

The Principle of Tripartism in China, the United Kingdom and the United States: A Case in Labour Relations

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Abstract: The tripartite principle is a fundamental principle adopted in various types of pluralistic societies to adjust the conflicting interests of labor and capital. Also it is one of the long-standing international labor standards advocated by the International Labour Organization (ILO). It is the fundamental structure of labor relations in market economies in the West and an indispensable model of adjustment in the socialist market economy system with features unique to China. The tripartite principle seeks to improve communication, remove misunderstandings, negotiate dispute resolutions, and expand prospects for consensus among governments, employers' organizations, and workers' organizations. Based on the three nations' respective unemployment rates, the following conclusions were reached. In the past, the inception, changes, and development of the tripartite principle have relatively eased labor-capital relations in countries such as China, the UK, and the US. Since the 1980s, the deepening of economic globalization has brought changes to the economic structures of three countries and has also made their relations closer. The major effect of the government's numerous policy changes has not been substantial, and stable labor relations are essential to keeping unemployment rates low. To foster social stability and economic growth in the future, the tripartite concept will need to be continuously modified to keep up with contemporary trends.

Keywords: labor relations, international comparison, tripartite mechanism

1. Introduction

Labor relations can be defined as the complex and multi-dimensional relationship between workers, employers, and the state, encompassing various aspects such as employment contracts, working conditions, wages, industrial conflicts, and the role of labor unions [1]. Macroeconomically speaking, labor relations are a kind of relationship that permeate a nation's production and distribution sectors. These relationships have a big influence on the country's finances, thus the government must take various steps to address them. Therefore, labor relations and the issues that arise from them are often referred to as "industrial relations" in Western capitalist countries, but they are also known as "labor relations" in China. Labor relations, or industrial relations, have three main subjects: the state, labor, and capital. The terms labor-capital relations and industrial relations are interchangeably used in the text that follows. The collective bargaining mechanism is a major tool for managing labor-capital relations from the viewpoints of both labor and capital. From the perspectives of both labor and capital,

the collective bargaining system is a primary means and method of handling labor-capital relations. From the perspective of the state, labor legislation and labor inspection departments, the former being crucial legal norms in industrial relations, and the latter being supervisory mechanisms as well as the judicial procedures for resolving labor disputes. The tripartite consultation among capital, labor, and the state is the only formula in the international perspective under economic variables. Tripartite consultation refers to all exchanges between the state (usually represented by the government), employers, and workers on formulating or implementing social policies, including the state's employment policy, wage policy, and social security system. Tripartite consultation describes any discussions on developing or executing social policies, such as the state's employment policy, wage policy, and social security system, that take place between the state (often represented by the government), employers, and workers. One could say that one can get a glimpse of the characteristics of a nation and an economic system by investigating the origins, present state, and future prospects of the tripartite concept. With China serving as a representative of the Chinese perspective and the United Kingdom and the United States serving as representatives of Europe and America, respectively, this study explores the development and comparative analysis of labor relations under two different systems. The analysis is framed within the context of the tripartite principle, facilitating an international discourse on the subject.

2. Evolution of Labor Relations

Industrial relations policies have a long history in Western industrialized countries. With the development of market economies and the evolution of labor-capital relations, the need for coordination in labor relations gradually emerged. During the first and second industrial revolutions, when capitalism was still in its infancy, it dominated all facets of production, operation, management, and distribution, leaving workers with very few rights and status. As a result of the working class's impromptu organization of boycotts and strikes in opposition to the harsh exploitation, labor unions were born. Owing to the widely accepted free competition theory in nations such as America and Britain, governments enacted laws supporting free market operations, allowing bosses to brutally repress workers. For many years, this unjust tripartite arrangement existed, which made disputes between bosses and employees more intense [2]. Meanwhile, labor unions, aimed at safeguarding workers' rights, clandestinely grew stronger.

During this period, China was in a state of semi-colonial and semi-feudal society, facing profound national crises. With the formation of the tripartite principle's subjects yet undefined, the entry of Western capital to China resulted in the collapse of manual labor and small-scale farming as well as the establishment of industrial relations in a developing state.

