

Testimony before the  
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Subcommittee on Fiscal Responsibility and Economic Growth  
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“Defending and Investing in U.S. Competitiveness”  
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Chair Warren, Ranking Member Cassidy, distinguished Members of the Committee. Thank you for the opportunity to appear before you today to discuss China’s working conditions, gender discrimination at the workplace, and ongoing problems in the implementation and enforcement of China’s labor and employment laws.

As the director of the International Institute at the University of Michigan (UM), and the former director of the Lieberthal-Rogel Center for Chinese Studies, I would like to acknowledge the important support that I personally have received and that our centers at UM have received from the United States government as a grantee of the Department of Education’s Title VI Awards to promote expertise in area/international studies and world languages. As a two-time recipient of a Fulbright award, I am deeply aware of the importance of area studies knowledge, language expertise, and time in the field to complete academic research. At the University of Michigan, we have five National Resource Centers (Title VI), and six centers are recipients of the Foreign Language and Area Studies (FLAS) fellowships for language training. We train the next generation of scholars, area specialists, foreign policy experts with this funding. I hope the USG will continue to invest in training American students and scholars in area studies and world languages. It is a national security imperative that we maintain and cultivate this expertise.

My testimony will discuss these key findings:

- Over the course of the last two decades, China’s workplace laws and policies have expanded considerably to improve employment security and access to social insurance.

Since 2009, the Chinese government has expanded basic pension and medical insurance to both rural and urban residents.

- However, laws and policies 'on the books' are weakly enforced. They often leave out workers from rural areas, informal workers, and workers in the new digital economy. New social insurance policies based on residency, not employment, are shallow and insufficient.
- Income, health, and educational inequalities between rural and urban citizens threaten China's shift to a new development model that is built on domestic demand and consumption. Short-term gain by cutting employers' costs risks long-term damage to China's ambitions to become a technologically advanced and innovative economy.
- An ongoing crackdown on civil society and social activism has impaired Chinese workers' ability to protect themselves. Labor NGOs, lawyers, and other social activists have been targeted in waves of crackdown to silence grievances and social mobilization.
- In light of new concerns about China's demographic challenges, the Chinese government has relaxed its restrictive population policies. Women are now encouraged to have two children, but face increasing discrimination at the workplace and lack access to affordable early childcare.
- There is ample evidence that in addition to forced detention in re-education camps, China's Muslim minorities are also being forced to work in factories or other worksites located nearby. Forced labor in the Xinjiang Uyghur Autonomous Region has been linked to global supply chains.

## **Background on Workplace Protections and Social Security in China**

Nine years ago, nearly to the day, I gave testimony to a hearing on Working Conditions and Workers Rights in China for the Congressional Executive Commission on China. Re-reading that testimony as preparation for today provided me with a stark reminder of how much China has changed since 2012. It is a wealthier and more powerful country, but it is also far more closed and politically repressive than it was then. The new labor and social security laws of 2008 and 2010 have failed to deliver their promises of increased employment security and closing income and social security gaps between rural and urban workers. Social activism around workplace protections, better conditions and wages has also been nipped firmly in the bud. Lawyers and labor activists have been detained. Student activists have been harassed and tormented. Nascent civil society organizations and legal aid centers have shuttered. Social activism now brings accusations of treasonous behavior. The nationalistic administration of Xi Jinping has painted these experiments as foreign attempts to destabilize China.

The previous administration of Hu Jintao and Wen Jiabao championed policies of redistribution and social protection. From 2008 until 2012, China's National People's Congress passed several laws to enhance workplace rights, employment security, and access to social insurance and to simplify the dispute resolution system for labor disputes. The Hu-Wen administration also expanded China's social insurance system by developing new pension and medical insurance programs for rural residents and expanding urban programs for the unemployed and those working in the informal sectors. Coupled with the new legal protections in the 2008 Labor Contract Law, these laws and policies significantly expanded the rights "on the books" for Chinese workers. For the first time, the Chinese government began to offer social welfare to its rural residents who at the time still made up over 60% of the entire population.

The Hu-Wen Administration was also relatively tolerant of social mobilization that advanced their policy goals. There was much greater political openness toward social and legal activism by civil society, including labor NGOs, cause lawyers, and university-run legal aid clinics. The Chinese media was often openly sympathetic toward the plights of workers and covered stories about industrial unrest, corporate malfeasance, and workplace disasters. To be clear, repression and crackdowns still occurred, but in comparison to today's China, there was much greater latitude for civil society actors to advocate for change and to use social mobilization and media attention to gain public support. In sum, there were both top-down and bottom-up levers to improve China's income equality, investments in human capital and social security (Gallagher 2017).

