International Labour Review, Vol. 124, No. 4, July-August 1985

Employment, wages and social security in China

YUE Guangzhao *

China's enormous population of over 1,000 million presents it with a serious employment problem that calls for a determined and imaginative response. A successful resolution of this problem will safeguard the stability and unity of society and give a powerful impetus to production. Over the past few years, thanks to the application of innovative policies and the correction of past mistakes, substantial progress has been made towards a more rational use of the country's vast labour force: yet many difficulties remain. In this article we shall analyse some of the moves under way to improve the situation not only with regard to employment but also in the related fields of wages and social security.

I. Employment

In 1984 China had a total working population of 475,970,000 some three-quarters of whom were in the countryside (see table overleaf).

It is estimated that between 1986 and 1990 some 6 million urban dwellers will need to be placed in jobs each year.[1] This is in addition to the total of 10 million new jobs needed for workers who will be made redundant by the increased efficiency of enterprises as a result of the economic reforms now in progress. Clearly, employment is going to be a big problem in the future and one whose solution the Government sees as a long-term task.

Rural employment

In attacking the problem of rural employment, China has taken an entirely different road from that chosen by many Western countries. After the Liberation an agrarian reform was carried out in rural areas, based on the principle of "land to the tiller". The Government encouraged peasants to organise themselves in co-operatives and adopted policies of fostering agricultural production. However, with the simultaneous growth of the rural population and of agricultural mechanisation (the area ploughed by tractors

* Director, Institute for Labour Studies, Ministry of Labour and Personnel.

Population and labour force, 1949-84 (in thousands)

Year	Population			Labour force		
	Total	Rural	Urban	Total	Rural	Urban
1949	541 670	484 020	57 650	180 820	165 490	15 330
1952	574 820	503 190	71 630	207 290	182 430	24 860
1957	646 530	547 040	99 490	237 710	205 660	32 050
1965	725 380	594 930	130 450	286 700	235 340	51 360
1978	962 590	790 140	172 450	398 560	303 420	95 140
1980	987 050	795 650	191 400	418 960	313 710	105 250
1982	1 015 410	803 870	211 540	447 060	332 780	114 280
1983	1 024 950	783 690	241 260	460 040	342 580	117 460
1984	1 034 750	704 690	330 060	475 970	353 680	122 290

Note: This table excludes data from Taiwan.
Sources: *China Official Yearbook 1983/84* (Hong Kong, 1983), pp. 368 and 374; and data supplied by the author.

increased from 136,000 hectares in 1952 to 33,572,000 hectares in 1983), labour surpluses gradually emerged in the rural areas. Rather than let the peasants drift haphazardly into the cities, arrangements were made for the systematic transfer of a small number of surplus labourers to urban jobs, while the majority found employment locally thanks to the development of other agricultural pursuits, forestry, animal husbandry, fisheries and a wide variety of sideline occupations (such as raising pigs or poultry on private plots). This was called "local absorption", and it helped to improve production in terms of both range and quality. In recent years, owing to the growing popularity among the peasants of what is known as the responsibility system of contract production,[2] there has been an even greater surplus of labourers hitherto engaged in grain production. Now, with government encouragement, they are turning to livestock breeding, food processing, cash-crop cultivation, commerce and services. By the end of 1984 the number of town and village enterprises in China had risen to 1,649,000 with a total trading surplus of 126,820 million yuan[3] and a workforce of 34,481,000.

With the continuous modernisation of agricultural production, the shift of surplus rural workers into non-agricultural activities is bound to grow. It is estimated that between now and 1990 some 100 million workers will leave agriculture in search of new occupations. However, it is obviously desirable that they should not have to seek employment in the cities but should be able to find jobs in the numerous small towns that are gradually emerging with the development of rural food processing, building and service industries, commerce, banking and insurance, and cultural, educational and public health facilities. The building of small towns to serve as political, economic and cultural centres in rural areas and as a vital link between urban and rural

economies is a major policy aim in China at present, but one whose full realisation will require a great deal of hard work and perseverance.

