

# The Labor-Management Council System in Taiwan

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## I. Introduction

Implementing the Labor-Management Council is one of the ways to enforce “labor participation” in Taiwan. One of the goals of “labor participation” is to allow the workers to participate in the decision-making process in the enterprises. Currently, there are six kinds of labor participation systems<sup>1</sup> in Taiwan. However, implementation of these systems is not effective due to some reasons. There is no doubt that an effective labor participation system could achieve the best interests of both employers and employees. It has been an established government policy in Taiwan to promote the labor participation system, especially the Labor-Management Council system. The government has declared relevant policies and enacted related laws to promote the Labor-Management Council system. Nevertheless, the outcome is still dissatisfactory. This paper discusses the Labor-Management Council system in Taiwan by covering historical background, current situation, governing laws, effect and impact, recommendations for future development of the system. Hopefully, it would provide a comprehensive profile, find the ways to fix the flaws, and improve efficiency of the Labor-Management Council system in Taiwan.

## II. The Historical Background and Current Situation of The Labor-Management Council System

### A. HISTORICAL REVIEW

The Labor-Management Council system can trace its history back to 1929, the year that the *Factory Act* was enacted. Under the *Factory Act*, the Factory Councils were established to promote collective bargaining. However, the Factory Councils were not effective at the first beginning because of political turmoil. In 1950, Taiwan government announced the “Current Political Policy” which comprised two labor parts. One was to promote labor-management cooperation based on mutual interests of employees and employers. The other was to allow employees to participate in decision-making process and to provide suggestions concerning labor welfare. The Factory Councils did not operate formally until the government set up a “Supervision Committee to Promote the Factory Council” in 1955. Given that implementation of the Factory Council system was fair under

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<sup>1</sup> The current labor participation systems in Taiwan include the following schemes:(1)The Labor-Management Council system; (2)The collective bargaining system; (3) The Employee Welfare Committee system; (4) The Labor Safety and Health Institute system; (5) The Labor Retirement Fund Supervisory Committee system; (6)The proposal for quality control circle system.

the supervision of the aforementioned Committee, the government laid down the *Factory Council Enforcement Regulation* in 1956. The *Regulation* provides rules for election of the Factory Council representatives, scope matters of the Factory Council, and presentation of council agenda. The government amended the *Regulation* to improve the labor-management relations in 1981. Although it has been a firm policy for the government to promote and support the Factory Council system, the system did not work well. There are two main reasons for the Factory Council system's failure.<sup>2</sup> One is employers' old-fashioned attitude. Many employers were against the idea of workers' participation. Those employers were therefore unwilling to establish or support the Factory Council system. The other reason is workers' lack of sense. For most workers at that time, wage raise was something they cared the most at the workplace. As a result, most workers were not aggressive to participate in employers' management matters. Moreover, many workers had a belief that workers' welfare shall be fought by unions, rather than the workers themselves. In other words, many workers expected that unions would improve labor welfare by involving in the Factory Councils' activities. The fact is that unions never played an aggressive role in the Factory Council system, and the system by no means performed pervasively or effectively in Taiwan.<sup>3</sup>

Given that the Factory Council system did not work well, a new system was created as the *Labor Standards Act* was enacted. The *Labor Standards Act* was implemented in 1984. According to the *Act*, a business entity shall hold a Labor-Management Council to coordinate labor-management relations, promote labor-management cooperation and increase work efficiency. The rules for calling such meetings shall be drawn up by the Council of Labor Affairs in concert with the Ministry of Economic Affairs, and then reported to the Executive Yuan for approval.<sup>4</sup> Under this provision, it shall be mandatory for all the business entities regulated by the *Labor Standards Act* to hold Labor-Management Councils. With the authorization provided by section 83 of the *Labor Standards Act*, the government laid down the *Regulations for Implementing the Labor-Management Council* which provides regulations for holding the Labor-Management Council in 1985. The labor participation system in Taiwan is therefore transformed from the Factory Council era<sup>5</sup> to the Labor-Management Council era<sup>6</sup> after the enforcement of the *Regulations for Implementing the Labor-Management Council*.

## B. CURRENT SITUATION

The Labor-Management Council has become an important channel for employers and employees to negotiate and cooperate with each other since the enforcement of the *Labor Standards Act*. The current structure of the Labor-Management Council is to enable employers and employees to discuss various subjects related to the labor-management relations, to reach a resolution based on majority consent, and to improve working conditions. According to government statistics, 28,953 business entities had established their Labor-Management Councils at the end of 2010. Of these entities, 505 were public

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<sup>2</sup> Chen-Kung Huang, Jen-Chun Wong, and Chia-Ho Lin, *A Study on the Improvement of the Labor-Management Council System in Taiwan from the Perspective of the Labor-Management Council System in Germany*, the Council of Labor Affairs of the Executive Yuan, p.6, 2010.

<sup>3</sup> Kuang-Hao Fang, *A Comparative Study of the Labor-Management Council System in the US and Taiwan*, p.64, 2009.

<sup>4</sup> Section 83 of the *Labor Standards Act*.

<sup>5</sup> The scope of the Factory Council System is confined to factories only.

<sup>6</sup> The scope of the Labor-Management Council system covers all the business entities regulated by the *Labor Standards Act*.

and 28,448 were private (see Table 1).

**Table 1: The Growth of Labor-Management Council in Taiwan from 1986 to 2010**

	Public sector	Private sector	Grand total	Growth rate
End of 1986	464	—	464	—
End of 1987	460	—	460	—
End of 1988	700	—	700	—
End of 1989	835	—	835	—
End of 1990	806	—	806	-3.47%
End of 1991	851	—	851	+5.58%
End of 1992	430	484	914	+7.40%
End of 1993	440	492	932	+1.97%
End of 1994	473	497	970	+4.08%
End of 1995	457	523	980	+1.03%
End of 1996	458	536	994	+1.43%
End of 1997	451	562	1,013	+1.91%
End of 1998	491	561	1,052	+3.85%
End of 1999	547	749	1,296	+23.19%
End of 2000	646	1,297	1,943	+49.92%
End of 2001	684	1,933	2,617	+34.69%
End of 2002	630	2,071	2,701	+3.21%
End of 2003	552	2,364	2,916	+7.96%
End of 2004	1,260	4,553	5,813	+99.35%
End of 2005	1,446	5,358	6,804	+17.05%
End of 2006	429	7,065	7,494	+10.14%
End of 2007	441	16,166	16,607	+121.60%
End of 2008	466	21,649	22,115	+33.17%
End of 2009	492	23,672	24,164	+9.27%
End of 2010	505	28,448	28,953	+19.82%

Source: Labor Statistics Databank of the Council of Labor Affairs of the Executive Yuan, <http://statdb.cla.gov.tw/statis/stmain.jsp?sys=210&kind=21&type=1&funid=q05022&rdm=plC0jby9>, last viewed: 01/07/2012.

