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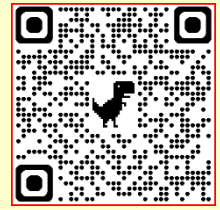
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## A Commentary on Modern Chinese Industrial Labor Policies

**Lie Chun Pong**

Sch: HKUST

**Corresponding Author:** Lie Chun Pong

Sch: HKUST

### ABSTRACT

*Since the reform and opening-up policy, China's industrial sector has experienced rapid growth, with its entrepot and export trade ranking among the world's top, unmatched globally. Furthermore, since joining the World Trade Organization (formerly the General Agreement on Tariffs and Trade) in 2000, China has quickly become the world's manufacturing hub, making significant contributions to the global industrial supply chain. In this research paper, we aim to analyze China's labor market development and propose a new approach—the dual-sector automatic labor stabilizer approach—to enhance labor resilience that might be suitable in the near future.*

**KEY WORDS:** manufacturing hub, transition phase, dual-sector approach, automatic stabilizer

### Introduction:

China's industrial policy, which started with the reform and opening up in 1978 and has since become a major global exporter, depends on worker cooperation and resource allocation to support long-term growth.

To evaluate China's industries, we must first look at its resource infrastructure. Honestly, in the early days of China's reform and opening-up, resources and facilities were scarce, and infrastructure was incomplete, especially regarding electricity and other essentials. This limited early industrial growth, which mainly focused on light industries, particularly in the 1970s and early 1980s. Light industries like garments, textiles, toys, and other labor-intensive sectors employed China's rural labor force. With Hong Kong acting as an intermediary, it brought in capital and technology, enabling Chinese workers to improve their productivity since World War II.

By the 1980s, Hong Kong faced challenges from the trade war, with strict quotas placed on garment and textile production, which

gradually led to the relocation of industry to Guangzhou and Shenzhen. Since then, China's labor force, benefiting from favorable timing, location, and people, along with policy support, has been able to unlock its inherent explosive potential, ultimately establishing itself as a global leader in contract manufacturing.

China's labor policy is primarily pragmatic, tailored, and benefits to specific circumstances. This special approach, customized for each state and city and leveraging resources, has created a unique market economy within the socialist system.

China's labor policy is closely linked to its key industries. These industries are shaped by available resources and infrastructure. The stages of labor development primarily align with the stages of industrial growth. From the 1970s to the 1990s, light industry such as toys, clothing, and textiles dominated. These sectors featured low entry barriers and were labor-intensive. Between the 2000s and 2010s, the focus shifted to medium-sized industries, including

automobile manufacturing, home appliances, and mobile phone equipment. These industries were characterized by high entry barriers, being mostly capital-intensive and semi-automated, with high technical demands on workers and lower labor intensity.

Since 2010, China's industrial structure has transitioned from light and medium industries to heavy industry, such as shipbuilding and aerospace technology, which entail high capital and technical barriers and require specialized labor. These three stages of industrial development have helped China modernize and ascend to the ranks of powerful nations.

## Methodology:

This paper is based on an extensive systematic review of rigorously peer-reviewed scientific studies sourced from esteemed databases such as Google Scholar and ResearchGate. The focus is on analyzing various types of research, including case studies and meta-analyses, all published within the time frame from 2003 and 2022 [1][2]. The investigation centers on several critical variables, including levels to labor force development, the incidence rates of unemployment, and a thorough examination of potential confounding variables such as GDP growth and socioeconomic determinants. The aim of the above data [1][2], is to support our paper's suggestion of a dual-sector approach, to act as an Automatic Stabilizer.

## Content:

A planned economy focused on the armed industry

Compared to the Soviet Union's post-Leninist planned economy, China's planned economy is more flexible, especially in its emphasis on aligning with the market economy and relying mainly on exports to earn foreign currency. The Soviet-style planned economy, in contrast, was primarily self-sufficient and focused on meeting its own needs. Its industrial development was not mainly export-oriented but heavily concentrated on the armed industry, fueling an arms race against the United States. This limited its industrial growth to a specific stage.

As a result, it lacked the ability to sustain meaningful development and was unable to establish a complete industrial chain. Although the project was successful, it could not be maintained. Due to the arms race-style planned economy, the emerging industries had inherent flaws, and the market connections between industries were weak, which nearly caused this industry to be a drag. Since then, Germany has learned from the economic lessons of similar countries and actively adopted a market economy after the Soviet Union. Since the 1990s, it has created the European Union Monetary Area, expanded intra-regional trade, joined the European Union, and actively developed industry with China. For example, in the 2000s, well-known car manufacturers like BMW Brilliance actively formed joint ventures with China and tapped into the Greater China market. In the late 2010s, China also actively established joint ventures to produce heavy industry. After importing German technology, China's industrial development accelerated rapidly, allowing Germany to successfully enter the Greater China market and share in its growth while China's economy expanded significantly.

Of course, Germany's smaller population and limited market size hinder its sustainable development compared to China's eagerness to adopt advanced Western technology and its large domestic market. That said, China's industrial growth is also limited by its own policies and outdated management practices, which restrict its development and keep its labor force growth on a short-term basis.

## Dual Sector Approach Purpose Insight

In this paper, we propose that, China's labor force can be shaped by the characteristics of a dual economy, primarily divided into rural and urban labor markets. For instance, during periods of explosive economic growth and labor shortages, it is natural to release rural workers to fill market vacancies.

