



China Sourcing Update

March 30, 2016

Labour Cost

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

From October 2015 to March 2016, local governments in 10 provinces/ municipalities/ autonomous regions increased the minimum wage levels in their jurisdiction. Besides, on 1 March, the Hainan provincial government announced to raise minimum wage levels in the province, effective from 1 May 2016. See below for details:

Guizhou province

On 1 October, the minimum monthly wage levels in various districts within Guizhou province were adjusted to 1,600 yuan, 1,500 yuan and 1,400 yuan, compared with the previous levels of 1,250 yuan, 1,100 yuan and 1,000 yuan respectively.¹

Jiangxi province

On 1 October, the minimum monthly wage levels in various districts within Jiangxi province were adjusted to 1,530 yuan, 1,430 yuan, 1,340 yuan and 1,180 yuan, compared with the previous levels of 1,390 yuan, 1,300 yuan, 1,210 yuan and 1,060 yuan respectively.²

¹ See http://gz.hrss.gov.cn/art/2015/9/11/art_36_22668.html; also see <http://politics.people.com.cn/n/2015/0925/c70731-27634771.html>

² See <http://www.jianhrss.gov.cn/ywzn/ldgkx/lgkzcyj/201510/P020151009581550775454.pdf> ; also see http://xxgk.jiangxi.gov.cn/bmgkxx/srst/fgwj/fg/201406/t20140617_1042576.htm

Heilongjiang province

On 1 October, the minimum monthly wage levels in various districts within Heilongjiang province were raised to 1,480 yuan, 1,450 yuan, 1,270 yuan, 1,120 yuan and 1,030 yuan.³ Before the adjustment, the minimum wage levels in various districts within the province were 1,160 yuan, 1,050 yuan, 900 yuan and 850 yuan.⁴

Anhui province

On 1 November, the minimum monthly wage levels in various districts within Anhui province were adjusted to 1,520 yuan, 1,350 yuan, 1,250 yuan and 1,150 yuan, compared with the previous levels of 1,260 yuan, 1,040 yuan, 930 yuan and 860 yuan respectively.⁵

Ningxia Hui autonomous region

On 1 November, the minimum monthly wage levels in various districts within Ningxia Hui autonomous region were adjusted to 1,480 yuan, 1,390 yuan and 1,320 yuan, compared with the previous levels of 1,300 yuan, 1,220 yuan and 1,150 yuan respectively.⁶

Zhejiang province

On 1 November, the minimum monthly wage levels in various districts within Zhejiang province were adjusted to 1,860 yuan, 1,660 yuan, 1,530 yuan and 1,380 yuan, compared with the previous levels of 1,650 yuan, 1,470 yuan, 1,350 yuan and 1,220 yuan respectively.⁷

Jilin province

On 1 December, the minimum monthly wage levels in various districts within Jilin province were adjusted to 1,480 yuan, 1,380 yuan and 1,280 yuan, compared with the previous levels of 1,320 yuan, 1,220 yuan and 1,120 yuan respectively.⁸

³ <http://www.hlj.gov.cn/zwfb/system/2015/10/01/010743103.shtml>

⁴ <http://www.hlj.gov.cn/wjfg/system/2013/01/06/010473158.shtml>

⁵ See <http://xxgk.ah.gov.cn/UserData/DocHtml/731/2015/11/3/388223044636.html>; also see <http://xxgk.ah.gov.cn/UserData/DocHtml/700/2013/12/5/724745212383.html>

⁶ See <http://www.nx.gov.cn/zwgk/gtwj/zcgwj/nzf/116109.htm> ; also see <http://www.nxhrrs.gov.cn/zwgk/srbp/642.htm>

⁷ See http://www.zj.gov.cn/art/2015/9/22/art_32431_245663.html; also see <http://www.zjhz.lss.gov.cn/html/zcfg/zcfgk/gzfu/68167.html>

⁸ See <http://www.cczfgjj.gov.cn/ssfgwj/2121.jhtml> ; also see http://hrss.jl.gov.cn/gzfl/201503/t20150325_1961429.html

Chongqing

On 1 January 2016, the minimum monthly wage levels in various districts within Chongqing were adjusted to 1,500 yuan and 1,400 yuan, compared with the previous levels of 1,250 yuan and 1,150 yuan respectively.⁹

Jiangsu province

On 1 January, the minimum monthly wage levels in various districts within Jiangsu province were adjusted to 1,770 yuan, 1,600 yuan and 1,400 yuan, compared with the previous levels of 1,630 yuan, 1,460 yuan and 1,270 yuan respectively.¹⁰

Liaoning province

On 1 January, the minimum monthly wage levels in various districts within Liaoning province were adjusted to 1,530 yuan, 1,320 yuan, 1,200 yuan and 1,020 yuan, compared with the previous levels of 1,300 yuan, 1,050 yuan and 900 yuan respectively.¹¹