The statistics above show that only public entities followed the government policy to establish Labor-Management Councils at the beginning stage. Private entities started to organize Labor-Management Councils in 1992. The number of Labor-Management Councils in the private sector has grown significantly since 1990, reaching 7,065 in 2006 and 28,448 in 2010. Nonetheless, the percentage of private business entities that have established Labor-Management Councils was only 6.4%. (see Table 2).

**Table 2: The Percentage of the Private Business Entities Which Have Established Labor-Management Councils in Taiwan from 1990 to 2010**

	The grand total of private entities which had established the Labor-Management Councils	Total number of the private business entities covered by the <i>Labor Standards Act</i>	Percentage
End of 1991	851	141,848	0.60%
End of 1992	914	156,101	0.59%
End of 1993	932	166,465	0.56%
End of 1994	970	175,921	0.55%
End of 1995	980	171,158	0.57%
End of 1996	994	165,728	0.60%
End of 1997	1,013	167,869	0.60%
End of 1998	1,052	255,144	0.41%
End of 1999	1,296	357,278	0.36%
End of 2000	1,943	362,702	0.54%
End of 2001	2,617	360,800	0.73%
End of 2002	2,701	363,578	0.74%
End of 2003	2,916	377,116	0.77%
End of 2004	5,813	390,896	1.49%
End of 2005	6,804	415,701	1.64%
End of 2006	7,494	425,116	1.76%
End of 2007	16,607	427,907	3.88%
End of 2008	22,115	428,396	5.16%
End of 2009	24,164	436,453	5.54%
End of 2010	28,953	449,385	6.44%

Source: Labor Statistics Databank of the Council of Labor Affairs of the Executive Yuan, <http://statdb.cla.gov.tw/statis/stmain.jsp?sys=210&kind=21&type=1&funid=q05022&rdm=plC0jby9>, last viewed: 01/07/2012.

The statistics of Table 1 and Table 2 show that the growth rate and percentage of private business entities having established Labor-Management Councils have increased notably since 2000. This is because several statutes and regulations require documentation that Labor-Management Councils have been held.<sup>7</sup> Moreover, the *Labor Standards Act* was amended in 2002 to place new items, such as extended working hours, transformed working hours, and women's working at night, within the scope of Labor-Management Councils. For example, section 30(2) of the *Labor Standards Act* provides, “With the consent of a labor union, or if no labor union exists in a business entity, with the approval of the Labor-Management Council, an employer may distribute the regular working hours, referred to in the proceeding paragraph, of any two workdays within a two-week period, to other workdays, provided that no more than two hours shall be distributed to each of the other workdays. However, the total number of working hours shall not exceed forty-eight hours in any week.” Since the union organization rate in Taiwan has been low, employees in most business entities are not represented by unions. If such business entities plan to adopt the aforesaid “two-week transformed working hours” system, they must establish and operate Labor-Management Councils in accordance with section 30(2) of the *Labor Standards Act*.

If a business entity regulated by the *Labor Standards Act* has a need of extending working hours, it also has to obtain the approval from the Labor-Management Council if there is no union organized in the business entity. Since it is common for business entities to extend working hours in Taiwan, the total of Labor-Management Councils may be expected to grow. There is another important incentive for business entities to establish Labor-Management Councils. In view of the fact that it has been the government's policy to promote the operation of the Labor-Management Council system, Taiwan government has made it a requirement for business entities, which apply for trading on the stock market or over the counter, to establish Labor-Management Councils. As a result, the Labor-Management Council system shall become a common internal communication system for most business entities in Taiwan.

In fact, according to statistics provided by the Council of Labor Affairs, 95.89% of business entities that have held Labor-Management Councils believe that it is essential to continue the implementation of the Labor-Management Council system. The main reasons are “the Labor-Management Council system is beneficial for both employer and employees because employees would have more knowledge of management affairs through this system” (82.01%), “decrease of labor disputes because of implementation of the Labor-Management Council system” (80.72%), and “the employer has more understanding of employees' expectation because of the implementation of the Labor-Management Council system” (77.38%). Only 4.11% of business entities that have held Labor-Management Councils do not support their implementation. The main reason is “the resolutions made by Labor-Management Councils can not be enforced because their binding effect is weak.” (see Table 3).

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<sup>7</sup> For example, some provisions in the *Labor Standards Act*, the *Regulations for Implementing the Labor-Management Council*, and the *Employment Services Act* demands employers to present documents that can prove Labor-Management Councils have been held.

**Table 3: The Reasons to Support or Be Against the Implementation of the Labor-Management Council System**

<i>Reasons to Support the Implementation of the Labor-Management Council System</i>		<i>Reasons to Be Against the Implementation of the Labor-Management Council System</i>	
<b>Reasons</b>	<b>Percentage</b>	<b>Reasons</b>	<b>Percentage</b>
The Labor-Management Council system is beneficial for both employer and employees because employees would have more knowledge of the management affairs through this system.	82.01%	The resolutions made by Labor-Management Councils can not be enforced because of weak binding effect.	9.94%
Decrease of labor disputes because of implementation of the Labor-Management Council system.	80.72%	Employers refuse to be intervened by Labor-Management Councils by asserting their management rights.	1.54%
Employers have more understanding of employees' expectation because of implementation of the Labor-Management Council system.	77.38%	Employers fail to provide genuine opportunities for the implementation of the Labor-Management Council system.	2.06%
Employees are more willingly to accept and enforce company policies because of implementation of the Labor-Management Council system.	58.87%	The disparity between the union and the employees' representatives of the Labor-Management Council.	1.54%
Company's management becomes more reasonable because of implementation of the Labor-Management Council system.	62.9%	The employees' representatives only consider their own benefits, but disregard the employer's position.	0.77%
Other reasons.	1.29%	Other reasons.	1.26%

Source: Labor Statistics Databank of the Council of Labor Affairs of the Executive Yuan, <https://statdb.cla.gov.tw/html/svy94/9408menu.htm>, last viewed: 01/07/2012.

