

China Industry Facing Labor Shortage

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An employee works in a textile factory in Huaibei in central China's Anhui province.
Photo By Xie Zhengyi/AP Images



Workers at a clothing factory in Beijing.
Photo By: Jason Lee/REUTERS/Landov

BEIJING — China is seeing a labor squeeze — and it could fuel higher apparel prices.

A continuing shortage across China's manufacturing zones, particularly in the lowest-paying jobs, appears to be showing no signs of letting up and could eventually lead to price hikes in Chinese goods as factories are forced to pay higher wages.

Labor experts said that as the scarcity of labor increases, companies may need to choose between moving their operations further inland or pay more to attract workers to the Pearl River Delta and other manufacturing hubs.

The shortage, which emerged earlier this year as China's economy strengthened after the global financial meltdown, arose in part because of the government's aggressive economic stimulus efforts. Stimulus spending helped shore up jobs for those who lost factory work when exports tanked at the end of 2008 by creating infrastructure projects such as highway and rail construction across the country. As a result, experts said, workers have more choices and seem less willing to leave their hometowns and migrate to the Pearl River Delta or other regions to take any factory job they can find.

"Local governments also have tried a lot to attract investment and lots of new factories have opened in smaller towns," said Guo Weiqing, a professor who specializes in labor issues at Guangzhou's Zhongshan University. "As the salaries in the

Pearl River Delta haven't increased noticeably in recent years, many people have returned to work in their hometowns."

The Chinese government has not released exact figures about the labor shortage or disclosed if domestic migration patterns have changed significantly. The majority of China's 150 million internal migrant workers are from farming families and struck out in droves for factory jobs in the south and east throughout the Nineties and the early part of this decade. While the first generations of migrants were content to toil in factories for relatively low wages that were still higher than those their parents could have earned back home, the current crop of young workers is not so eager.

Quality-of-life issues are important now, said Guo, and many workers haven't returned since the Chinese New Year holiday last month.

"The old generation just wanted to earn money, they liked to work overtime," said Guo. "The younger generation wants to see the world, make friends and learn things. If they want to stay in the Pearl River Delta, they need to think about marriage and their future, and they can't keep doing these simple jobs [indefinitely]."

China's textile industry has been particularly hit by the labor crunch, with companies at last week's Intertextile trade fair in Beijing reporting trouble recruiting and maintaining factory workers this year. This follows an industry entrenchment in recent years that saw thousands of factories close due to higher labor and operational costs or a move to lower-cost areas.

"The new workers want more money and more leave time than we gave in past years," said Li Xinwei, customer service manager for a textile factory in Zhejiang province. "We're still recovering from the crisis and can't afford to pay much more."

The official China Daily newspaper cited a poll from Beijing this month showing 90 percent of 300 companies surveyed said they had raised wages in recent months to attract workers.

Zhu Gang, a researcher with the Chinese Academy of Social Sciences, said many in the younger generation of workers simply prefer to stay home and have normal lives now. Since economic development has trickled into the provinces, it's feasible for them to do just that. Tough 12-hour shifts for the same money workers earned five years ago simply isn't enough.

"They want to make money, but they also want to keep their dignity," said Zhu. "Many of the new generation of workers have gone back to their hometowns with the dream of starting their own businesses, even though that's not always realistic."

Zhu said this labor shortage, unlike the one that took hold a few years ago, will not be so easily resolved as quality-of-life concerns build and rural areas continue to prosper.

"In the last labor shortage, the reasons were very simple: wages were too low," said Zhu. "This time the reason is more complicated."