3. Traditional Labor Relations Systems

3.1. Western Market Economies in the UK and the USA

The coordination mechanism of the tripartite principle can be traced back to the mid-19th century. After the industrial revolution, as the level of social productivity increased, political democratization progressed, and the workers' movement became active, Western governments recognized that the disorderly state of labor-capital conflicts would lead to a decline in production activities and chaos in social order. Therefore, both Britain and the USA changed their industrial relations policies, actively intervening by enacting laws concerning labor relations in various industries, fairly handling labor disputes, and regulating the behavior of both parties. In the 1920s, many European countries faced post-war inflation difficulties. To accelerate post-war reconstruction and resolve labor disputes, some tripartite consultation mechanisms were established to facilitate cooperation between employers and unions. Following World War II, revolutionary enthusiasm erupted in both America and Europe, and

labor union movements spread quickly throughout the world. Concessionary social reform policies were implemented by governments in response to political pressure from Eastern European societies. This was done in order to prevent union-employer conflicts from getting worse, which led to the absorption of labor demands, the adoption of full employment policies, and the establishment of social security and welfare systems. The labor-capital power structure underwent a dramatic upheaval during this time, and the government's preference shifted from employers to employees. The development of the tripartite mechanism owes much to the efforts of the ILO. In 1944, the ILO issued the "Philadelphia Declaration," redefining the goals and purposes of the ILO, stating that the ILO has a "solemn obligation... to promote... all plans for cooperation between workers and employers in formulating and implementing social and economic measures." In 1960, the "Recommendation on Consultation and Cooperation at the National and Industry Levels between Public Authorities and Employers' and Workers' Organizations" (No. 113) was passed, recommending that countries establish tripartite consultation mechanisms at the national and industry levels. In 1976, the "Tripartite Consultation to Promote the Implementation of International Labour Standards Convention" (No. 144) was adopted, promoting the tripartite principle as an international labor standard to be implemented in various countries [3].

Under government regulation, the conventional labor relations system offered a rather stable balance, with trade unions playing a major promotion role and the government taking the lead. In the USA and Britain, the tripartite principle's application has resulted in robust economic growth and social stability.

3.2. China's Socialist Market Economy

Compared to the relatively straightforward linear economic changes driving labor relations in Western industrialized countries, the political, social, and economic transformations in early Republican China were complex, making it difficult to interpret the changes in labor-capital relations from a single dimension. The ties between the state, one of the objects of the tripartite principle, and the Kuomintang, the Communist Party, warlords, labor, and capital have always been fluid. The impact of the political endeavors of both parties on the labor-capital power balance was not uniform. The identities of labor and capital were not immediately separated when China's economy and society first underwent the modern industrial transformation, moving from self-sufficiency to reliance on modern industries. When it came to industrial construction, the labor force as a whole also took on the role of capital in the market. Given that labor growth and advancement were somewhat dependent on industrial development, labor relations were primarily focused on capital and labor cooperation, while also revolving around numerous labor-capital conflicts, reflecting the immaturity of the capitalist economy in its infancy. From 1924 to 1927, the Kuomintang and the Communist Party cooperated in the national revolution, launching frequent workers' movements to strike against the Beiyang government, leading to the establishment of the All-China Federation of Trade Unions in 1925. It is worth noting that China's labor-capital balance was not brought about by the scientific nature of the tripartite consultation system; on the contrary, due to the entanglement between the Kuomintang and the Communist Party, with the state power in turmoil, and facing internal and external challenges, both parties were forced to share the same fate. The requirements for state transformation and development compelled both parties to promote labor-capital cooperation, striving to achieve union construction and safeguard workers' welfare. The weakness of both capital and labor, coupled with the protection of the state government, prevented the emergence of labor-capital conflicts, resulting in astonishing harmony in China's labor relations. To have a better understanding of the circumstances at the time, consider the following quote from Yun Daiying's speech: "We all know that China is not yet in the days of violent struggle between labor and capital; strictly speaking, China does not yet have a few capitalists; similarly, it cannot yet be said to have

workers."[4]. China experienced a golden age of national economic development between 1927 and 1937, which cannot be primarily explained by cooperation or by the superiority of the tripartite principle.

