

WATCH LIVE **Senate hearing on domestic drones and the economy**

CBSNews.com / CBS Evening News / CBS This Morning / 48 Hours / 60 Minutes / Sunday Morning / Face The Nation

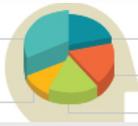
Log In

Markets | Investing | Tech | Leadership | Small Business | Saving | Spending | Retirement | Video

DOW	16499.63	S&P 500	1849.87	NASDAQ	4217.213	WILSHIRE	19303.02	10Y YIELD	2.8765	Quote
▲ +125.77	+0.77%	▲ +10.99	+0.60%	▲ +34.20	+0.82%	▲ +114.92	+0.60%	▲ +0.01	+0.40%	

Your brain,
just brighter

Speed
Memory
Problem Solving
Attention
Flexibility



Start Training →

lumosity

By **ERIK SHERMAN** / MONEYWATCH / January 7, 2014, 8: 28 AM

China: The year of the layoff

Comment / **3** Shares / **5** Tweets / Stumble / Email More +

Although 2013 was the year of the snake in China, perhaps it should have been someone standing in an unemployment line. The country has lately seen a serious increase in worker layoffs from both domestic and international employers. The shift owes both to a general slowdown in China's economy and a change in conditions that once made the country the first choice for corporations outsourcing their manufacturing.

For example, thousands of state bank **former employees protested** in October over severance pay. In July, the country's largest shipbuilder, **China Rongsheng Heavy Industries, suspended stock trading** after revealing having quietly laid off 8,000 employees, driven by the **industry's over-capacity**.

A **report by the Beijing's Economic Observer** suggested that global companies were laying off significant numbers of workers in China, often because the companies found the workers to be too specialized and inflexible, so unable to transition to new roles. The country's Ministry of Human Resources and Social Security said in the summer that it **expected more layoffs and "unpaid wages"** as a continued result of slower economic growth.

"The reason why multinationals are laying workers off is that Chinese workers are no longer cheap," said George Haley, director of the Center for International Industry Competitiveness at the University of New Haven, in an interview with CBS MoneyWatch. "The average wage per hour is 20 percent higher than Mexico, and Mexico is a lot closer to the U.S. and Mexico."

According to Haley, minimum wages have jumped "dramatically" in many Chinese provinces. In addition, subsidies in the form of low-cost loans and underwriting of land and utilities are quickly disappearing. Without them, labor costs alone don't provide enough incentive for companies to continue expansion. Then there is the economy.

Even as **disappointing growth still likely topped 7.5 percent** in 2013, a number that would delight most countries, investors and companies have reacted in a number of ways. **Chinese stocks hit a five-month low** as the **HSBC/Markit Economics services Purchasing Managers' Index**, or PMI -- a survey of private sector manufacturing companies -- dropped in December to its lowest point in more than two years. The PMI of 50.9 indicates flat business conditions. (Below 50 is considered an industry contraction.)

Service businesses are not much better off, as China's National Bureau of Statistics indicated service-sector growth has slowed over the last few months.

China's phenomenal growth for decades was built on easy credit and exports. But the combination has made China's economy prioritize foreign needs over domestic



THE 56TH GRAMMY AWARDS
Sunday, Jan 26 8/7c

Meet the nominees for
Best New Artist

Watch exclusive videos, read bios
and test your trivia knowledge.

GO NOW →

brought to you by 

Most Popular

- 01 Golden Globe Awards 2014: The hottest red carpet looks
246148 views
- 02 Police: NM school shooter is 12-year-old boy
124414 views
- 03 The Case of Alex Rodriguez
62374 views
- 04 Extension of unemployment benefits dead in Senate for now
41561 views
- 05 Argument over texting leads to fatal shooting at movie theater
39375 views



play VIDEO

The Grammys to host a rare Beatles reunion

and face the potential problems of oversupply and the sudden impact that can have on industries. The result has been "ghost" cities that artificially boosted provincial economies and inventory buildup while only temporarily masking problems. Haley said that 2013 saw so much excess production in the automotive industry that parts and even fleets of cars were simply stockpiled.

For Chinese workers, the scary part is the **amount of growth needed** to keep things on an even keel. According to China's Premier Li Keqiang, the country needs minimum annual growth of 7.2 percent just to keep unemployment from rising.

The implications for China are significant. Despite its enormous growth over the last three decades, China remains poor. **Average family income in 2012 was \$2,100**, according to research from Peking University. But significant income inequality leaves nearly a quarter of household income in the hands of 5 percent of the population, which means most Chinese families makes even less. That hinders the kind of broad personal consumption that China needs to thrive over the long term.

The Chinese government is keenly aware of the social and political discord that could result from a failure to keep the country's economy chugging while also reducing income inequality.

"Usually when emperors were overthrown [in China], it came from the peasantry or outsiders like the Mongols," Haley said. "They're very scared of the workers banding together and either overthrowing or forcing out the government."

© 2014 CBS Interactive Inc.. All Rights Reserved.

Comment / 3 Shares / 5 Tweets / Stumble / Email More +

Erik Sherman
ON TWITTER »

Erik Sherman is a widely published writer and editor who also does select ghosting and corporate work. The views expressed in this column belong to Sherman and do not represent the views of CBS Interactive. Follow him on Twitter at @ErikSherman or on Facebook.

Around the web

Recommended by



Vanessa Williams' Surprising DNA Test Reveals...
Ancestry.com



Did You Know These 20 Stars Are Gay?
Hollyscoop



Sleep Labs are Miserable Experiences – Get a CPAP...
Easy Breathe



Lindsey Vonn Rare Photos - SI.com Photos
Sports Illustrated

Featured in Moneywatch



10 cheapest places to live in the U.S.

Popular on CBS News



Police: NM school shooter is 12-year-old boy
91 COMMENTS



Golden Globe Awards 2014: The hottest red carpet looks



The Case of Alex Rodriguez
37 COMMENTS



Extension of unemployment benefits dead in Senate for now

Lumosity Brain Games

www.lumosity.com

Challenge memory and attention with scientific brain games.

Santander Consumer USA

Most Shared



Scientist: Cats think their owner is an overgrown oaf of a cat



Argument over texting leads to fatal shooting at movie theater



Police: NM school shooter is 12-year-old boy



Extension of unemployment benefits dead in Senate for now



Obama: I will use my pen and phone to take on Congress



16 PHOTOS

Vintage football cards

Most Discussed

622

Argument over texting leads to fatal shooting at movie theater

606

Extension of unemployment benefits dead in Senate for now

447

Obama: I will use my pen and phone to take on Congress

180

Supreme Court to consider abortion, gun cases