Living Wage Update: August 2019

Urban China
Suzhou, China

Living wage per month
RMB 3,875 (USD 552)

Cost of decent standard of living for a family
RMB 6,173 (USD 879)

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1. BACKGROUND

This report updates the living wage and living expenses for Suzhou, 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 3,163 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 3,534 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 5,631 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

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

2 This is an update to Living Wage Report: Urban Suzhou, China, November 2017. Chen Yuan, Shen Ke, Qian Jing, and Wang Feng of Fudan University.
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. However, there is no specific data for Suzhou, so we used the data for Urban Jiangsu Province.

There are two reasons for using the Urban Household Consumer Price Index for Jiangsu Province. The first one is that this index is calculated for the urban level in the province, and in the absence of level-city index, this is the closest indicator that resembles the prices for manufacturing workers in Suzhou 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 Urban Jiangsu between August 2015 and August 2019 is 9.6% (average of 2.4% 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 Suzhou is 10.5%, the same percentage as used in the original report from 2015. We then use in this Report the current value of 10.5%.

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 3,468 (US$494) per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is RMB 3,875 (US$552). Table 1 provides details of the original and the updated living wages and family living expenses. It is worth noting that there was no change between 2015 and 2019 in the US$ value of the net living wage and the gross living wage, because the inflation rate in this period was the same as the change in the exchange rate.
Table 1: Living wages and living expenses for manufacturing industry in urban Suzhou, China, using non-weighted CPI

<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><strong>Currency</strong></td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td><strong>Living Expenses for Reference Family Per Month</strong></td>
<td>RMB 5,631 $880</td>
<td>RMB 6,173 $879</td>
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<tr>
<td><strong>Net Living Wage Per Month</strong></td>
<td>RMB 3,163 $494</td>
<td>RMB 3,468 $494</td>
</tr>
<tr>
<td><strong>Income Taxes and Payroll Deductions Per Month on Living Wage</strong></td>
<td>RMB 371 $58</td>
<td>RMB 407 $58</td>
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<tr>
<td><strong>Gross Living Wage Per Month</strong></td>
<td>RMB 3,534 $552</td>
<td>RMB 3,875 $552</td>
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<tr>
<td><strong>Exchange Rate to USD</strong></td>
<td>6.40</td>
<td>7.02</td>
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<tr>
<td><strong>Source of Exchange Rate</strong></td>
<td>Original Report</td>
<td>IMF</td>
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