### III. The Laws Governing the Labor-Management Council System

#### A. ESTABLISHMENT

According to the *Labor Standards Act*, a business entity shall hold a Labor-Management Council to coordinate labor-management relations, to promote labor-management cooperation and to increase work efficiency. The government afterward laid down the *Regulations for Implementing the Labor-Management Council* with the authorization of the aforementioned provision. From the wording of the aforesaid provision of the *Labor Standards Act*, it is mandatory for every business entity to establish the

Labor-Management Council. However, a business entity will not be punished for not setting up the Labor-Management Council under the *Labor Standards Act*. It is therefore *de facto* optional for the business entity to establish the Labor-Management Council. Theoretically, if a business entity determines to establish the Labor-Management Council, it must establish the Council in accordance with the rules provided by the *Regulations for Implementing the Labor-Management Council*. The truth is that a business entity would not be punished for not establishing the Labor-Management Council, it would not be penalized either if it fails to organize and operate the Council in accordance with the *Regulations for Implementing the Labor-Management Council*.

Basically, a business entity shall establish only one Labor-Management Council. But if a business entity has branch offices, and the total of employees hired by the branch office exceed thirty, a separate Labor-Management Council may be convened by the branch office.<sup>8</sup>

## B. STRUCTURE

The structure of the Labor-Management Council is governed by the *Regulations for Implementing the Labor-Management Council*. According to the *Regulations*, the Labor-Management Council shall have an equal number of representatives from the employees and the employer. There shall be a number of two to fifteen representatives from each side in accordance with a total of workers employed by the business entity. If a total of employees hired by the business entity reach one hundred or more, the number of representatives from each side shall be no less than five.<sup>9</sup>

## C. ELECTION AND DESIGNATION OF REPRESENTATIVES

Employer's representatives of the Labor-Management Council shall be selected by the business entity from those who are familiar with business matters and well-versed in labor affairs in the business entity.<sup>10</sup> On the other hand, employees' representatives of the Labor-Management Council shall be elected by union members or union assembly if a labor union is organized in the business entity. Members of the general council as well as members of the supervisory council of a labor union in the business entity may be elected as the workers' representatives at the Labor-Management Council, provided that the number of such representatives does not exceed two thirds of the total of the employees' representatives.<sup>11</sup> If there is no labor union in the business entity, employees' representatives shall be elected directly by all the employees employed in the business entity.

Where the employees are represented by a union in a business entity, the election for employees' representative shall be conducted by the labor union. If no union is organized in a business entity, the business entity shall notify or request the employees to assign their representatives to conduct the election for employees' representatives.

A worker who has attained 16 years of age has the right to vote for employees' representatives.<sup>12</sup> A worker, who has attained 20 years of age and has continuously worked in the same business entity for one year or more, may be elected as an employees' representative in the Labor-Management Council. However, the first-level managers or

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<sup>8</sup> See section 2 of the *Regulations for Implementing the Labor-Management Council*.

<sup>9</sup> See section 3 of the *Regulations for Implementing the Labor-Management Council*.

<sup>10</sup> See section 4 of the *Regulations for Implementing the Labor-Management Council*.

<sup>11</sup> See section 6(1) of the *Regulations for Implementing the Labor-Management Council*.

<sup>12</sup> See section 7 of the *Regulations for Implementing the Labor-Management Council*.

supervisors who are authorized to oversee the employees on behalf of the employer are not eligible to be elected as employees' representatives.<sup>13</sup> Although there is no qualification restriction for the representatives, the individual's enthusiasm and experience generally would be considered when the representatives are elected or designated.<sup>14</sup>

Expenses incurred by the aforesaid election shall be borne by the business entity. The voting date for the aforementioned election shall be announced 10 days in advance. The government may assign personnel to provide necessary assistance.<sup>15</sup>

In case that a business entity has hired a vast number of employees, or the employees are employed in different departments which are distant from each other, the number of representatives for each department may be divided and elected respectively in accordance with the number of employees employed in each department.<sup>16</sup>

Where the number of female or male workers accounts for more than one half of the total number of workers employed in the business entity, the number of representatives elected from the female or male workers shall be no less than one third of the total number of employees' representatives in the Labor-Management Council.<sup>17</sup> As to employees who are not covered by *the Labor Standards Act*,<sup>18</sup> such employees still have the rights to elect representatives and to be elected as representatives.<sup>19</sup>

Not only the employees' representatives need to be elected, the substitutes for employees' representatives also have to be elected. The number of substitutes for employees' representatives shall not exceed the grand total of employees' representatives in the Labor-Management Council. In case that any position of employees' representative is vacant or any of the representatives is unable to perform his/her duty for some reasons, the substitute shall replace the position in due order.<sup>20</sup> If no more substitutes are available to fill the vacancy, a by-election shall be conducted.<sup>21</sup>

The substitute issue for employers' representatives is much simpler. In case that any position of employer's representative is vacant or any of the representatives is unable to perform his/her duty because of job reassignment, the employer shall appoint the substitute to replace the position.<sup>22</sup>

After all the representatives of Labor-Management Council have been elected or appointed, a report shall be made and delivered to the local government for registration within 15 days after the election or appointment. The same rule applies when replacement of vacant position, by-election, or reappointment occurs.<sup>23</sup>

### C. OPERATION

The term of office for each representative in the Labor-Management Council is three-year. The employees' representatives may be re-elected and the employer's

<sup>13</sup> See section 8 of the *Regulations for Implementing the Labor-Management Council*

<sup>14</sup> Kuang-Hao Fang, *supra* note 3, at 72.

<sup>15</sup> See section 9 of the *Regulations for Implementing the Labor-Management Council*.

<sup>16</sup> See section 5 of the *Regulations for Implementing the Labor-Management Council*.

<sup>17</sup> See sections 6(1) and 6(2) of the *Regulations for Implementing the Labor-Management Council*.

<sup>18</sup> An employee who does not fit in the definition of "worker" (a person who is hired by an employer to do a job for which wages are paid) under the *Labor Standards Act*, such employee is not covered by the *Act*, and therefore is not eligible for the rights provided by the *Act*.

<sup>19</sup> See *Taiwan Labor Management 2-0036547 Notice* issued by the Council of Labor Affairs of the Executive Yuan, Aug.10, 1999.

<sup>20</sup> See sections 6(3) and 6(4) of the *Regulations for Implementing the Labor-Management Council*.

<sup>21</sup> See section 10(3) of the *Regulations for Implementing the Labor-Management Council*.

