

The Big Read Chinese employment

China is suffering its own 'China shock'



Labour-intensive manufacturing is vanishing and millions of jobs could be lost, with repercussions for stability and growth

William Langley in Guangzhou and **Haohsiang Ko** in Hong Kong

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Back in the heyday of China’s boom a decade ago, Zhou Yousheng’s shoe factory in Guangdong province employed more than 100 workers.

In those days, China’s abundant supply of cheap labour and highly concentrated supply chains made it a dominant force in low-end manufacturing.

The country’s share of global footwear exports, for example, hit more than 70 per cent just over a decade ago, according to figures from the World Footwear Yearbook.

But over the past decade, Zhou has gradually seen the competitiveness of his business erode amid stiff overseas competition, a burgeoning trade war with the US and weak domestic demand.

Wages in the manufacturing hubs of southern China, which were once the backbone of the country’s explosive economic growth, have risen steadily, while the competition from rivals in south-east Asia has become fierce.

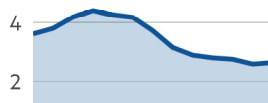
China still dominates shoe production, but its share of global exports has slipped by 10 percentage points over the past decade, with much of that going to rival hubs like Vietnam and Indonesia, according to the Yearbook.

Zhou’s plant now employs fewer than 20 workers. “The future is bleak and hopeless if we continue like this,” says Zhou from his showroom in a mostly empty wholesale market in a Guangzhou suburb focused on international trade. “It would be difficult to return to how it was before.”

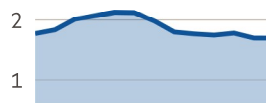
Employment in most of China’s labour-intensive manufacturing sectors has been declining

Average number of employees in enterprises above designated size (mn)

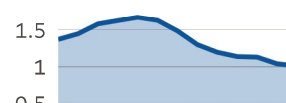
Agricultural and sideline food processing



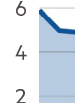
Food manufacturing

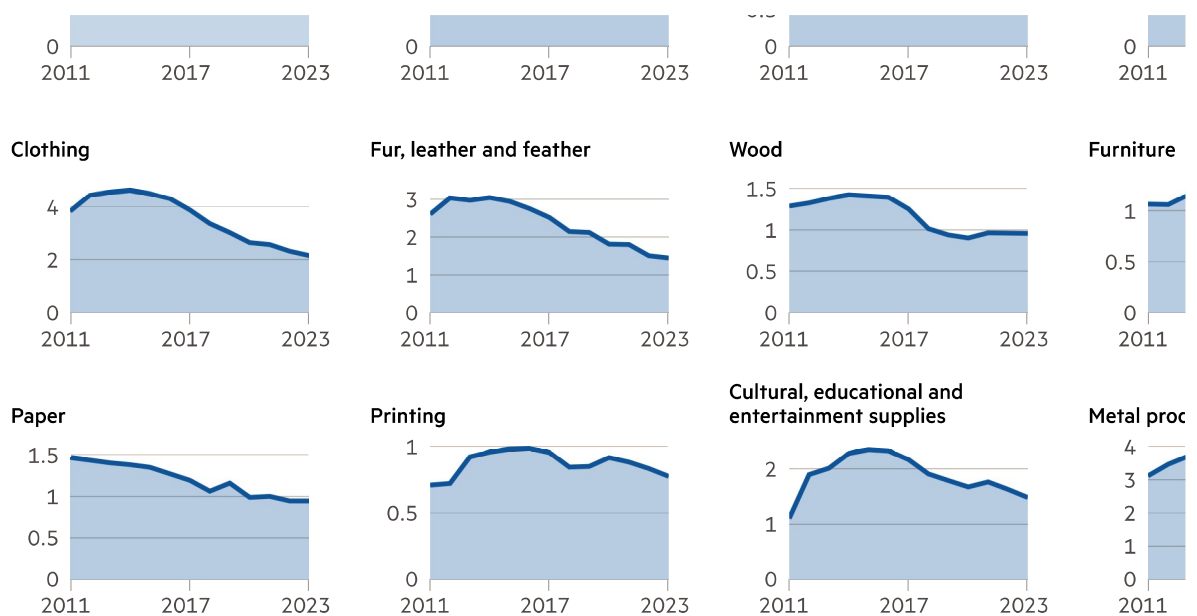


Liquor, beverage and tea



Textiles





Factories across China at the low-end of manufacturing are facing the same dilemma — either they invest in automation that shrinks the number of jobs, or they slowly wither away.

