



# China Sourcing Update

October 3, 2016

## Labour Cost

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

From July to September 2016, local governments in three provinces/ municipalities increased the minimum wage levels in their jurisdictions. See below for details:

#### *Hebei province*

On 1 July, the minimum monthly wage levels in various districts within Hebei province were adjusted to 1,650 yuan, 1,590 yuan, 1,480 yuan and 1,380 yuan, compared with the previous levels of 1,480 yuan, 1,420 yuan, 1,310 yuan and 1,210 yuan respectively.<sup>1</sup>

#### *Tianjin*

On 1 July, the minimum monthly wage level in Tianjin was adjusted to 1,950 yuan, compared with the previous level of 1,850 yuan.<sup>2</sup>

#### *Beijing*

On 1 September 2016, the minimum monthly wage level in Beijing was adjusted to 1,890 yuan, compared with the previous level of 1,720 yuan.<sup>3</sup>

<sup>1</sup> See <http://www.he.lss.gov.cn/a/news/guonei/2016/0701/3484.html>

<sup>2</sup> See [http://www.chinajob.gov.cn/LabourRelations/content/2016-07/14/content\\_1213908.htm](http://www.chinajob.gov.cn/LabourRelations/content/2016-07/14/content_1213908.htm)

<sup>3</sup> See <http://zhengce.beijing.gov.cn/library/192/33/50/43/438654/79362/index.html>

It is noteworthy that the 13<sup>th</sup> Five-Year Plan adopts a more flexible approach to minimum wage. Instead of stipulating a specific target for minimum wage increase, the 13<sup>th</sup> Five-Year Plan stresses “to reasonably set minimum wage level” and “to perfect the mechanism of minimum wage increase”.<sup>4</sup>

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

From July to September 2016, local governments in nine provinces/ regions/ municipalities issued new guidelines on salary rise (*see exhibit 1*).

For example, according to the announcement issued by the Beijing municipal government, enterprises with normal operations and improving performance in Beijing are recommended to raise the salaries of their workers by 9%, the pay rise benchmark for 2016. Enterprises with rapidly improving performance can offer higher pay rise of at most 15%, the upper limit of the pay rise benchmark, to their workers in 2016. Enterprises with flat or slightly worsening performance can consider raising the salaries of their workers by 4%, the lower limit of the pay rise benchmark. Meanwhile, with the agreement of labour unions or employee representatives, enterprises with operating losses or difficulties in paying salaries can consider freezing the salaries of their workers, though the salaries should not be set lower than the minimum wage levels.<sup>5</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>4</sup> [http://news.xinhuanet.com/politics/2016lh/2016-03/17/c\\_1118366322.htm](http://news.xinhuanet.com/politics/2016lh/2016-03/17/c_1118366322.htm)

<sup>5</sup> [http://www.bjrbj.gov.cn/xxgk/zcfg/201607/t20160713\\_58707.html](http://www.bjrbj.gov.cn/xxgk/zcfg/201607/t20160713_58707.html)

**Exhibit 1: Guidelines on 2016 salary rise issued by local governments,  
July to September 2016**

Province/ autonomous region/ municipality	Upper limit	Benchmark	Lower limit	Month of issue
Beijing	15%	9%	4%	July-16
Tianjin	16%	9%	3%	July-16
Xinjiang	10.5%	8%	3%	July-16
Yunnan	13%	8%	3%	July-16
Sichuan	13%	8%	3%	August-16
Shaanxi	11%	7%	3%	August-16
Jiangxi	No Cap	8%	3%	August-16
Hebei	13%	8%	3%	August-16
Ningxia	No Cap	8%	0%	September-16

*Source: Announced by various local governments*

### **3. Income of migrant workers gains 6.7% yoy in 1H16**

According to China's National Bureau of Statistics (NBS), the average monthly income of migrant workers in China increased by 6.7% yoy to 3,202 yuan in 1H16.<sup>6</sup>

We notice two major trends in the migrant worker market. First, the supply of migrant workers in China has increased at a slower pace in recent years. According to the NBS, the year-on-year growth of the number of migrant workers registered 0.4% as at the end of 2Q16, compared to the year-on-year growth of 1.3% in 2015 and 1.9% in 2014. The other trend is the aging of the migrant workers. According to the NBS, the average age of migrant workers increased from 35.5 in 2010 to 38.6 in 2015.<sup>7</sup>

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

<sup>6</sup> [http://www.stats.gov.cn/english/PressRelease/201607/t20160715\\_1377636.html](http://www.stats.gov.cn/english/PressRelease/201607/t20160715_1377636.html)

<sup>7</sup> [http://www.stats.gov.cn/tjsj/zxfb/201604/t20160428\\_1349713.html](http://www.stats.gov.cn/tjsj/zxfb/201604/t20160428_1349713.html)

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