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As U.S. jobs stagger, China deals with labor shortage

By Richard Read, The Oregonian

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Richard Read/The Oregonian

An employee works among empty tables at Xuan Cheng Shanghai Silk factory in Anhui, an inland province where manufacturers are opening factories closer to villages that provide workers. Shanghai Silk Group Co. Ltd. managers are struggling to recruit employees amid a labor shortage that occurs as China's growing economy provides workers alternatives to factory jobs.

BEIJING -- Managers of a factory that makes Columbia Sportswear garments didn't spend the recent Lunar New Year holidays with family, as virtually all 1.3 billion Chinese did.

Instead, the Beijing Topnew managers packed wine and fruitcake gifts and drove through rural villages. There, they bowed and thanked parents for sending young adults to work in their busy plant.

They talked up wage increases and new benefits. They urged families to send the workers back again.

"It's a tough task for the managers," said Larry Liu, Topnew general merchandising manager. "There are no hotels, and some days they end up spending the night with workers in their homes."

As Americans struggle with high unemployment, Chinese manufacturers face a worsening labor shortage a year after laying off millions. Factories pass on increased expenses, meaning American consumers could see prices rise even as the global economic slump continues.

The labor crunch is occurring because assembly workers can find more desirable jobs elsewhere in China's economy, which is growing rapidly amid a huge stimulus program.

Increased costs are pushing some brands to shift certain contract

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More from China

Market forces, not sweatshop activism, have improved conditions in Chinese factories, as migrants

manufacturing out of China. The transition to other countries ranging from Vietnam to Bangladesh is happening much earlier than expected from China, whose labor supply was once considered inexhaustible.

The Topnew factory on the outskirts of China's capital is the biggest plant in the Beijing Topnew Knitting Group. The chain's 5,000 workers make 700,000 garments a year for Columbia Sportswear, the Washington County-based company whose stable of Chinese contract factories has grown past 100.

The Beijing plant employs more than 1,100 -- 80 percent of them migrants from the countryside. They earn \$150 to \$260 a month. The local minimum wage is \$117 a month.

"We have to raise wages," Liu said. "Otherwise we cannot survive."

Managers work especially hard to attract and retain young women workers. Seventy percent of the plant's employees are women; 65 percent are younger than 25.

To do that, the plant provides education, training and opportunities for promotion. Managers are paying workers more each year they stay. They're introducing a retirement plan and other benefits.

"Workers' thinking is much different than before," Liu said. "They want to spent their life more freely. Everyone has a cell phone and an MP3."

Along Chinese assembly lines, where employees once wore drab uniforms, women sport styled hair, earrings, fashionable jeans and heels.

"They don't want to work as much overtime," Liu said. "They want to go out and see a movie, girlfriend, boyfriend, whatever. So we cannot put all our hope in them."

Managers considered moving operations inland, closer to the rural labor force, as some plants are doing with government incentives. But they decided it would be too expensive.

Instead they are automating. A \$500,000 computerized machine replaces skilled workers who cut cloth with minimal waste. The plant aims for bigger margins by producing more complex outerwear products for Columbia and other customers.

To compete, factories install Internet cafes and table-tennis rooms for employees. They offer continuing-education classes, despite realizing that enrolled workers will probably leave the plants, said Abel Navarrete, Columbia Sportswear corporate-responsibility director.

The Ever Rich Knitting Garment Co. plant, which employs 700 to make 2.5 million articles of clothing a year, has hired a consultant to improve efficiency. The Guangzhou factory boosted training, reduced waste and stopped making low-profit products such as T-shirts.

Wages are rising farther inland as well, even as manufacturers move away from the coast to lower labor costs.

In two years, Shanghai Silk Group's factory in Xuan Cheng, Anhui, has hiked monthly pay from about \$165 to \$215. The plant, which makes goods for Columbia, Wal-Mart and other brands, has 400 workers. It plans to hire 300 more next year.

"It's easier to get employees here," Song Wenyuan, a Shanghai Silk sales manager, said over lunch at the Big, Rich and Powerful People's Hotel in Xuan Cheng.

"But wages have to be higher than before."

-- **Richard Read**

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who make Nike and Columbia gear return home to buy houses and start their own businesses.

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