

Living Wage Update Report: Suzhou, China, 2023

Living Wage Update Report No. 2023-04-12



**Cost of decent standard
of living for a family**

RMB 6,431
(USD 898)



**Living wage
per month**

RMB 4,543
(USD 634)



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Abstract:

This report provides updated estimates of family living expenses and living wages for workers in Suzhou, 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, 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 for Suzhou, China, to the year 2023. The update incorporates inflation that has occurred since the original study in August 2015 (Yuan, et al., 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 3,163. This amount represented the required take-home pay for workers in Suzhou 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 3,534 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 5,631 in August 2015 (Yuan, et al., 2015).

3. INFLATION RATE USED FOR UPDATE

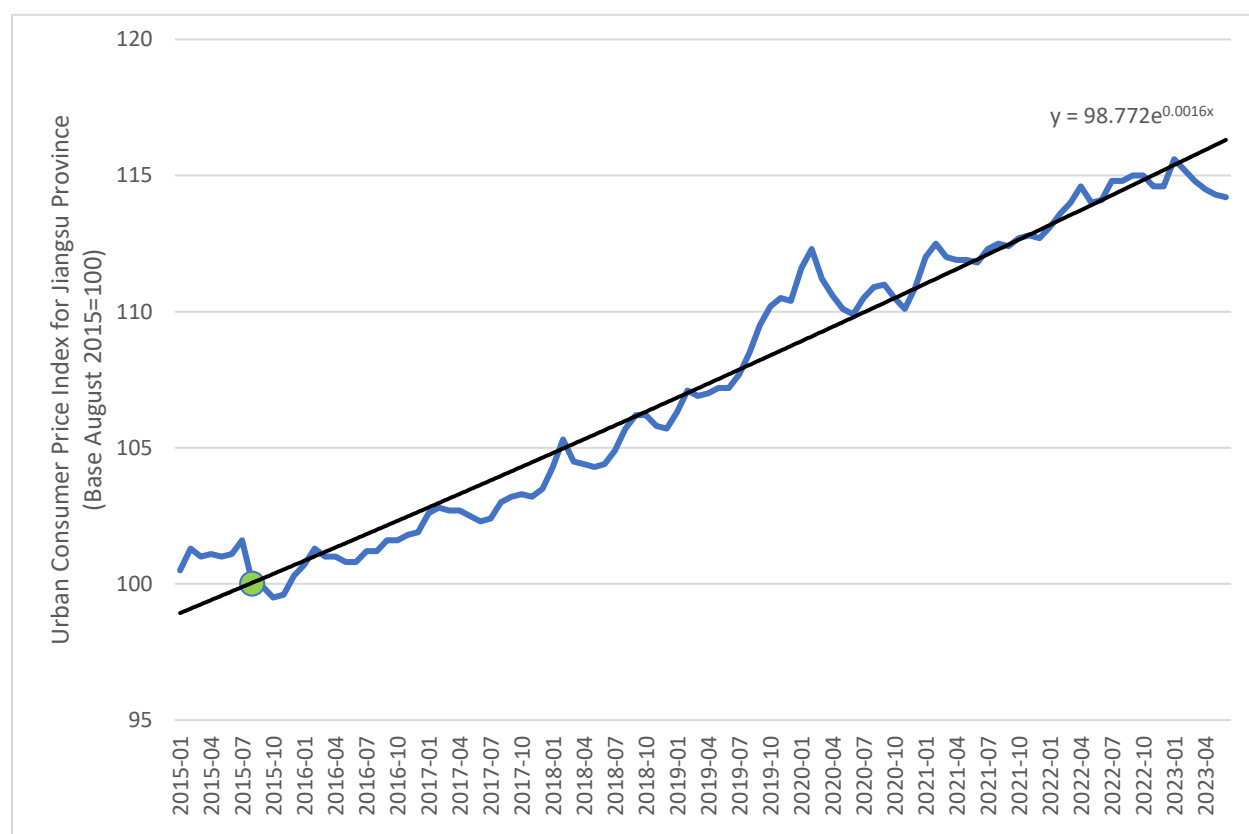
The National Bureau of Statistics of China (NBSC) is the government agency responsible for computing and publishing price indices in China. The NBSC reports several different consumer price indices, including the national average, urban and rural price indices at the national and provincial levels, as well as specific price indices for each of the 70 main cities. There is no specific data for the city of Suzhou, so we used the data for Urban Jiangsu Province, in which Suzhou is located.¹

4. RECENT LEVEL OF INFLATION

The inflation rate in urban Jiangsu Province is modest and relatively stable. Between August 2015 and June 2023, the inflation was 14.20% (see Figure 1).

¹ See <https://data.stats.gov.cn/english/easyquery.htm?cn=E0101>. Accessed 23 July 2023.

Figure 1: Urban Consumer Price Index for Jiangsu Province, China from January 2015 to June 2023



Notes: The green circle indicate 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 an amendment to 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 Suzhou fall into the range from RMB 3000 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 tax deductions (a standard basic deduction of RMB 5,000 per month, plus specific additional deduction for child education, rental expenses, and more), workers earning a living wage may not be required to pay income tax.³

Social security contributions for housing, pension, medical, and unemployment funds are mandatory in China. Based on several online tax calculators,⁴ in 2023, mandatory payroll deductions in Suzhou amount

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/taxes-on-personal-income> and <https://taxsummaries.pwc.com/peoples-republic-of-china/individual/deductions>.

⁴ See <https://salary.directhr.cn/> and <https://hizdm.cn/city/suzhou/>.

to 20.5% (10% for housing, 8% for pension, 0.5% for unemployment, and 2% for medical funds) of an employee's salary.⁵

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated family living expenses for 2023 are RMB 6,431 per month. The gross living wage (aka living wage), which takes into account mandatory payroll deductions, is RMB 4,543 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 Suzhou, China (in RMB and US Dollars)

Item	August 2015 Original Study Date		2022 Update Report		2023 Update Report	
	RMB	USD	RMB	USD	RMB	USD
Currency						
Living Expenses for Reference Family Per Month	5,631	880	6,444	962	6,431	898
Net Living Wage Per Month	3,163	494	3,619	541	3,612	504
Income Taxes and Payroll Deductions Per Month on Living Wage	371	58	425	63	931	130
Gross Living Wage Per Month	3,534	552	4,044	604	4,543	634
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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- Yuan, C., Ke, S., Jing, Q & Feng, W. (2015) *Living Wage Report: Urban Suzhou, China with focus on manufacturing industry park*. Global Living Wage Coalition. Unpublished.

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, as 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 and workers who already own a house), but these are not considered important for manufacturing workers on a living wage in Suzhou.