

## Living Wage Update Report: Urban China, Shanghai (August 2021)

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Cost of decent standard  
of living for a family

**RMB 7,332**  
(USD 1,133)



Gross Living Wage  
per month

**RMB 4,602**  
(USD 711)



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# Living Wage Update Report: Urban China, Shanghai (August 2021)

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## **Abstract:**

This report provides updated estimates of family living expenses and living wages for Shanghai, China. This update to August 2021 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 living wage and family living expenses for Shanghai, China, with a focus on manufacturing industry parks (Yuan, Ke, Jing & Feng, 2015). The net living wage and family living expenses are updated to the study month of the most recent calendar year – August 2021 – 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 2021 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 2021 to account for inflation.

The gross living wage is updated to August 2021 by taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated living wage using 2021 laws.

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

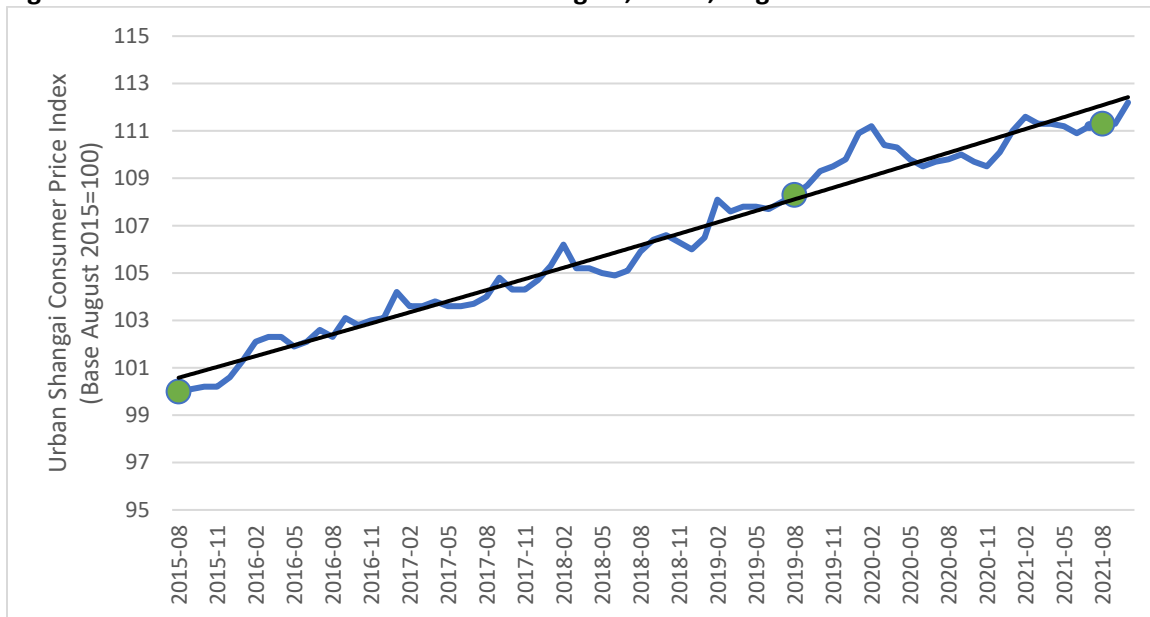
The original living wage country report estimated the net living wage as RMB 3,701 in August 2015. This was the required take-home pay for workers for decency in August 2015. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security and union dues, was estimated as RMB 4,135 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 indices in China. It reports several different consumer price indices, such as the average for the country, urban and rural price indices for the national level and for the provinces and urban price indices for each of the main 70 cities. In this update, the Shanghai Urban Household Consumer Price Index is used.

## 4. RECENT LEVEL OF INFLATION

China has low levels of inflation. Between August 2015 and August 2021, inflation for the whole country was 11.6%, corresponding to an annual average of 1.8%. The inflation rate for Shanghai between August 2015 and August 2021 was 11.3% (annual average of 1.8%).

**Figure 1: Consumer Price Index for Urban Shanghai, China, August 2015 to October 2021**

**Notes:** Green dots highlight the months of the original study and the updates. Black line is the fitted exponential trendline.

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

## 5. MANDATORY DEDUCTIONS

According to the most recent information provided by Social Accountability International, mandatory payroll deductions in Shanghai amount to 10.5%, the same percentage used in the original living wage report in 2015. For this reason, we updated our net living wage estimate to take into consideration these mandatory payroll deductions.<sup>1,2</sup> Workers earning a living wage would not pay income tax, because the living wage is below the standard income tax deduction.

<sup>1</sup> Note that although migrant workers pay lower payroll taxes (9.0%) than workers with a Shanghai ID (10.5%), we do not calculate a separate migrant living wage for two reasons. First, although migrant workers have lower payroll taxes, they are not entitled to the same social benefits in Shanghai as workers with a Shanghai ID, since some social benefits are tied to place of origin and can only be accessed in the place of origin. Second, there needs to be one living wage in a location to avoid a race to the bottom.

<sup>2</sup> We did not include employee contributions to the Housing Provident Fund when we calculated the amount of mandatory payroll deductions, despite this deduction being substantial when it is paid (e.g., 12, 7, 12, and 6 percent of wages in Beijing, Shanghai, Shenzhen, and Chengdu respectively according to <https://www.1421.consulting/2018/06/chinese-taxes-and-social-insurances/>). There are two reasons for this decision. First, it is quite common that workers outside government and white-collar firms, such as in manufacturing enterprises, do not contribute to the Housing Provident Fund according to FLA (Fair Labor Association) verification assessments. Second, if it is easy for workers to access contributions to their housing fund every year for ongoing expenses, then we would not count it as a mandatory deduction because it would not reduce the amount of money required for ongoing living expenses. In the case of the housing fund, it is not clear how easy it is to withdraw contributions every year. Withdrawals are allowed for home loan, home down payment, mortgage payment, home improvement, and medical emergencies, and in 2021 it might be possible to withdraw funds for rent payment (<https://www.tellerreport.com/business/2021-08-12-more-than-20-places-in-the-year-introduced-a-new-provident-fund-policy--these-rented-houses-can-be-mentioned-more.Ske-2SAGet.html>).

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR AUGUST 2021

The updated net living wage, or take-home pay, for non-migrant workers for August 2021 is RMB 4,119 (US\$637) per month. The gross living wage for non-migrant workers, which also takes into account income taxes and mandatory payroll deductions, is RMB 4,602 (US\$711). The updated gross living wage for migrant workers for August 2021 is RMB 4,527 (US\$700) per month. 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)**

Item	August 2015 Original Study		August 2021 Latest Update Report	
	RMB	USD	RMB	USD
Living Expenses for Reference Family Per Month	6,588	1,029	7,332	1,133
Net Living Wage Per Month	3,701	578	4,119	637
Income Taxes and Payroll Deductions Per Month on Living Wage	434	68	483	75
Gross Living Wage Per Month	4,135	646	4,602	711
Exchange Rate to USD	6.40		6.47	
Source of Exchange Rate	Original Report		IMF Archive	

Source: Authors' calculations.

## 7. REFERENCES

Yuan, C., Ke, S., Jing, Q & Feng, W. (2015) *Living Wage Report: Urban Shanghai, China with focus on manufacturing industry park*, unpublished.