The result, in the view of researchers and economists, is a painful shift away from low-cost, labour-intensive production that could leave millions of older, lower skilled workers in the lurch.

Analysis of 12 labour-intensive manufacturing industries between 2011 and 2019 by academics at Changzhou University, Yancheng Teachers University and Henan University found that average employment shrank by roughly 14 per cent, or nearly 4mn roles, between 2011 and 2019. Roles in the textile industry shrank 40 per cent over the period.

An FT analysis of the same 12 sectors between 2019 and 2023 found a further decline of 3.4mn jobs.

“China exploited its comparative advantage over recent decades in terms of having an abundant labour force . . . and it really became the dominant manufacturer globally of labour intensive goods,” says Frederic Neumann, chief Asia economist at HSBC. “That game is now up.”

In many ways, Beijing risks experiencing the same “China shock” that it imposed on advanced manufacturing nations after its entry to the World Trade Organization in the early 2000s, when orders migrated en masse from more expensive hubs to the cheap and efficient factories of Guangdong and other

provinces. Now, the cheaper factories are in countries like Vietnam and Indonesia where exports have surged.

China exploited its comparative advantage over recent decades in terms of having an abundant labour force . . . That game is now up

Western nations overcame China shock in part by developing consumption-powered economies and vibrant services industries. However, Chinese leader Xi Jinping has made clear that “new quality productive forces” — or advanced manufacturing — will remain core to the country’s growth model.

But analysts say production in high-tech export industries will be less labour-intensive, and will not provide enough new opportunities to soak up the excess labour on its own. “You’re not going to employ as many people by definition,” Neumann says.

They also doubt that manufacturing alone can deliver China’s growth targets, which political leaders set at “around 5 per cent” for the third year running in 2025.

A rise in localised unemployment risks further denting economic prospects and creating social strains that policymakers, used to decades of breakneck growth, are unfamiliar with.

China’s low-skilled migrant workers are especially exposed, says Gordon Hanson, a professor at Harvard Kennedy School who researches the labour impacts of the decline of manufacturing.

He points to the example of Martinsville, in the US state of Virginia, the onetime “sweatshirt capital of the world”, where in 1990 as many as 45 per cent of working-age adults were involved in manufacturing. The majority of those jobs “just disappeared” as the town failed to reposition its economy, he says — and today the poverty rate is double that of the nation.

“I would expect where the major difference is in China, [is] you’re going to see a much more concerted government effort to staunch that disruption,” Hanson says.

“[But] if China thinks it can dominate green technology and dominate AI at the same time [as] it tries to deal with disruption, it may be in for the same lessons.”

The state is making some attempts to prop up traditional manufacturing industries. That is why Wang, in his forties, found himself nearly 2,000km from home at a half-completed industrial park in southern China in February.

He was in northern Guangdong to find work in the region's famed garments industry. "If I can't get any, I'll move on," he says. Staying home for the holiday was not an option. "I won't allow myself to lose money this year," he adds. "At my age, I need money."