Urban employment

How is the urban employment problem to be solved? By expanding production in the early 1950s enough jobs were created to absorb the 4 million who had been unemployed under the old regime and a large number of new labour force entrants. By 1957 the total urban working population in China had reached 32,050,000, more than twice the 1949 figure of 15,330,000. So why was it that later on, especially just after the Cultural Revolution, so many city-dwellers were out of a job? There were several reasons for this. (1) For a long time nothing was done to control population growth, with the result that in the 1970s and early 1980s the urban labour force has been rising by 3 to 4 million a year through natural growth alone. (2) During the ten years (1966-76) of the Cultural Revolution, when the country's economic, cultural and educational infrastructure suffered unprecedented damage, many avenues to employment and higher learning for secondary-school leavers were blocked. More than 17 million graduates were sent to the countryside from the cities, while more than 13 million peasants came to seek work in the cities. After the policy of sending educated young people to the countryside was revised in 1978, many returned to the cities and needed work, thus compounding the employment problem of urban jobseekers. (3) The irrational focus of industry and ownership greatly restricted job opportunities. Although heavy industry and state-run enterprises were unable to absorb all the new entrants to the labour force, for a long time little attention was paid to the expansion of light industry, handicrafts, commerce, catering and other services, thus hampering the development of non-state collectives as well as self-employment and private sideline activities. (4) The focus of secondary-school education was ill-suited to the economy's needs. The number of ordinary secondary schools was disproportionately larger than that of vocational secondary schools (98.8 per cent of secondary-school students in 1976 were attending ordinary schools and only 1.2 per cent were attending vocational schools). Consequently many junior and senior high-school graduates lacked the vocational skills necessary for employment. (5) Passive reliance on the State for employment was encouraged by the centralised placement system under which all jobs were assigned by the state labour departments, and no one was allowed to find one for himself.[4]

Since the Third Plenary Session (1978) of the Central Committee elected by the Eleventh Congress of the Chinese Communist Party resolute efforts have been made to correct these mistakes. A number of principles, policies and measures have been adopted to reinvigorate the economy, promote production and open up more avenues to employment. All have produced tangible results. Their essential features are described below.

Implementing a policy of long-term coexistence of diversified forms of enterprise, subject to the predominance of socialist public ownership. The Government has adopted a policy of encouraging and supporting the development of collective and private enterprises. For example, laws and regulations have been introduced that provide for loan facilities, the sale of workshop equipment at reduced prices, the removal of supply, production and marketing bottlenecks, and income tax exemptions for the first two to three years of production. Thanks to such government support, both urban collectives and individual enterprises have made considerable progress. By the end of 1983 the total number of manual and non-manual workers in urban collectives had reached 27,440,000, a net increase of 6,960,000 over the 20,480,000 employed at the end of 1978, and their share of all employees in state and collective enterprises (115,150,000) had risen to 23.8 per cent. By the end of 1983 there were 2,310,000 self-employed people, or 14 times as many as in 1978 after the overthrow of the Gang of Four.

Developing light industry, commerce, catering and other services. The Government has increased the proportion of capital investment in light industry from 12.6 per cent of total industrial investment in the Fifth Five-Year Plan (1976-80) to about 20 per cent in the current Sixth Plan (1981-85). As a result, the number of manual and non-manual workers employed in light industry has grown significantly. Between 1979 and 1983 the total net increase of workers in all industries was 8,700,000, two-thirds of whom were employed in light industry and one-third in heavy industry. According to a survey conducted in Shanghai, every 100,000 yuan of capital investment permits heavy industry to employ eight persons, state-owned light industry 22, and clothing collectives 75. Thus, for the same capital outlay light industry not only produces important consumer goods but provides many more jobs than heavy industry.

As a result of the growing emphasis on the development of commerce, catering and other services in recent years, by the end of 1983 the number of stores, restaurants and services of all kinds in cities and towns had mushroomed to 2,217,000, which was 1,807,000 more than at the end of 1978, and their total workforce had reached 8,884,000, an increase of 5,310,000 over the same period.

Still greater attention, however, needs to be given to the development of the tertiary sector as a whole since, although much has been achieved, employment in this sector still accounts for only about 15 per cent of the total, compared with as much as 60 per cent in some developed countries. There is clearly great potential for employment in this sector.

Implementing the policy of "combining three employment channels". Under the Chinese system of unified state planning and control, people can find jobs through labour bureaux, by joining together to form a collective enterprise, or by setting up their own business. This policy of "combining three employment channels" has met with considerable success throughout

the country. Between 1979 and 1982, 24 million people found jobs in cities and towns. Of these, 12,334,000, or 51.4 per cent, were employed by collective enterprises, and 990,000, or 4 per cent, started their own business. In 1983 an additional 3,860,000 people found jobs, of whom 58 per cent were employed by collective enterprises or set up in business on their own.

