

Living Wage Update: August 2019

Urban China

Shenzhen, China



Living wage per month
RMB 3,004 (USD 428)



Cost of decent standard
of living for a family
RMB 4,898 (USD 698)



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1. BACKGROUND

This report updates the living wage and living expenses for Shenzhen, 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 2,508 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 2,818 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 4,464 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

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

² This is an update to *Living Wage Report: Urban Shenzhen, China*, August 2015. Sangui Wang, Yu Wang, Fengfeng Gu, Danyan Lu. <https://bit.ly/2T0XI6U>

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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 Shenzhen Urban Household Consumer Price Index is used.

There are two reasons for using the Urban Household Consumer Price Index for Shenzhen. 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 Shenzhen 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%. Shenzhen, however, is a city with among the highest rate of economic and population growth in China, as well as experiencing rapid social change since the early 1980s. In this sense, the average inflation rate for the city between August 2015 and August 2019 is 9.7% (average of 2.43% 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 Shenzhen changed in 2018 and now are lower (8.4%) than in the 2015 Living Wage Report (10.3%). The original report included 8% for retirement, 2% for medical insurance and 1.0% for unemployment insurance. According to SAI, rates for medical insurance and unemployment insurance have been reduced to 0.1% and 0.3% respectively for workers who earn close to the living wage value (around 2,500 RMB). For this reason, in this update report, we use a total of 8.4% for payroll deductions.

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 2,752 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is RMB 3,004. 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 Shenzhen, China, using non-weighted CPI (in RMB and US Dollars)

	August 2015 Original Study Date		August 2019 Latest Study	
	RMB	USD	RMB	USD
Living Expenses for Reference Family Per Month	RMB 4,464	\$698	RMB 4,898	\$698
Net Living Wage Per Month	RMB 2,508	\$392	RMB 2,752	\$392
Income Taxes and Payroll Deductions Per Month on Living Wage	RMB 310	\$48	RMB 252	\$36
Gross Living Wage Per Month	RMB 2,818	\$440	RMB 3,004	\$428
Exchange Rate to USD	6.40		7.02	
Source of Exchange Rate	Original Report		IMF	