

Millions of job losses threaten to trigger social unrest in China

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The Chinese government is facing a massive unemployment crisis, far worse than in the late 1990s, when lay-offs of more than 30 million workers from state enterprises led to a wave of militant protests. This time, the growing army of unemployed mainly consists of internal migrant workers from the countryside, who have been hit hard by plunging export orders in the urban manufacturing centres and the collapse of the construction boom.

Some 25 to 26 million migrant workers lost their jobs last year, Chen Xiwen, director of the official Central Rural Work Leading Group told a press conference last week. More than 130 million migrant workers were employed in the cities, with another 80 million in township enterprises.

Even though millions of workers were instructed not to return to the cities from the recent Chinese New Year holiday, because their work had dried up, many still made the journey, only to find themselves not wanted. Their anger and frustration are the makings of a social time bomb, because 65 percent of the average rural family's cash income is derived from members working in the cities, according to research by the Chinese central bank.

Academic studies have predicted staggering job losses in the new Year of the Ox. Professor Yu Qiao at the prestigious Tsinghua University recently warned: "It's expected that 40 to 50 million or more migrant workers may lose their jobs in urban areas if the global economy keeps shrinking this year." This figure does not include the millions of unemployed urban workers.

Yu continued: "Jobless migrant workers on this mass scale implies a severe political and social problem. Any minor mishandling may trigger a strong backlash and could even result in social turbulence."

Yu criticised the Chinese Communist Party (CCP) regime's 4 trillion yuan stimulus package for focussing on capital-intensive industries that have close connections to the CCP leadership. He said the package would provide some boost to GDP growth, but do little to ease unemployment, as small businesses, which provide the bulk of jobs, were being ignored. Yu also warned that the package would give a short-term boost to the construction sector, but cause overcapacity for years to come.

Yu estimated that a 30 to 40 percent decline in construction would cost the jobs of 10 million migrant workers. Declining exports are another major factor. According to the Chinese Academy of Social Sciences model, a 10 percent decline in exports could cut non-agricultural employment by 11.2 million or 2.7 percent. If exports decreased by 20 percent, the job losses would double.

With a widening urban and rural income gap—from 3.3 times in 2007 to 3.4 times in 2008—the loss of income among the jobless rural poor and their families threatens to trigger protests throughout the countryside.

However, the situation for urban dwellers is also rapidly deteriorating. By the end of 2008, the urban unemployment rate of 4.2 percent was 0.2 percent up from the previous year—although the figure is widely disputed by analysts as unreliable. The China Daily reported that at the end of December, 8.86 million urban workers were registered as unemployed, up from 560,000 from the end of the third quarter.

This figure does not include migrant workers or newly graduated college students. The ministry of human resources and social security estimated that 7.1 million college graduates would be seeking jobs this year, including 1 million who failed to find a job in 2008. In urban centres, the lack of job prospects for graduates is a major political concern for the Chinese regime, as discontent among students has been historically the catalyst for wider political movements of the working class.

Media reports have pointed to frustration among job seekers returning to the cities following the end of the Chinese New Year holidays in late January.

Xie Fuyuan, a 26-year-old migrant worker hauling two bundles of belongings at a bus station in Changan, Guangdong Province, told Reuters on February 4 that he had travelled to several factory towns in search of work. He was unable afford the rising fees at so-called job centres, so he had to ask each factory, door-by-door.

“Before, as long as you showed up you could get a job. But this year it’s not possible,” Xie said. He came from a poor village in western Guangdong, and once earned about 1,200 yuan (\$US175) a month in a toy factory. Now, down to a few hundred yuan, he could only afford to stay for three more days, if he could not find a job. “I went to many factories and they’re all closed,” Xie said.

Agence France Press (AFP) on January 25 reported on the plight of 19-year-old Cheng Wenlong, a chief breadwinner for his family from Lankao in Henan Province, one of China’s poorest counties. According to local officials, 200,000 of Lankao’s 800,000 people migrated to cities looking for work in 2008.

Driven by desperate poverty, Cheng quit school at 14 and had worked as a welder, labourer and security guard in seven cities, from Beijing to the southern manufacturing hub of Dongguan. Beatings and other forms of abuse were common, Cheng explained. He recalled that one factory boss punched him repeatedly for merely complaining about being paid just 10 yuan or \$1.50 for making 1,000 pens. He was forced to finish the job—and was not paid at all. He told AFP: “Sometimes I feel God is unfair to me. I’m bullied and exhausted.”

Now Cheng has no job at all. His shipyard welding job in the eastern city of Taizhou finished when foreign orders collapsed. He had been unemployed for three months and had no means or reason to celebrate the Chinese New Year with his impoverished family.

Bi Binbin, another 19-year-old youth from the same village, lost his job on an assembly line operated by a major Taiwanese computer company in eastern China last December. As orders dried up, so did his overtime. Without overtime, his monthly salary dropped from 2,100 yuan to 700 yuan (about \$100), making it impossible to cover living expenses. Bi told

AFP: "That's the way they get rid of people. The salary is so ridiculously low you have to quit." Nevertheless, Bi said he would set out again after the New Year in the hope of picking up a factory job. He had no option because his hometown offered no future for young men.

Some analysts have sought to downplay the fear of growing unemployment among migrant workers, claiming that their small plots of land can provide a limited livelihood. However, the worst drought since 1951 is hitting northern China, threatening to destroy one-fifth of the harvests in some provinces and damaging 9.3 million hectares of farmland. If the situation does not improve in coming weeks, millions more farmers may have to leave their land and join the country's "floating population" in the search of work.

Liu Kaiming, the head of the Institute of Contemporary Observation in Shenzhen, a major industrial city in Guangdong, told Reuters: "It's very difficult at the moment. While many workers will somehow find a way to survive and make a living, it will increase social tensions and this strain could spark social instability."

Guangdong is China's leading export hub, supplying nearly one-third of total exports. It is now suffering a major downturn. Its export growth tumbled to just 5.6 percent in 2008—down from 22.3 percent in 2007. In the first 10 months of 2008, 15,661 companies in Guangdong shut their doors. More than half ceased business in October, indicating that the pace of closures is accelerating.

China's overall economic growth rate was just 6.8 percent in the fourth quarter, compared to the final quarter of 2007—half the red hot pace of 13 percent in 2007. In addition to declining consumer spending in the West, growing protectionism in the US, European powers and cheap labour rivals is putting enormous pressure on China's industries.

A Labour Contract Law introduced in 2008 as a means of defusing rising class tensions is being quietly ignored. The Christian Science Monitor on January 28 reported that factory and business owners had admitted that officials had grown more lax about enforcing the laws, which strengthened rules on contracts and social security payments for workers. "They don't say you don't have to follow the labour laws, but now it's 'one eye open, one eye shut'," a manager of a 700-employee textile factory in Dongguan told the newspaper.

To assist businesses, Beijing has given the go ahead for local authorities to freeze minimum wage levels and reduce or suspend employers' social insurance contributions. Amid growing unemployment, protests over cuts to wages and social security payments could spark a wider social eruption, not just against employers and the business elite, but the CCP regime and its pro-capitalist policies.

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