



China Sourcing Update

March 28, 2018

Labour Cost

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

From January to March 2018, local governments in five provinces/ autonomous regions raised the minimum wage levels in their jurisdictions. Besides, the Shanghai municipal government announced to increase the minimum wage levels in its jurisdictions, effective from 1 April 2018. See below for details:

Jiangxi province

On 1 January, the minimum monthly wage levels in various districts within Jiangxi province were adjusted to 1,680 yuan, 1,580 yuan and 1,470 yuan. Before the adjustment, the minimum levels in various districts within the province were 1,530 yuan, 1,430 yuan, 1,340 yuan and 1,180 yuan respectively.¹

Liaoning province

On 1 January, the minimum monthly wage levels in various districts within Liaoning province were adjusted to 1,620 yuan, 1,420 yuan, 1,300 yuan and 1,120, compared with the previous levels of 1,530 yuan, 1,320 yuan, 1,200 yuan and 1,020 yuan respectively.²

¹ See http://jx.spb.gov.cn/rsjy/gbrszc/201711/t20171127_1436822.html; also see http://www.jiangxi.gov.cn/zzc/zt/jy/201511/t20151124_1230309.htm

² 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

Tibet autonomous region

On 1 January, the minimum monthly wage level within Tibet autonomous region was adjusted to 1,650 yuan, compared with the previous level of 1,400 yuan.³

Guangxi Zhuang autonomous region

On 1 February, the minimum monthly wage levels in various districts within Guangxi Zhuang autonomous region were adjusted to 1,680 yuan, 1,450 yuan and 1,300 yuan. Before the adjustment, the minimum wage levels in various districts within the autonomous region were 1,400 yuan, 1,210 yuan, 1,085 yuan and 1,000 yuan respectively.⁴

Xinjiang Uygur autonomous region

On 26 March, the Xinjiang provincial government announced that the minimum monthly wage levels in various districts within the region were retrospectively adjusted to 1,820 yuan, 1,620 yuan, 1,540 yuan and 1,460 yuan on 1 January, compared with the previous levels of 1,670 yuan, 1,470 yuan, 1,390 yuan and 1,310 yuan respectively.⁵

Shanghai

The minimum monthly wage level in Shanghai will be adjusted to 2,420 yuan starting from 1 April, compared with the previous level of 2,300 yuan.⁶

Besides, the Sichuan provincial government has drafted the province's minimum monthly wage levels this year and has been soliciting opinions from the public. The proposed minimum monthly wage levels in various districts within Sichuan province are 1,750 yuan, 1,650 yuan and 1,550 yuan, compared with the previous levels of 1,500 yuan, 1,380 yuan and 1,260 yuan.⁷

2. Shanghai municipal government issues new guidelines on salary rise

From January to March 2018, only the Shanghai municipal government issued new guidelines on salary rise (*see exhibit 1*).

³ See http://www.tibet.cn/cn/news/zx/201801/t20180112_5346285.html

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

⁵ See <http://www.xjrs.gov.cn/zwgk/tzgg/201803/t8a4ac70262508efa01626046aedb070e.html>

⁶ See <http://www.shanghai.gov.cn/nw2/nw2314/nw2315/nw4411/u21aw1297476.html>

⁷ See <http://www.sc.gov.cn/10462/10771/10795/12400/2018/3/12/10446820.shtml>

According to the announcement issued by the Shanghai municipal government, enterprises with normal operations and improving performance in Shanghai are recommended to raise the salaries of their workers by around 8%, the pay rise benchmark for 2018. Enterprises with worsening performance can raise the salaries of their workers by 3% (the lower limit of the pay rise benchmark). Meanwhile, enterprises with operating difficulties and poor performance can raise the salaries of their workers by less than 3%.⁸

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.

Exhibit 1: Guidelines on 2018 salary rise issued by local governments, January to March 2018

Municipality	Upper limit	Benchmark	Lower limit	Month of issue
Shanghai	No cap	8%	3%	March-18

Source: Shanghai municipal government

3. Income of migrant workers gains 6.4% yoy in 2017

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 6.4% yoy to 3,485 yuan in 2017, compared to the growth of 6.6% yoy in 2016.⁹

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 2016.¹⁰

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.

⁸ http://www.12333sh.gov.cn/201712333/xxgk/gsgg/201803/t20180326_1280295.shtml

⁹ http://www.stats.gov.cn/english/PressRelease/201801/t20180118_1574943.html

¹⁰ http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html

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