<sup>22</sup> *Id.*

<sup>23</sup> See section 11 of the *Regulations for Implementing the Labor-Management Council*.



representatives may also be re-appointed. The term of office for the representative starts from the next day of the expiration date of the previous term. If the representatives fail to finish their term, the term of office of the new-elected representatives shall start from the next day of the election date.<sup>24</sup>

In order to strengthen labor-management relations and to protect workers' rights and interests, all the representatives of Labor-Management Council shall do their utmost to exercise the spirit of harmony and cooperation in the council.<sup>25</sup> Employer's representatives shall be responsible to the employer, and employees' representatives elected shall be responsible to all the employees for their respective opinions expressed in the council.

The chairman of the Labor-Management Council shall be either an employer's representative or an employees' representative. It takes turns generally. However, one representative from each side may be appointed to act as co-chairmen when it is necessary.<sup>26</sup> The Labor-Management Council may set up ad hoc committees to cope with relevant cases or important issues.<sup>27</sup> The Labor-Management Council shall be held at least once every three months. An ad hoc meeting may be convened when it is necessary.<sup>28</sup> During the meeting of the Labor-Management Council, individuals who are well-versed in the matters under discussion may attend the meeting to answer related questions with the consent of the council<sup>29</sup>

The meeting notice shall be delivered to all the representatives at least 7 days before the meeting date. The agenda of the meeting shall be delivered to all the representatives at least 3 days prior to the meeting date.<sup>30</sup> A meeting of the Labor-Management Council must be attended by a majority of the representatives from the employees' side as well as the employer's side. A resolution must be made after a consensus on certain issues is reached. If the representatives of Labor-Management Council fail to reach a consensus, a resolution may be passed with the approval from more than three fourths of the representatives present at the meeting. The representative who is unable to attend the meeting may provide written opinions.<sup>31</sup>

The minutes of the Labor-Management Council shall record the following items: <sup>32</sup>

1. the serial number of the meeting.
2. The time of the meeting.
3. The place of the meeting.
4. The names of the representatives and other participants.
5. The subjects to be announced.
6. The issues to be discussed and the resolutions to be made.
7. Suggestions.

The resolutions made by the Labor-Management Council shall be forwarded by the business entity to the labor union or to the relevant departments for implementation. If the

<sup>24</sup> See sections 10(1) and 10(2) of the *Regulations for Implementing the Labor-Management Council*.

<sup>25</sup> See section 12 of the *Regulations for Implementing the Labor-Management Council*.

<sup>26</sup> See section 16 of the *Regulations for Implementing the Labor-Management Council*.

<sup>27</sup> See section 15 of the *Regulations for Implementing the Labor-Management Council*.

<sup>28</sup> See section 18 of the *Regulations for Implementing the Labor-Management Council*.

<sup>29</sup> See section 14 of the *Regulations for Implementing the Labor-Management Council*.

<sup>30</sup> See section 20 of the *Regulations for Implementing the Labor-Management Council*.

<sup>31</sup> See section 19 of the *Regulations for Implementing the Labor-Management Council*.

<sup>32</sup> See section 21 of the *Regulations for Implementing the Labor-Management Council*.

resolutions can not be enforced, they may be proposed in the next meeting for further discussion.<sup>33</sup>

As to the regular council affairs, the business entity shall appoint staffs to take charge of relevant matters.<sup>34</sup> The expenses incurred by the Labor-Management Council also have to be borne by the business entity.<sup>35</sup>

#### **D. SCOPE OF MATTERS**

The scope of matters for the Labor-Management Council is initially regulated by the *Regulations for Implementing the Labor-Management Council*. According to the *Regulations*, the matters that the Labor-Management Council is allowed to deal with include the following items:<sup>36</sup>

##### 1. Declaration matters

- (1) On the enforcement of the resolutions made in the previous meeting.
- (2) On the labor movement.
- (3) On the production plans and the business profile.
- (4) On other relevant matters.

##### 2. Discussion matters

- (1) On issues pertaining to promotion of the labor-management relations and labor-management cooperation.
- (2) On issues relating to working conditions.
- (3) On issues concerning labor welfare plans.
- (4) On issues regarding improvement of productivity and efficiency.

##### 3. Suggestion matters

When the matters discussed in the meeting of the Labor-Management Council are regarded as “suggestion matters”, such matters are not required to be resolved during the meeting. The representatives may bring up issues such as working environment, manufacture problems, workplace safety, and provide suggestions to resolve these issues in the meeting. There is no limitation on the nature of suggestion matters. As long as the matters can enhance the employees’ participation, and the suggestions offered by the representatives can become reference resources for employer’s policy-making, any matter may be discussed.<sup>37</sup>

The management subjects of the business entity are also regarded as suggestion matters. If the management subject is regarded as discussion matter, such subject shall not only be discussed, but also be resolved. In other words, resolutions must be made for such matters. If that is the case, the management autonomy of the business entity will be unduly intervened. In order to guarantee the employer’s management autonomy, the management subjects of the business entity are regarded as suggestion matters. Nevertheless, the line of management subjects is not utterly clear in practice. For example, when an employer decides to bring in new manufacture equipments, introduce new human resource system, transfer personnel, or discharge employees, these decisions look like business subjects from the appearance. The employer is thus not obligated to discuss these matters with the representatives in the meeting of the Labor-Management Council. The employer only has

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<sup>33</sup> See section 22 of the *Regulations for Implementing the Labor-Management Council*.

<sup>34</sup> See section 17 of the *Regulations for Implementing the Labor-Management Council*.

<sup>35</sup> See section 23 of the *Regulations for Implementing the Labor-Management Council*.

<sup>36</sup> See section 13 of the *Regulations for Implementing the Labor-Management Council*.

