

# FACING LABOR ISSUES IN CHINA

BY

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CHINA INSTITUTE OF PACIFIC RELATIONS  
SHANGHAI

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With Introductions by

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## INTRODUCTION

Since the completion of the Northern Expedition in the summer of 1928, the National Government of China has been concentrating its attention on the work of national reconstruction with a view to improving the livelihood of the people. The Kuomintang has long held the belief that in order to develop China into a strong and progressive nation, the needs of the masses must be given the foremost consideration and the standards of the workers be greatly improved. In carrying out this gigantic task, the National Government of China has repeatedly searched for co-operation from Europe and America, particularly from the League of Nations. The National Government as well as the people of China have been especially gratified with the assistance they have hitherto received from the various technical bodies of the League. It is the hope and conviction of many Chinese leaders that in rebuilding their national life on a modern foundation, not only their own people but also those of the West, whose economic welfare has become increasingly dependent upon the tranquility and prosperity of the Far East, will be benefitted.

Unfortunately, the Japanese invasion which began in Mukden on September 18, 1931, has tremendously upset the reconstructive efforts of the different branches of the National Government of China, and has indeed brought about a number of factors which render rehabilitation on a national scale almost impossible in the immediate future. The repercussions of Japan's undeclared warfare are manifest not only in the Three Eastern Provinces (Manchuria), but also in many other sections of China. Various systems of financial administration have been impaired; strategic lines of communication and transportation have been forcibly taken away from Chinese hands. The future of China's foreign trade has been seriously affected. In short, the onward march of the Chinese people towards economic regeneration has now been set back for at least two decades. Unless this senseless aggression on the part of a small group of irresponsible militarists is brought under control by the collective will of the civilized world, no rapid economic development can take place in this country. If the nations of the world are to escape from their present depression and chaos, they must immediately try to reshape their relationships, political as well as economic, on a basis of *reason and order*. The responsibility for achieving such a system of international relations, which will automatically ensure world peace and prosperity, rests not so much on China as on the entire family of nations.

China is now undergoing an unprecedented transformation. Few nations, if any, have had to experience several revolutions—political,

economic, social and intellectual—at one and the same time. The crisis with which China is grappling is perhaps without parallel in the annals of mankind. In working out her problems of rejuvenation, may she not rightfully expect the co-operation and support of the Western nations? Let it be remembered, also, that an old and vast country like China can hardly be modernized overnight. Patience and sympathetic understanding of her problems are needed more than ever before. But when given the proper opportunity, the Chinese people, who have an extraordinary power of recuperation, will undoubtedly be able to get out of their present abyss and eventually gain their rightful place in the family of nations.

With the growth of modern industries, the labor situation in China is bound to have many radical changes. As a matter of fact, labor unions, strikes, industrial disputes, wages, unemployment and similar questions have already become acute issues in Chinese society. If China's industries are to grow and prosper, these problems must be faced with courage and intelligence. Mr. Lowe is to be congratulated for having given the English-speaking people such a comprehensive and illuminating study of China's labor issues as narrated in his present volume. Well written and authoritative, his book should be read by everyone interested in the development of China.

Nanking, June 19, 1933.

## INTRODUCTION

Mr. Lowe's book, *Facing Labor Issues in China*, is well named. He faces facts courageously and is refreshingly constructive. He aptly states that, before any remedial measures can be made effective, China must attain some semblance of political stability and unification. He rightly lays particular stress upon the importance of his country's agricultural regeneration as the first essential to better economic conditions. In this connection he wisely advocates a national drive for rural betterment, including the conservation and expansion of the domestic industries of the village—the basic unit in the social life of China.

Our author points out that it is distinctly to the advantage of the nations of the West to co-operate with China in any efforts which its people may make to profit by the pioneering experiences which the economic and industrial history of the Occident may have to offer. China's transition will be far slower of realization if its people are obliged to trudge along making similar mistakes and delays in achieving a new economic balance to those that have characterized the industrial progress of Western nations. On the other hand, China should adapt rather than adopt the ideas and methods of more advanced economic societies. Thus, while the hours of labor and the conditions under which Chinese laborers are obliged to work in many of its industrial plants are sadly in need of reformation, it is neither to the advantage of the employee nor the employer that efforts be made precipitately to hurdle all of the intermediate steps in attempting to put Chinese laborers on a par with those of the West.

In the process of raising the economic levels of the great masses in China, vast opportunities for world trade expansion must follow. Concerted action by Western nations in an intelligently devised program for the encouragement of China's transition into a modern economic society will go a long way toward relieving the present deplorable world depression. Mr. Lowe exhibits a delightfully broad visioned attitude in decrying "Buy native goods" campaigns as leading in their final conclusions to a complete stoppage of international trade. He very frankly recommends the participation of foreign capital in his country's industrialization in the following words: "Devoid of political implications, foreign investments are more than welcome by the enlightened elements in this country and can render a timely service not only to the Chinese but also to the investing public in the West."

