



China Sourcing Update

December 28, 2017

Labour Cost

1. Minimum wage levels in a number of provinces/ autonomous regions are adjusted upward

From October to December 2017, local governments in seven provinces/ autonomous regions raised the minimum wage levels in their jurisdictions. Besides, local governments in two provinces announced to increase the minimum wage levels in their jurisdictions, effective from 1 January 2018. See below for details:

Jilin province

On 1 October, the minimum monthly wage levels in various districts within Jilin province were adjusted to 1,780 yuan, 1,680 yuan, 1,580 yuan and 1,480 yuan. Before the adjustment, the minimum wage levels in various districts within the province were 1,480 yuan, 1,380 yuan and 1,280 yuan.¹

Henan province

On 1 October, the minimum monthly wage levels in various districts within Henan province were adjusted to 1,720 yuan, 1,570 yuan and 1,420 yuan, compared with the previous levels of 1,600 yuan, 1,450 yuan and 1,300 yuan respectively.²

¹ See http://xxgk.jl.gov.cn/szf/gkml/201709/t20170904_2842379.html; also see <http://www.cczfgjj.gov.cn/ssfgwj/2121.jhtml>

² See <http://www.henan.gov.cn/zwgk/system/2017/09/12/010739274.shtml>; also see <http://www.henan.gov.cn/zwgk/system/2015/07/13/010568663.shtml>

Shanxi province

On 1 October, the minimum monthly wage levels in various districts within Shanxi province were adjusted to 1,700 yuan, 1,600 yuan, 1,500 yuan and 1,400 yuan, compared with the previous levels of 1,620 yuan, 1,520 yuan, 1,420 yuan and 1,320 yuan respectively.³

Ningxia Hui autonomous region

On 1 October, the minimum monthly wage levels in various districts within Ningxia Hui autonomous region were adjusted to 1,660 yuan, 1,560 yuan and 1,480 yuan, compared with the previous levels of 1,480 yuan, 1,390 yuan and 1,320 yuan respectively.⁴

Heilongjiang province

On 1 October, the minimum monthly wage levels in various districts within Heilongjiang province were adjusted to 1,680 yuan, 1,450 yuan and 1,270 yuan. Before the adjustment, the minimum wage levels in various districts within the province were 1,480 yuan, 1,450 yuan, 1,270 yuan, 1,120 yuan and 1,030 yuan.⁵

Hubei province

On 1 November, the minimum monthly wage levels in various districts within Hubei province were adjusted to 1,750 yuan, 1,500 yuan, 1,380 yuan and 1,250 yuan, compared with the previous levels of 1,550 yuan, 1,320 yuan, 1,225 yuan and 1,100 yuan respectively.⁶

Zhejiang province

On 1 December, the minimum monthly wage levels in various districts within Zhejiang province were adjusted to 2,010 yuan, 1,800 yuan, 1,660 yuan and 1,500 yuan, compared with the previous levels of 1,860 yuan, 1,660 yuan, 1,530 yuan and 1,380 yuan respectively.⁷

³ See http://www.mohrss.gov.cn/wap/xw/dfdt/201710/t20171010_278901.html

⁴ See <http://www.ngsh.gov.cn/2017/11/01/62876.html>

⁵ See <http://www.hlj.gov.cn/wjfg/system/2017/12/11/010856367.shtml>; also see <http://www.hlj.gov.cn/zwfb/system/2015/10/01/010743103.shtml>

⁶ See http://www.gov.cn/xinwen/2017-09/29/content_5228475.htm

⁷ See http://www.zhejiang.gov.cn/art/2017/11/3/art_32431_295383.html; also see http://www.zj.gov.cn/art/2015/9/22/art_32431_245663.html

Jiangxi province

The minimum monthly wage levels in various districts within Jiangxi province will be adjusted to 1,680 yuan, 1,580 yuan and 1,470 yuan starting from 1 January 2018. Before the adjustment, the minimum wage levels in various districts within the province were 1,530 yuan, 1,430 yuan, 1,340 yuan and 1,180 yuan.⁸

Liaoning province

The minimum monthly wage levels in various districts within Liaoning province will be adjusted to 1,620 yuan, 1,420 yuan, 1,300 yuan and 1,120 yuan starting from 1 January 2018, compared with the previous levels of 1,530 yuan, 1,320 yuan, 1,200 yuan and 1,020 yuan respectively.⁹

2. Local governments in some provinces issue new guidelines on salary rise

From October to December 2017, local governments in four provinces issued new guidelines on salary rise (*see exhibit 1*).

For example, according to the announcement issued by the Guizhou provincial government, enterprises with normal operations and improving performance in Guizhou are recommended to raise the salaries of their workers by around 7.5%, the pay rise benchmark for 2017. Enterprises with rapidly improving performance and worker salaries below the average wage in the province by at least 30% can offer higher pay rise of at most 12.5%, the upper limit of the pay rise benchmark, to their workers in 2017. Enterprises with markedly worsening performance and losses can raise the salaries of their workers by 3.5% (the lower limit of the pay rise benchmark). Meanwhile, with the agreement of labour unions or employee representatives, enterprises with heavy losses and difficulties in paying salaries can consider freezing or even reducing the salaries of their workers, though the salaries should not be set lower than the minimum wage levels.¹⁰

Although these guidelines are not mandatory for employers to follow, they will affect workers' expectations of salary rise and are thus regarded as an important reference of labour cost.

⁸ See http://jx.spb.gov.cn/rsjy/gbrszc/201711/t20171127_1436822.html; also see http://www.jiangxi.gov.cn/zzc/azt/jy/201511/t20151124_1230309.htm

⁹ See http://www.ln.gov.cn/zfxx/jrln/wzxw/201712/t20171205_3124566.html; also see http://www.ln.hrss.gov.cn/zcfg/201512/t20151211_1989405.html

¹⁰ http://www.gzgov.gov.cn/xwdt/rmyd/201712/t20171203_1084089.html

**Exhibit 1: Guidelines on 2017 salary rise issued by local governments,
October to December 2017**

Province	Upper limit	Benchmark	Lower limit	Month of issue
Hunan	14%	8%	2%	November-17
Hebei	12%	8%	3%	November-17
Guizhou	12.5%	7.5%	3.5%	December-17
Hubei	10%	8%	3.5%	December-17

Source: Various local governments

3. Income of migrant workers gains 7.0% yoy in 3Q17

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 7.0% yoy to 3,459 yuan in the third quarter of 2017.¹¹

We notice two major trends in the migrant worker market. First, the migrant workforce is ageing. According to the NBS, the average age of migrant workers rose from 35.5 in 2010 to 39.0 in 2016. Second, more migrant workers work closer to home. According to the NBS, the proportion of local migrant workers (who work in their own localities) in the migrant workforce went up from 36.7% in 2010 to 39.9% in 2016.¹²

Looking ahead, we expect that the wages of migrant workers will continue to increase. The continuous rise in labour costs will keep posing challenges to manufacturers in China in the foreseeable future.

¹¹ http://www.stats.gov.cn/english/PressRelease/201710/t20171019_1543772.html

¹² http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html

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