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China

# China's factory owners pick robots over job-hopping workers

Survey finds one in four workers in the Pearl River Delta changed jobs over two years – and factories have turned to automation to cope

**Topic | China economy****Sidney Leng**

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Reflecting a fundamental change in China's labour market, insufficient labour supply has become a primary concern for factory owners, according to a survey of 1,200 Chinese manufacturers.

Rising labour costs are producing a high turnover rate among factory workers. During the two years of the survey conducted by China's Wuhan University at factories in Guangdong and Hubei provinces, as much as 26 per cent of workers in the Pearl River Delta had changed jobs.



Workers produce various components at the Mansfield Manufacturing plant in Dongguan, Guangdong province. Photo: AFP

“With high worker turnover, they have to pay workers more to retain them,” said survey co-designer Albert Park, director of Institute for Emerging Market Studies at Hong Kong University of Science and Technology.

Average monthly wages of Chinese workers reached 4,126 yuan (HK\$4,721) in 2015, or US\$635, still far behind the US, but almost matching Brazil and significantly higher than other emerging economies such as India and Vietnam.

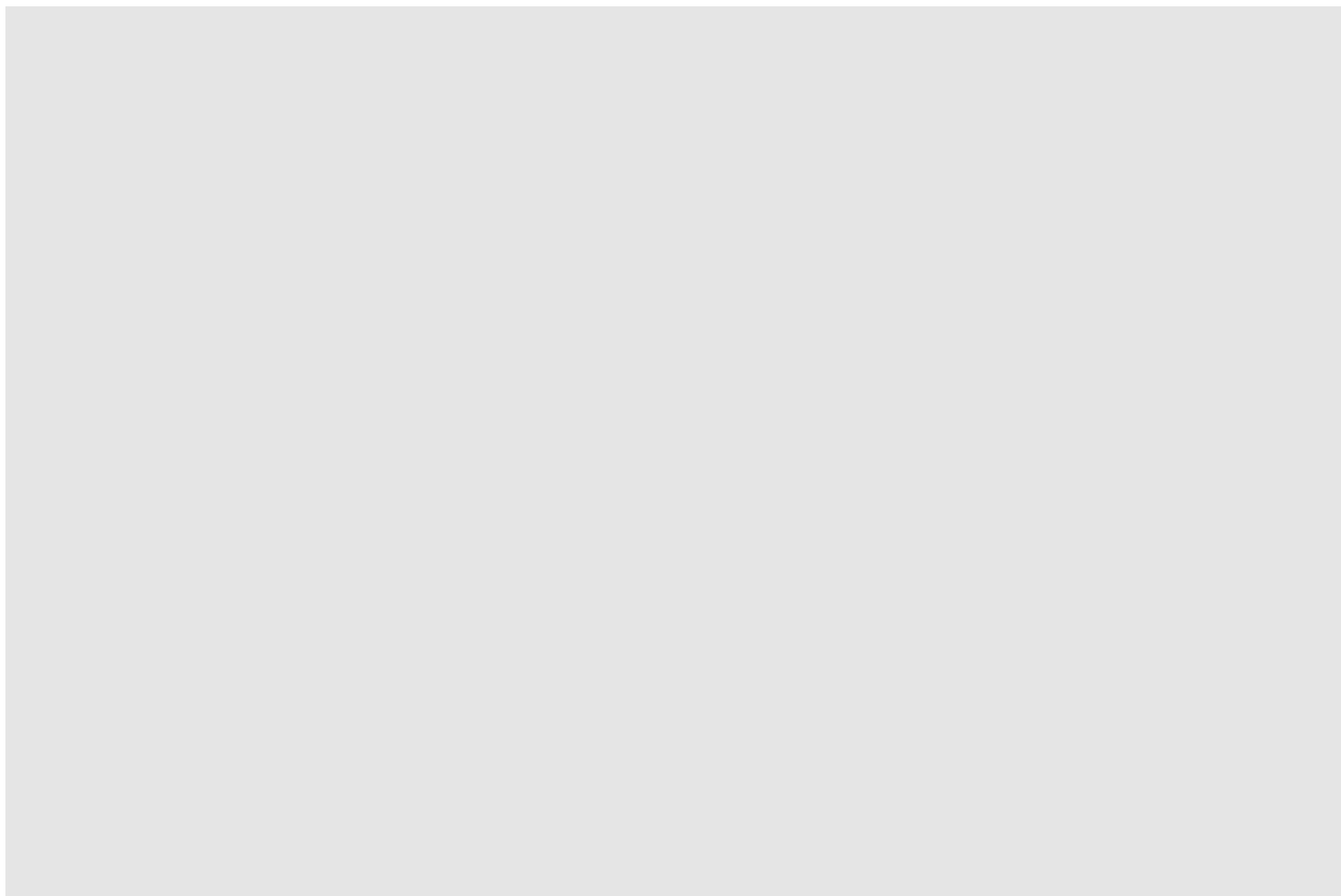
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Manufacturers in China ‘ill-prepared for Industry 4.0’ says McKinsey report

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As costs rise and the business environment turns hostile, more than a third of Chinese factory owners are chasing political blessings from the state or the Communist Party to gain easier access to subsidies and tax benefits.

About 23 per cent of factory owners have served in local parliament and political consultative committees. Thirty-nine per cent are Communist Party members, although they are private business owners, according to the survey.



Factories have turned to robots or automation to improve productivity. Photo: SCMP Pictures

Tracking more than 11,300 employees and their employers in 2015 and 2016 in Guangdong and Hubei, the survey found that government support, often in the form of tax exemptions and refunds, has become critical to the survival of many Chinese factories and exporters grappling with rising costs and sluggish demands.

More than half of the surveyed manufacturers received government subsidies, which on average accounted for 2.6 per cent of their sales revenues. Although there was a higher chance for state-owned factories to get subsidies than others, private businesses relied more on these benefits for boosting their revenue, the survey said.

Coping with rising wages, factories have turned to robots or automation to improve productivity. The survey said about 40 per cent of manufacturers in Guangdong and Hubei use automated machines for production.

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Manufacturing automation to drive China's robotics spending to US\$59b by 2020, says IDC

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But research and development spending as part of industrial upgrading has slowed in recent years. In particular, the number of foreign companies with R&D investment dropped to 38 per cent in 2015 from close to 60 per cent a year earlier.

“My interpretation is there is this feeling that [owners are] not very sure that demand is going to improve. So factory owners could be cautious about making large investments,” Park said.

Premier Li Keqiang has stressed that China needs to improve its business operating environment to bring in more foreign capital and talent.

**Source URL:** <https://scmp.com/news/china/economy/article/2099071/labour-shortage-chief-headache-chinas-factory-owners-survey-finds>

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[1] <https://www.scmp.com/news/china/economy/article/2089953/manufacturers-china-ill-prepared-industry-40-says-mckinsey-report>

[2] <https://www.scmp.com/tech/china-tech/article/2084740/manufacturing-automation-drive-chinas-robotics-spending-us59b-2020>

This article appeared in the South China Morning Post print edition as: Factories struggling to find staff