No great or permanent strides in the growth of China's foreign commerce are possible without a very considerable improvement in the country's domestic trade. What any one nation may do toward enhancing China's trade will, if predicated upon the principle of the open door of equal opportunity, redound to the advantage of all other trading peoples. Mr. Lowe challenges the nations of the Occident wholeheartedly to co-operate in China's economic regeneration, rightly contending that the blessings accruing therefrom will be mutual. In light of the alluring opportunities presented by an actively progressive China, can Western nations afford to be indifferent to this challenge?

JULEAN ARNOLD

Shanghai, May 15, 1933.

## AUTHOR'S PREFACE

For the last five years the author has been interested in the study of industrial and labor conditions in China, and in connection with his work has enjoyed the privilege of visiting practically all the important industrial and commercial centers in this country. He has also been able to inspect a great variety of industrial and labor organizations, and to meet with many government officials, industrial leaders and social workers. The considerable information and experience which he has gained should prove useful to those who are likewise engaged in trying to understand the complicated economic issues in China. The present volume, moreover, represents a humble attempt to fill a gap in that immense collection of literature in English which deals with the changes and problems of modern China, but none of which, in the author's knowledge, tries to present a comprehensive picture of the industrial and labor situation in this country.

One who has studied this field is, of course, fully aware of the difficulties of undertaking such a task and the limited facilities at one's disposal. Indeed, the presentation of such a picture as given in the following pages would not have been possible were it not for the utilization of the research work from many hands. The statistical data contained in this volume, it should be added, are intended merely for illustrative purposes, since statistical work in China is still in its infancy and its results are in numerous cases of questionable authenticity. But if the present volume should, in any small way, contribute to clarify the major industrial and labor questions in present-day China, and stimulate further and more thorough explorations on the part of those who are vitally interested in China's economic development, the author would feel amply repaid.

The preparation of this book is made possible by the interest of the National Committee of the Young Men's Christian Associations of China. To the following of his colleagues the author wishes to express his sincere appreciation for advice and criticism: Mr. Eugene E. Barnett, Mr. Daniel C. Fu, Dr. Ralph M. Hogan, Mr. S. C. Leung, Mr. Quentin Pan and Mr. Y. T. Wu.

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C. H. L.

Shanghai, May 15, 1933.

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# FACING LABOR ISSUES IN CHINA

## CHAPTER I

### THE ECONOMIC PANORAMA

#### *China's Economic Crisis*

CHINA is in the grip of an unprecedented economic crisis. While at the present moment the Chinese people are overwhelmed by Japan's seizure of the Three Eastern Provinces and the terrific effects of the undeclared war in Shanghai and North China, a review of the economic situation in China will easily reveal that if she intends to do away with foreign aggression permanently the question of her economic rehabilitation must also be attended to at once. As long as she moved in an orbit of her own creation, her traditional economic organization had little need for improvement or modification. For centuries she had been free to work out her own edifice of production, distribution and consumption. But today the very foundation of this ancient bulwark is being endangered by the rising tide of modern industrialism and capitalism. Chinese agricultural life is falling into a state of derangement; handicraft industries are giving up the right of way to machine production; market conditions are changing rapidly; paternalistic relationships between employers and employees are yielding to the influence of modern labor unions; the family system is breaking down; new economic groupings are being formed and the whole economic panorama in China is taking on a new coloring. Willingly or unwillingly, China has now accepted the almost impossible task of reconstructing her socio-economic structure on a new basis. On the one hand, she must learn to absorb and harness the forces of modern industrialism and adjust her social institutions to the new order; on the other, she must speedily carry out certain fundamental economic improvements, without which she can never achieve real political unification and solidarity. At no other period in China's long history has a frank recognition of her economic plight been more needed than today. This chapter will briefly point out some of the more obvious indications of the Chinese economic crisis.

*Agricultural Disintegration*

The first and most outstanding indication of China's economic crisis is the break-up of her agricultural system. It is an open secret that for several thousand years China's national economy has centered around agriculture, and that the little prosperity her people have enjoyed so far has been largely due to the success of her agricultural efforts. In the past, she has been able to export large quantities of tea, raw silk, rice, sesamum seeds, wood oil, eggs, hides, bean cakes and bean oil to various foreign countries. But in recent years the production of a number of important agricultural commodities in China has shown a tremendous decline; because of this and other factors her agricultural exports have also gone downward. Indeed, she has become increasingly dependent upon foreign foodstuffs to feed her teeming millions. Mr. Hu Han-min, a former head of the Legislative Yuan, asserts that China spends from \$300,000,000 to \$400,000,000 a year for foreign foodstuffs.<sup>1</sup> In the two principal forms of Chinese diet—rice and flour—the annual net imports have shown alarming increases during the last two decades, according to the reports of the Chinese Customs Administration:—