### **How China's Weak Laws and Social Security Net Threaten its New Development Model**

This period of relative political openness and legislative activism ended as Xi Jinping took office in 2013. By the following year, Xi's government had launched a series of crackdowns on social activism, including the 2014 crackdown on labor activism, the July 2015 crackdown on lawyers, and the 2018 crackdown on activist students. The 2008 Labor Contract Law has been weakly enforced such that the main goals of the law, to reduce informality and improve workers' access to social insurance, have been completely thwarted. Rozelle and Boswell (2021) find that informal employment increased from 144 million workers in 2013 to 227 million workers in 2017. At the same time, formal employment has fallen slightly from 181 million workers to 176 million workers. Many of the informal workers are in China's burgeoning digital and platform economies, such that the most dynamic part of the Chinese economy is not held to its legal standards for workplace conditions (Lei 2021; Liu and Friedman 2021).

These developments should be of great concern to the Xi government because these policy failures undermine the new economic development model championed by Xi Jinping and his administration. This new economic model is premised on boosting domestic consumption and relying on China's internal markets to foster new economic growth that is less reliant on both government investment and export markets (Blanchette and Polk 2021). It is also premised on human capital improvements and education inclusion such that the Chinese workforce can withstand the transition away from labor-intensive manufacturing toward more skills-intensive/capital intensive manufacturing and services. These goals have only intensified in importance with the downturn in US-China bilateral relations and the 2018 trade conflict.

The academic research on the advancement of informality demonstrates that the Chinese workforce continues to be bifurcated between the relatively well-off and secure formal workforce in cities and the less well-off, less secure informal workforce in rural areas and among the rural workforce temporarily residing in cities. Informality is also a problem for older workers and for workers in China's dynamic digital and platform economies. This problem of informality continues and deepens despite central government policy pronouncements for nearly 20 years to close the gap (Rozelle and Boswell 2021; Yang 2021; Rozelle and Hell 2020; Gallagher et al 2015; Kuruvilla, Lee and Gallagher 2011).

Research by Scott Rozelle and his research team has also found that work-related inequality and the need for long-term temporary migration by parents has also left a generation of left-behind children who face significant educational and health inequalities, which will have knock-down effects on the next generation of rural residents. So little of these problems are known outside of China that Rozelle and Hell's book on the topic is entitled "Invisible China" (Rozelle and Hell 2020).

In addition to the inequalities between China's urban and rural populations, these challenges thwart the Chinese government's goal of using urbanization to boost economic growth and consumption. Rural migrants overwhelmingly do not have the education or skills to find formal employment in China's cities (Rozelle and Boswell 2021). Yet formal employment is the key to accessing China's much more generous employment-based social insurance programs that mostly are out of reach for China's rural population (Yang 2021; Huang 2015). Formal employment is also the key to legal residency in cities, which can ensure access to better educational opportunities for the children of migrant workers and more reliable healthcare. Permanent legal residency in cities, through household registration (hukou) transfer, is also the key to intergenerational social mobility. And yet, despite the importance of formal employment

to China's future development, the number of people employed in the formal sector has stagnated while informal employment is growing rapidly.

### **China's Demographic Challenges and Rising Gender Discrimination**

During the first three decades of China's "reform and opening" (1978-2008), rapid economic growth was fueled in part by favorable demographics. China's working population was large in proportion to both dependents and the elderly. It was also overwhelmingly rural and poor. Once internal migration restrictions were lifted, rural migrants could leave the countryside for China's booming cities and development zones. Year after year, hundreds of millions of rural migrants poured into cities and kept wages extremely low. Labor-intensive manufacturing, global trade liberalization, and supply chain consolidation with other Asian economies produced a Chinese growth miracle. This miracle would not have been possible without China's rural migrant workforce (Roberts 2020).

By 2021, China's demographic dividend had disappeared. Population aging and a rapid decline in the birth rate, accelerated by China's restrictive "one child policy", have now produced an unprecedented demographic crisis and imbalances of both age and sex. Due to these restrictive population policies and a traditional preference for male children, boys continue to be born at a far higher rate than girls (Ljunggren 2021). China's demographic structure, especially its rapid aging and declining fertility, pose significant challenges to its future growth and to the sustainability of its pension and social insurance systems.

