

# Living Wage Update: August 2019

## Urban China

Zhengzhou, China



Living wage per month  
**RMB 3,036 (USD 432)**



Cost of decent standard  
of living for a family  
**RMB 4,848 (USD 691)**



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### 1. BACKGROUND

This report updates the living wage and living expenses for Zhengzhou, China, with a focus on manufacturing industry parks.<sup>2</sup>

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 2,497 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 2,806 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 4,444 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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<sup>1</sup> Prepared by Ian Prates with Richard Anker and Martha Anker.

<sup>2</sup> This is an update to *Living Wage Report: Urban Zhengzhou, China*, February 2019. Hui Xu, Shi Li, Liang Xiong, Peng Zhan. <https://bit.ly/2QuUgQm>

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 Zhengzhou Urban Household Consumer Price Index is used.

There are two reasons for using the Urban Household Consumer Price Index for Zhengzhou. 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 Zhengzhou 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 Zhengzhou between August 2015 and August 2019 is 9.09% (average of 2.3% 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 Zhengzhou is 10.3%, a bit lower than the one used in the original report (11.0%).

#### 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 2,723 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is RMB 3,036. 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 Zhengzhou, China, using non-weighted CPI (in RMB and US Dollars)**

	<b>August 2015</b>		<b>August 2019</b>	
	<b>Original Study Date</b>		<b>Latest Update</b>	
<b>Currency</b>	RMB	USD	RMB	USD
<b>Living Expenses for Reference Family Per Month</b>	RMB 4,444	\$694	RMB 4,848	\$691
<b>Net Living Wage Per Month</b>	RMB 2,497	\$390	RMB 2,723	\$388
<b>Income Taxes and Payroll Deductions Per Month on Living Wage</b>	RMB 309	\$48	RMB 313	\$45
<b>Gross Living Wage Per Month</b>	RMB 2,806	\$438	RMB 3,036	\$432
<b>Exchange Rate to USD</b>	6.40		7.02	
<b>Source of Exchange Rate</b>	Original Report		IMF	