

Living Wage Update Report: Shanghai, China, 2023

Living Wage Update Report No. 2023-04-10



Cost of decent standard
of living for a family

RMB 7,510
(USD 1,049)



Living wage
per month

RMB 5,114
(USD 714)



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Abstract:

This report provides updated estimates of family living expenses and living wage for workers in Shanghai, China. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in August 2015 (Yuan, Ke, Jing & Feng, 2015).

Keywords: Living costs, living wages, Anker Methodology, China

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and family living expenses for Shanghai, China, to 2023. The update incorporates inflation that has occurred since the original study in August 2015 (Yuan, Ke, Jing & Feng, 2015). This is done by updating the August 2015 net living wage and living income expenses to June 2023 by inflation. Without accounting for inflation, the net living wage estimated in 2015 would not be sufficient for workers to maintain a basic yet decent standard of living in 2023, as the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) for 2023 also considers income taxes and mandatory deductions that workers would be required to pay, based on the relevant laws in effect in June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM AUGUST 2015

The original living wage country report estimated the net living wage in August 2015 to be RMB 3,701. This amount represented the required take-home pay for workers in Shanghai to have a decent standard of living in August 2015. The gross living wage, which includes income taxes and mandatory deductions from pay for social security and union dues, was estimated to be RMB 4,135 in August 2015. In addition, the living expenses for a reference family to have a basic yet decent standard of living in the original country report were estimated to be RMB 6,588 in August 2015 (Yuan, Ke, Jing & Feng, 2015).

3. INFLATION RATE USED FOR UPDATE

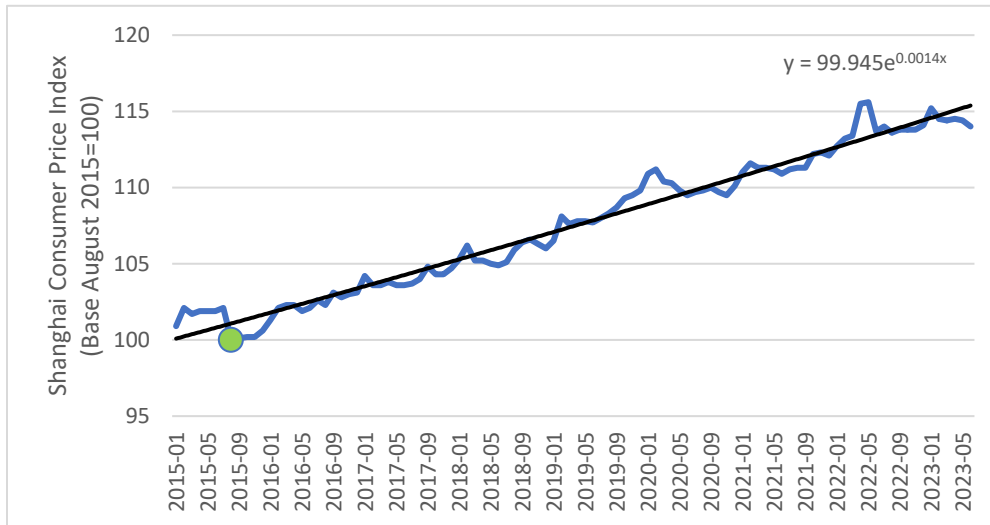
The National Bureau of Statistics of China (NBSC) is the government agency responsible for computing and publishing price indices in China. The NBSC reports several different consumer price indices, including the national average, urban and rural price indices at the national and provincial levels, as well as specific price indices for each of the 70 main cities. For this update, we use the Household Consumer Price Index (CPI) for the city of Shanghai.¹

4. RECENT LEVEL OF INFLATION

The inflation rate in Shanghai is modest and relatively stable. Between August 2015 and June 2023, the inflation for Shanghai was 14.00% (see Figure 1).

¹ See <https://data.stats.gov.cn/english/easyquery.htm?cn=E0104>. Accessed 23 July 2023.

Figure 1: Consumer Price Index for Shanghai, China from January 2015 to June 2023



Notes: The green circle indicates the month of the original study. The black line is the fitted exponential trendline.

Source: Authors' calculations based on CPI data from NBSC.

5. MANDATORY DEDUCTIONS

On August 30, 2018, the National People's Congress passed the amendment of the Individual Income Tax Law of the People's Republic of China.² The current Individual Income Tax (IIT) in China follows a progressive tax system, with rates ranging from 3% to 45%. In 2023, workers earning a living wage in Shanghai fall within the range of RMB 3,000 to RMB 12,000 per month, which is subject to a 10% tax rate minus a so called 'quick deduction' of RMB 210. However, due to various possible tax deductions (a standard basic deduction of RMB 5,000 per month; plus, specific additional deductions for child education, rental expenses, and more), workers earning a living wage are usually not required to pay income tax.³

Social security contributions for housing, pension, medical, and unemployment funds are mandatory in China. According to several online tax calculators,⁴ in 2023, mandatory payroll deductions in Shanghai amount to 17.5% (7% for housing, 8% for pension, 0.5% for unemployment, and 2% for medical funds) of an employee's salary.⁵

² See http://www.xinhuanet.com/politics/2018-09/01/c_1123362911.htm?baike.

³ See <https://taxsummaries.pwc.com/peoples-republic-of-china/individual/deductions>.

⁴ See <https://hizdm.cn/city/shanghai/>; <https://cn.talent.com/en/tax-calculator?salary=5280&from=month®ion=Shanghai>; and <https://taxsummaries.pwc.com/peoples-republic-of-china/individual/other-taxes>.

⁵ Unlike the 2022 update (see Andersen et al., 2022), we include employee contributions to the Housing Provident Fund when calculating the amount of mandatory payroll deductions, because the pandemic flexibilization is no longer in effect and these contributions are now mandatory for almost all workers in urban China. Exceptions exist (for example for workers close to retirement or workers who already own a home), but these are not considered important for manufacturing workers on a living wage in Shanghai.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated family living expenses for 2023 are RMB 7,510 per month. The gross living wage (aka living wage), which takes into account mandatory payroll deductions, is RMB 5,114 per month for 2023. These are average estimates for the year 2023. Table 1 provides details of the original and updated living wages and family living expenses.

Table 1: Living Wages and Living Expenses for Shanghai, China (in RMB and US Dollars)

| Item | August 2015 Original Study Date | | 2022 Update Report | | 2023 Update Report | |
|--|------------------------------------|-------|-----------------------|-------|-----------------------|-------|
| | RMB | USD | RMB | USD | RMB | USD |
| Living Expenses for Reference Family Per Month | 6,588 | 1,029 | 7,499 | 1,120 | 7,510 | 1,049 |
| Net Living Wage Per Month | 3,701 | 578 | 4,213 | 629 | 4,219 | 589 |
| Income Taxes and Payroll Deductions Per Month on Living Wage | 434 | 68 | 494 | 74 | 895 | 125 |
| Gross Living Wage Per Month | 4,135 | 646 | 4,707 | 703 | 5,114 | 714 |
| Exchange Rate to USD | 6.40 | | 6.69 | | 7.16* | |
| Source of Exchange Rate | Original Report | | IMF Archive | | IMF Archive | |

Note: *Average exchange rate for June 2023, according to IMF (<https://www.imf.org/external/np/fin/ert/GUI/Pages/CountryDataBase.aspx>).

Source: Authors' calculations.

7. REFERENCES

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