


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

Living Wage Update Report No. 2021-04-20



Cost of decent standard
of living for a family

RMB 4,261
(USD 659)



Gross Living Wage
per month

RMB 2,830
(USD 437)



Photo courtesy of Social Accountability International.

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

By:

Alejandra Gonzales *

Lykke E. Andersen **

Richard Anker ***

Martha Anker ***

Abstract:

This report provides updated estimates of family living expenses and living wages for workers in the manufacturing sector of Chengdu, China. The update to August 2021 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in August of 2015 (Chuanbo & Xingyue, 2015).

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

JEL classifications: J30, J50, J80.

* SDSN Bolivia, E-mail: Alejandra.Gonzales@sdsnbolivia.org.

** SDSN Bolivia, E-mail: Lykke.E.Andersen@gmail.com.

*** Anker Research Institute, E-mail: marthaandrichard@gmail.com.

1. BACKGROUND

This report updates the living wage and family living expenses for Chengdu, China, with a focus on manufacturing industry parks (Chuanbo & Xingyue, 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 2,161 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 2,635 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 3,846 in August 2015.

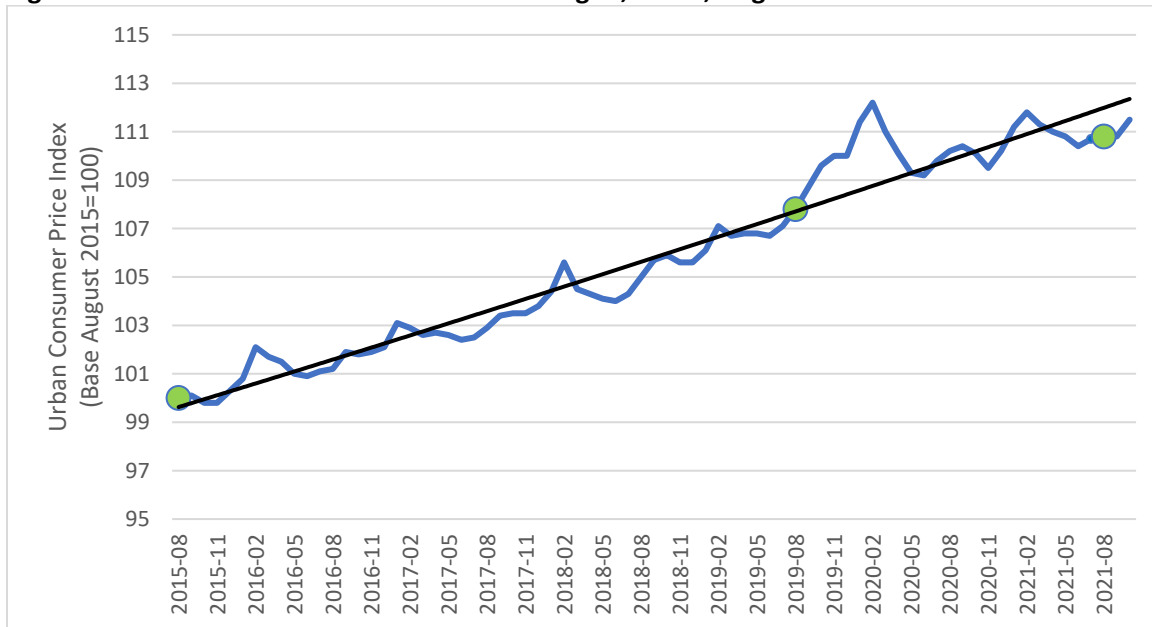
3. INFLATION RATE USED FOR UPDATE

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, we use the Chengdu Urban Household Consumer Price Index, since that closely tracks the prices of the basic consumption basket of manufacturing workers in Chengdu.

4. RECENT LEVEL OF INFLATION

China has low levels of inflation. Between August 2015 and August 2021, the inflation rate for the whole country was 11.6%, corresponding to a yearly average of 1.8%. The inflation rate for Chengdu between August 2015 and August 2021 was 10.8%, slightly lower than for China in general.

Figure 1: Consumer Price Index for Urban Chengdu, 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 and income taxes in Chengdu is 15.4%.¹ Workers earning a living wage would not pay income tax, because the living wage is below the standard income tax deduction.

¹ 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 August 2021 is RMB 2,394 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is RMB 2,830. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses with a focus on manufacturing industry parks for Chengdu, China (in RMB and US Dollars)

Item	August 2015 Original Study Date		August 2021 Latest Update Report	
	RMB	USD	RMB	USD
Currency				
Living Expenses for Reference Family per Month	3,846	601	4,261	659
Net Living Wage Per Month	2,161	338	2,394	370
Income Taxes and Payroll Deductions per Month on Living Wage	474	74	436	67
Gross Living Wage Per Month	2,635	412	2,830	437
Exchange Rate to USD	6.40		6.47	
Source of Exchange Rate	Original Report		IMF Archive	

Source: Authors' calculations.

7. REFERENCES

Chuanbo, C., & Xingyue, C. (2015) *Living Wage Report: Urban Chengdu, China with focus on hi-tech manufacturing*. Available online: <https://bit.ly/30DQtYA>