

China's Restless Workers

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Labor strikes are rising in China as weak demand sees factories shutter and workers' pay cut.

Strikes in China's manufacturing sector are rising amid a [shaky](#) domestic economic recovery and a global economy still [weighed](#) down by the war in Ukraine and the [effects](#) of the COVID-19 pandemic.

Chinese manufacturers in industries from electronics to garment manufacturing have faced lower earnings on the back of weaker global consumer demand this year. Many factories have closed or mothballed production without paying their staff severance pay or other benefits. Still others are experiencing difficulties paying meeting their regular payroll obligations. Chinese websites and social media accounts have posted complaints of layoffs and [stagnant](#) or falling wages, and examples of job advertisements using [discriminatory](#) language or listing illegal requirements.

As a result, the first half of 2023 has seen an increasing number of small-scale incidents of worker unrest across China's coastal industrial hubs in the Pearl River and Yangtze River Deltas, where China's work force of rural migrant laborers is concentrated. Hong Kong-based rights group China Labor Bulletin recorded 140 strikes across China from January-May 2023, the highest number since the same period in 2016, when 313 strikes were reported.

China Labour Bulletin collects its own data on strikes, largely pulled from social media posts. The group estimates they only hear about 5-10 percent of the total strikes that actually occur. Any official figures are heavily guarded by the CCP.

Manufacturers typically employ migrant workers on informal or temporary contracts, leaving them vulnerable to labor abuses like unpaid overtime or rounds of sudden layoffs or pay cuts. China does not allow independent trade unions, which might tackle such abuses; all recognized labor organizations must join the umbrella All-China Federation of Trade Unions (ACFTU).

Under this arrangement, migrant workers often struggle just to secure the legal benefits to which they are entitled from companies, such as social insurance and housing fund payments. Company-level enterprise unions are often [accused](#) of failing to stand up for their members' rights. Instead, migrant workers frequently find themselves pushed by local government officials into labor arbitration with their companies over unpaid benefits or other grievances.

The ACFTU [takes](#) much the same approach, with legal remedies through the courts being the default model of conflict resolution between Chinese workers and companies. The Chinese security forces are quick to break up protests and strikes, while social media censorship removes evidence of labor disputes from China's internet.

It is thus unlikely that the current wave of localized labor unrest in China will escalate to an industry-, city- or province-wide level, given the Chinese Communist Party (CCP)'s lack of tolerance for any sort of independent and organized political or social movement. Workers' grievances over money and other issues may see the number of strikes continue to escalate back toward 2016 levels,

but they will remain small, isolated incidents involving specific complaints, which lack any connection to a broader workers' movement.

A few incidents, however, could break through to wider public consciousness, either in China or globally, such as last year's [protests](#) over pay and COVID-19 controls at Apple supplier Foxconn's Apple iPhone plant in the Chinese city of Zhengzhou. That disruption led to significant supply chain issues for Apple and may have helped spur the company to diversify its manufacturing base away from dependence upon China.

The Foxconn unrest was also an early precursor to the broader "White Paper" protests of late 2022, which saw Chinese residents take to the streets in the thousands to denounce the government's zero COVID policy. The protests provided a rare example of collective action forcing a policy change in China. The central government quickly scrapped the stringent COVID-19 quarantine and testing rules, even while moving to arrest those suspected of taking part in the demonstrations.

Still, the Zhengzhou incident, and earlier spontaneous protests like it, did not motivate Beijing to overhaul labor law or working conditions for migrant workers in China's manufacturing sector. China-focused labor rights organizations continue to frequently [document](#) labor rights issues, both within China-based supply chains and with the [treatment](#) of Chinese workers brought to work in overseas countries by Chinese firms.

Multinationals' supply chains are unlikely to experience any significant impact from an increase in labor unrest within China, given Beijing's authoritarian political system will stifle any large-scale organizing. However, the growing trend of global companies to [diversify](#) their suppliers away from China will have powerful indirect consequences for China's labor relations, since it will further depress global demand for the services of Chinese manufacturing firms in 2023 and beyond.

Geopolitical tensions between the United States and China have spurred some of this trend but rising labor costs and the chastening experience of the worldwide disruption caused by China's zero COVID strategy have also weakened foreign firms' faith in the business environment there. Multinational firms will not abandon manufacturing in China - not least because domestic production there is needed to supply China's own huge consumer market for foreign goods - but Beijing's role as the world's workshop was eroding even before the first cases of COVID-19 were discovered in the Chinese city of Wuhan in late 2019. However, foreign firms' supply chain diversification is likely to exacerbate overcapacity in China's manufacturing sector, leading to further pay cuts and redundancies across the sector later this year.

Sustained low-level labor unrest could potentially become a headache for the CCP in the same way that public protests over zero COVID eventually resulted in an abrupt abandonment of public health controls late last year. The Chinese regime defends its monopoly on political power in part from its claim to have developed the Chinese economy and delivered rising living standards for ordinary Chinese people. Migrant labor unrest across China's manufacturing hubs challenges this claim, especially when [combined](#) with a slack labor market among graduates and young people.

The issue will not seriously threaten the hold of Chinese President Xi Jinping on power - he [consolidated](#) his position late last year at the National Congress of the Chinese Communist Party - but it will contribute to a popular feeling of malaise across parts of Chinese society, [manifesting](#) in the popularity of internet slang terms like "let it rot" on China's internet forums. Such narratives erode CCP [claims](#) about the positive outcomes of China's 100-year modernization drive under the party and therefore the CCP's legitimacy from having delivered them. Historically, student protests and worker unrest have often triggered political crises within the communist system, most tragically in 1989 Tiananmen Square massacre.

Beijing is likely to respond to the persistence of low-level worker unrest by redoubling efforts to ensure reports of the problem do not appear on Chinese social media, and therefore leak out to the wider world via labor rights groups. It could also pressure local officials to reduce incidents of unrest, which could lead to further human rights abuses as municipal governments and other authorities attempt to strongarm workers into settling strikes.

The CCP may bank on the global economy recovering in 2024 and ending the circumstances that are driving employers to cut pay and conditions in the country's manufacturing sector, even as growth there and in the overall economy remains uncertain in the second half of this year. However, the International Monetary Fund forecasts that growth in China will drop from 5.2 percent in 2023 to 4.5 percent in 2024 and remain sluggish in the 2025-2028 period. This could translate into persistent wage-related unrest in China that further diminishes the appeal of the sector for Chinese workers. Diminishing returns will also increase pressure for an overhaul in the country's economic model and better social protections for workers.

Popular pressure for a better system of welfare may also be rising in China as younger generations' expectations increase in line with higher living standards and growth permanently slows in the post-globalization era.

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