A key role is played here by the labour bureaux that have been introduced to replace the centralised placement system for urban jobseekers. Some of these bureaux were established with funds allocated by provincial labour departments. Others have been set up by factories and non-profit-making or administrative institutions, and are intended mainly for finding jobs for children of their employees and for surplus personnel. The functions of those established by labour departments are (i) to register and help to place urban jobseekers and give them the necessary guidance for that purpose; (ii) to assist jobseekers in organising collective enterprises or in setting up their own businesses; (iii) to supply labour to state or collective enterprises; (iv) to provide vocational training for jobseekers; and (v) eventually to employ surplus workers from factories and serve as a labour force "reservoir". By the end of 1983 China had more than 23,900 labour bureaux in all, which had placed, trained and provided temporary jobs for 5,700,000 people.

Strengthening vocational training and assisting young jobseekers to acquire technical skills. According to surveys covering some 40 million skilled workers in China, 70 per cent are below the third grade (average skilled worker), while those in the highest grades (seventh or eighth) make up only 2 to 3 per cent of the total. The relatively low level of skill revealed by these figures naturally inhibits the improvement of labour productivity. We therefore have an imperative need for a properly constituted vocational training system suited to our conditions so that workers may receive necessary training before and during their employment, with redundant workers having access to retraining. One reason for the low skill level is that up to now a bare 10 per cent of secondary-school leavers in China have gone on to higher education; the remaining 90 per cent have had to look for work (in 1982, out of 3,106,000 secondary-school leavers, only 315,000 were enrolled by institutions of higher learning). This, coupled with the inadequacy of vocational training at the secondary-school level referred to earlier, resulted in the anomalous situation where many jobseekers were unable to find employment because they lacked the vocational skills required and many vacancies could not be filled for lack of applicants with suitable qualifications.

To remedy this the Government is conducting a pilot reform of the structure of secondary-school education with a view to transforming some ordinary secondary schools into vocational schools so that more students will have access to the necessary vocational training. Meanwhile, pending a major reform of the system, graduates of ordinary secondary schools can attend

crash courses run by factories, non-profit-making institutions, labour bureaux and social organisations in order to improve their technical qualifications and hence their chances of getting a job. On completing the courses the trainees have, as we said above, a choice between the "three employment channels".

The employment problem of surplus workers is dealt with mainly in three ways: (i) they may be assigned other work in the subsidiary production companies set up by the enterprise employing them; (ii) they may be given training for a new job by the enterprise or the competent authorities; and (iii) they may be transferred by the competent authorities or local labour departments to another enterprise in need of their skills.

In tackling the problem of providing employment for urban jobseekers, we will continue to foster the coexistence of enterprises under different forms of ownership, vigorously develop the production of consumer goods by light industry and handicrafts, accelerate the development of commerce, catering and other services, and consistently follow the policy of "combining three employment channels" so as to place labour market entrants to the best possible advantage. We will continue to be guided by the principle that workplaces should employ a small but efficient workforce and should do everything possible to ensure the most suitable placement of surplus workers.

Our national economy has now embarked on a road of healthy development. Successful efforts have been made in the field of family planning and sound policies and measures have been adopted to promote employment. There is every reason to believe that China's urban employment problem will gradually be solved.

II. Wages

Wage policy in China is based on the principle that a rational system of remuneration will both enhance the workers' motivation for work and boost productivity. Increases in general wage rates are determined by the Government on the basis of the overall growth in production. Actual earnings usually depend on the individual worker's output, technical skills and other criteria.

Since the founding of the new China workers' wages have increased considerably as the national economy has grown. The average annual cash wage of an employee in a state-run enterprise was 865 yuan in 1983, an increase of 94 per cent over the 446 yuan in 1952, and a real increase of 32.5 per cent after allowing for the rise in the cost of living over the same period. These rates of increase average out at 2.2 and 0.9 per cent a year (compound) respectively. The average annual per capita family income available for living expenses[5] was 526 yuan in 1983, well over twice the 1957 figure of 235 yuan and a real increase of 67.3 per cent; each urban worker

supported an average of 3.29 persons in 1957 and only 1.71 persons in 1983.

