



February 27, 2010

## Defying Global Slump, China Has Labor Shortage

By [KEITH BRADSHER](#)

GUANGZHOU, China — Just a year after laying off millions of factory workers, [China](#) is facing an increasingly acute labor shortage.

As American workers struggle with near double-digit unemployment, unskilled factory workers here in China's industrial heartland are being offered signing bonuses.

Factory wages have risen as much as 20 percent in recent months.

Telemarketers are turning away potential customers because recruiters have fully booked them to cold-call people and offer them jobs.

Some manufacturers, already weeks behind schedule because they can't find enough workers, are closing down production lines and considering raising prices. Such increases would most likely drive up the prices American consumers pay for all sorts of Chinese-made goods.

Rising wages could also lead to greater inflation in China. In the past, inflation has sown social unrest.

The immediate cause of the shortage is that millions of migrant workers who traveled home for the long lunar New Year earlier this month are not returning to the coast. Thanks to a half-trillion-dollar government stimulus program, jobs are being created in the interior.

But many economists say the recent global downturn also obscured a longer-term trend: China has drained its once vast reserves of unemployed workers in rural areas and is running out of fresh laborers for its factories.

Since China does not release reliable, timely statistics on employment, wages are considered the best barometer of labor shortages. And temp agencies here in Guangzhou raised their rate for factory workers this week to \$1.17 an hour, from 95 cents an hour before the new year holiday.

The rate was 80 cents an hour two years ago, before the global financial crisis temporarily depressed wages and demand.

The dearth of returning migrants set off a desperate scramble this week to recruit the workers who did step off long-haul buses and trains returning from the interior.

At a government-run employment center in downtown Guangzhou, employers seeking workers outnumbered job-hunters Thursday afternoon.

Outside, Liang Huoqiao, a 22-year-old plastics worker, joined a small group of men and women studying a 40-foot-wide list of companies seeking workers.

“You can walk into any factory and get a job,” he said.

The official China Daily newspaper said on Thursday that surveys of employers showed that one in 12 migrant workers was not expected to return here to Guangdong Province. Cities farther north along China's coast are also running low on labor; Wenzhou alone posted a shortage of up to one million workers.

Guangdong provincial officials announced on Wednesday that they were considering increasing the minimum wage, which varies by city and ranges from \$113 to \$146 a month.

Higher wages could ease labor shortages by prompting factories to reduce their work forces.

But many factories already pay well above the minimum wage. They are wary of further pay increases because it is not certain they can pass the increased costs on to their customers — in particular, strapped importers in the United States and the [European Union](#).

Rising wages suggest the re-emergence of a worker shortage that was becoming evident before the financial crisis. A government survey three years ago of 2,749 villages in 17 provinces found that in 74 percent of them, there was no one left behind who was fit to go work in city factories — the labor pool was dry.

Mass layoffs in late 2008 and early 2009 because of the global financial crisis temporarily masked the developing shortage of industrial workers. But two powerful trends were still working to reduce the supply of young people headed for factories.

For one, the Chinese government has rapidly expanded postsecondary education. Universities and other institutions of higher learning enrolled 6.4 million new students last year, compared to 5.7 million in 2007 and just 2.2 million in 2000.

At the same time, China's birth rate has been sliding steadily ever since the introduction of the “one child” policy in 1977.

Labor shortages have returned quickly in recent weeks as these long-term trends have collided with a recovery in overseas demand for Chinese goods.

Far more jobs are available these days in China's interior. Government projects like rail and highway construction have absorbed millions of workers, particularly after Beijing allocated nearly \$600 billion to economic stimulus spending in 2009 and 2010. Consumer spending is also rising briskly; auto sales more than doubled last month from a year before, and this has created many jobs in retailing, restaurants, hotels and other inland businesses.

Even before the holiday, companies were struggling to find the employees needed to keep assembly lines running.

At many factories, white-collar managers and engineers were forced to spend time on assembly lines to meet deadlines before the lunar New Year, because laborers were in such short supply. The managers often

struggled with the tedious but intricate tasks required to make everything from toys to DVD players

“People working in the office, like me, have been asked to help on the factory floor,” said Sky Niu, the sales manager at the Hengjia Electronics Company in Dongguan. “Of course, we can only help on the simpler tasks, such as packing.”

The labor shortage is not benefiting workers just through higher wages. Personnel managers here say they are also abandoning the informal tradition of not hiring anyone over 35 — they say they are now hiring workers up to 40 years old, and sometimes older, despite concerns about whether they can keep up week after week with the rapid pace of Chinese assembly lines.

It remains to be seen if Chinese factories will learn from their hiring difficulties now and be less quick to lay off workers during the next global downturn.

The current system “is not stable, it’s not healthy,” said Han Dongfang, the director of the China Labor Bulletin, a Hong Kong-based group that advocates collective bargaining.

Though the wage boost increases the prospect of inflation, it may have another more salutary aspect. The Obama administration has been pushing China to let [the renminbi](#) rise against [the dollar](#), which would erode some of China’s formidable advantage in export markets. Rising wages in China have the same effect — while also giving Chinese families more spending power.

Letting wages rise benefits workers, said Jing Ulrich, the chairwoman of China equities and commodities at [J. P. Morgan](#). Letting the currency rise benefits currency speculators, she said.

Mr. Liang, the 22-year-old plastics worker, said that he expected his pay to double in the next five years and added that he already had set his priorities.

“For sure, I want to buy a car,” he said. “Car first, then maybe marriage later.”

*Hilda Wang contributed reporting.*

[Copyright 2010 The New York Times Company](#)

[Privacy Policy](#) | [Terms of Service](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)