4. The Impact of Globalization on Labor Relations

The beginning of the globalization process is a topic of differing opinions. Some argue that capitalism has always been a global system [5]. Starting in the 1980s, the technological revolution quietly arrived, significantly reducing the costs of transportation and information dissemination, accelerating the globalization process of capital and financial markets. The freedom of capital movement allows capital to more freely choose cheap labor, relaxed trade environments, and complete infrastructure. They seek new markets on the vast world stage in pursuit of greater profits. In doing so, capital fully exercises its subjectivity to attack government regulations, citing high labor costs as a pretext to demand tariff reductions, relaxed regulations, reduced social welfare expenditures, and limitations on wage growth. With the threat of capital outflow, they dominate collective bargaining, suppressing the power of labor unions. In the tripartite connection, capital might be said to have reclaimed its role as the controller. Capital employs withdrawal as a threat when negotiating with recipient countries, which are usually developing nations with cheap labor. It demands a broad investment climate that is advantageous to itself and may even undermine the local wage system. Given that labor-capital ties are no longer confined to a single country, it is clear that the conventional methods for changing these relations have failed. The imbalance of the tripartite principle in one country negatively affects others, leading to a severe blow to the traditional labor-capital relations pattern. Economic globalization affects every country. The relatively balanced labor-capital relations system under government guidance faces fragmentation. Globalization makes the dominant position of capital evident, and implementing the tripartite principle poses new demands on government regulatory measures.

The collective bargaining system was once the primary means for unions to uphold workers' rights, supported by compulsory legislation. For example, wage increases, shorter working hours, and improved welfare benefits were achieved through collective bargaining. However, now, capital's advantage in relocation forces unions to abandon negotiations, shifting from industry-level to enterprise-level agreements with individual employees. In order to preserve jobs, most workers choose to compromise with their employers. As a result, labor's strength has continuously declined and capital has stripped unions of their ability to engage in collective bargaining. A new kind of labor-capital relationship emerged in the UK in the 1980s, marked by the acceptance of bargaining and conciliation as standard procedures. The right to propose decisions and the need for majority agreement (negotiation) are both included in the "no-strike agreement," but management has the final say over decisions (conciliation). Without a question, British unions made an attempt in a challenging situation. The labor market is global for capital. Nike, the biggest shoe firm in the United States, discovered that labor costs in China and Vietnam were two-thirds lower than those within their own nation. However, laborers find it difficult to move between countries, leading to conflicts and disputes in the labor world. Developed countries such as the UK and the USA blame China and other developing countries for exacerbating their unemployment. Surprisingly, on labor standard issues, unions, as worker representatives, hold the same views as their own governments, temporarily replacing the class conflict with conflicts of interest between nations. The tripartite principle is reasserting its role in effective agreements in the UK and the USA, with the government leaning towards capital, labor supporting the government, and industrial relations dominated by capital to uphold national interests, all while serving political purposes.

