Living Wage Update: July 2019

Urban China
Chengdu, China

Living wage per month
RMB 2,597 (USD 370)

Cost of decent standard of living for a family
RMB 4,143 (USD 590)

Photo courtesy of Social Accountability International.

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1. BACKGROUND

This report updates the living wage and living expenses for Chengdu, China, with a focus on manufacturing industry parks. The net living wage and living expenses are updated to the study month of the most recent calendar year – August 2019 – to take into account the amount of inflation since the original August 2015 living wage study. Without accounting for inflation, the net living wage estimated in 2015 would not be sufficient for workers to have a basic but decent standard of living in 2019 because the purchasing power of the living wage would have decreased compared to what it was in 2015. Similarly, living expenses for a reference family are also updated to August 2019 to account for inflation.

The gross living wage is updated to August 2019 by taking into consideration in addition income taxes and mandatory deductions from pay that workers would need to pay on the updated 2019 living wage. This is done using August 2019 laws.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN AUGUST 2015

The original living wage country report estimated the net living wage as RMB 2,161 in August 2015. This was the required take-home pay for workers for decency in August 2015. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security and union dues, was estimated as RMB 2,635 in August 2015. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as RMB 3,846 in August 2015.

1 Prepared by Ian Prates with Richard Anker and Martha Anker.
3. INFLATION RATE USED FOR UPDATE

The National Bureau Statistics of China (NBSC) is the government body responsible for computing and reporting price indexes in China. It reports several different consumer price indexes, such as the average for the country, urban and rural price indexes for the national level and for the provinces and urban price indexes for each of the main 70 cities. In this update, the Chengdu Urban Household Consumer Price Index is used.

There are two reasons for using the Urban Household Consumer Price Index for Chengdu. The first one is that this index is calculated for the urban level of the city, being the closest indicator that resembles the prices for manufacturing workers in Chengdu over the period (2015-2019). The second one is that this is a Household Consumer Price Index, i.e., also very close to the Living Wage concept, that is concerned with family costs.

4. RECENT LEVEL OF INFLATION

China has low levels of inflation rates. Between August 2015 and August 2019, the inflation rates for the whole country was 8.4%, a yearly average of 2.1%. The inflation rate for Chengdu between August 2015 and August 2019 is 7.7% (average of 1.93% yearly), slightly lower than the one for China.

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

According to the most recent information provided by Social Accountability International, mandatory payroll deductions and income taxes in Chengdu is 10.4%, considerably lower than the percentage used in the original report (18.0%). The main reason for this difference is because the original report considered a 9.0% for Public Housing Fund, which we do not consider here.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR AUGUST 2019

The updated net living wage, or take-home pay, for August 2019 is RMB 2,327 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is RMB 2,597. Table 1 provides details of the original and the updated living wages and family living expenses. It is worth noting that the inflation rate in the August 2015-August 2019 time period was less than the depreciation of the RMB in this time period which is one reason why living expenses and the living wage are lower in USD in August 2019 than in August 2015.
Table 1: Living wages and living expenses for manufacturing industry in urban Chengdu, China (in RMB and US Dollars)

<table>
<thead>
<tr>
<th></th>
<th>August 2015 Original Study Date</th>
<th>August 2019 Latest Update</th>
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<tbody>
<tr>
<td>Currency</td>
<td>RMB</td>
<td>USD</td>
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<tr>
<td>Living Expenses for Reference Family Per Month</td>
<td>RMB 3,846 $601</td>
<td>RMB 4,143 $590</td>
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<tr>
<td>Net Living Wage Per Month</td>
<td>RMB 2,161 $338</td>
<td>RMB 2,327 $332</td>
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<tr>
<td>Income Taxes and Payroll Deductions Per Month on Living Wage</td>
<td>RMB 474 $74</td>
<td>RMB 270 $38</td>
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<td>Gross Living Wage Per Month</td>
<td>RMB 2,635 $412</td>
<td>RMB 2,597 $370</td>
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<tr>
<td>Exchange Rate to USD</td>
<td>6.40</td>
<td>7.02</td>
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<tr>
<td>Source of Exchange Rate</td>
<td>Original Report</td>
<td>IMF</td>
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