

# Living Wage in China

## Electronics



October 27, 2015



What is the Global Living Wage Coalition?

**COLLABORATION**

# Global Living Wage Coalition: Who Are We?



- *We commit to adopt a common definition of living wage and to apply a common methodology for setting living wage levels and for evaluating wages and other forms of remuneration against those levels.*
- *We commit to applying all functions of our organizations towards the long term goal of improving wages.*
- *We commit to seeking support from brands, buyers, and retailers to make wage growth at the primary production level possible.*
- *We commit to working together and working with the relevant stakeholders in these processes.*

With additional support from :



Ministry of Foreign Affairs of the Netherlands



Federal Ministry  
for Economic Cooperation  
and Development



Anker Methodology of Calculating Living Wages

# **METHODOLOGY**

# What is a Living Wage?



*Living wage is the remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.*

▪Elements of a decent standard of living include:

▪food,

▪water,

▪housing,

▪education,

▪health care,

▪transport,

▪clothing, and

▪other essential needs including provision for unexpected events

**Important note:**

•living wage is based on costs in a particular location – not sector specific.

•Paying a living wage won't guarantee decent standard of living for all families – only for an 'average' family.

# Cost of Decent Standard of Living



Cost of basic but decent life for reference size family

- Cost of nutritious low cost diet
- Cost of basic acceptable housing
- Cost of other essential needs
- Provision for unexpected Events



