



# China Sourcing Update

September 29, 2017

## Labour Cost

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

From July to September 2017, local governments in seven provinces/ autonomous regions/ municipalities 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 October 2017. See below for details:

#### *Fujian province*

On 1 July, the minimum monthly wage levels in various districts within Fujian province were adjusted to 1,700 yuan, 1,650 yuan, 1,500 yuan, 1,380 yuan and 1,280 yuan. Before the adjustment, the minimum wage levels in various districts within the province were 1,500 yuan, 1,350 yuan, 1,230 yuan and 1,130 yuan.<sup>1</sup>

#### *Hunan province*

On 1 July, the minimum monthly wage levels in various districts within Hunan province were adjusted to 1,580 yuan, 1,430 yuan, 1,280 yuan and 1,130 yuan, compared with the previous levels of 1,390 yuan, 1,250 yuan, 1,130 yuan and 1,030 yuan respectively.<sup>2</sup>

<sup>1</sup> See [http://www.fujian.gov.cn/zc/zxwj/szfwj/201705/t20170518\\_1525381.htm](http://www.fujian.gov.cn/zc/zxwj/szfwj/201705/t20170518_1525381.htm); also see [http://www.fujian.gov.cn/fw/zfxxgkl/xxgkml/jgzz/jmgjgz/201507/t20150717\\_1010331.htm](http://www.fujian.gov.cn/fw/zfxxgkl/xxgkml/jgzz/jmgjgz/201507/t20150717_1010331.htm)

<sup>2</sup> See [http://www.gov.cn/shuju/2017-06/20/content\\_5203906.htm](http://www.gov.cn/shuju/2017-06/20/content_5203906.htm); also see [http://www.hn12333.com/site/ldgz/ldgzgjj/201507/t20150707\\_1792448.html](http://www.hn12333.com/site/ldgz/ldgzgjj/201507/t20150707_1792448.html)

*Jiangsu province*

On 1 July, the minimum monthly wage levels in various districts within Jiangsu province were adjusted to 1,890 yuan, 1,720 yuan and 1,520 yuan, compared with the previous levels of 1,770 yuan, 1,600 yuan and 1,400 yuan respectively.<sup>3</sup>

*Guizhou province*

On 1 July, the minimum monthly wage levels in various districts within Guizhou province were adjusted to 1,680 yuan, 1,570 yuan and 1,470 yuan, compared with the previous levels of 1,600 yuan, 1,500 yuan and 1,400 yuan respectively.<sup>4</sup>

*Tianjin*

On 1 July, the minimum monthly wage level in Tianjin was adjusted to 2,050 yuan, compared with the previous level of 1,950 yuan.<sup>5</sup>

*Inner Mongolia autonomous region*

On 1 August, the minimum monthly wage levels in various districts within Inner Mongolia autonomous region were adjusted to 1,760 yuan, 1,660 yuan, 1,560 yuan and 1,460 yuan, compared with the previous levels of 1,640 yuan, 1,540 yuan, 1,440 yuan and 1,340 yuan respectively.<sup>6</sup>

*Beijing*

On 1 September, the minimum monthly wage level in Beijing was adjusted to 2,000 yuan, compared with the previous level of 1,890 yuan.<sup>7</sup>

*Jilin province*

The minimum monthly wage levels in various districts within Jilin province will be adjusted to 1,780 yuan, 1,680 yuan, 1,580 yuan and 1,480 yuan starting from 1 October. Before the adjustment, the minimum wage levels in various districts within the province were 1,480 yuan, 1,380 yuan and 1,280 yuan.<sup>8</sup>

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<sup>3</sup> See [http://www.gov.cn/shuju/2017-06/24/content\\_5205135.htm](http://www.gov.cn/shuju/2017-06/24/content_5205135.htm)

<sup>4</sup> See [http://www.gzgov.gov.cn/xwzx/gzxw/201706/t20170624\\_743802.html](http://www.gzgov.gov.cn/xwzx/gzxw/201706/t20170624_743802.html); also see [http://gz.hrss.gov.cn/xxgk/jcms\\_files/jcms1/web1/site/art/2015/10/9/art\\_19\\_2109.html](http://gz.hrss.gov.cn/xxgk/jcms_files/jcms1/web1/site/art/2015/10/9/art_19_2109.html)