To address these problems, the Chinese government lifted the one child policy in 2016, allowing each family to have up to two children. After it became clear that this relaxation did not arrest the decline in fertility, in 2021 the Chinese government further expanded the birth quota to three children. It also pledged to improve childcare and workplace policies for families. However, research on China's demographic crisis and its impact on women, both as mothers and workers, has shown that these more generous population policies are unlikely to reverse China's extremely low fertility rate. Gender discrimination at the workplace, expensive and scarce childcare, particularly for infants and toddlers, and economic concerns about the costs of raising children to adulthood all contribute to young women's reluctance to have children (Zhang, Hannum, and Wang 2008; Zhou 2019; Wallace 2020).

As with other labor and employment issues, social mobilization and activism around gender issues have become more sensitive during the Xi administration with several crackdowns on activists and movements (Hong Fincher 2020). Most recently, the online accounts of groups

advocating for LGBT rights in China were removed from Chinese social media platforms. In April 2021, accounts of women activists and organizations were also removed. Xi Jinping has put greater emphasis on the role of women as wives and mothers to encourage family values and greater propensity to marry and have children (Deng 2021). It remains to be seen whether the government will also develop concrete policies to supply early childcare that is affordable and to deter employers from rampant discrimination against women of child-bearing age.

### **Forced Labor in the Xinjiang Uyghur Autonomous Region**

The problem of forced labor in the Xinjiang Uyghur Autonomous Region (XUAR) is a separate and distinct problem. The forcible detention of China's Muslim minorities in re-education and "vocational training" camps has been well documented by academic researchers and the media (Smith Finley 2019; Roberts 2020; Milward and Peterson 2020). Both the detentions and the related occurrence of forced labor are policy choices to assimilate China's Muslim population (Lehr and Bechrakis 2019). The government envisions participation in factory or agricultural work as a mechanism to foster assimilation and to reduce religiosity among its Muslim citizens. The government has targeted a wide range of religious and cultural practices as indications of extremism or propensity for extremism. Engaging in these practices are reason enough to be involuntarily detained in the camps. Engaging in work, Chinese language study, and political indoctrination are all part and parcel of a campaign to dilute Uyghur cultural identity and to assimilate Muslim citizens into the dominant Han majority (Zenz 2019). As with other forms of forced labor that have been used by the Chinese Communist Party for decades, labor is seen as an important component of an individual's transformation into a new kind of citizen - patriotic, obedient, and hard-working for the collective goals of the nation. Despite foreign condemnation of these practices and fears of cultural genocide, the Chinese government has defended these policies as necessary to reduce threats of domestic terrorism.

Forced labor in cotton and solar panel production in XUAR has implicated the supply chains of many multinational corporations (Lehr and Wu 2021). Some foreign companies have found themselves caught between external condemnations of the Xinjiang camps/forced labor and Chinese public opinion that is overtly supportive of the Chinese government policies. When H&M, a large Swedish apparel company, expressed concern about the use of forced labor in cotton production in Xinjiang, it faced a Chinese consumer boycott, was dropped from some app stores and online retail platforms, and rejected by some Chinese celebrities who cut ties with the brand (BBC 2021).

The forced labor issue in Xinjiang underlines important challenges that foreign governments and corporations must increasingly confront. Both the camps themselves and related forced labor demonstrate the widening gap in the conception of human rights between the Chinese government and much of the rest of the world. Involuntary and extralegal detention of China's own citizens on a mass scale is now justified by the government and, apparently, supported by a wide swathe of Chinese society. Corporations must consider the reputational costs of producing in China and the economic costs of arousing the ire of the Chinese government and public.

## Recommendations

In China's current political environment, foreign support for Chinese civil society can backfire because foreign support is construed as evidence of an external plot to foment social instability. It is also increasingly difficult for journalists and academic researchers to have access to China. However, there are steps that can and should be taken to support our values and promote pluralism and inclusion.

- The United States should invest in our infrastructure and in our workforce to compete in the global economy. This includes education and a social security system that provides for illness, injury, and old age. Access to affordable childcare is also essential. While China falls short in many of these areas now, it has already made impressive investments in its infrastructure and technological base. In labor and social policy, it has at least developed the legal and policy framework to make future improvements. We ignore these achievements at our peril.
- Support freedom of expression and freedom of association, domestically and abroad.
- As supply chains in China become more fraught with risks, of both rampant human rights violations in Xinjiang, and national security risks elsewhere, the United States should invest in trade partnerships with other countries that share similar political values and commitments to human rights and labor rights.

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