

## China manufacturers still face persistent labor shortage

Suppliers in China's main production centers are continuing to experience a shortage in labor. Sixty-four percent of the 239 respondents to a [Global Sources](#) survey said they remain in need of workers, despite higher wages and several concessions.

The survey, which was conducted in July and August 2010, also indicates that workers across all export manufacturing centers are asking for higher wages and other privileges. There is a slight uptick in hubs outside the Pearl and Yangtze River Delta regions, however, because compensation in these areas is generally lower than in the coastal provinces. Seventy-five percent of surveyed suppliers said employees have sought higher salaries or made other demands. This comes even after the basic monthly pay was increased early this year.

For instance, the minimum wage in Guangdong province's capital city of Guangzhou was raised 22 percent to 1,100 yuan. In the neighboring city of Dongguan, the basic salary rose to 920 yuan. In fact, many factories there are paying workers higher than the minimum wage. Some companies even dole out as much as 1,500 yuan in basic pay alone for production line staff. Even so, many Guangdong manufacturers still have problems with compensation and benefits, with 73 percent of respondents there saying their workers continue to demand higher wages and other concessions.

The situation is no different in other hubs. Based in Fujian province, [Quanzhou Haohan Sporting Goods Co. Ltd](#) offers as much as 2,000 yuan in basic monthly wages, although the minimum wage in the city is only 800 yuan. The company has also increased overtime pay 20 to 30 percent over the past year, but it is still short of hands.

Increasing basic monthly salaries and overtime pay continue to be the main measures taken by suppliers to

retain and attract workers. Makers are working on improving living conditions in the factory dormitories as well.

This last step is popular among foreign-invested enterprises, including Star Prototype China Ltd. The company's factory dormitory has individual beds, wardrobes, desks, computers with Internet connection, and chairs. Increasing the basic pay means having to spend more for each worker per month. But renovating dormitories to include better facilities incurs a one-time investment only.

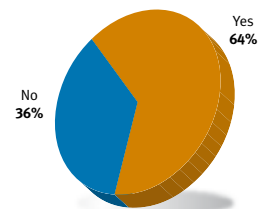
Now, even local companies are compelled to follow suit. [Yongkang Yifan Leisure Products Co. Ltd](#) has built a new dormitory and canteen. Bag maker [Quanzhou Xinheng Outdoor Equipment Co. Ltd](#), on the other hand, has installed air-conditioning units in its dormitories.

Suppliers in Guangdong are concerned most about price competition, with 26 percent of respondents based there indicating this as the main hurdle. In the Yangtze River Delta region, the higher cost of materials is a major concern as well. The same is true in other hubs, although factories there also give significant weight to the fact that most of their buyers are not willing to accept higher prices.

Despite these challenges, 56 percent of respondents believe exports for H2 2010 will improve. Of these, 46 percent are confident shipments will rise 5 to 10 percent, while 20 percent project modest growth of less than 5 percent.

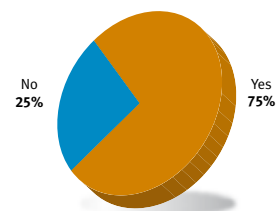
Note: This survey was conducted mostly in the three China export centers of Guangdong, Zhejiang and Fujian, with additional companies from Jiangsu and other provinces. A total of 239 suppliers were interviewed from various industries, including [electronics](#), [home products](#), [gifts and premiums](#), [garments and textiles](#), and [hardware](#).

### LABOR SHORTAGE



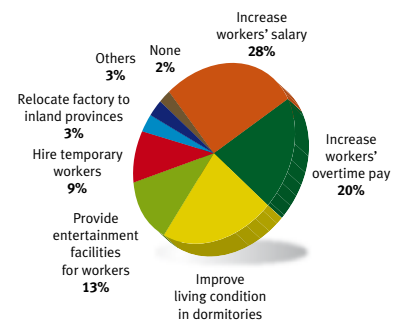
Better economic conditions in inland provinces and the less stoic nature of China's new generation of workers have contributed to the persistent labor shortage in the country's major manufacturing hubs.

