

China adjusts to a new economic normal



Du Bing, 29, was fired from the California River Town golf course on Aug. 18, after receiving a raise only months earlier. He is now in the process of upgrading his professional qualifications.

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No one at the California River Town golf course saw the axe coming. Ever since 2007, when its sprawling fairways began to take over rural fields that once grew beans and pears, California

River Town had been a thriving staple of the local economy. It picked up awards, employed more than 500 and welcomed more than 300 golfers a day. Local celebrities and comedians walked its greens.

Golf was sweeping across China, with hundreds of courses being opened to a rising upper-middle class with money to spend – and the benefits spread widely.

More than 60 of the employees at California River Town came from the nearby village of Gongyi Zhuangcun, whose residents were put to work cleaning bathrooms and cutting grass.

It made for good work.

"I was quite happy there. There are so many flowers and green grass," said Ms. Liu, a woman who worked at the course for seven years and declined to provide her full name for fear of reprisals.

Then on June 10, her boss came to tell her not to come back the following day. Instead of an advance dismissal notice, she was given a week's pay and asked to sign papers saying her departure was voluntary. It was not. The golf course suggested the 51-year-old woman retire (in China, female factory workers can stop work at 50; public sector workers can retire at 55).

Five days later, another cohort was let go. She figures at least a third of the employees are now gone.

"They said business was bad," Ms. Liu said. She was shocked. For most of the past four decades, China has known nothing but growth, a world where wages gained 10 per cent a year, employment was plentiful and tomorrow was practically guaranteed to be more prosperous than today.

"Now the economy is suddenly falling," Ms. Liu said. She can't understand it. "Golf used to be very popular. Why has it suddenly gone bad?" she asked.

It's an increasingly common question across China, which is grappling with an economic slowdown that has shocked exporters, property developers and stock investors, and is now hitting something perhaps more important: public confidence. Economic weakness is suddenly taking centre stage, as the toll of shrinking gross domestic product figures – China is on track to post its slowest growth in 25 years, and economists increasingly question the official numbers – begins to grow apparent.

"Companies are suffering acutely from shrinking revenues and profits. This is a first, arguably since reform began," said Peter Fuhrman, chairman of China First Capital, a boutique mainland China-based investment bank.

The collapse of the stock market may have simply been air rushing out of a giant bubble. But to many in China, it was a signal that things have changed, that there is now "a whole new world within China," Mr. Fuhrman said.

"From what we understand, from companies out selling stuff in China, pretty much everybody has just has been sitting on their wallets since July. It's been the sharpest drop that anyone has not only seen, but could imagine, in such a short period of time."

It's apparent not just in golf courses, but in hotels, restaurants and delivery services, along with factories and construction sites.

Unemployment remains, officially, low. But for those at work, pay increases this year have been "minimal, if at all," said Geoffrey Crothall, a spokesman for China Labour Bulletin, which monitors worker issues. "In fact, if you factor in lack of overtime and bonuses, a lot of people will be earning less than they did this time last year."

Many have not been paid at all. At construction sites, workers are often paid not monthly but when a job is finished. If work is halted, they are not paid. Similarly, workers at factories that shut down often receive little or no compensation, a source of frustration that has boiled over into growing numbers of wage arrears protests. China Labour Bulletin has counted nearly 650 such demonstrations from January, 2014, to January, 2015. The number of monthly construction worker protests, meanwhile, grew more than tenfold between August, 2014, and February, 2015.

"Factories are struggling to stay afloat as the economy slows and prices and demand falls," the bulletin reported.

In Beijing, calls to the hotline at Xiao Xiao Niao, an organization working for migrant rights, are up 4 to 5 per cent from last year. "Some haven't been paid by bosses who can't keep their businesses going," said Guo Jing, who oversees the call centre.

There are countervailing factors. Some workers are finding work in other places, leaving big cities for new urban centres – less populous second- and third-tier cities – nearer rural hometowns, where the economy is sometimes stronger. Ms. Guo is from Zhuozhou, a small

city in Hebei province southwest of Beijing. "I get the sense some of the jobs there pay even better than in Beijing," she said.

The effects of a slowing economy can also be hard to isolate from other transformations in China, including moves away from smokestack industries, efforts to clean up polluting companies and a crackdown on corruption.

For the golf industry, the latter has dealt a particularly tough blow. After reaching a total of 656 golf courses nationwide, China last year shut down or temporarily halted operations at 76 golf companies, according to a report by Forward Management Group, the only golf management company in mainland China. Many were ordered closed by the government, which has since 2011 sought to clean out illegal operations. The number of rounds played fell last year for the first time, contracting 2.1 per cent.

But it's clear from places such as California River Town that changes in discretionary spending are now biting especially hard. Former employees said it last year averaged more than 300 rounds played a day. Now on many days it has fewer than 100. Shan Kun, a marketing manager at the course, confirmed business is down at least 20 to 30 per cent.

"The economic situation is not good," said Cui Zhiqiang, former secretary of the China Golf Association. "And when the economy is bad, the first thing people do is to cut luxury or unnecessary expenses." He drew a comparison to Japan, in its lost years of stagnation. "Less people will come to play, and courses will have to cut prices."

For workers, meanwhile, the changes are causing bigger dislocations. Landscape engineer Du Bing, 29, was fired from California River Town on Aug. 18 – only months earlier, he had been given a raise, suggesting a sudden change in circumstances.

Now without work, he is studying for an exam to upgrade his professional qualifications. He has savings to last him until the spring – and time to contemplate the slowdown sweeping his country. What's happening "is a wave that will touch everyone," he said. "There is nothing we can do but improve our skills. If the economy sinks, it's up to our generation to work hard enough to push it up again."

With reporting by Yu Mei.