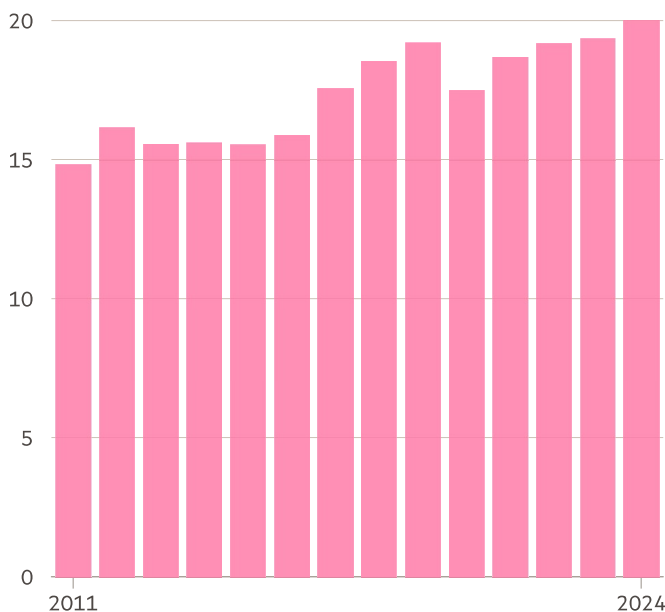
Wang is one of the workers caught up in this painful transition. He was attempting to find work at Zhongda Fashion and Technology City, a joint initiative between officials in Qingyuan and neighbouring Guangzhou to create a "smart manufacturing base" for fast fashion.

Officials hope the site will attract small-scale business across the province to set up newer, more technologically advanced operations here, boosting the competitiveness of the region's sprawling garments industry.

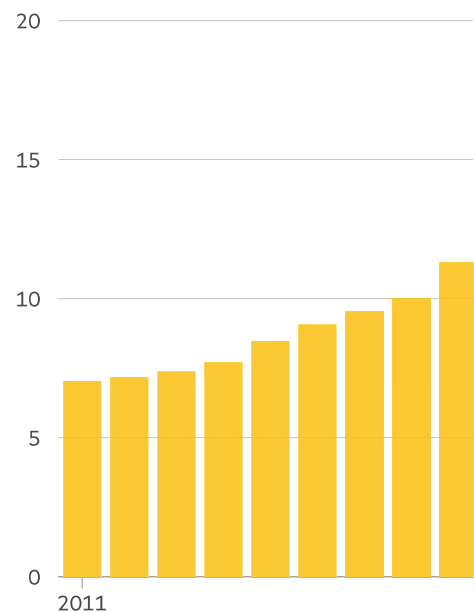
Indonesia and Vietnam have collectively added more than 10mn manufacturing jobs since 2011

Employed persons (mn)

Indonesia



Vietnam



Projects like these across China are the state's solution to the hollowing out of a range of manufacturing industries.

China shares of the export of 10 labour-intensive products — including home fixtures, furniture, luggage, toys and others — peaked at nearly 40 per cent in 2013, according to figures compiled by Hanson at Harvard Kennedy School.

Hanson's figures show that China's share of the combined 10 goods had fallen to less than 32 per cent by 2018. Tariffs put in place by the US that year have since accelerated the process, he says.

Even items requiring more advanced processes are not immune. Amid tensions with the US, global and local companies have accelerated their efforts to “de-risk” their supply chains and decrease Chinese production of everything from iPhones to car parts in recent years.

The major beneficiary has been south-east Asia, with both Chinese companies and their global customers accelerating efforts to source more goods from rival hubs there.

Exports from Vietnam and Indonesia achieved compound annual growth rates of 8.2 per cent and 12.3 per cent between 2019 and 2023, according to McKinsey. The two countries have collectively added 10mn manufacturing jobs since 2011, according to official figures.

“It's natural for a country like China, which is becoming richer and [where] wages are growing, to allow some of the more labour-intensive export-oriented activities to shift to other countries,” says Albert Park, chief economist at the Asian Development Bank. “Structural change is always hard on some workers and it's a government and society-level choice on how protective you are of those workers.”

Manufacturing is far from dead in China, however. In a factory in Panyu on the outskirts of Guangzhou, humans work in synchronisation with machines to churn out new electric vehicles every 53 seconds.