Early in the First Five-Year Plan period (1953-57) the irrational and confusing wage system inherited from the old regime was reformed in line with the socialist principle of distribution "from each according to his ability, to each according to his work". There are now eight grades in the pay scale for most manual workers in state-run enterprises and seven grades for manual construction workers. Textile workers have a special wage scale based on the specific jobs they perform. A blue-collar worker in the highest grade earns about three times more than one in the lowest. The wage scale for white-collar workers and technicians comprises more than ten grades. The best paid senior technician earns about three times as much as the best paid blue-collar worker.

Government employees also have a hierarchical pay scale in which the highest wage is 12 times more than the lowest wage in the case of administrative personnel and nine times more in the case of technical personnel.

Most employees in state enterprises are paid on time rates plus bonuses, though piece-rate wages are paid to workers in some enterprises and jobs. Government regulations provide for various kinds of allowance for employees working in arduous or unhealthy conditions (such as miners) or in outlying districts (geological surveyors in the field, construction workers, head-teachers in primary and secondary schools, etc.), as well as subsidies for workers in very remote areas where conditions are hard and prices are higher than normal.

Pay scales for workers in urban collective enterprises are laid down by the provincial, municipal or autonomous regional government, those in the larger collectives being patterned on the pay scales of state enterprises, while those in the smaller collectives vary according to their specific conditions. The wages of workers in a small number of the more profitable collective enterprises are comparable with or even higher than those paid in state enterprises, but most are lower. In 1982 the average annual wage of urban collective employees was 671 yuan.

The present wage system in China, which was in large part established in 1956, has undeniably helped to promote the development of the national economy. However, because of the disastrous influence exerted by "leftist" ideas, the damage caused by the ten years of turmoil of the Cultural Revolution and the constantly changing economic and social conditions over the past 20 years, the drawbacks of this system have become more and more apparent. The shortcomings of "eating out of the same big pot" have yet to be overcome: the principle of payment according to work has not been successfully applied, workers' incomes are not closely linked to production and marketing results, wage administration is overcentralised, enterprises do not enjoy the necessary autonomy, wage rates for different grades frequently overlap and the forms of remuneration are not commensurate with the

characteristics of production and work. The past emphasis on egalitarianism must be corrected if we are to enlist the workers' enthusiasm and accelerate the development of production and construction. The present wage system must therefore be reformed, and indeed a detailed plan has already been worked out. Its stated aim is to "implement the principle 'to each according to his work' and overcome egalitarianism so as to link the income of workers and employees closely to the enterprise's economic performance and to their own contribution to production".

The key provision of the reform where state enterprises are concerned is that, starting in 1985, the wage fund of large and medium-sized undertakings will be closely tied to their economic performance. For example, the wage fund of an ordinary industrial (especially manufacturing) enterprise will vary according to the taxes or profits remitted to the State; that of a single-product enterprise according to its volume of sales; that of the transportation industry according to tonnage carried or miles covered; that of the construction industry according to the value of finished work; and that of the coalmining industry according to the tonnage of coal produced.[6] The ratio of the wage fund to the indicator of economic performance is to be set by the authority immediately responsible for the enterprises concerned. If the total wage fund exceeds the previous year's by 7 per cent, a so-called wage regulation tax is imposed. The enterprise has complete autonomy in choosing the appropriate distribution of its wage fund. Government organisations and non-profit-making institutions are required to adopt a structured pay system made up of four components: a basic or "floor" wage, seniority pay, bonuses and – the main component – the specific rate for the post in question. These systems are still at an early stage of implementation and will need to be constantly evaluated and improved in the light of experience.

III. Social security and welfare

In 1951 the Government promulgated 'the Labour Insurance Ordinance,[7] which now covers most wage and salary earners in public, private, and joint public and private enterprises. At roughly the same time similar regulations were adopted for civil servants and other government employees. All full-time wage and salary earners in the enterprises and establishments covered by these statutory provisions are insured against old age, illness, childbirth, injury, disablement and death. The management or owners of the enterprises coming under the labour insurance scheme defray the entire cost of the various benefits, except as specified below.

Retirement. The regulations provide that workers may retire on an old-age pension when they have completed a certain number of years of service. The retirement age is 60 for male workers (with 25 years' service, including ten years' continuous service in the enterprise), 55 for female white-collar workers and 50 for female blue-collar workers (with 20 years' service,

including ten years' continuous service in the enterprise). Persons who have worked for many years high above or far below ground level, in extremes of temperature, or in jobs injurious to health may retire five years before the normal retirement age. On the other hand, academic, scientific and research personnel may retire later: associate professors and associate research fellows may continue to work until the age of 65 and professors and research fellows until the age of 70. Pensions range from 60 to 75 per cent of the worker's final wage according to his length of service. They may be increased by 5 to 15 per cent for especially meritorious workers, which is to say they could reach 90 per cent.

