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## Exporters' Gain Is Workers' Loss in China's Labor Market

By TOM ORLIK

Will a shortage of workers and rising labor costs spell the end of China's export miracle? Not this year.

A first-quarter survey of 87 manufacturing firms by Standard Chartered shows wages rising, but not the surge many feared. The wave of strikes at manufacturing firms in 2010 and sharp minimum-wage rises in many provinces stoked fears the age of low-cost Chinese labor was ending.



Reuters

Newly recruited migrant workers line up outside an electronics factory in the southern Chinese city of Shenzhen in February.

Despite the fact that more than half of China's population still is living in the countryside, 30 years of development and an aging work force have depleted the supply of young, able-bodied workers ready to move from farm to factory.

But the Standard Chartered survey shows 2011 wages rising by 9% to 15%. That is a little higher than 10% wage increases reported in 2010. But it's less than the 20% to 30% rises many had expected.

A survey of 87 firms might seem thin, given the 790 million-strong labor force. But a survey of household wage expectations by the central bank also points to moderate increases, slightly down from the same time last year.

Li Qiang of China Labor Watch, an organization that investigates worker conditions in China's export sector, also estimates wages for migrant workers in manufacturing will rise 15% this year after 10% in 2010. With official wage data on the migrant work force nonexistent, surveys and estimates are as good as it gets.

For China's economy, lower-than-expected wage rises are a short-term blessing and a long-term curse. For now, it means a smaller contribution to inflationary pressure and contains costs for exporters, already facing a squeeze from yuan appreciation and pricey raw materials. Textile producers are absorbing a 150% rise in cotton prices over a year.

Longer term, exporters' gains are workers' losses. Tepid wage increases will do little to put more money in workers' pockets or fulfill Beijing's aim of rebalancing from foreign to domestic demand.

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