5. The Evolution and Differences in Unemployment Rates among Three Countries

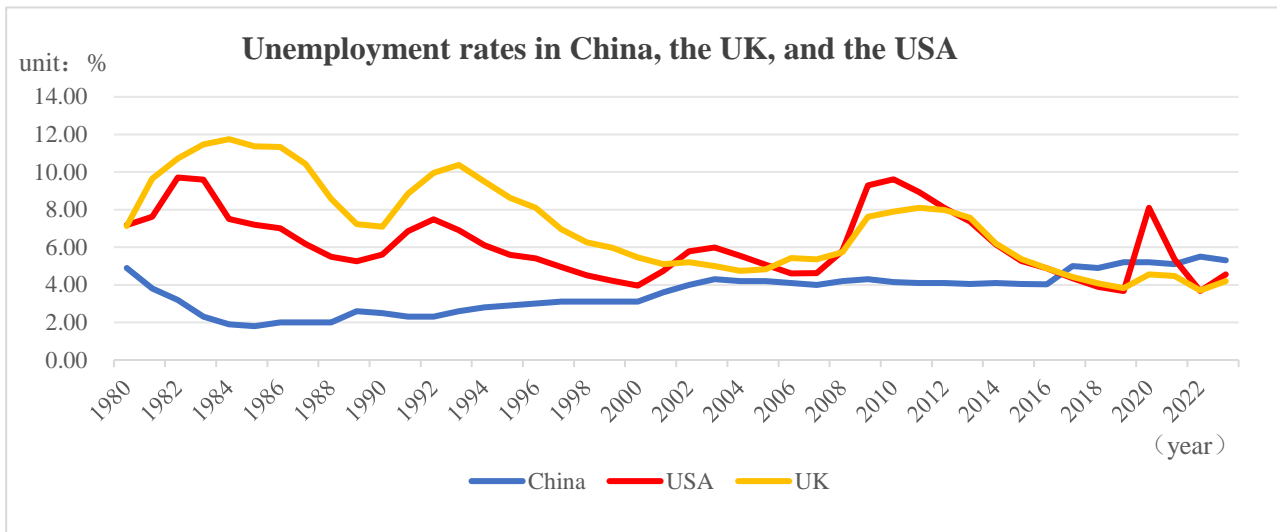


Figure 1: Unemployment rates in China, the UK, and the USA

According to Figure 1, data for the United States comes from the Bureau of Labor Statistics. The data for China and the United Kingdom comes from the International Monetary Fund. China is represented by the blue line, the United States by the red line, and the United Kingdom by the yellow line. The unemployment rates of China, the United States, and the United Kingdom have shown different trends over the past few decades.

China's tendencies are entirely different from those in the United States and the United Kingdom, which have been nearly identical with notable swings. China has demonstrated a characteristic of being initially comparatively high, generally low, and shifting higher due to its distinct economic development route. China established a planned economy in the 1980s and 1990s. The labor market saw substantial changes as the planned economy was gradually supplanted by the market economy as reform and opening up advanced. From the 1980s to the 1990s, China implemented a planned economic system. With the deepening of reform and opening up, the market economy gradually replaced the planned economy, leading to significant changes in the labor market. During this period, although there were urban unemployment issues, the overall unemployment rate remained relatively stable at a low level due to the transfer of rural labor and the advancement of urbanization. Among them, these rural laborers became a large disadvantaged group who are referred to as "migrant workers". Their marginal status made it difficult for them to find a sense of belonging and identity in the cities where they lived. A series of economic, social, and cultural conflicts became increasingly prominent [6]. Due to the labor-intensive nature, low technological content, and single source of income of rural laborers, their only interest was in labor remuneration. They frequently moved between different job positions. One may argue that the labor-capital conflicts were momentarily overshadowed by the job demands of rural laborers, and concerns like the absence of welfare benefits, denial of vacation and rest rights, and unjust compensation went unaddressed. Rural laborers are the engine of urban development and have played a crucial role in China's urbanization and rise to prominence. As such, they are now considered essential to the advancement of urban economies. The labor-capital problems have been exposed once more by China's significant changes, and the tripartite principle is currently undergoing a lengthy maturing process.

Observing the blue line, it is noted that the unemployment rate surged by more than 4% in 2001. This significant increase can be attributed to China's accession to the World Trade Organization (WTO) in the same year, which marked the country's integration into the global economic and trade

system. Consequently, the government began to establish the tripartite consultation mechanism as the primary approach to resolving labor relations issues. Up until 2016, the government, recognizing its role in appropriately regulating social needs and coordinating labor relations, ensured the stability of the unemployment rate. For instance, during the 2008 global financial crisis, China experienced a minor increase in unemployment. Proactive employment strategies, however, were put into place, including steps to protect jobs, enhance industrial structure, and strengthen labor laws and regulations. These steps lessened economic unrest, escalated conflicts, and stopped the jobless rate from rising sharply. After the demographic dividend ended in 2016 and China's rapid economic growth phase came to an end, the country's jobless rate started to hover above 5%, surpassing that of the US and the UK for the first time since 1980. It is predictable that China would soon experience the same difficulties that Western industrialized countries have faced in the past.

