

Living Wage Update: August 2019

Urban China

Shanghai, China



Living wage per month
RMB 4,502 (USD 641)



Cost of decent standard
of living for a family
RMB 7,172 (USD 1,022)



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1. BACKGROUND

This report updates the living wage and living expenses for Shanghai, China, with a focus on manufacturing industry parks.²

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 3,701 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 4,136 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 6,588 in August 2015.

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

¹ Prepared by Ian Prates with Richard Anker and Martha Anker.

² This is an update to *Living Wage Report: Urban Shanghai, China*, August 2015. Chen Yuan, Shen Ke, Qian Jing, and Wang Feng.

provinces and urban price indexes for each of the main 70 cities. In this update, the Shanghai Urban Household Consumer Price Index is used.

There are two reasons for using the Urban Household Consumer Price Index for Shanghai. 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 Shanghai 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%. Shanghai, even is the most expensive city in China, reported similar values. The inflation rate for the city between August 2015 and August 2019 is 8.9% (average of 2.2% yearly), slightly higher 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 Shanghai is 10.5%, the same percentage as used in the original living wage report. This is the value we use in this update report.

Social Accountability International, however, also informed that the current value of 10.5% is for workers who do not own a Shanghai ID. For migrant workers, mandatory payroll deductions is 9.0%. For this reason, we provide updated living wage estimates for migrant workers using 9.0% as mandatory payroll deductions as well as for workers with a Shanghai ID using 10.5% mandatory payroll deductions.

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

The updated net living wage, or take-home pay, for non-migrant workers for August 2019 is RMB 4,029 (US\$574) per month. The gross living wage for non-migrant workers, which also takes into account income taxes and mandatory payroll deductions, is RMB 4,502 (US\$641). The updated gross living wage for migrant workers for August 2019 is RMB 4,428 (US\$631) per month. Note that living wage values in US\$ are almost the same in 2015 and 2019, because inflation between 2015 and 2019 is almost the same as the depreciation of the exchange rate in this period. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses for manufacturing industry in urban Shanghai, China, for migrant and non-migrant workers (in RMB and US Dollars)

	August 2015 Original Study Date		August 2019 Latest Update			
			Workers with Shanghai ID		Workers without Shanghai ID	
Currency	RMB	USD	RMB	USD	RMB	USD
Living Expenses for Reference Family Per Month	RMB 6,588	\$1,029	RMB 7,172	\$1,022	RMB 7,172	\$1,022
Net Living Wage Per Month	RMB 3,701	\$578	RMB 4,029	\$574	RMB 4,029	\$574
Income Taxes and Payroll Deductions Per Month on Living Wage	RMB 435	\$68	RMB 473	\$67	RMB 399	57
Gross Living Wage Per Month	RMB 4,136	\$646	RMB 4,502	\$641	RMB 4,428	\$631
Exchange Rate to USD	6.4		7.02		7.02	
Source of Exchange Rate	Original Report		IMF		IMF	