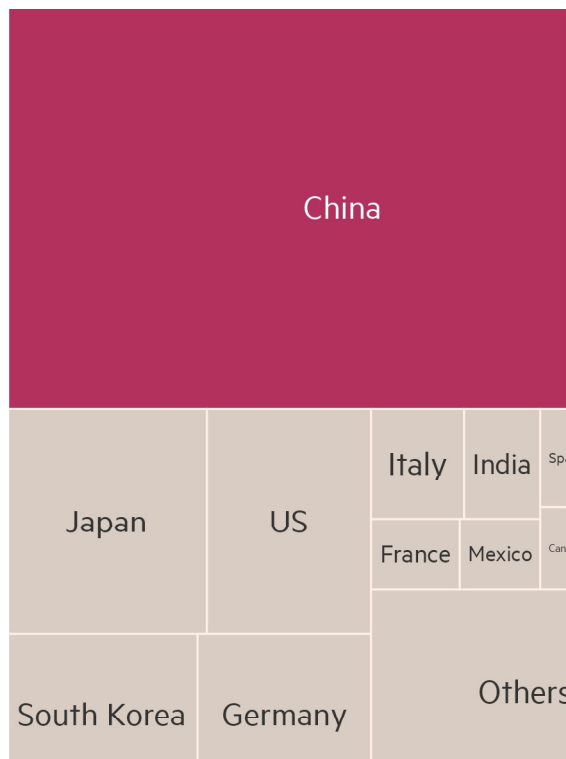
About 1,400 people work in this part of the plant, which focuses on the final assembly of vehicles under state-owned carmaker GAC's Aion brand.

Advanced sites like this are an example of Beijing's vision for “new productive

forces” in action: high-tech machines run by smart systems, churning out advanced products. President Xi even visited the plant during a trip to Guangzhou in 2023.

China installed over half of the world's new industrial robots in 2023

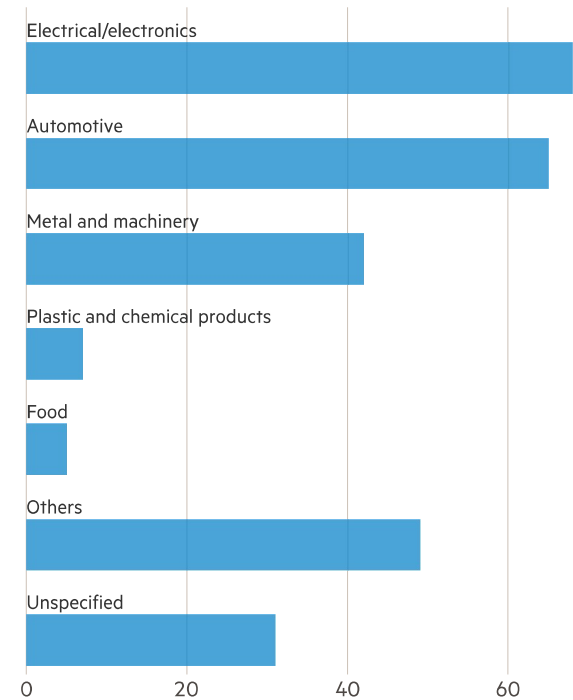
Annual installations of industrial robots (1,000 unit), 2023



Source: International Federation of Robotics

China's industrial robot installations are dominated by the electrical, electronics and automotive sectors

Annual installations of industrial robots (1,000 unit), by industry, 2023



But in parts of the line — such as when seven robots lift, rotate and fit windscreens on chassis passing on a conveyor belt — humans are vastly outnumbered by machines.

Other tasks, such as the hazardous welding and coating of car doors are entirely automated, while the overall automation rate of the final assembly process is about 40 per cent.

That is by design, says Li Xiaoyu, an engineer: the factory has a goal of reducing its human workforce by 10 per cent a year.

In stark contrast to the problems facing low-end manufacturing, Li says it has become increasingly difficult for the factory to find suitable employees, who must be in good physical shape and have an average age of just 22.

“Because China nowadays is similar to Europe: it’s very hard to find young people to employ,” he explains, gesturing at the production line below. “Ideally, we only want them doing relatively important tasks, like checking quality. These [other] positions we might eventually eliminate.”