Since the 20th century, the tripartite principle has emphasized dialogue, communication, and negotiation among the government, employers, and workers. This principle assists the government in formulating more scientifically sound employment policies, promoting the increase of job opportunities, and enhancing the quality of employment. Consequently, it provides significant assurance for the control and reduction of China's unemployment rate.

According to the graph, the UK and the US experienced relatively high unemployment rates in the 1980s, reaching peaks in 1984 and 1982 at 11.75% and 9.71%, respectively. The impact of globalization on Western countries led many entrepreneurs to invest and establish factories overseas, with manufacturing companies being particularly prominent. Statistics show that in the 1950s and 1960s, US manufacturing accounted for about 30% of its total foreign direct investment (FDI), which increased to over 40% by 1970, reaching 41.5% in 1980, 41.1% in 1985, and 41.7% in 1989 [7]. The significant investment of funds by the manufacturing industry overseas inevitably reduced domestic investment in the US, resulting in a relative decrease in domestic manufacturing factories and a sharp decline in basic manufacturing jobs. The UK experienced deindustrialization for similar reasons. After World War II, people pursued a peaceful and simple suburban life. Some people preferred long-term unemployed since the UK's strong unemployment protection system did not have a major impact on the workforce when they lost their jobs. Furthermore, once a business hired labor, it could not simply fire them, which made hiring more employees a risky decision. Due to their "different economic interests," Harry Katz and Thomas Kochan specifically outlined the underlying conflict of interest that exists between labor and capital. During this time, the tripartite principle was not used by the government, businesses, or employees to address the most important labor relations problem, which is balancing the interests of all three sides. This was the main cause of both countries' high unemployment rates [8]. During the period from 1988 to 1990, the unemployment rates in the United Kingdom and the United States declined. This was mainly due to government policies aimed at stimulating the economy, supporting emerging industries, and creating new jobs through technological innovation, all of which helped to promote economic recovery. However, these measures soon proved ineffective, leading to a resurgence in unemployment rates, especially reaching a second peak in 1992. In 1993, during Bill Clinton's first presidency, efforts were made to break the long-standing deadlock in labor policy. A national committee called the "Future of Industrial Relations Commission," also known as the Dunlop Commission after its chairman John Dunlop, was established to revamp America's labor policies, enhance competitiveness, and improve living conditions for workers [9]. The committee's work validated the effectiveness of the tripartite principle in the U.S. economy, leading to a gradual decrease in the country's unemployment rate and a reduction in labor-management conflicts, contributing to sustained economic improvement. By the 21st century, both the United Kingdom and the United States had reduced their unemployment rates to below 6%. In 2000, the U.S. unemployment rate reached its lowest point at 3.97%, consolidating America's global economic dominance. In contrast, the UK's unemployment rate remained around 5%, possibly

due to perceptions that the European labor market was "too rigid, overly regulated, and too costly," which hindered labor market fluidity and led to prolonged high unemployment rates [10]. However, the global financial crisis that began on Wall Street in 2008 caused a sharp increase in unemployment rates in both the United States and the United Kingdom, reaching approximately 10% and 8% respectively. This situation persisted until 2012 when unemployment rates began to decline.

6. Conclusion

It is important to remember that, whereas in the past, the development and modifications of labor-capital relations adjustment mechanisms in Western countries were mostly domestic matters, the current state of affairs underlies globalization. The safeguarding of workers' rights and the adjusting of labor relations in developing nations will be directly impacted by the transnational growth of labor-capital relations in rich nations. The issue of "social clauses" has already highlighted this point. Looking at the evolution of labor-capital relations in developed capitalist countries, it is not difficult to see that the role of government is very important and unique in the field of labor-capital relations. In the process of globalization, both labor-capital relations and the role of government are undergoing changes. This prompts people to observe and study the changing trends in the field of labor-capital relations in developed countries, draw experience from them, and find countermeasures in the process of constructing a labor relations adjustment mechanism in China that is suitable for market economy and globalization development.

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