provincial Level", *Social indicators research*, vol.131(1), p.189-214.

WU, Ling, (2013) "Decentralization and hukou reforms in China", *Policy and Society*, vol.32, n.1, p.33-42.

WU, Xiaogang (2014) "Census Undertakings in China: 1953-2010", *Population Studies Center*, Research Report n.14, p.1-42.

WU, Jinyu, (2007) "China's New Labour Contract Law", *Adapt*, vol.47, p.1-4.

WU, Peiguan, CHEN, Tingting, LEUNG, Kwok, (2011) "Toward performance-based compensation: a study of the gaps between organizational practices and employee preferences with regard to compensation criteria in the state-owned sector in China", *The International Journal of Human Resource Management*, vol.22 (9), p.1986-2010.

VIDAL, Christine, "The 1957-1958 Anti-Rightist Campaign in China: History and Memory (1978-2014)", <http://cecmc.ehess.fr/index.php?2861>.

XIE, Yu, ZHOU, Xiang, (2014) "Income inequality in today's China", *Proceedings of the National Academy of Sciences of the United States of America*, vol. 111 (19), p. 6928 -6933.

XIN, Chunbing, XU, Jianwei, (2016) "Regional variation of the minimum wages in China", *IZA Journal of Labor & Development*, vol. 5:8, p.1-22.

XU, Betty, (2005) "China Internet Plus Strategy", *Seconded European Standardization*

*Expert in China Project (SESEC)*, III Report, p.1-5.

XU, Jun, 徐俊, (2014) “Wo guo jihua shengyu zhengce de fansi jihua zhangwang” 我国计划生育政策的反思与展望, (Reflections and forecast on Chinese family planning policy), *Renkou yu Jingji*, vol.6, p.109-118.

XU, Mingli, KONG, Gaowen, KONG, Dongmin, (2017) “Does wage justice hamper creativity? Pay gap and firm innovation in China”, *China economic review*, vol. 44 p. 186 -202.

XU, Yun, OUYANG, Alice Y., (2015) “China wage inequality: the role of trade and technology”, *Applied Economics*, vol.47, p. 5057-5071.

YANG, Yongzheng, TYERS, Rod, (2001) “The Asian Crisis and Economic Change in China”, *Japanese Economic Review*, vol.52 (4), p.491-510.

YE, Linxiang, GINDILING, TH; LI, Shi, (2015) “Compliance with legal minimum wages and overtime pay regulations in China”, *IZA Journal of Labor & Development*, Vol.4(1), pp.1-35.

YING, Chen, ZHUN, Xu, (2017) “Informal Employment and China's Economic Development”, *The Chinese Economy*, vol.50, p.425-433.

YU, Hui, (2000) *Political economy of music in China: The impact of danwei system on luju*, A dissertation submitted to the Music Department of Wesleyan University in partial fulfillment of the requirement for the degree of Doctor of Philosophy  
Middletown, Connecticut October, 2000

YUE, Ximing, LI, Shi, GAO, Xia, (2013) “How large is income inequality in China: assessment on different estimates of Gini coefficient”, *China Economic Journal*, vol.6 (2), p.11-122.

YUEH, Linda Y., (2004) “Wage Reforms in China during the 1990s”, *Asian Economic Journal*, vol.18 (2), p.149-164.

ZENG, Ming, XUE, Song, ZHU, Xiaoli, MA, Mingjuan, (2012) “China's 12th Five-Year Plan Pushes Power Industry in New Directions”, *Power in China*, vol. 156, p. 50 -55.

ZENG, Peiyan, (2012) “The Establishment of the Socialist Market Economy”, *Qiushi Journal (English Edition)*, vol.4 (3), available online at [http://english.qstheory.cn/magazine/201203/201210/t20121008\\_185077.htm](http://english.qstheory.cn/magazine/201203/201210/t20121008_185077.htm)

ZHANG, Jing, FU, Xiaolan, (2008) “FDI and environmental regulations in China”, *Journal of the Asia Pacific Economy*, vol.13 (3), p.332-353.

ZHANG, Li, VONSHAY SHARPE, Rhonda, LI, Shi, DARITY JR. William, (2016) “Wage differentials between urban and rural-urban migrant workers in China”, *Elsevier*;

*China Economic Review*, vol.41, p.222-233.

ZHANG, Wei, WANG, Jinnan, ZHANG, Bing, BI, Jun, JIANG, Hongqiang, (2015) “Can China Comply with Its 12th Five-Year Plan on Industrial Emission Control: A Structural Decomposition Analysis”, *Environmental Science & Technology*, vol.49 (8), p.4816-4824.

ZHANG, Xiaobo, YANG, Jin, WANG, Shenglin, (2011) “China has reached the Lewis Turning Point”, *China Economic Review*, vol.22 (4), p.542-554.

ZHANG, Xun, WAN, Guanghua, WANG, Chen, LUO, Zhi, (2017) “Technical change and income inequality in China”, *The World Economy*, vol. 40 (11), p.2378-2404.

ZHANG, Yuan, SHAO, Ting, DONG, Qi, (2018) “Reassessing the Lewis Turning Point in China: Evidence from 70,000 Rural Household”, vol.26 (1), p.1-14.

ZHANG, Zhuoni, WU, Xiaogang, (2017) “Occupational segregation and earnings inequality: Rural migrants and local workers in urban China”, *Elsevier, Social Science Research*, vol.61, p.57-74.

ZHAO, Minghua, NICHOLS, Theo, (1996) “Management Control of Labour in State-Owned Enterprises: Cases From the Textile Industry”, *The China Journal*, vol.36, p.1-21.

ZHAO, Zhen, XIONG, Wei, FANG, Jingxuan, (2016) “Impact of Internet Plus to China Economy Development”, *Modern Economy*, vol.7, p.933-944.

ZHENG, Yin Lily, (2009) “It's Not What is on Paper but What Is in Practice: China's New Labour Contract Law and the Enforcement Problem”, *Washington University Global Studies Law Review*, vol.8 (3), p.595-617.

ZHIMING Cheng, FEI, Guo, GRAEME, Hugo, XIN, Yuan, (2013) “Employment and wage discrimination in the Chinese cities: A comparative study of migrants and locals”, *Elsevier, Habitat International*, vol. 39, p.246-255.

ZHIMING, Cheng, RUSSEL, Smyth, FEI Guo, (2015) “The impact of China's new Labour Contract Law on socioeconomic outcomes for migrant and urban workers”, *Human Relations, the Tavistock Institute*, vol. 68 (3), p.329-352.

ZHOU, Yixiao, SONG, Ligang, (2016) “Income inequality in China: causes and policy responses”, *China economic journal*, vol. 9 (2), p. 186 -208.

ZHU, Ying, (1995) “Major changes under way in China's industrial relations”, *International Labour Review*, vol.134, p.37-49.

## Web References

American Chamber of Commerce of People's Republic of China <https://www.amchamchina.org>

CEIC database <https://www.ceicdata.com/en>

China Briefing <https://www.china-briefing.com>

China Daily <http://www.chinadaily.com.cn/>

China Labour Bulletin <https://clb.org.hk/>

European Union Chamber of Commerce in China

<http://www.europeanchamber.com.cn/en/european-chamber-background>

International Labour Organization [www.ilo.org](http://www.ilo.org)

State Council of the People's Republic of China [www.gov.cn](http://www.gov.cn)

Us-China Business Council <https://www.uschina.org>

World Bank <https://www.worldbank.org/>