### DEMAND HIGHER WAGES



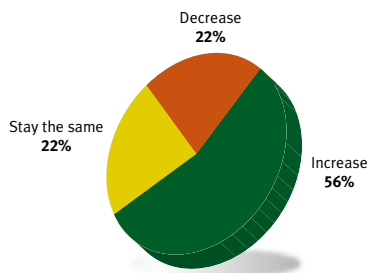
Although most workers are now receiving higher take-home pay, and enjoying better working and living conditions, many still ask for salary increases and other benefits.

### COPING MEASURES



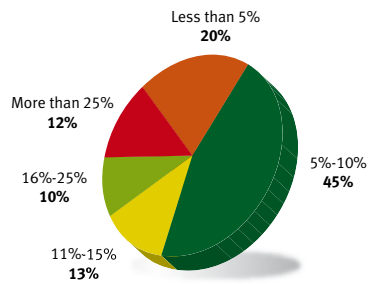
Raising worker salaries and overtime pay further, and improving dormitory facilities remain the primary steps taken to minimize turnover and fill empty positions.

### EXPORT SALES



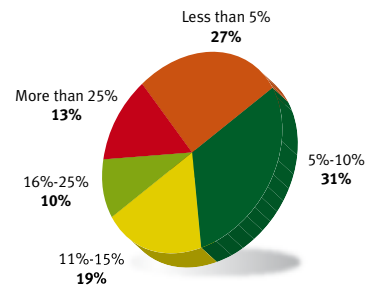
Despite numerous challenges, including higher material costs and the labor shortage, more than half of survey respondents remain optimistic of H2 2010 exports.

### EXPORT SALES INCREASE



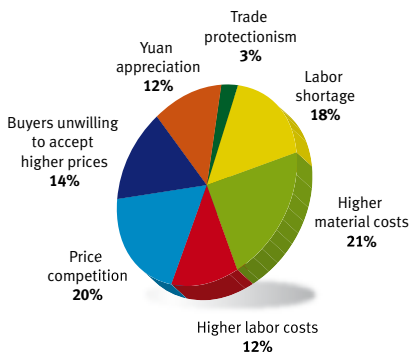
Almost half of interviewed makers forecast exports to improve 5 to 10 percent in H2 2010. Consecutive industrial production growth in July and August is boosting supplier confidence about their year-end sales.

### EXPORT SALES DECREASE



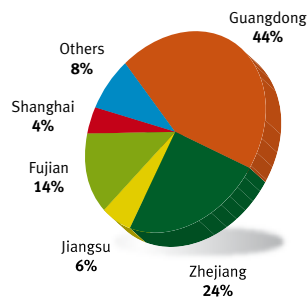
One-fifth of survey respondents believe exports will fall in H2 2010, although close to two-thirds do not think sales will decline more than 10 percent.

### MAIN CHALLENGES



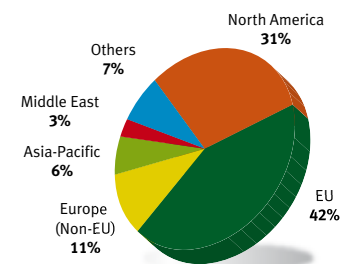
High material costs, price competition and the labor shortage are major concerns for suppliers, regardless of where they are based.

### SUPPLIERS BY LOCATION



More than 80 percent of survey respondents are based in the traditional manufacturing hubs in the coastal provinces of Guangdong, Zhejiang and Fujian.

### EXPORT MARKETS



Despite the debt crisis, the EU is the largest export market of surveyed suppliers, particularly those based in Guangdong province.

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**Notes**  
This Global Sources China Supplier Survey was conducted by phone interviews with a wide range of exporters in mainland China, chosen to select a representative cross-section of various industries in terms of company size and product specialization. The period of the survey was approximately 8 weeks ending August 2010. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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