Illness. Chinese wage and salary earners enjoy free medical care, which means that all the costs of medicines, diagnosis, physiotherapy, surgery and hospitalisation are paid by the State or the enterprise. Enterprises also defray half of the medical expenses of their employees' direct dependants. Workers on sick leave receive between 40 and 100 per cent of their normal pay according to length of service.

Disablement. Workers who are totally disabled as a result of an employment injury may retire on a disability pension (ranging from 60 to 80 per cent of the final wage). If the total disablement is not caused by an employment injury the worker is entitled either to a retirement pension if he is aged 50 (45 for women) and has ten years' continuous service in the enterprise or, if not, to a disability pension amounting to 40 per cent of the final wage (which can be increased to 60 per cent in certain circumstances), subject to a minimum of 20 yuan a month. Hence any worker who is totally disabled, whether the injury was met with at work or not, is entitled to a pension for life. A person who is partially incapacitated but is able to work is provided with suitable employment by the enterprise and is paid a disability allowance in proportion to the reduction of working capacity.

Death. The enterprises cover all the funeral costs for deceased wage and salary earners and pay survivors' pensions to the family dependants of the deceased.

Childbirth. Female employees are entitled to 56 days of maternity leave on full pay (70 days for dystocia or twins).

The social security system has played an important role in ensuring that workers enjoy good health and in providing the old, sick and disabled with a basic livelihood to help tide them over difficulties. Yet while it has done much to stimulate workers' enthusiasm for work and strengthen their belief in the socialist system, it still leaves much to be desired.

First, it does not meet the requirements of the policy encouraging the coexistence of various forms of enterprise or the need for reforms in the employment system since part of the workforce in collective enterprises and all self-employed persons in cities and towns are excluded from its coverage. And there is no pension scheme so far for contract workers and temporary personnel.

Second, some of the provisions covering employees in state-run enterprises are inadequate, and benefits for civil servants differ in some respects from those for factory workers. For instance, enterprises bear half the medical expenses of their employees' immediate family members, while government bodies and non-profit-making institutions do not; on the other hand, sickness benefits and funeral grants are higher for employees in government departments and institutions than for factory workers.

Third, the decentralised system of administration and the fact that enterprises bear sole responsibility for their employees' retirement pensions make for inflexibility in adapting to changing circumstances.

There is thus an evident need to reform the social security system. How is this to be done? Generally speaking, in implementing such a reform we must make allowance for the fact that China is a country with a large population and a weak economic base, give due consideration to the respective interests of the State, the community and the individual, and try to strike a balance between short-term and long-term interests. Coverage will have to be extended step by step to all workers, in the cities as in the countryside, through a variety of insurance schemes designed to cope with different situations. It will be necessary to introduce by gradual stages a more specialised system of social security administration and to transfer responsibility for it to the State. Our main task now is to create favourable conditions and formulate programmes for experiments in selected areas with a view to the introduction of social security schemes for employees of urban collective enterprises, contract workers and self-employed workers who so far have not been covered by the basic insurance scheme.

The workers' welfare system in China provides for the following benefits: (i) allowances for family visits, travel to work, and for families with special difficulties; (ii) welfare facilities such as canteens, day nurseries and bath-houses; and (iii) housing subsidies. The regulations on family visits provide that married workers living in different towns or regions are entitled to an annual 30-day leave on full pay to meet their spouses, and unmarried workers to an annual 20-day leave to visit their parents. The travelling costs are covered by the employer. Married workers living together but far from their parents are entitled to a family leave on full pay to visit their parents every four years; part of the travelling cost is paid by the employer. Workers in large cities who have to travel more than 2 kilometres to work by public transport or by bicycle are entitled to a transport allowance, and those living in cold areas receive a heating allowance in winter. Wherever feasible, most enterprises, government bodies and institutions have set up their own canteens, day nurseries and bath-houses. Housing subsidies are also a major component of the social welfare system. The amount of rent paid by workers takes up only a very small part of their wages and is insufficient to cover the costs of repairs and administration, which are borne by the State, as is the cost of construction.