Li’s concerns are echoed by large manufacturing enterprises across the country: China’s demographic decline and a growing reluctance of a more highly educated younger generation to work on production lines means that many newer factories are actually struggling to find the workers they need.

China’s working-age population peaked at over 900mn in 2011, but is forecast to shrink by almost a quarter to around 700mn by the middle of this century, according to a Brookings Institution report.

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Policymakers, therefore, see automation and robotics as an imperative if the country is to hold on to its long-term productive capacity. If China doesn’t automate now, goes the thinking, even its higher-end production will be outcompeted by rival nations.

The new growth created by high-tech jobs, they argue, will ultimately create a range of new jobs and consumers, boosting

employment on aggregate.

But there is also an acknowledgment that, while innovations like automation will help to address pressing labour shortages in certain industries, they may displace workers unable to adapt to new productive methods.

“We are also fully aware that with the development of the current tech industry . . . there is a possibility of increased unemployment within traditional industries,” says a person familiar with officials’ thinking.

“However, by continuously developing new productive forces and tailoring them to local conditions, we aim to create new job opportunities to offset and absorb the employment impacts of the transition within traditional industries.”

For those already working in high-end industries, the expansion of automation and robotics will help address the challenges posed by China’s rapidly ageing and

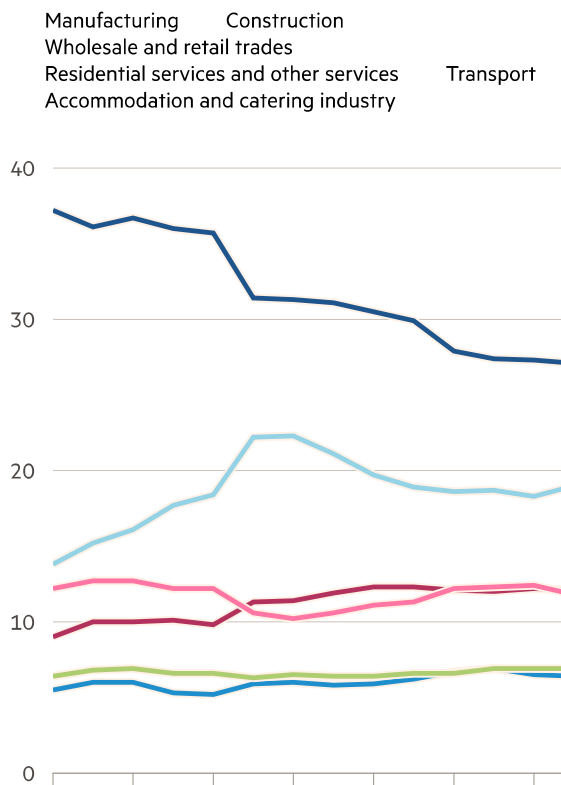
robotics will help address the challenges posed by China's rapidly ageing and shrinking workforce, and liberate future workers from undesirable work.

"The new workers, such as those who are younger than us, are actually very reluctant to engage in such dirty, hard and tiring work," says Chen Guishun, president of robotics at Shenzhen Inovance, one of China's largest homegrown industrial automation groups. "The demand for automation and robotics will become more and more urgent as a result."

And while many in low-end sectors [complain](#) that they lack the capital or demand to justify expensive investment in high-tech automation, Chen believes that even industries like clothing production, which are often composed of nimble smaller-scale producers and are subject to irregular demand, will eventually incorporate more robots into their workforce.

