



» 11/07/2006 17:52

CHINA

Shortages in both low- and high-skilled labour threatening China's economic boom

Guangdong firms experience labour shortages of more than 500,000 workers this year, lack enough trained people to fill managerial posts. The problem affects the entire country and threatens to undermine the economic system.



Beijing (AsiaNews/Agencies) □ China, the world's leading exporter, is facing an unexpected problem: shortages in unskilled or semi-skilled workers as well as highly skilled labour. The problem, which is still manageable for now, will become serious by 2020. In 15 years the aging population will have grown and those who will fill junior and senior managerial and other posts will be in short supply. The situation is such that foreign investors are already looking to move elsewhere.

In China, the world's most populous country, low-cost labour has fuelled its economic boom. But Chinese companies are discovering this year that because of labour shortages workers can now demand better wages. They are also realising that migrant workers are avoiding factory work and trying to stay on the land.

China's labour shortages, which first appeared sporadically in 2004, have now become a more persistent one. The problem has pushed up wages at a time when costs of manufacturing goods are already rising. This is likely to weaken Chinese-made products' competitiveness on world markets, and force investors to move to lower-cost countries such as India, Vietnam, and Bangladesh.

Chinese factories had to raise the minimum wage this year by as much as 30 per cent to between US\$ 70 and US \$85 a month, which is three times the monthly wage in Bangladesh.

The shortage of workers is most acute in the country's export regions, namely the Pearl River Delta, which feeds into Hong Kong, and the Yangtze River Delta, which funnels into Shanghai. For example, it was officially reported that the city of Shenzhen, on the Hong Kong border, alone faced a labour shortage of about 300,000 workers this year. In Guangdong province, the government said factories were short more than 500,000 workers; and in Fujian province, there was a shortage of 300,000.

According to Chinese human resources expert, just a few years ago millions of young people were still flooding into Shenzhen to search for any job at any wage, and factories did not need to put up advertisements to recruit workers or tempt them with incentives and benefits. "Now we put up a sign looking for five people, and maybe one person shows up," he noted.

Different factors are at play:

First, demand for workers has enormously increased in recent years, making it easier for them to pick and choose something closer to home.

Second, low wages, tax cuts, and long-working hours have all induced many migrant workers to quit their jobs to move back to their farms. The government's decision last year to eliminate the agricultural tax has fuelled the trend.

Third, Beijing's recent policy of developing the economies of poor inland provinces and launching housing and infrastructure projects has created many jobs.

Fourth, unlike China's old generation, whose members sought employment without proper education or skills, members of the new generation are more ambitious and would rather first develop their skills or have university degrees in order to avoid jobs that are harsh and pay little. For example last year, over 14 million Chinese

students attended local colleges and universities, up from 4.3 million in 1999.

Fifth, China's one-child policy, which was implemented in 1979, has led to an aging population. This is most acute in the largest cities like Shanghai where the over 60 group is expected to account for 30 per cent of the population by 2020. Because of this policy, those aged 15-19 will drop by 17 per cent, from 124 million today to about 103 million in five years.

China's dilemma, however, is not confined to the shortages of unskilled or semi-skilled workers. Both public and private companies are having trouble finding enough talented employees and highly skilled labour to fill junior and senior managerial and other posts.

Shanghai's municipal government, for instance, held job fairs in North America in an effort to attract Chinese expats and overseas Chinese professionals to work in the city.

According to a recent study, Chinese firms seeking to expand abroad and continue growing in the years to come will need up to 75,000 internationally experienced leaders. Currently, only 5,000 such leaders are available in the country. Among the 1.7 million graduates in 2003 only a few hundreds had good English and practical experience a requirement for most multinational firms.

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