Hainan province

The minimum monthly wage levels in various districts within Hainan province will be adjusted to 1,430 yuan, 1,330 yuan and 1,280 yuan starting from 1 May, compared with the previous levels of 1,270 yuan, 1,170 yuan and 1,120 yuan respectively.¹²

Particularly noteworthy is that the Guangdong provincial government announced to freeze the minimum wage levels in its jurisdiction for 2016 and 2017, according to an official document published on 28 February.¹³

It is also noteworthy that the 13th Five-Year Plan adopts a more flexible approach to minimum wage. Instead of stipulating a specific target for minimum wage increase, the 13th Five-Year Plan stresses “to reasonably set minimum wage level” and “to perfect the mechanism of minimum wage increase”¹⁴

⁹ See http://cqhrss.gov.cn/u/cqhrss/news_63943.shtml; also see http://www.mohrss.gov.cn/ldgxs/LDGXqiyegongzi/LDGXzuidigongzibiaozhun/201509/t20150929_221690.htm

¹⁰ See http://www.sdpc.gov.cn/fzgggz/jyysr/dfjy/201512/t20151228_769569.html; also see http://jshrss.gov.cn/zcfg/ldzjfg/201410/t20141025_141892.html

¹¹ See http://www.ln.hrss.gov.cn/zcfg/201512/t20151211_1989405.html; also see http://www.mohrss.gov.cn/ldgxs/LDGXqiyegongzi/LDGXzuidigongzibiaozhun/201509/t20150929_221690.htm

¹² See http://xxgk.hainan.gov.cn/hi/HI0101/201603/t20160301_1777236.htm; also see <http://www.hainan.gov.cn/data/hnzb/2015/02/3213/>

¹³ http://zwgk.gd.gov.cn/006939748/201602/t20160229_645832.html

¹⁴ http://news.xinhuanet.com/politics/2016lh/2016-03/17/c_1118366322.htm

2. The Guangdong provincial government issues new guidelines on salary rise

On 11 November 2015, the Guangdong provincial government issued new guidelines on salary rise. For the first time since 2009, the guidelines on salary rise in the province suggests that enterprises should freeze or cut wages of their workers on certain conditions.

According to the announcement issued by the Guangdong provincial government, enterprises with average performance in the province are recommended to raise the salaries of their workers by 8.5%, the pay rise benchmark for 2015. Enterprises with good performance and employees' wages at relatively low levels can offer higher pay rise of at most 12.5%, the upper limit of the pay rise benchmark, to their workers in 2015. Meanwhile, with the agreement of labour unions or employee representatives, loss-making enterprises or enterprises with significantly worsening performance can consider freezing or even reducing the salaries of their workers, though the salaries should not be set lower than the minimum wage levels.¹⁵

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 salary rise issued by local governments,
July 2015 to February 2016**

Province/autonomous region	Upper limit	Benchmark	Lower limit	Issue date
Fujian	15%	10%	2%	Jul-15
Shanghai	16%	10%	4%	Jul-15
Qinghai	16%	9%	4%	Jul-15
Jiangxi	No Cap	12%	5%	Aug-15
Liaoning	12%	8%	3%	Aug-15
Hainan	12.3%	11.3%	4%	Aug-15
Yunnan	17%	10%	3%	Aug-15
Gansu	16%	10%	5%	Sep-15
Guangxi	16%	10%	3%	Sep-15
Guangdong	12.5%	8.5%	No Floor	Oct-15
Jilin	13%	8%	3%	Oct-15

Source: Announced by various local governments

¹⁵ <https://www.tid.gov.hk/english/aboutus/tradecircular/cic/asia/2015/files/ci20151080a.pdf>

3. Income of peasant workers gains 7.2% yoy in 2015

According to China's National Bureau of Statistics (NBS), the average monthly income of peasant workers in China increased by 7.2% yoy to 3,072 yuan in 2015, compared to the growth of 9.8% yoy in 2014.¹⁶

We notice two major trends in the peasant worker market. First, the supply of peasant workers in China has increased at a slower pace in recent years. According to the NBS, the yoy growth of number of peasant workers registered 1.3% yoy in 2015, compared to the growth of 1.9% yoy in 2014 and 2.4% yoy in 2013. The other trend is that the peasant workers have been aging. According to the NBS, the average age of peasant workers increased from 35.5 in 2010 to 38.3 in 2014.¹⁷

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

¹⁶ http://www.stats.gov.cn/tjsj/zxfb/201601/t20160119_1306083.html

¹⁷ http://news.xinhuanet.com/politics/2015-07/15/c_128023327.htm

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