



China Sourcing Update

October 24, 2019

Labour Cost

1. Minimum wage levels in Beijing, Hunan, Liaoning, Hebei and Guizhou are adjusted upward during July to September

From July and September 2019, the Beijing municipal government raised the minimum wage levels in Beijing. Besides, the provincial governments of Hunan, Liaoning, Hebei and Guizhou announced the adjustment of the minimum wage levels with effective dates in the fourth quarter of 2019. See below for details:

Beijing

On 1 July, the minimum monthly wage level in Beijing was adjusted to 2,200 yuan, compared with the previous level of 2,120 yuan.¹

Hunan province

On 6 September, the Hunan provincial government announced that effective 1 October, the minimum monthly wage levels in various districts within the province will be adjusted to 1,700 yuan, 1,540 yuan, 1,380 yuan and 1,220 yuan, compared with the previous levels of 1,580 yuan, 1,430 yuan, 1,280 yuan and 1,130 yuan respectively.²

Liaoning province

On 6 September, the Liaoning provincial government announced that effective 1 November, the minimum monthly wage levels in various districts within the province will

¹ http://www.gov.cn/xinwen/2019-05/10/content_5390231.htm

² http://rst.hunan.gov.cn/rst/xxgk/tzgg/201909/t20190918_10393867.html

be adjusted to 1,810 yuan, 1,610 yuan, 1,480 yuan and 1,300 yuan, compared with the previous levels of 1,620 yuan, 1,420 yuan, 1,300 yuan and 1,120 yuan respectively.³

Hebei province

On 20 September, the Hebei provincial government announced that effective 1 November, the minimum monthly wage levels in various districts within the province will be adjusted to 1,900 yuan, 1,790 yuan, 1,680 yuan and 1,580 yuan, compared with the previous levels of 1,650 yuan, 1,590 yuan, 1,480 yuan and 1,380 yuan respectively.⁴

Guizhou province

On 20 September, the Guizhou provincial government announced that effective 1 December, the minimum monthly wage levels in various districts within the province will be adjusted to 1,790 yuan, 1,670 yuan and 1,570 yuan, compared with the previous levels of 1,680 yuan, 1,570 yuan and 1,470 yuan respectively.⁵

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

From January to September 2019, local governments in 12 provinces/municipalities issued new guidelines on salary rise (see exhibit 1).

For example, according to the announcement issued by the Tianjin municipal government, enterprises with normal operations and improving performance in Tianjin are recommended to raise the salaries of their workers by around 8-8.5%, the pay rise benchmark for 2019. Enterprises with flat or mildly deteriorating performance may take reference to the lower limit of the pay rise benchmark, which is set at 3.5%. 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.

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 http://www.gov.cn/xinwen/2019-09/07/content_5428081.htm

⁴ <http://www.hebei.gov.cn/hebei/11937442/10757006/11111865/14730832/index.html>

⁵ http://rst.guizhou.gov.cn/zwgk/xxgkml/zcfg_69313/zcwj/ldgx_69319/201909/t20190920_3889199.html

**Exhibit 1: Guidelines on 2019 salary rise issued by local governments,
January to September 2019**

Province/ autonomous region/ municipality	Upper limit	Benchmark	Lower limit	Month of issue
Shanghai	Nil	5-6%	2-3%	Mar-19
Xinjiang	8%	5%	2%	June-19
Inner Mongolia	11%	7.5%	Nil	July-19
Shandong	Nil	7%	Nil	July-19
Shaanxi	12%	7%	2%	August-19
Tianjin	12%	7%	3%	August-19
Yunnan	11%	7%	3%	August-19
Shanxi	12%	8%	4%	August-19
Beijing	Nil	8-8.5%	3.5%	September-19
Liaoning	12%	8%	4%	September-19
Guizhou	12%	7.5%	3%	September-19
Jiangxi	Nil	8%	3%	September-19

Source: Various local governments

3. Income of migrant workers gains 6.9% yoy in 1H2019

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 6.9% yoy to 3,913 yuan in the first half of 2019.⁶

The number of rural migrant workers reached 182.48 million as at the end of the second quarter, registering a year-on-year growth rate of 1.3% percent, 0.1 percentage point faster than the first quarter.

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

⁶ http://www.stats.gov.cn/tjsj/zxfb/201907/t20190715_1676021.html

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