Social welfare programmes designed to make the worker's everyday life easier and help him to overcome problems he may not be able to solve alone

are fundamental to our socialist system. Since the founding of the new China much has been done to better the worker's lot. But because China is a country with a large population and a low level of economic development, the well-being of its workers cannot be improved overnight but only step by step. At the same time, however, there is considerable room for improving the social welfare system as it stands at present. For one thing, welfare programmes for a long time have been run solely by enterprises, which not only has placed an additional financial burden on them but has created inequalities in many cases. In some the workers enjoy extensive welfare services, including day nurseries, canteens and housing, whereas in others none of these facilities is readily available. Studies are now being carried out with a view to creating propitious conditions for broadening the social basis of welfare programmes, which should not be run by enterprises alone. Until this can be accomplished, however, it is essential that enterprises should continue to operate and where necessary improve such programmes for their workers. Where conditions permit, these facilities should also be opened to the public at large.

Concluding remarks

During the 36 years since the founding of the People's Republic of China, the Government has made great strides in promoting employment, raising wages and improving workers' social security benefits. Such progress would have been impossible under the old regime. However, because of the rapid growth of population and past mistakes in economic policy, the development of the national economy and the improvement of people's living standards have failed to reach the desired level. The result is that China is still a developing country: production is backward, the national income is not high and labour productivity is low. Even by the turn of the century, when the gross national product is expected to be four times its present level, our per capita national income will only be a little over US$800 per annum. This is to say that we must make unrelenting efforts to catch up with the advanced countries in terms of both economic development and people's living standards.

With the focus of the economic reforms now shifting to urban areas, China has entered a new stage of development. The keynote of these reforms is to make enterprises more efficient, more go-ahead, more self-reliant. What this means in terms of state policy is that the scope of mandatory plans should be reduced and that of indicative planning widened. The duties and powers of the government organisations should be separated from those of the enterprises, which should be allowed more freedom of action. The reform of the employment and wage systems should proceed in accordance with the overall reform of the economic system. In employment, we should get rid of the bad practice whereby a person once hired will never be fired. As for wages, the debilitating effects of egalitarianism and an overcentralised system

of administration must be removed so as to improve labour productivity by mobilising the enthusiasm, initiative and creativeness of both enterprises and employees.

The reform of the economic system will create good prospects for the development of the national economy and the raising of people's living standards. Thanks to increased productivity and improved economic efficiency, the employment problem will be satisfactorily resolved, wages will be steadily increased and workers will receive better material assistance from society and the State in old age and in times of illness or disability, as is the basic right of every citizen under the Constitution.

Notes

[1] This figure of 6 million includes workers recruited from rural areas by various industries under the unified planning system, graduates from institutions of higher learning, specialised secondary schools and vocational schools, who will be assigned to jobs by the State, and also the 3-4 million newcomers joining the labour force as a result of natural population growth.

[2] Under the responsibility system a "production team" – which is a subdivision of the commune consisting of a number of households and "owns" the land, major items of capital equipment and the larger farm animals – enters into a contract with individual peasants, groups or households under which the latter are responsible for producing a given quota of output for sale to the State. Under the most widely practised type of contract (with households) the contracting households have complete access to and control over the land, which is divided among them on an equal per capita basis. Each household is required to pay a share of the team's taxes and make a contribution to its accumulation, welfare and reserve funds. Any output above the targeted quota for sale to the State is retained by them. For a detailed description of the system see A. R. Khan and E. Lee: *Agrarian policies and institutions in China after Mao* (Bangkok, ILO Asian Employment Programme (ARTEP), 1983), Ch. 3.

[3] In April 1985 there were 2.82 yuan to the US dollar.

[4] See Feng Lanrui and Zhao Lükuan: "Urban unemployment in China", in *Social Sciences in China* (Beijing), Mar. 1982, p. 127.

[5] This is income after deduction of the cost of servicing debts, supporting parents and buying presents for friends and relatives.

[6] These are not of course the sole criteria. Thus an industrial enterprise also has to meet requirements regarding product quality and variety, production cost, safety and fulfilment of contracts; failure to do so will negatively affect its wage fund. This gives enterprises an incentive to pursue higher profits within a framwork of *overall* economic efficiency.

[7] See *Legislative Series* (Geneva, ILO), 1951 – Chin. P.R. 1.