<sup>37</sup> Kung-Hao Fang, *supra* note 3 at 73.

to declare these decisions in the meeting of the Council. Nonetheless, employees' cooperation still may be needed in some cases when the employer intends to enforce his/her management policy. In case that the employees' collaboration is needed, the employer's management decisions very likely will be regarded as the matters pertaining to the promotion of the labor-management relations and labor-management cooperation, and therefore still need to be discussed and resolved in the meeting of the Labor-Management Council. As a result, it can be said that the room for employees to participate in the policy-making process of a business entity is reserved under the design of the Labor-Management Council system.<sup>38</sup>

In order to intensify the function of the Labor-Management Council, Taiwan government has broadened the scope of matters for the Labor-Management Council by amending the relevant statutes and utilizing administrative regulations. Currently, holding the Labor-Management Council becomes an essential requirement for the following matters:

#### 1. Working hours arrangements and adjustments

The *Labor Standards Act* was amended in 2002. According to this amendment, the stipulation of regular working hours is shortened<sup>39</sup>; the provisions of deformed working hours are added<sup>40</sup>; The regulations regarding extending working hours<sup>41</sup> and the rules governing female employees' working at night are modified.<sup>42</sup> Under the aforesaid provisions, an employer shall not adjust or extend the working hours or demand his/her female employees to work between ten o'clock in the evening and six o'clock in the following morning unless the decision is made with the consent of a labor union. If no labor union is organized in the business entity, then the aforementioned decision must be made with the approval of the Labor-Management Council. Employers' violation of the provisions mentioned above shall be punished by an administrative fine of not less than NTDS\$20,000 but not exceeding NTDS\$300,000.<sup>43</sup> Since unions are not organized in most business entities covered by the *Labor Standards Act*, such employers have to establish and manage the Labor-Management Council in order to have more flexibility in working-hour

<sup>38</sup> Chia-Lin Wu, Corporate Governance and Labor Participation---An Examination of the Labor-Management Bargaining System, Thesis of Graduate Institute of Financial and Economic Law of Feng Chia University, p.71, 2009.

<sup>39</sup> Section 30(1) of the *Labor Standards Act* provides "A worker shall not have regular working time in excess of eight hours a day and eighty-four hours every two weeks."

<sup>40</sup> Sections 30(2) and 30(3) of the *Labor Standards Act* provide "With the consent of a labor union, or if there is no labor union exists in a business entity, with the approval of a Labor-Management Council, an employer may distribute the regular working hours, referred to in the preceding paragraph, of any two workdays in every two weeks, to other workdays, provided that no more than two hours shall be distributed to each of the other workdays. However, the total number of working hours shall not exceed forty-eight hours every week. With the prior consent of the labor union, or if there is no labor union exists in a business entity, with the agreement of a Labor-Management Council, an employer may distribute the regular working hours, referred to in the first paragraph, in every eight weeks, provided that the regular working time shall not in excess of eight hours a day and the total number of working hours shall not exceed forty-eight hours every week."

<sup>41</sup> Section 32(1) of the *Labor Standards Act* provides "When an employer has a necessity to have his /her employee to perform the work besides regular working hours, he/she, with the consent of a labor union, or if there is no labor union exists in a business entity, with the approval of a Labor-Management Council, may extend the working hours."

<sup>42</sup> Section 49(1) of the *Labor Standards Act* provides "An employer shall not make his / her female worker perform her work between ten o'clock in the evening and six o'clock in the following morning. However, with the consent of a labor union, or if there is no labor union exists in a business entity, with the approval of a Labor-Management Council, and the following requirements in each item are met, the preceding restrictions are not applied: 1. The necessary safety and health facilities are provided. 2. When there is no public transportation facilities available, transportation facilities are provided or dormitories for female workers are arranged."

<sup>43</sup> See section 79 of the *Labor Standards Act*.

arrangement.

## 2. Employment of foreign workers

Section 16 of the *Regulations on the Permission and Administration of the Employment of Foreign Worker* provides “In applying for a permit to recruit Class B Foreign Worker(s), an applicant employer shall submit the following documents: 1. Application form(s)...5. Certificates issued by the municipal city government or the counties/cities governments with respect to the following matters...(1) That reserve of employees’ pension has been transmitted to Workers’ Retirement Preparation Fund and the Workers’ Retirement Pension has been appropriated in accordance with the relevant laws and regulations... (5) That the Labor-Management Council has been held in accordance with the relevant laws and regulations...” Under the aforesaid provision, the employer who intends to recruit Class B foreign workers must provide the government document to prove that the Labor-Management Council has been held in the business entity. Without providing such document, employment of Class B foreign workers is impossible. Since employment of Class B foreign workers is very important for certain industries in Taiwan, holding the Labor-Management Council is therefore inevitable for such business entities.

## 3. Massive redundancy

According to section 4 of the *Protective Act for Massive Redundancy of Employees*, to implement massive redundancy of employees, the business entity shall, at least sixty days prior to the occurrence of any of the conditions in accordance with section 2 of the *Act*, inform the relevant officials of the government and other relevant agencies of its redundancy plan by a written notice. The written notice must be given to the union to which employees to be laid off belong in the sector or unit that is involved in massive redundancy in the business entity. If there is no union, then the written notice shall be given to the employees’ representatives of the Labor-Management Council. The business entity shall be fined for an amount of not less than NT\$ 100,000 but no more than NT\$ 500,000 for failure to submit the massive redundancy plan to the authority and relevant agencies. The government shall order such business entity to submit the written notice within a given time limit. If such business entity fails to comply with the government order, it shall be fined consecutively on a daily basis until the business entity complies with the law.<sup>44</sup>

Within ten days from the date of submission of the massive redundancy plan in accordance with the aforementioned provision, the employees and the employer shall negotiate in accordance with the spirit of autonomy. In case that the employees and/or the employer refuse to enter into negotiations or are unable to reach an agreement, the government shall, within ten days, invite the employees and the employer to form a Negotiation Committee to negotiate the terms of the massive redundancy plan, and to propose alternatives if appropriate.<sup>45</sup> The Negotiation Committee shall have five to eleven members, including one representative designated by the government and an even number of representatives designated by both the employees and the employer. The representative designated by the government shall act as the chairman of the Negotiation Committee. Representatives of the employer shall be designated by the employer, and the representatives of the employees shall be designated by the union. If there is no union, the

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<sup>44</sup> See section 17 of the *Protective Act for Mass Redundancy of Employees*.

<sup>45</sup> See section 5 of the *Protective Act for Mass Redundancy of Employees*.

representatives of the employees shall be designated by the employees' representatives of the Labor-Management Council. If there is neither union nor Labor-Management Council is available, the representatives of the employees shall be elected by all the employees in the sector or unit that is involved in massive redundancy in the business entity.<sup>46</sup>

Since the economy in Taiwan has declined in recent years, massive redundancy is unavoidable for some business entities. For business entities that have no other alternatives but to discharge employees in great numbers, holding a Labor-Management Council is essential in the process of massive redundancy when there is no union organized in the business entity.

#### 4. Labor inspection

The Council of Labor Affairs proclaims the *Labor Inspection Guidelines* with the authorization of section 6 of the *Labor Inspection Act*. Generally, the *Guidelines* are renewed once a year. The items need to be inspected are provided by the *Guidelines*. "Whether the Labor-Management Council has been held in the business entity" is one of the inspected items under the category of "working conditions matters".<sup>47</sup> Most business entities are extremely concerned for labor inspection in Taiwan. Numerous items need to be inspected during the labor inspection. The more items fail to pass the inspection, the more administrative fines it will be. It is therefore become another incentive for business entities to establish the Labor-Management Council.