The manufacturing sector employs fewer Chinese rural migrant workers

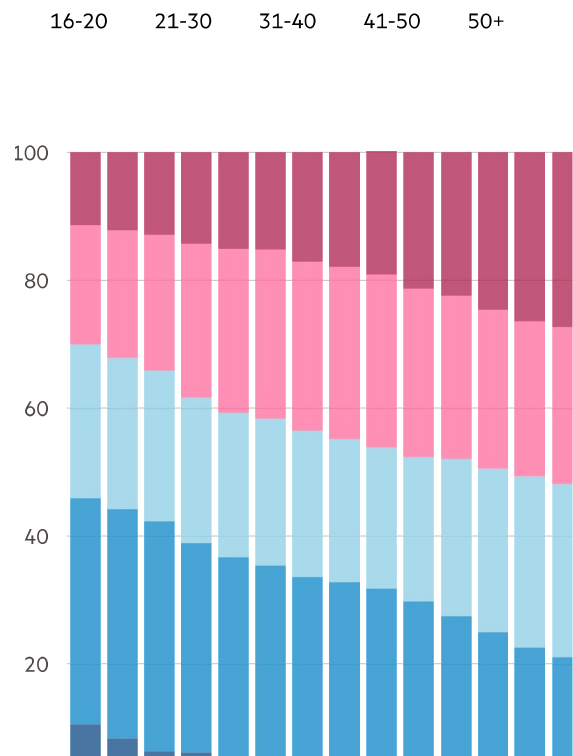
Proportion of rural migrant workers (%), by industry



Source: National Bureau of Statistics

China's migrant worker population is ageing

Proportion of all rural migrant workers (%), by age group



"Many small enterprises of this type may gradually be replaced by larger-scale ones due to lack of technology or innovation . . . or if they are merged with other larger

peers, their automation will accelerate,” he argues. “This could be an inevitable trend.”

But where automation can help address labour market tightness in certain industries, it also risks making lower skilled jobs increasingly redundant, analysts say.

Dorien Emmers and Scott Rozelle, academics at KU Leuven and Stanford, respectively, argued in a paper last year that the rapid upgrading of Chinese industry, as well as its “massive push to automate” was further reducing demand for such labourers, to the point that their wages had started to decline.

With the share of uneducated workers in China’s workforce higher than most upper middle-income countries, the potential for disruption was heightened, they added.

Workers originating from rural areas, who Emmers and Rozelle argue are the most exposed given lower levels of education, are only partially covered by the country’s official gauges of unemployment.

“When too many unskilled workers are squeezed out of upgraded industries, their wages tend to stagnate or fall, curtailing demand and hampering growth,” they wrote.

“This eventually leads to serious social problems, such as higher rates of unemployment and increased crime and social unrest. Nations with socially polarised work forces also suffer from political instability.”

It is an open question how these trends apply to a one-party state like China.

Despite tight social controls, small-scale labour protests — generally confined to disputes and collective action between workers and their employers — are fairly regular across China.

And while the country’s tight control over information related to such events makes them hard to track, the China Labour Bulletin, a Hong Kong-based NGO, has noticed a marked increase in recent years.

The CLB recorded 452 protests in the manufacturing sector in last year, the highest

in almost a decade, driven by factory closures, relocations and wage arrears. That followed a tenfold increase in manufacturing strikes and protest actions the year before.

The CLB noted last year how China's transition from low-tech to high-tech industries has created "technological unemployment" of displaced workers.

In the last two years . . . we do observe more workers' collective actions happening

Intense competition within those high-tech sectors, particularly electric vehicles, has triggered a price war and a wave of company and factory closures, it added.

"In the last two years . . . we do observe more workers' collective actions happening," says Han Dongfang, founder and executive director, adding that the rapid increase was particularly acute in the

production of electronics and garments.

For workers in Kanglu, a garment manufacturing suburb filled with thousands of tiny factories and workshops — some no smaller than a single worker and sewing machine in an alcove under a stairwell — a high-tech future seems a long way off.

At a local labour market, laminated pink signs divide a converted sports arena into five areas: "semi-finished goods", "jackets", "coats", "trousers" and "knitwear". In earlier times, the rows of notice boards they are affixed to would advertise long lists of jobs in the area. Nowadays, they are largely blank.

During the FT's visit the arena was less than 20 per cent full, with small groups of workers idling in the nearby bleachers, or chatting among themselves by the entrance.

"It's no good," says one older prospective labourer, before being hastily spirited away from a foreign reporter by a wary security guard. "[Nowadays] you can't even earn Rmb100 in a day."

Additional reporting by Joe Leahy and Wenjie Ding in Beijing

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