



Analysis: China factory unrest flares as global economy slows - Reuters

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DONGGUAN, China

(Reuters) - In factory towns across China's export powerhouse in the Pearl River Delta, a vicious cycle of slowing orders from the West and increasing wage pressures has led to a series of major strikes that could reverberate through the economy.

From shoe and bra factories in the east of Guangdong province, dubbed "China's world factory," to a cluster of watch, sport and electronics plants to the south and west, hundreds, even thousands, of workers have crippled production for major Western brands.

A Reuters team that visited four factory towns in the region this week saw significant signs of industrial strains despite attempts by security guards to block access to workers.

The strains underline recent warnings of a looming export slowdown from a senior Guangdong official and a survey of country-wide industrial activity in November that showed the worst contraction since 2009.

At Yue Yuen Industrial Holdings' (0551.HK [✉](#)) giant shoe factory in Huangjiang town -- a major supplier for sports brand New Balance -- the mood remained tense after most of its 8,000 workers took to the streets on Thursday, blocking roads, overturning cars and clashing with police.

Security guards patrolling the sprawling industrial estate on motorbikes prevented two Reuters correspondents from mingling with workers near a lakeside area ringed by food joints and dormitory blocks, eventually forcing them out.

At least four factory workers who talked to Reuters, including two slurping steaming bowls of chilli noodles in an alley near the factory, said the strike was still simmering into a sixth day, with workers clocking in but refusing to work at assembly line posts.

"We are willing to work but you must also pay us enough to survive," said one of them, a rosy-cheeked woman in a pink jacket. "To guarantee the basic quality of life, even Wen Jiabao has said that," she added, referring to China's premier.

A middle-aged male colleague sitting beside her said: "Even during the financial crisis we didn't see pressure like this."

The shoemaker, one of the world's largest, said the impact was "minor" with its orders still healthy. It conceded, however, that cost pressures, namely wages, were building in regions like Guangdong, where another round of minimum wage hikes on January 1 could deal a further blow to factory owners.

DOMINO EFFECT

Experts and labor advocacy groups warn an external economic slowdown in debt-stricken Europe and countries like the United States could exacerbate the risk of social upheaval in China.

Besides labor disputes, Guangdong province -- a crucial locomotive of China's economic growth with a GDP matching Indonesia's -- has been roiled in recent months by riots over rural land grabs in Lufeng city, and abuse of power several hours drive west in the city of Zengcheng that saw angry crowds ransack government buildings.

A former deputy editor-in-chief of the official party newspaper, the People's Daily, said the number of "mass incidents" in China, an official euphemism for social disorder, was consistently above 90,000 per year from 2007 to 2009.

While strikes are relatively frequent in Chinese factory towns, including a spate of wildcat actions last year that afflicted major global firms like Honda, the current crop of labor unrest comes amid a far darker global economic backdrop and a tight domestic credit environment in China.

Slick, globalised supply chains mean belt-tightening in the West rapidly translates to reduced orders at Chinese factories.

As leaner times provoke aggressive factory cost-cutting and wage trimming, Chinese workers increasingly lashed by persistent inflation

are often in no mood to compromise.

In a recent report, consultancy Exclusive Analysis said it sees growing risks of "violent labor unrest" flaring up in Chinese factories and causing property damage and losses, adding: "Real-time use of social media by striking workers and firms' decreased ability to meet workers' demands due to falling Western export demand are likely to drive this violence."

Europe's economic woes, Chinese manufacturing fragility and flat consumer spending in the United States have all raised the risk that the world is headed for a steep downturn.

Donna Kwok, an economist at HSBC, said while the labor unrest might not leave a significant dent on growth so far, "events unfolding in both the Eurozone and the U.S. pose a more serious threat to China's manufacturing sectors, especially if they topple both of China's two top export markets into simultaneous recession."

The Federation of Hong Kong Industries recently warned up to a third of some 50,000 Hong Kong-owned factories in adjoining Guangdong and elsewhere in China could downsize or close by the end of the year, potentially putting at risk hundreds of thousands of migrant worker jobs.

With 150 million Chinese migrant workers now toiling in factories nationwide, there are potentially deep ramifications to any slowdown.

"Massive factory layoffs will lead to increased protests and social turmoil in China's urban and rural areas, spurred on especially by those laid-off factory workers and other migrant laborers particularly marginalized by society," wrote Li Qiang of the U.S.-based labor advocacy group China Labor Watch.

INFLATION

So far, beyond strike zones, labor markets in the smoggy Pearl River Delta factory towns are relatively calm and there is little evidence of mass layoffs or broader unrest breaking out.

Livelihood pressures, however, have been building in migrant worker communities. Rising food prices are a ubiquitous topic of conversation during meals and in dormitory blocks.

The Reuters correspondents in Guangdong repeatedly heard grievances about the trimming of overtime pay and bonuses, which for many workers is crucial to complement basic wages often set at 1,100 yuan (\$170) per month -- or just \$6 per day.

At the Hong Kong-listed Top Form (0333.HK [↗](#)) bra factory, the strike by hundreds of female factory workers centered on reducing pay on a per-item basis, while striking workers at Jing Mold Electronics Technology in Shajing, a major supplier of keyboards for Apple (AAPL.O [↗](#)), said managers were forcing them to work very late during the week to save paying them double at the weekend.

"The Taiwan bosses are very tight-fisted," said Zeng Yanbing, a worker at the tech company, as police watched him outside the factory. "They don't provide food ... and they've cut back on our benefits."

Zuo Hao, a job recruiter in Dongguan, close to the striking shoe factory, said many plants were forcing workers to take more leave as orders decline, then cutting pay or benefits.

In a family-run noodle diner a stone's throw from the Jing Mold factory, the menu's old prices were scrawled over as rice, flour, chicken and vegetable costs creep ever higher.

"There are a lot less workers eating here now," said Ye Wenji, the 20-year-old son of the owner. "If they don't do overtime, my business here isn't good," he said, pointing out that a dish of mutton noodles was 10 yuan, almost a fifth of the daily wage for some workers.

Were inflation not so acute, some striking workers at the Leader Sporting factory in Songgang, near Shenzhen city, said they wouldn't have fought back as hard over work-linked bonuses that they say mysteriously disappeared from recent pay cheques.

"I don't eat meat to save money now," said a 38-year-old mother of two at the plant, which makes sports goods for U.S.-brand K2 skates. "I just buy vegetables, oil and rice," she told Reuters beside a dusty highway where dozens of others gathered.

"Every little thing matters to us ... We can't afford to be passive anymore," piped up another worker surnamed Liu, as others nodded and pledged to strike again the following day.

(\$1 = 6.3590 Chinese yuan)

(Additional reporting by Donny Kwok and Twinnie Siu; Editing by Brian Rhoads [↗](#) and Raju Gopalakrishnan [↗](#))

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