#### 5. Application for trading on the stock market or over the counter

Although the Council of Labor Affairs has tried its utmost to promote the Labor-Management Council system, the result is still not satisfactory. Apparently, most business entities do not take this issue seriously. In order to promote the Labor-Management Council system, Taiwan government declared a new policy in 1999. For any business entity which intends to apply for trading on the stock market or over the counter, it must pass the scrutiny of Taiwan Stock Exchange Corporation or GreTai Securities Market. According to the standards set up for the aforesaid scrutiny, the following matters are taken into account for business entities which intend to apply for trading on the stock market or over the counter:

- (1) Whether the business entity has been fined for violation of the *Labor Standards Act* in recent three years.
- (2) Whether the business entity has established the Employees Welfare Committee, sets aside and allocates employees' welfare funds in accordance with the *Employees Welfare Funds Act*.
- (3) Whether the business entity has held the Labor-Management Council.
- (4) Whether the business entity has deducted a certain sum of money every month and has deposited the same amount in a special account as the reserve fund of retirement payment for employees.
- (5) Whether severe occupational accidents have occurred because the business entity fails to provide necessary safety and health installations

<sup>46</sup> See section 6(1) of the *Protective Act for Mass Redundancy of Employees*.

<sup>47</sup> See the *Labor Inspection Guidelines of 2012*,

<http://www.cla.gov.tw/site/business/41733649/421ee68b/421ee82f/files/101%A6~%AB%D7%B3%D2%B0%CA%C0%CB%ACd%A4%E8%B0w-%A4%BD%A7i%AA%A9.pdf>, last viewed: 2/2/2012.

- in conformity with the established standards.
- (6) Whether the business entity has failed to make the payment of labor insurance fees on time, and kept refusing to make the payment upon press for payment.

Although not every business entity would apply for trading on the stock market or over the counter, establishing the aforementioned standards is still a reinforcement for the Labor-Management Council system.

#### **IV. The Effect and Impact of the Labor-Management Council System**

From the Factory Council to the Labor-Management Council, the development of the Labor-Management Council system has encountered different challenges and problems. In the beginning, the Labor-Management Councils were established only by business entities in the public sector. Since these business entities are controlled by the government, the Labor-Management Councils held by these business entities became models in accordance with government policy. However, those models did not work well. As years went by, most business entities in the private sector were still not interested in setting up Labor-Management Councils. This situation did not change even after the enactment of the *Labor Standards Act*. In order to enforce this policy, Taiwan government brought more laws and regulations into force. The total number of Labor-Management Councils did increase significantly in recent years. Many problems still exist in the Labor-Management Council system though. To gain a deeper understanding of the effects and impact of this system, some issues will be examined as follows.

##### **A. BLURRED DISTINCTION BETWEEN LABOR-MANAGEMENT COUNCIL AND COLLECTIVE BARGAINING**

Unions have never been pervasively organized in the business entities in Taiwan. Collective bargaining is therefore not an ordinary channel for employers and employees to communicate with each other. In fact, only 43 business entities had entered into collective bargaining agreements with unions in 2010.<sup>48</sup> In order to provide an alternative communication channel for both employers and employees, the Labor-Management Council system is created by the *Labor Standards Act*. According to the *Act*, business entities covered by the *Act* shall hold Labor-Management Councils. The members of the Labor-Management Council are composed by the representatives from both sides of the employer and the employees. The purposes of holding the Labor-Management Council are to coordinate labor-management relations, to promote labor-management cooperation and to increase work efficiency. Although most business entities were not interested in holding Labor-Management Councils, the total of Labor-Management Councils by the end of 2010 was 28,953, a number which was much higher than the total of unions in Taiwan. The legislators did not intend to replace unions with Labor-Management Councils when they enacted the provisions related to the Labor-Management Council. However, the co-existence of unions and Labor-Management Councils do create some problems.

It is clear that the functions of Labor-Management Councils are different from those of unions. However, once a business entity establishes a Labor-Management Council, its

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<sup>48</sup> Monthly Bulletin of Labor Statistics, Council of Labor Affairs, Executive Yuan, R.O.C., p. 40, Nov. 2011.

employees may elect their own representatives to discuss with the employer's representatives regarding issues such as working conditions and labor welfare. If the issues employees are most concerned about can be resolved in the meeting of the Labor-Management Council, many employees would lose their incentives to organize a union. Taiwan's union organization rate has been very low, the growth of Labor-Management Councils will certainly worsen the situation. A business entity that has both labor union and Labor-Management Council usually witnesses the reduced role of the union to some extent. As long as matters discussed in the meeting of the Labor-Management Council are not against the law, there are no restrictions on the discussion subjects. In other words, most subjects which are supposed to be handled by the union may be dealt with by the Labor-Management Council instead. Thus disputes often arise regarding whether certain subjects shall be handled by the union or by the Labor-Management Council. Moreover, it is possible that the employer may manipulate the employees' representatives of the Labor-Management Council to overrule the agreement entered into by the employer and the union. Therefore, unless the union has more power, it would be easy for the employer to upset the negotiation process by manipulating the Labor-Management Council.

It is by no means the legislature's intention to make the Labor-Management Council a competitor or a replacement for the union. Nonetheless, the co-existence of unions and Labor-Management Councils still create problems. The Labor-Management Council is composed of representatives from both sides. It may speak for employees but also support the employer's interests. The major function of the Labor-Management Council is to balance both sides' interests as oppose to the union's chief mission of safeguarding the best interests of employees. Therefore, failing to draw a clear line of the natures and functions between unions and Labor-Management Councils will certainly harm the development of unions in Taiwan.

## **B. LACK OF COMPULSION**

Section 83 of the *Labor Standards Act* provides that a business entity shall hold a Labor-Management Council. The *Act* does not provide further provisions to regulate the enforcement of the Labor-Management Council. With the authorization of the *Labor Standards Act*, the government laid down the *Regulations for Implementing the Labor-Management Council* to provide detailed regulations for the implementation of the Labor-Management Council system. The wording of section 83 of the *Labor Standards Act* makes it clear that it is mandatory for business entities to establish and operate Labor-Management Councils. However, there is no penalty provision for violation of section 83 of the *Labor Standards Act*. Without the authorization of the *Act*, the *Regulations for Implementing the Labor-Management Council* is not allowed to impose penalties on business entities which fail to organize Labor-Management Councils. It is therefore *de facto* optional for business entities to establish Labor-Management Councils, despite the wording of section 83 of the *Labor Standards Act* which indicates that it is mandatory for all business entities to organize Labor-Management Councils.

