

The industry in China is in a state of transition, with more and more footwear manufacturers moving out of 'overheating' provinces in a bid for lower labour costs and taxes.

Movement of the people

This year, the longest and most important festivity in the Chinese calendar, Chinese New Year, falls on 3 February 2011 and will herald the year of the rabbit. It is a time when families across mainland China, Hong Kong, Indonesia, Macau, Malaysia, Philippines, Singapore, Taiwan and Vietnam come together in celebration of the passing of one year and the beginning of the next. But this year, it is also time of concern for footwear manufacturers in provinces where the industry is said to be 'overheating' and heading towards a potential decline, as opportunities for workers become available in more rural parts of the country. For such manufacturers, many of their workforce will not be returning, choosing to spend the year of the rabbit closer to home rather than thousands of kilometres away from their loved ones.

Relocation

It has been noted since 2007 that footwear manufacturers in provinces such as Guangdong are relocating to other parts of China. In the first five months of 2008, 2,331 footwear manufacturing companies closed in Guangdong province because of rising wages and gains by the renminbi that ate into export profits. During

2009, just in and around the city of Dongguan, Guangdong province, 300 factories closed down and instead moved to neighbouring provinces such as Hubei, Hunan, Jiangxi and Guangxi, according to the China Leather Industry Association (CLIA). As an example of the continuing transition the province is facing, the CLIA cited the Yue Yuen Group, a manufacturer which has transferred part its production to Hubei province with an investment of approximately \$150 million.

As labour and production costs continue to rise and environmental pressures become more intense in the most developed parts of China, the CLIA has stated that transferring businesses to western and central provinces is inevitable. Towards the end of 2010, CLIA vice president Su Chaoying said that a "transformation campaign" had already been launched in the provinces of Guangdong and Zhejiang. Mr Su added that his organisation is in favour of this transformation because it is "conducive to balance and regional growth".

Some Chinese tanners spoke at the 2010 All China Leather Exhibition (ACLE) of their reluctance to move, but evidence of overheating on the east coast, in Guangdong in particular, is irrefutable.

Shenzhen, one of the Pearl River Delta cities in which labour availability and labour costs have become a challenge.

CREDIT: SHUTTERSTOCK



Major Chinese footwear brands have shown support for the strategy of moving production to more remote parts of the country.
CREDIT: ALL CHINA LEATHER EXHIBITION

Transition

Leather shoe production in Guangdong reportedly fell 25.1% during 2009. One Dongguan-based manufacturer told *The Financial Times* last year: "A lot of our workforce traditionally come from the poorer regions in western China, but factories are moving out there to take advantage of cheaper wages and lower taxes." He said that he had only about a third of the workers required to complete an order from a European brand that he was trying to fulfil at the time.

The People's Daily, China's flagship newspaper, reported in 2010 that factories in the Pearl River Delta (part of Guangdong Province and the most economically dynamic region in the country since the launch of China's economic reform programme in 1979) had more than two million unfilled positions. A report issued late last year by the employment authorities in the region stated that the

employee turnover rate is as high as 15% in most footwear factories in Dongguan city. According to the China Leather Industry Association, the report's authors said 250 footwear manufacturers from the Pearl River Delta region had attended job fairs they arranged throughout the month of October in 2010, with many raising their salary offerings by as much as 15% to attract skilled workers.

But movement away from the overheating south continues. The opening at the end of October of the Hongliang Tannery in the Guanghe Economic and Developing Zone in Gansu, a province in the remote northwest, received visible, public backing from major Chinese footwear brands including Aokang, Belle, Senda and Red Dragonfly, a clear indication that there is support in the industry for expansion into less developed regions. 🌐