<sup>5</sup> See <http://www.xq.gov.cn/xqxwzx/system/2017/06/12/010008792.shtml>

<sup>6</sup> See [http://news.xinhuanet.com/politics/2017-08/02/c\\_1121419853.htm](http://news.xinhuanet.com/politics/2017-08/02/c_1121419853.htm)

<sup>7</sup> See <http://zhengce.beijing.gov.cn/library/192/33/50/438650/1275571/index.html>

<sup>8</sup> See [http://xxgk.jl.gov.cn/szf/gkml/201709/t20170904\\_2842379.html](http://xxgk.jl.gov.cn/szf/gkml/201709/t20170904_2842379.html); also see <http://www.cczfgjj.gov.cn/ssfgwj/2121.jhtml>

*Henan province*

The minimum monthly wage levels in various districts within Henan province will be adjusted to 1,720 yuan, 1,570 yuan and 1,420 yuan starting from 1 October, compared with the previous levels of 1,600 yuan, 1,450 yuan and 1,300 yuan respectively.<sup>9</sup>

**2. Local governments in some provinces/ autonomous regions/ municipalities issue new guidelines on salary rise**

From July to September 2017, local governments in 13 provinces/ autonomous regions/ municipalities issued new guidelines on salary rise (*see exhibit 1*).

For example, according to the announcement issued by the Fujian provincial government, enterprises with normal operations and improving performance in Fujian are recommended to raise the salaries of their workers by around 8%, the pay rise benchmark for 2017. Enterprises with rapidly improving performance and worker salaries below market levels can offer higher pay rise of at most 12%, the upper limit of the pay rise benchmark, to their workers in 2017. Enterprises with normal operations and slowly improving performance can raise the salaries of their workers by 3% (the lower limit of the pay rise benchmark) to 8%. Meanwhile, with the agreement of labour unions or employee representatives, enterprises with operating difficulties can consider freezing or even reducing the salaries of their workers, though the salaries should not be set lower than the minimum wage levels.<sup>10</sup>

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.

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<sup>9</sup> 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>

<sup>10</sup> [http://www.fjrs.gov.cn/zw/jgszyzn/tjgcs/ldgxc/ldgz/201708/t20170814\\_1587677.htm](http://www.fjrs.gov.cn/zw/jgszyzn/tjgcs/ldgxc/ldgz/201708/t20170814_1587677.htm)

**Exhibit 1: Guidelines on 2017 salary rise issued by local governments,  
July to September 2017**

Province/ autonomous region/ municipality	Upper limit	Benchmark	Lower limit	Month of issue
Hainan	10.2%	9.3%	3%	July-17
Tianjin	14%	9%	3%	July-17
Jilin	12%	7%	3%	July-17
Shaanxi	12%	7%	3%	July-17
Anhui	11%	7%	3%	July-17
Sichuan	12%	7.5%	3%	August-17
Fujian	12%	8%	3%	August-17
Jiangxi	No cap	8%	3%	August-17
Yunnan	13%	7%	3%	August-17
Ningxia	13%	7.5%	2%	September-17
Guangxi	12%	8%	2%	September-17
Gansu	13%	7%	3%	September-17
Xinjiang	10.5%	8%	3%	September-17

Source: Various local governments

### 3. Income of migrant workers gains 6.3% yoy in 2Q17

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 6.3% yoy to 3,405 yuan in the second quarter of 2017.<sup>11</sup>

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 increased 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 increased from 36.7% in 2010 to 39.9% in 2016.<sup>12</sup>

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

<sup>11</sup> [http://www.stats.gov.cn/english/PressRelease/201707/t20170717\\_1513530.html](http://www.stats.gov.cn/english/PressRelease/201707/t20170717_1513530.html)

<sup>12</sup> [http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428\\_1489334.html](http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html)

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