Most private business entities in Taiwan are small and medium enterprises.<sup>49</sup> For

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<sup>49</sup> There were 1,248,000 small and medium enterprises (97.68% of all the enterprises) in Taiwan. See "White Paper On Small And Medium Enterprises In Taiwan", <http://www.moeasmea.gov.tw/lp.asp?ctNode=307&CtUnit=36&BaseDSD=7&mp=2>, last viewed: 02/01/2012.

most small and medium enterprises,<sup>50</sup> there is almost no motivation to organize a Labor-Management Council. After all, most small and medium enterprises have no need to hire foreign workers, or to trade stock on the stock market or over the counter. Therefore, most business entities which have convened Labor-Management Councils are either medium or large enterprises. The total number of Labor-Management Councils has increased significantly since the government made it a condition for any business entity which intends to apply for trading on the stock market or over the counter to hold the Labor-Management Council. However, the rapid growth in the number of Labor-Management Councils does not represent genuine progress in the Labor-Management Council system. During the application process for trading on the stock market or over the counter, some business entities have cheated by producing forged meeting records for a non-existent Labor-Management Council, or by passing the Labor Welfare Committee off as the Labor-Management Council, or having employees' representatives selected by the employer rather than employees electing them. In view of the fact that there is no penalty provision for violation of the laws and regulations on the implementation of Labor-Management Councils, it has been very difficult to put the Labor-Management Council system into practice in the workplace.

### C. THE FEEBLE EFFECT OF LABOR-MANAGEMENT COUNCIL RESOLUTIONS

According to sections 19 and 22 of the *Regulations for Implementing the Labor-Management Council*, a resolution should be passed after a consensus is reached on the issues. If the representatives on the Labor-Management Council fail to reach a consensus on a resolution, it may be passed with the approval of more than three fourths of the representatives present at the meeting. If a resolution cannot be passed, it may be proposed for further discussion at the next meeting. However, it is not mandatory to propose undecided resolutions at the next meeting, and even if a resolution is raised again at the next meeting, the problem could still be unresolved. For this reason, it can be said that the *Regulations for Implementing the Labor-Management Council* do not provide any rules to promote the effectiveness of the resolutions.

Whether the resolutions reached by the Labor-Management Councils are legally binding has also been a controversial issue. The Council of Labor Affairs has held that a resolution reached by the Labor-Management Council is similar to a gentleman's agreement. The Supreme Court in Taiwan takes a different view. In relevant cases, most

<sup>50</sup> According to Section 2 of the *Standards for Identifying Small and Medium-sized Enterprises*, "Small and Medium-sized Enterprises"(SMEs) means that an enterprise which has completed company registration or business registration in accordance with the requirements of the laws, and which conforms to the following standards:

1. The enterprise is an enterprise in the manufacturing, construction, mining or quarrying industry with paid-in capital of NT\$80 million or less.
2. The enterprise is an enterprise in the industry other than any of those mentioned in the Sub-paragraph immediately above and had its sales revenue of NT\$100 million or less in the previous year.

For the purpose of business guidance, each of the government agencies may, in relation to such specific business matters, base their standards for identifying a SME on the number of regular employees as noted below, in which case the restrictions noted in the previous Paragraph shall not apply:

1. The enterprise is an enterprise in the manufacturing, construction, mining or quarrying industry and the number of its regular employees is less than 200.
2. The enterprise is an enterprise in the industry other than any of those mentioned in the Sub-paragraph immediately above and the number of its regular employees is less than 100.

Section 3 of the *Standards* further provides the definition of "small-scale enterprise" as a Small and Medium-sized Enterprise with less than 5 regular employees.



decisions made the Supreme Court have held that the effect of a resolution reached by the Labor-Management Council is like that of a contract.<sup>51</sup>

The Labor-Management Council is characterized in the *Labor Standards Act* as a body for labor-management coordination and cooperation, and the binding effect of Labor-Management Council resolutions is much weaker than that of the collective bargaining agreement. Thus, it is very difficult for one party (either the employer or the employees) to enforce a resolution when the other party refuses to comply with the resolution.

#### **D. INCOMPATIBLE RELATIONS BETWEEN THE EMPLOYEES' REPRESENTATIVES AND UNION**

As mentioned above, to some extent the existence of the Labor-Management Council obstructs unions' development in Taiwan. While the board members and supervisors of the union are allowed to be elected as representatives, it is in fact not easy for the union to have a compatible position with the employees' representatives. From legislative history, it can be observed that the legislators intended to prevent unions from controlling the Labor-Management Council. The logic of the legislators is that unions already have their own channel through which to bargain with the employer. It is inappropriate for unions to have control over the Labor-Management Council. There is no doubt that the nature and functions of the union are very different from that of the Labor-Management Council. Nonetheless, it will cause disharmony if the position of the union often conflicts with that of the employees' representatives. It would give the employer more room to manipulate the employees' representatives. As a result, it would surely harm the employees' rights and interests if the relationship between the union and the employees' representatives was not compatible.

#### **E. HARD TO ACHIEVE PURPOSES OF THE LABOR-MANAGEMENT COUNCIL**

Even if the purposes of the Labor-Management Council are stipulated unambiguously under the *Labor Standards Act*, the goals of the Council are still hard to fulfill. The reasons are as follows. First, some employees' representatives do not have full knowledge of their rights and duties. Such employees' representatives rarely propose discussion subjects, let alone having a meaningful debate with the employer's representative. The role the employees' representatives play is only an endorsement, and thus they cannot truly perform their duties. Second, the motivation of some employers to establish the Labor-Management Council is improper. In view of the fact that holding a meeting of the Labor-Management Council is required by law when the employer intends to extend working hours, to demand female workers work at night, or to apply for trading on the stock market or over the counter, the only reason for some employers to establish the Labor-Management Council is to discuss these matters only. Such employers would disregard other duties of the Labor-Management Council. This also harms the functions and development of the Labor-Management Council. Third, the employer's representatives are not elected but designated by the employer. Such representatives do not have as much autonomy as the employees' representatives. Usually the employer's representatives need to obtain sufficient authorization when a certain resolution needs to be made. The employer's representatives would be unable to have a meaningful discussion with the employees' representatives if the employer's representatives are not adequately authorized.

