At the end of a year of rising wages and labour unrest in coastal manufacturing regions, some manufacturers are pulling up stakes and moving to less costly locales in the hinterlands -- or out of China altogether.

Premium leather-goods brand Coach, Inc said this week it would gradually slash production of handbags and wallets in China and shift to lower-cost countries such as Vietnam and India.

More and more workers in the traditional manufacturing belts in the Pearl River and Yangtze River deltas will be staying back in their home villages in the countryside after the long New Year holidays. Some of them will be taking jobs with those companies moving into the interior.

"I won't come back. I want to find a factory nearer home," said He Yingkang, a worker from Jiangxi province joining the crush at the East Dongguan train station in the Pearl River Delta.

"There the environment is better and cleaner ... a lot of people I know are considering moving. Things are also too expensive here."

The seemingly endless flow of migrant workers into the booming coastal provinces -- about 150 million of them make the annual journey from the interior to the coast -- is drying up. Labour recruiters from the coast are often coming back empty-handed from trips to the hinterlands.

At the East Dongguan train station, migrant workers wheeled suitcases, hefted sacks on bamboo poles and lugged nylon bags bursting with family gifts, bought with those fatter paychecks.

"I hope, of course, my wages get higher year after year," said Fan Zhen, a 24-year-old plastics worker heading back to his village in central Henan. "I want to work hard and earn more."

While migrant workers have long clamoured for better pay in China, last year may have marked a tipping point, when a series of independently organised strikes crippled production at several factories, including Toyota and Honda car plants.

Local governments in many regions responded by raising minimum wages.

This new face of the Chinese worker has unsettled the smaller, indigenous factories that make up the bulk of the workshops in the Pearl River Delta, who worry that a fresh round of wage and cost increases could put them out of business.

This month, authorities in Guangdong province announced they'd be raising minimum wages by about 20 percent in several regions of the delta, including the provincial capital of Guangzhou. The city's new base monthly salary will be 1300 yuan ($200), the highest in China, when the new wage rates take effect on March 1.

"It'll impose tremendous pressure on the manufacturing sector, especially the labour intensive industries," said Clement Chen, an honorary president of the Federation of Hong Kong Industries and a veteran industrialist in the region.

"It's not just Hong Kong firms, but Taiwanese, Korean and Japanese firms will all be facing these pressures," added Chen who expects payrolls to rise by up to 20 percent.

Rising wages are a double-edged sword for the workers, now caught in a spiral of wage-price inflation. This may also accelerate the movement of workers inland and accentuate labour market imbalances.

Many firms -- fed up with rising wages and production costs, along with labour shortages in coastal regions -- are planning to move labour-intensive production out of China, such as Coach.
Foxconn, China's biggest manufacturer with a million workers churning out gadgets including iPhones and iPads for Apple, has started to shift production inland with a few giant new factories, taking entire supply chains with them.

"The effect can be seen on labour intensive light industries such as in textiles, handbag and shoe makers as well as electronics," said William Lo, an analyst at Ample Capital. "These manufacturers may choose some cheaper cost countries such as Vietnam and India."

Higher-end industries and goods requiring advanced production techniques, swift turnaround times and sophisticated supply chains, however, are likely to remain in China for now, Lo said.

Rapid urbanisation and economic development in China’s interior has helped drive up wages and reduced the incentives for workers to uproot and seek work in coastal factory hubs.

"The migrant workers now certainly have a greater number of options than they did, say, just a couple of years ago," said Geoffrey Crothall of China Labour Bulletin. "Southern China and Guangdong are no longer the only show in town."

Some recruitment centres in the Pearl River Delta see acute labour shortages when factories resume production in February after the New Year break.

"I'm 1,000 percent sure the factories won't be able to find enough workers," said Liu Hong, a manager at the Longguan human resources market in Shenzhen, one of the region's largest. "There will be a shortage of millions," he said.

Some Chinese officials -- aware that Beijing's Communist Party leaders including Premier Wen Jiabao advocate raising rural wages to reduce income inequality and speed China's transformation into a consumption driven-economy -- seem willing to let low-margin industries wither away.

"A moderate increase in the minimum wage will bolster the momentum of industrial transformation and upgrading," Ou Zhenzhi, head of Guangdong's labour and social security bureau, was quoted as saying by the Southern Metropolis Daily in comments this month.

Growing numbers of migrant workers are also relocating out of the choked and cluttered Pearl River Delta to the eastern Yangtze River Delta, which developed later and has in recent years built high-technology industrial clusters.