Cost of decent standard of living for a family

RMB 6,444
(USD 962)

Living wage per month

RMB 4,044
(USD 604)
Living Wage Update Report: Suzhou, China, 2022

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Abstract:

This report provides updated estimates of family living expenses and living wages for Suzhou, China. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in August 2015 (Yuan, et al., 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 to 2022 for Suzhou, China, a city with important manufacturing industry parks (Yuan, et al., 2015). The update takes into account the amount of inflation since the original study in August 2015. This is done by updating the August 2015 net living wage and living expenses to mid-2022 by inflation including expected inflation for 2022 according to the Asian Development Bank (ADB). This provides average living wage and family living expense estimates for 2022. 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 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 2022 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage. This is done using the laws in effect at the beginning of 2022.

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

The original living wage country report estimated the net living wage as RMB 3,163 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 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. There is no specific data for the city of Suzhou, so we used the data for Urban Jiangsu Province, in which Suzhou is located.

4. **RECENT LEVEL OF INFLATION**

Between August 2015 and December 2021, the inflation for Urban Jiangsu Province was 12.7%. The yearly inflation rate between August 2020 and August 2021 for Urban Jiangsu Province was 1.44%. The IMF projects that the inflation rate in China for 2022 will be 2.1%\(^1\), but this value is probably slightly low given the new COVID-19 outbreaks in China and the Ukraine conflict, which could create new food price pressures.\(^2\) The Asian Development Bank (ADB) currently expects the inflation in China for 2022 to be 2.3%\(^3\). This projection was added to the Consumer Price Index numbers shown in Figure 1, while taking into account observed inflation for the first few months of 2022.

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\(^1\) See [https://www.imf.org/external/datamapper/PCPIPCH@WEO/CHN](https://www.imf.org/external/datamapper/PCPIPCH@WEO/CHN). Information accessed 7 July 2022.


\(^3\) See [https://www.adb.org/outlook#:~:text=The%20regional%20inflation%20rate%20is,dipping%20to%203.1%25%20in%202023](https://www.adb.org/outlook#:~:text=The%20regional%20inflation%20rate%20is,dipping%20to%203.1%25%20in%202023).

Information accessed 7 July 2022.
5. **Mandatory Deductions**

On 30 August 2018, the National People’s Congress passed the amendment of the Individual Income Tax Law of the People’s Republic of China. The current Individual Income Tax in China (IIT) follows a progressive tax system, with rates ranging from 3% to 45%. In 2022, workers earning a living wage fall into the range from RMB 3000 to RMB 12,000 per month, which is subject to a 10% tax minus a so-called ‘quick deduction’ of RMB 210. However, because there are various tax deductions, workers earning a living wage would not pay income tax.

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5 See [https://taxsummaries.pwc.com/peoples-republic-of-china/individual/taxes-on-personal-income](https://taxsummaries.pwc.com/peoples-republic-of-china/individual/taxes-on-personal-income)
Social security contributions to pension, medical and unemployment funds are mandatory in China. According to several different online individual income tax calculation tools for China, mandatory payroll deductions in Suzhou amount to 10.5%, as in the original study.

6. **Updated Living Wages and Family Expenses for 2022**

The updated family living expenses for 2022 are RMB 6,444 per month. The gross living wage (aka living wage), which takes into account mandatory payroll deductions, is RMB 4,044 per month for 2022. These are average estimates for the year 2022. Table 1 provides details of the original and the updated living wages and family living expenses.

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6 See [https://taxsummaries.pwc.com/peoples-republic-of-china/individual/other-taxes](https://taxsummaries.pwc.com/peoples-republic-of-china/individual/other-taxes)

7 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/](https://www.1421.consulting/2018/06/chinese-taxes-and-social-insurances/)). There are two reasons for this decision. First, it is 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, it appears to be fairly easy for workers to access contributions to their housing fund every year for ongoing expenses, and thus reduce the amount of money required for ongoing living expenses. 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](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)).
Table 1: Living wages and living expenses for Suzhou, China (in RMB and US Dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>August 2015 Original Study Date</th>
<th>August 2021 Update Report</th>
<th>2022 Update Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>RMB</td>
<td>USD</td>
<td>RMB</td>
</tr>
<tr>
<td>Living Expenses for Reference Family Per Month</td>
<td>5,631</td>
<td>880</td>
<td>6,335</td>
</tr>
<tr>
<td>Net Living Wage Per Month</td>
<td>3,163</td>
<td>494</td>
<td>3,558</td>
</tr>
<tr>
<td>Income Taxes and Payroll Deductions Per Month on Living Wage</td>
<td>371</td>
<td>58</td>
<td>417</td>
</tr>
<tr>
<td>Gross Living Wage Per Month</td>
<td>3,534</td>
<td>552</td>
<td>3,976</td>
</tr>
<tr>
<td>Exchange Rate to USD</td>
<td>6.40</td>
<td>6.47</td>
<td>6.69*</td>
</tr>
<tr>
<td>Source of Exchange Rate</td>
<td>Original Report</td>
<td>IMF’s Archive</td>
<td>IMF’s Archive</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations.

7. REFERENCES