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Session 28

Labor Market Reform: Tough, But a Must-do

Time: 15:45 - 17:00, March 25th, 2017

Venue: ICC, Level 1, Dong Yu Grand Ballroom B

Moderator:

-QIN Shuo, Founder, Commercial Civilization Research Center of China & Chin@Moments

Panelists:

- Paolo BORZATTA, Senior Partner, The European House - Ambrosetti
- FAN Gang, Director, National Economic Research Institute; Member of the Monetary Policy Committee, People's Bank of China
- LI Yang, Former Vice President, China Academy of Social Sciences
- Jonathan WOETZEL, Senior Partner, McKinsey
- Ajit RANADE, Senior President & Chief Economist, Aditya Birla Group
- Takashi SHIRAIISHI, President, National Graduate Institute for Policy Studies (GRIPS), Japan



Key points:

- The Industrial Revolution 4.0 will bring a great challenge and change to the labour market. In the future, part of the human work will be done by highly intelligent robots.
- The short-term and long-term problems coexist in China's labour market. The short-term problems include excess capacity. Some workers will lose their jobs due to capacity cut. The long-term problem is related to AI and automation and still waits for further study.
- China has already been an aging society and like other countries faces the problem of labour shortage.
- There is serious misallocation of resource in many regions of India.
- Japan's labour market faces two challenges.

Synopsis:

Both developed economies and emerging markets face the labour market reform, an inevitable yet sensitive issue. Since 2012, China's working-age population have been continuously declining, which means accelerated aging and gradual reduction in the demographic dividend. The fast increase of the labour cost leads to the outflow of the manufacturing industry. The *Labour Law* governing companies has reduced the mobility of labour in some degree. How to reform the labour market, improve the productivity, and increase the labour mobility and labour participation rate have been topics discussed by the participants.

Great Challenges and Changes the Industrial Revolution 4.0 Will Bring to the Labour Market

Paolo BORZATTA noted that the Industrial Revolution will bring the labour market great challenges and changes: first, the human-machine interaction or the machine-machine interaction should be paid attention to; second, more effective robots will replace human labour; third, in the



future new skills which haven't been understood now yet, will be necessary,.

Paolo BORZATTA said three points should be emphasized when making the *Labour Law*: first, human-machine interaction should be approved and promoted; second, rational understanding of the current changes should be encouraged; third, psychological assistance should be offered to help people accept the fact that part of the human work will be done by high intelligent robots.

China's Labour Market Faces Multiple Serious Problems

FAN Gang pointed out that there are multiple serious problems in China's labour market: the advanced *Labour Law* has reduced the labour mobility and increased the labour cost, while the issue of migrant workers is related to the urbanization as well as the social policy.

FAN Gang noted that the short-term and long-term problems coexist in China's labour market. The short-term problem is the excess capacity, where some workers have to lose their jobs during the capacity clearance. The long-term problem is about AI and automation and still waits for further study.

China Faces increased Labour Shortage

LI Yang pointed out the serious problems in China's labour market: first, the working-age population account for a decreasing proportion in the total population; second, China's labour market has the structural problem, such as the coexistence of difficult recruitment faced by companies and difficulty in college students' employment; third, well-trained technical workers account for a decreasing proportion; fourth, the social status of the workers is a problem; fifth, the aggravated aging requires inter-period resource allocation. The main mechanism of inter-period allocation is the financial mechanism, so we need a more developed insurance market and social security market.



Aging is A Challenge to the World as Well as China

Jonathan WOETZEL noted that similar to other countries, China also faces the labour shortage. Now China has been an aging society. Aging is a challenge to the world as well as China.

Jonathan WOETZEL said that if the current trend in aging continues, the production efficiency of the society will decline. Countermeasures include longer working hours, accumulation of more money and conception change. And one option is technologies' entering the market. According to the recent research, about 50% of the current work could be done by technologies in the coming 20 to 40 years. Another option is to allow more women enter the labour market, which has to overcome obstacles in education, social security as well as transportation infrastructure.

Labour Resource Mismatch in India

Ajit RANADE said that a paradox in India's labour market is graduates' employment difficulty coupled with companies' recruitment difficulty. This is due to the serious resource mismatch in many regions of India.

Ajit RANADE pointed out that only 10% of Indian labour forces now work in the departments covered by the *Labour Law*, while the rest 90% work in industries without any organization to which the *Labour Law* is not applicable. Among them, half work in the agricultural industry and thus live a self-sufficient life, or are self-employed and are not restricted by the *Labour Law*. So the *Labour Law* cannot solve all problems.

Japan's Labour Market Faces Two Challenges

Takashi SHIRAISHI said that Japan's years of efforts to solve the problem in the labour market hasn't worked until recently. There are two reasons: first, workers in factories and the service industry are protected with equal pay for equal work; second, lower-income workers could receive the re-training provided by the government. Moreover, Japan spends 20% of GDP on the



medical insurance. In the coming 20 years, China will also pay more attention to this input.

Takashi SHIRAISHI pointed out that there are two main challenges in Japan's labour market: first, the past education pattern will not work any longer and creation of a life-long education system is very necessary; second, the young generation's expectation should be changed. Young Japanese used to believe that after graduation, they could work for a big company or get a good job and work until retirement; or they could work as accountants, lawyers or doctors and live in comfort for life. But it is not true.