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<sup>51</sup> Chen-Kung Huang, Jen-Chun Wong, and Chia-Ho Lin, *supra* note 2, at 35-36.

In many cases, the reason that resolutions could not be made in the meeting of the Labor-Management Council is the employer's representatives were not adequately authorized. Such cases usually would be proposed in the next meeting for further discussion. Sometimes they would go through several meetings before a resolution could be reached. It is time-consuming and lacks efficiency.

## **V. Conclusion and Recommendations for Future Development of the Labor-Management Council System**

The implementation and development of the Labor-Management Council system is regulated by established government policies. However, the enforcement of the system has been dissatisfactory. There is no doubt that a well-established Labor-Management Council may encourage voluntary labor-management negotiation and cooperation, increase communication channels for employers and employees, prevent labor disputes, form consensus regarding management strategies, and raise business competitiveness and efficiency. The role of the Labor-Management Council is especially important, as unions are not strongly organized in most of the Taiwanese enterprises. Thus, it becomes an essential issue as to how to implement an efficient Labor-Management Council system in Taiwan. The following recommendations are provided to solve the issues at stake.

### **A. STRENGTHEN THE IMPLEMENTATION OF THE LABOR-MANAGEMENT COUNCIL BY AMENDING RELEVANT LAWS AND REGULATIONS**

Since the major defects of the Labor-Management Council are related to the inadequate laws and regulations, amending those laws and regulations is imperative. The first step is to raise the level of the regulations which govern the Labor-Management Council. Currently, the *Labor Standards Act* only provides that a business entity shall hold a Labor-Management Council to coordinate labor-management relations, promote labor-management cooperation and improve work efficiency. No further relevant provisions are provided. The Labor-Management Council is mainly governed by the *Regulations for Implementing the Labor-Management Council* laid down by the government as authorized by the *Labor Standards Act*. The *Regulations* is an administrative order with weak binding effect. Therefore, the employer would not be fined for failing to hold the Labor-Management Council or refusing to comply with the resolutions made by the Labor-Management Council. Under such circumstance, it is very difficult to implement the Labor-Management Council system. Despite the government's broadening the functions of the Labor-Management Council through its amendment of the relevant statutes and application of administrative regulations, the effect is still limited. For this reason, the stipulations governing the Labor-Management Council shall be upgraded to statutes. The *Labor Standards Act* should be reinforced in terms of the implementation of the Labor-Management Council. The provisions regarding proper and effective penalty for not holding the Labor-Management Council and not complying with the resolutions made by the Labor-Management Council shall be enacted completely. This will give the employers stronger incentives to hold the Labor-Management Councils and comply with the resolutions made by the Labor-Management Council.

## **B. THE FUNCTION OF THE LABOR-MANAGEMENT COUNCIL SHALL BE DISTINGUISHED FROM THAT OF THE UNION**

Since the matters which the Labor-Management Council is permitted to deal with are not specifically limited, the Council sometimes plays a role similar to a union. Given the fact that the union organization rate is extremely low in Taiwan, it may be positive for employees who are not represented by unions to negotiate with their employers regarding working conditions and labor welfare through the Labor-Management Councils. However, it will undermine unions' development if most employees depend on the Labor-Management Council to deal with these issues.

It is not the legislatures' intent to make the Labor-Management Council a competitor or a substitute of the union. Nonetheless, the relevant laws fail to draw a clear line between the union and the Labor-Management Council. In order to clarify the difference between them, relevant laws and regulations must be amended. In principle, the Labor-Management Council shall not deal with the issues that are supposed to be determined by the union through collective bargaining. The Labor-Management Council's duties shall also be divided in accordance with the nature of issues. If the employees are already represented by a union in a business entity, the Labor-Management Council shall still be allowed to discuss the collective bargaining matters. Yet the discussion process will only be deemed the "pre-bargaining" process. The collective bargaining matters shall be handled by the union only. For example, the Labor-Management Council would be allowed to discuss the issues related to wages. The suggestions or opinions regarding such issues may be considered by the union without binding effect. If there is a need to change the wages, a decision made through collective bargaining is still necessary. On the other hand, in the absence of a union in a business entity, the Labor-Management Council shall have broader power to deal with the issues which are supposed to be handled by the union. The relevant laws shall explicitly provide the subjects that the Labor-Management Council is authorized to deal with. In other words, the Labor-Management Council shall not be allowed to determine the collective bargaining subjects even in the absence of a union. The Labor-Management Council would only be allowed to deal with the statutory matters in accordance with the laws.

The aforesaid amendments to the relevant laws can clearly distinguish the union's role from the Labor-Management Council's role. Each can perform their own functions without interference with each other. The Labor-Management Council's mission would be labor-management cooperation and labor participation in the policy-making process. The union's task would be promotion of workers' rights and welfare. The union has the right to dispute. The Labor-Management Council has no such a right.

## **C. COORDINATION OF LABOR PARTICIPATION SYSTEM**

There are currently six types of labor participation system in Taiwan. The details are described in the follows:

1. The Labor-Management Council system: It is constituted by an equal number of representatives from the employees and the employer. The purposes of holding the Labor-Management Council are to coordinate labor-management relations, promote labor-management cooperation and increase work efficiency.
2. The collective bargaining system: The employees are organized and

represented by the union. The union, representing the employees' interests, bargains and enters into a collective bargaining agreement with the employer through collective bargaining. In general, once the collective bargaining agreement is entered into force, the rights and obligations of the employer and the employees shall be stipulated in the agreement.

3. The Employee Welfare Committee system: All factories, mines in the public and private sectors, or other enterprise organizations shall set aside and allocate employees' welfare funds to process and handle employees' welfare businesses.
4. The Labor Safety and Health Institute system: The purpose of holding the Labor Safety and Health Institute is to prevent occupational accidents and protect labor safety and health through labor participation in the policy-making process.
5. The Labor Retirement Fund Supervisory Committee system: The purpose of holding the Labor Retirement Fund Supervisory Committee is to stabilize the quality of workers' life after retirement through labor participation in supervising the labor retirement fund.
6. The proposal for quality control circle system: The purpose of this system aims to improve techniques and process, promote workers' self-realization and increase productivity through labor participation.

The aforementioned labor participation systems are separate and regulated by different laws and regulations. The implementation of these labor participation systems has been ineffective due to immature designs and incomplete regulations. Although the matters involves with the aforesaid labor participation systems are diverse in nature, they do share something in common—labor participation. Thus, the coordination and regulation of all existing labor participation systems in one specific statute may turn out to be an effective approach.