We propose that the core of the dual economy automatic stabilizer lies in rural and urban areas. We proposed that the modern dual economy with Chinese characteristics can be founded on rural urbanization and urban modernization, which Substitute for each other as a supplement. Besides the industrial sector, its labor force is also divided and develops hierarchically.

So, regardless of the economic or industrial model, it remains closely tied to marketization and trade orientation, and this remains consistent through all changes. The labor-based structure change is an inevitable result of the transformation and upgrading phase. A defining feature of China's social economy is its flexibility, which in turn demonstrates the economy's vitality.

Our dual absorber mechanism functions as an endogenous stabilizing agent within regional labor markets. By serving as an automatic stabilizer, this approach facilitates the dynamic redistribution of labor allowing rural regions to absorb excess labor supply originating from metropolitan centers.

Conversely, it enables these urban areas to alleviate labor shortages during periods of economic rapid growth. This bi-directional labor flow can mitigate cyclical unemployment and labor market volatility. Moreover, this adaptive mechanism can contribute to social stability by alleviating social unrest linked to unemployment and regional disparities. Ultimately, this dual approach enhances macroeconomic resilience, promotes balanced regional development, and addresses structural unemployment through efficient resource allocation and labor market flexibility.

As wage costs increase, labor will inevitably develop in multiple ways, including specialization and division of labor, often manifesting in professional teams. The high degree of division of labor during industrialization will naturally lead to more flexible work arrangements, which can also drive other forms of industrial development.

Automatic Stabilizer (In Dual approach):

We suggested the Automatic Stabilizer dual approach of utilizing ruralization and urbanization as a foundation for its flexibility (Labour), with this adaptability serving as a buffer for the labor force. In addition, we highlight that establishing this buffer can help to restore economic growth, particularly by managing surplus labor. The labor force is represented and extended, while the economy breaks through this barrier through **a dual-sector approach**. This elasticity of labor creates a rapid "buffer-type economic industry." This buffer also makes China's labor force more flexible, allowing its potential to be quickly unleashed, thus generating a demographic labor dividend. This demographic dividend can foster the emergence of new enterprises and industries. Also, when there is an economic shock (recession), the rural village can absorb the laid-off labour in the cities.

Our **swift mode** development dual approach of these rural new industries acts as a natural shock absorber for the social economy, enhancing economic flexibility and vitality.

In addressing the above following historical background, we here suggest a comprehensive solution, in order to cope with the future labor turmoil situation.

#### Improvement Suggestions:

##### 1. Promote the employment network

Promoting employment networks as a strategic economic initiative to enhance labor market efficiency, reduce unemployment rates, and foster inclusive economic growth through targeted employment policies and incentive mechanisms.

##### 2. Circulate labor information

Disseminate comprehensive labor market data and detailed employment statistics to all relevant stakeholders, ensuring the accurate and timely circulation of workforce information. This includes providing in-depth analysis and utilizing advanced economic policy to facilitate informed decision-making in labor economics.

##### 3. Reduce labor conversion costs

Minimize labor transaction costs to enhance economic efficiency and streamline workforce management processes. This involves implementing strategies and technological solutions aimed at reducing the costs associated with hiring, training, monitoring, and managing employee conduct, thereby promoting a more optimal allocation of resources.

##### 4. Increase labor market flexibility

Enhance market adaptability through strategic diversification and adaptive response mechanisms, thereby increasing overall labor market flexibility. This approach allows for more agile adjustments to economic shocks and alterations in consumer demand, fostering a resilient and dynamic economic environment. Employing sophisticated financial instruments and economic policy tools can further optimize the flexibility of the labor market.

##### 5. Develop a dual economy

Develop a dual economy model characterized by the coexistence of a modern, capital-intensive sector and a traditional, labor-intensive sector within a single national economy. This framework highlights the structural disparities where the modern sector generally exhibits higher productivity, capital accumulation, and technological sophistication, while the traditional sector remains predominantly rural, subsistence-based, and less integrated into global markets. Such a dual economic approach structure can facilitate structural transformation and inclusive growth.

##### 6. Buffer the labor power system

Implement buffering mechanisms within the labor power system to enhance its stability and resilience. This involves creating strategic reserves of labor resources that can be mobilized in response to fluctuating demand, thereby maintaining consistent productivity levels. The process entails the development of labor buffer stocks, the integration of flexible workforce management practices, and the optimization of labor supply chains to adapt to economic shocks or cyclical movements. Employing such buffers can mitigate the risks associated with labor shortages or surpluses, ensuring a more robust and adaptable labor market framework that aligns with principles of macroeconomic stability and dynamic equilibrium.

##### 7. An early warning system

Establish a comprehensive labor force anti-shock contingency

framework. This mechanism will serve as a buffer during cyclical economic contractions, facilitating a resilient labor market by mitigating the impacts of economic volatility. It will incorporate a labor market cyclical transmission channel to monitor and manage fluctuations effectively. Additionally, the framework will feature an early warning system based on macroeconomic indicators, designed to signal impending economic downturns or boundary breaches, thereby enabling proactive policy responses to ensure economic stability.

## Conclusion:

This research paper focuses on the development of the labor market in the mainland with the goal of providing flexibility to address the labor oversupply problem. This issue can be resolved through a well-established platform and labor reallocation, which can minimize labor transaction costs. We propose a dual-sector mechanism to enable the automatic stabilizer to absorb the labor oversupply. With this approach, we aim to benefit the world and humanity.

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