TABLE 1

## NET IMPORTS OF RICE AND FLOUR SINCE 1920

<i>Year</i>	<i>Rice Imports in Piculs</i>	<i>Flour Imports in Piculs</i>
1920 .. .. .	* 1,151,752	† 511,021
1921 .. .. .	10,629,245	† 752,673
1922 .. .. .	* 19,156,182	† 3,600,967
1923 .. .. .	22,434,962	5,733,503
1924 .. .. .	13,198,054	6,577,390
1925 .. .. .	12,634,624	2,811,500
1926 .. .. .	18,700,797	4,285,124
1927 .. .. .	21,091,586	3,824,674
1928 .. .. .	12,656,254	5,984,903
1929 .. .. .	10,822,805	11,935,296
1930 .. .. .	19,891,103	5,188,174
1931 .. .. .	10,740,810	4,889,275
1932 .. .. .	22,486,639	6,636,658

\*Rice and Paddy

†Flour (Wheat and others)

It is true that other countries which are highly productive in agricultural goods also purchase large quantities of foodstuffs from abroad;

<sup>1</sup>Unless otherwise stated, all monetary figures in this book are given in terms of Chinese currency.

but it should be noted that China is pre-eminently an agricultural country, that most of her agricultural imports could be produced within her own borders under normal circumstances, and that an adjustment in the right direction would greatly enhance her capacity to enjoy the things which the industrial nations of the West are particularly fitted to supply. While a minute exposition of the agrarian crisis in China is impossible here, its chief causes may be stated as follows:—

1. Civil wars and military interference. On top of all China's social evils and economic problems lies her internecine warfare. Well has Wu Tze-hui, a well-known Chinese scholar, said: "China's sufferings are caused not so much by nature as by man, nay, by the soldier." For more than twenty years China has been going through one war after another, and the effects of civil strife are anything but beneficial to the farmers. Banditry has grown by leaps and bounds, land taxes have been increased, agricultural implements and other forms of property have been wantonly destroyed, and the losses inflicted upon China's agriculture are indeed inestimable.

2. Natural calamities. The farmers in China are frequently cheated by the forces of nature. Drought, floods and famines are recurrent affairs. A study made by the University of Nanking shows that in the period between 108 B.C. and 1911 A.D. there were 1828 years when severe food shortage was felt in some section of the country. Rarely a year passes when some one of the provinces is not in a state of famine. In the year 1928-1929 the total area affected by famine was over 1,093 *hsien* or districts, comprising a population of at least 56,622,500 according to the reports of the National Famine Relief Committee. The flood in the summer of 1931 also caused immense damage to China's agricultural system, and directly affected about 25.2 million persons—a total that is approximately equivalent to the entire farming population of the United States. The extent of cultivated area flooded, spread over a total of 131 *hsien*, was about 87,000,000 *mow* or 14,500,000 acres, while the total loss in agricultural properties, crops, etc., is about 2,000 million dollars silver.<sup>2</sup>

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<sup>2</sup>Department of Agricultural Economics of the University of Nanking: *The 1931 Flood in China, An Economic Survey*, University of Nanking, Nanking, p. 10.

The total quantity of food crops destroyed by the 1931 flood, valued at \$457,000,000, would have been sufficient to feed the present population of Shanghai (about 3,000,000) for nearly seven years.<sup>3</sup>

Fortunately, the National Government of China has spared no efforts to cope with this sudden catastrophe, and has within a few months reconstructed a total of 7,400 kilometers of dykes along the Yangtze river and thus enabled millions of flood refugees to return to their normal pursuits. However, due to excessive rainfall, frequent drought, the lack of good transportation facilities and similar factors the chances of famine remain great in many parts of China.

3. High rents and interest charges. Another cause for the agricultural disintegration in China lies in the high rents charged by the land-owners and the excessive interest rates demanded by the money-lenders in the country districts. In many parts of China, the farmers can hardly obtain any credit at less than 4 per cent per month. Rents on farm-land are equally prohibitive, though they are in most cases paid in goods instead of in cash. These rents ordinarily vary from 40 to 60 per cent, but in some cases they even go up to 80 per cent of what the land produces during the year. In a study of 641 farms covering six provinces of China, Professor J. Lossing Buck finds that on the average 40.5 per cent of the total farm receipts are taken by the land-lord.<sup>4</sup> The following data, published in the Shanghai *Sin Wan Pao* on December 15, 1932, indicate the percentages of farm produce that go to the land-owners in the form of rentals in some typical rural centers in China:—

Name of Place	Percentage of Annual Production Taken by the Land-owner
Kwang-san, Honan .. .. .	40
Ta-pu, Kwangtung .. .. .	50
Southern Yunnan .. .. .	50-60
Northern Szechuen .. .. .	66
Southern Kansu .. .. .	40
Tang-tu, Anhwei .. .. .	40
Tan-yang, Hupeh .. .. .	40
Chekiang .. .. .	40-60
Ta-ting, Kweichow .. .. .	50

<sup>3</sup>C. C. Chang: "The Flood Damage to Agriculture," *China Critic*, Shanghai, December 3, 1931.

<sup>4</sup>J. Lossing Buck: *Chinese Farm Economy*, Commercial Press, Ltd., Shanghai, p. 148.