



China's Migrant Workers

Insights

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With various reports touting China's economic slowdown, China still experienced a 7.6% growth in the second quarter of 2012. While this may indeed be a decrease from China's historic double-digit growth, it is still far ahead of any other country (i.e., U.S. +1.4%; Britain -0.2%; India +5.3%; and Brazil +0.2%). Thus, there remains strong incentive for companies to start operations in China with its initial lure of low labor costs and seemingly endless labor supply. However, in light of the rapidly changing Chinese labor environment, it is important to understand some facets about the Chinese workforce.

China has an enormous "floating population," consisting of people migrating from the countryside to the cities, from underdeveloped areas to developed areas, and from central and western regions of the country to the eastern regions. In search of jobs and higher wages, these migrant workers constitute much of the workforce in manufacturing, construction, and social services industries. Migrant workers are generally paid lower wages, endure long overtime hours, work in poor or unsafe working conditions, and are frequently owed back wages by employers. However, it is this migrant group that has been the key component in making China's labor costs nearly unbeatable.

In 2008, the Labor Contract Law was introduced to ensure that full-time employees had written contracts and severance pay entitlements. The Law on Mediation and Arbitration of Labor Disputes was also introduced to streamline the system of arbitration and lawsuits. Although strict enforcement of these laws is still lacking, labor dispute cases increased from 407,000 in 2005 to 1,287,000 in 2010. If anything, these new labor reforms have brought a new level of awareness to workers of their rights.

The New York Times recently reported that cities across China are facing serious labor shortages because it has been increasingly difficult for employers to bring in new migrant workers and retain the current ones. Some companies give employees bonuses for just coming back to work from extended time off during the Spring Festival, when many migrant workers return home. Others offer cash for every new employee that migrants bring back to work with them. In many areas, wages are increasing from 10 to 30 percent. A myriad of reasons for this include rising costs of living in urban cities coupled with improved conditions in rural areas encourage many would-be migrant workers to look for jobs closer to home. Also, as evidenced by the significant increase in labor dispute cases as well as a rash of factory strikes, China's employees, both those new to the workplace and current workers, are less willing to endure labor hardships as their predecessors did. The days of unbeatable low labor costs in China may be drawing to a close.

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