



# China Sourcing Update

October 5, 2018

## Labour Cost

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

From July to early October 2018, local governments in five provinces/municipalities raised the minimum wage levels in their jurisdictions. See below for details:

#### *Guangdong province*

On 1 July, the minimum monthly wage levels in various districts within Guangdong province were adjusted to 2,200 yuan (Shenzhen), 2,100 yuan (Guangzhou), 1,720 yuan, 1,550 yuan and 1,440 yuan, compared with the previous levels of 2,030 yuan, 1,895 yuan, 1,510 yuan, 1,350 yuan and 1,210 yuan respectively.<sup>1</sup>

#### *Sichuan province*

On 1 July, the minimum monthly wage levels in various districts within Sichuan province were adjusted to 1,780 yuan, 1,650 yuan and 1,550 yuan, compared with the previous levels of 1,500 yuan, 1,380 yuan and 1,260 yuan respectively.<sup>2</sup>

<sup>1</sup> See [http://zwgk.gd.gov.cn/006939748/201806/t20180621\\_770640.html](http://zwgk.gd.gov.cn/006939748/201806/t20180621_770640.html); also see [http://www.hrssgz.gov.cn/gzdt/rlzy/201502/t20150228\\_225960.html](http://www.hrssgz.gov.cn/gzdt/rlzy/201502/t20150228_225960.html) and [http://www.szhrss.gov.cn/tzgg/201704/t20170405\\_6115409.htm](http://www.szhrss.gov.cn/tzgg/201704/t20170405_6115409.htm)

<sup>2</sup> See [http://www.xinhuanet.com/fortune/2018-07/01/c\\_1123062234.htm](http://www.xinhuanet.com/fortune/2018-07/01/c_1123062234.htm)

*Jiangsu province*

On 1 August, the minimum monthly wage levels in various districts within Jiangsu province were adjusted to 2,020 yuan, 1,830 yuan and 1,620 yuan, compared with the previous levels of 1,890 yuan, 1,720 yuan and 1,520 yuan respectively.<sup>3</sup>

*Beijing*

On 1 September, the minimum monthly wage level in Shanghai was adjusted to 2,120 yuan, compared with the previous level of 2,000 yuan.<sup>4</sup>

*Henan province*

On 1 October, the minimum monthly wage levels in various districts within Henan province were adjusted to 1,900 yuan, 1,700 yuan and 1,500 yuan, compared with the previous levels of 1,720 yuan, 1,570 yuan and 1,420 yuan respectively.<sup>5</sup>

**2. Local governments in a number of provinces/municipalities issue new guidelines on salary rise**

From late June to September 2018, local governments in ten provinces/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 2018. 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 2018. 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>6</sup>

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<sup>3</sup> See [http://www.gov.cn/xinwen/2018-07/14/content\\_5306435.htm](http://www.gov.cn/xinwen/2018-07/14/content_5306435.htm)

<sup>4</sup> See [http://zfxgk.beijing.gov.cn/110070/gfxwj22/2018-07/05/content\\_bc3bd7bae07f4baa8c7d36812673197f.shtml](http://zfxgk.beijing.gov.cn/110070/gfxwj22/2018-07/05/content_bc3bd7bae07f4baa8c7d36812673197f.shtml)

<sup>5</sup> See [http://www.gov.cn/xinwen/2018-07/31/content\\_5310741.htm](http://www.gov.cn/xinwen/2018-07/31/content_5310741.htm)

<sup>6</sup> [http://www.ptrsj.gov.cn/zwgk/gzdt/bsdt/201808/t20180807\\_1091088.htm](http://www.ptrsj.gov.cn/zwgk/gzdt/bsdt/201808/t20180807_1091088.htm)

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.

**Exhibit 1: Guidelines on 2018 salary rise issued by local governments, late June to September 2018**

Province/ autonomous region/ municipality	Upper limit	Benchmark	Lower limit	Month of issue
Sichuan	11%	7%	3%	June-18
Tianjin	12%	7.5%	3%	June-18
Henan	16%	12%	3%	July-18
Jiangxi	No cap	8%	3%	July-18
Shaanxi	12%	7.5%	3%	July-18
Fujian	12%	8%	3%	July-18
Jilin	10%	6%	3%	August-18
Yunnan	11%	7%	2%	August-18
Anhui	12%	7.5%	4%	September-18
Jiangxi	No cap	8%	3%	September-18

Source: Various local governments

### 3. Income of migrant workers gains 7.5% yoy in 2Q18

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 7.5% yoy to 3,661 yuan in the second quarter of 2018.<sup>7</sup>

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.<sup>8</sup>

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.

<sup>7</sup> [http://www.stats.gov.cn/english/PressRelease/201807/t20180716\\_1609894.html](http://www.stats.gov.cn/english/PressRelease/201807/t20180716_1609894.html)

<sup>8</sup> [http://www.stats.gov.cn/tjsj/zxfb/201804/t20180427\\_1596389.html](http://www.stats.gov.cn/tjsj/zxfb/201804/t20180427_1596389.html)

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