



China Sourcing Update

December 27, 2018

Labour Cost

1. Minimum wage levels in some provinces/municipalities are adjusted upward

Local governments in Anhui and Hainan raised the minimum wage levels in their jurisdictions during November to December. Besides, the Chongqing municipal government will increase the minimum wage levels in its jurisdictions on 1 January next year. See below for details:

Anhui province

On 1 November, the minimum monthly wage levels in various districts within Anhui province were adjusted to 1,550 yuan, 1,380 yuan, 1,280 yuan and 1,180 yuan, compared with the previous levels of 1,520 yuan, 1,350 yuan, 1,250 yuan and 1,150 yuan respectively.¹

Hainan province

On 1 December, the minimum monthly wage levels in various districts within Hainan province were adjusted to 1,670 yuan, 1,570 yuan and 1,520 yuan, compared with the previous levels of 1,430 yuan, 1,330 yuan and 1,280 yuan respectively.²

¹ See http://www.xinhuanet.com/local/2018-11/07/c_1123678040.htm; See also http://www.xinhuanet.com/politics/2015-11/03/c_128389464.htm

² See <http://hi.people.com.cn/n2/2018/1204/c231190-32364335.html>; See also http://xxgk.hainan.gov.cn/hi/HI0101/201603/t20160301_1777236.htm

Chongqing

The minimum monthly wage levels in various districts within Chongqing will be adjusted to 1,800 yuan and 1,700 yuan on 1 January 2019, compared with the previous levels of 1,500 yuan and 1,400 yuan respectively.³

2. Local governments in a few provinces/municipalities issue new guidelines on salary rise

From October to December 2018, local governments in six provinces/municipalities issued new guidelines on salary rise (*see exhibit 1*).

For example, according to the announcement issued by the Hubei provincial government, enterprises with normal operations and improving performance in Hubei are recommended to raise the salaries of their workers by around 7.5%, the pay rise benchmark for 2018. Enterprises with average performance can raise the salaries of their workers by 3.5% (the lower limit of the pay rise benchmark) to 7.5%. Meanwhile, with the agreement of labour unions or employee representatives, enterprises with operating difficulties and continuing losses can consider freezing or even reducing the salaries of their workers, though the salaries should not be set lower than the minimum wage levels.⁴

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 costs.

³ See <http://www.chinanews.com/sh/2018/12-07/8695204.shtml>; See also http://cq.cqnews.net/html/2015-12/04/content_35913415.htm

⁴ <http://www.hb.hrss.gov.cn/html/zcfg/20181127/30260.html>

**Exhibit 1: Guidelines on 2018 salary rise issued by local governments,
October to December 2018**

Province/ autonomous region/ municipality	Upper limit	Benchmark	Lower limit	Month of issue
Beijing	13%	8.5%	4%	October-18
Gansu	14%	8%	4%	October-18
Guangxi	11%	7%	2%	October-18
Liaoning	10%	7%	4%	October-18
Qinghai	12%	6%	3%	October-18
Hubei	10%	7.5%	3.5%	November-18

Source: Various local governments

3. Income of migrant workers gains 7.3% yoy in 3Q18

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 7.3% yoy to 3,710 yuan in the third quarter of 2018.⁵

We have noticed 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 39.7 in 2017. Second, more migrant workers work closer to home. According to the NBS, the proportion of local migrant workers in the migrant workforce went up from 36.7% in 2010 to 40.0% in 2017.⁶

Looking forward, we expect that the wages of migrant workers will continue to rise due to the limited supply of migrant workers. The continuous increase in labour costs will keep posing challenges to manufacturers in China in the near future.

⁵ http://www.stats.gov.cn/english/PressRelease/201810/t20181019_1628678.html

⁶ http://www.stats.gov.cn/tjsj/zxfb/201804/t20180427_1596389.html

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