Net living wage for workers

- Family size to support
- Number of full size worker equivalents per family



Gross living wage for workers

- Payroll Taxes and Deductions



Seeing the Gap

# **PREVAILING WAGES**

# What are current wage levels?

**Trickier to calculate than you would think!**

Cash versus in-kind

Bonuses

Payment by task, day, month

Different wages for different workers



## China Case





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# CALCULATION

# Living Wage Studies

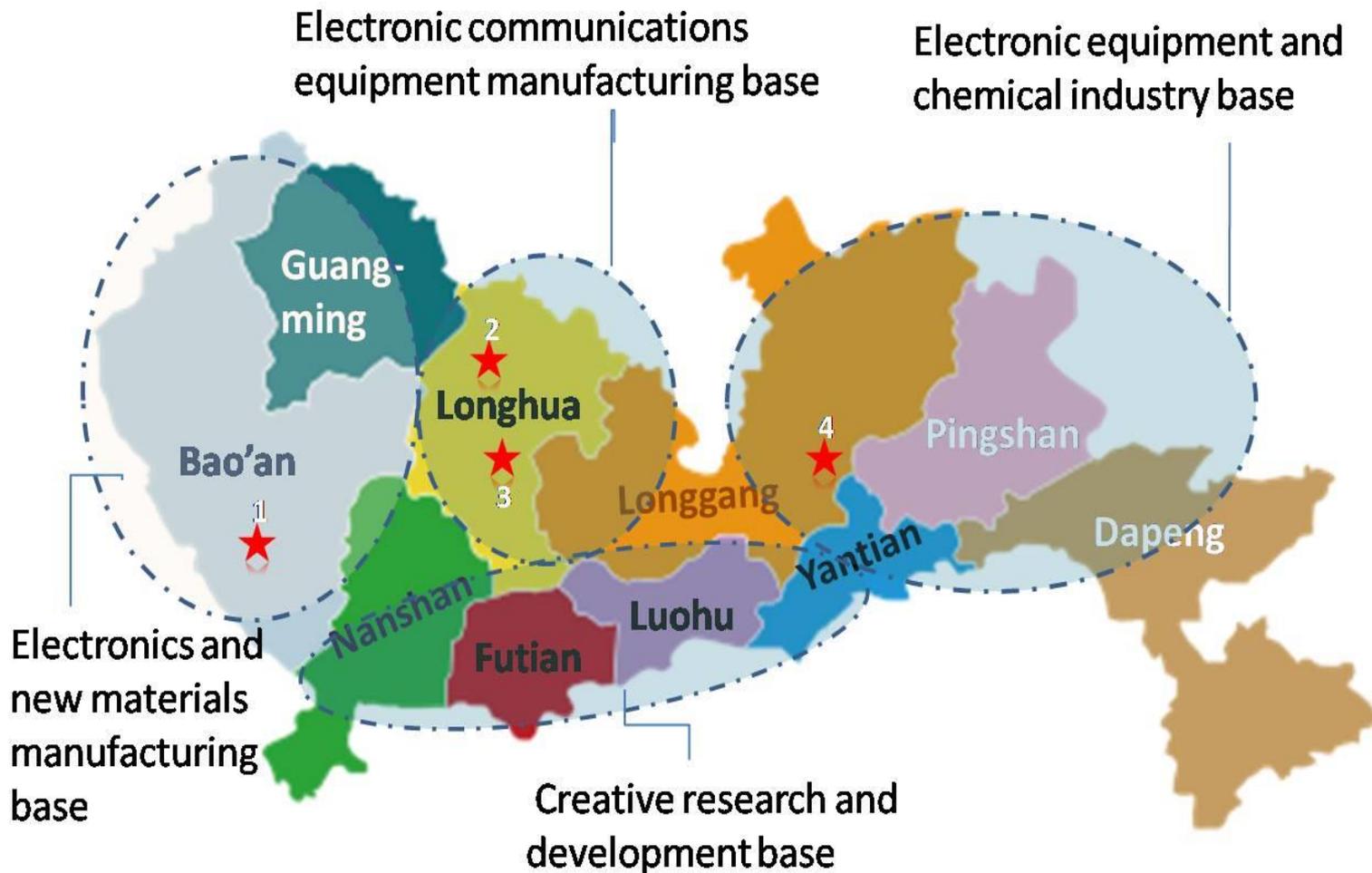


## **Six City Study**

- › Shenzhen
- › Zhengzhou
- › Chengdu
- › Shanghai
- › Suzhou
- › Hangzhou

**Living Wage – Location Specific, Not Industry Specific**

# Location of Studies - Shenzhen



# Housing Standard - Shenzhen

- building in reasonable condition;
  - cement or tile floor in reasonable condition;
  - cement walls with cement base;
  - durable roof of zinc or cement without leaks;
- ceiling at least 2.2 meters at lowest point;
- sufficient number of windows for adequate lighting and ventilation (preferably 1 window per room);
  - electricity;
  - piped water inside house;
  - flush toilet inside house;
  - at least 4 rooms (living room, bedroom, kitchen, bathroom);
  - at least 50 square meters of floor space or 40 square meters of living space;
  - building located in reasonable distance (not too far away from specified industrial park).

According to UN-HABITAT (2007) housing requires at least 2 potential sleeping rooms (e.g. at least 1 bedroom and 1 living room) for a 4 people household to avoid being considered as overcrowded. And in Shenzhen, it is basic to have bathroom inside house.



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# PREVAILING WAGE- THE GAP

# Working Hours in China

## Lots of overtime

- By law overtime paid on weekdays, day-offs, and legal holidays
- Supposed to be at least 150%, 200%, and 300% of hourly/daily wages respectively.
- Researchers interviewed workers and found that most overtime is on weekdays at 150%.

**Example:** If work overtime 2 hours per day – overtime would increase pay by 37.5% and make up 27% of pay.

Therefore possible (maybe even likely) for prevailing wage including overtime to be similar to living wage, and at the same time to have a big gap between living wage and prevailing wage earned during normal working hours.

# A common approach to measuring current wages

E.g. identifying and valuing in-kind benefits provided as part of the employment package

- › Is it for the worker's personal benefit?
- › Can the worker count on receiving the benefit?
- › Does it meet standards of decency?
- › Does it help meet basic needs today?



Child and teacher © Robin Romano, GoodWeave

# In-Kind Benefits in China

- Minimum wage in China needs to be paid in cash – so in kind benefits do not count towards minimum wage in China.
- In-kind benefits vary from factory to factory.

## Common in kind benefits found in electronics in China

- › Meals provided at factory. Workers often pay for this at a price that might or might not be below market rate but above cost of meal prepared at home.
- › Dormitory utilities allowance (e.g. free utilities if within a budget cap)
- › Dormitories provided at factory. Workers often pay for these at a price that might or might not be below market rate
- › On-site health clinics for workers only. This has limited value.
- › Subsidies for worker-paid social insurance contributions (usually only for migrants which is a substitute for free health services available for residents)
- › Free shuttle busses to dormitories and activities in some factories.



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# **IMPLEMENTATION AND CHALLENGES**

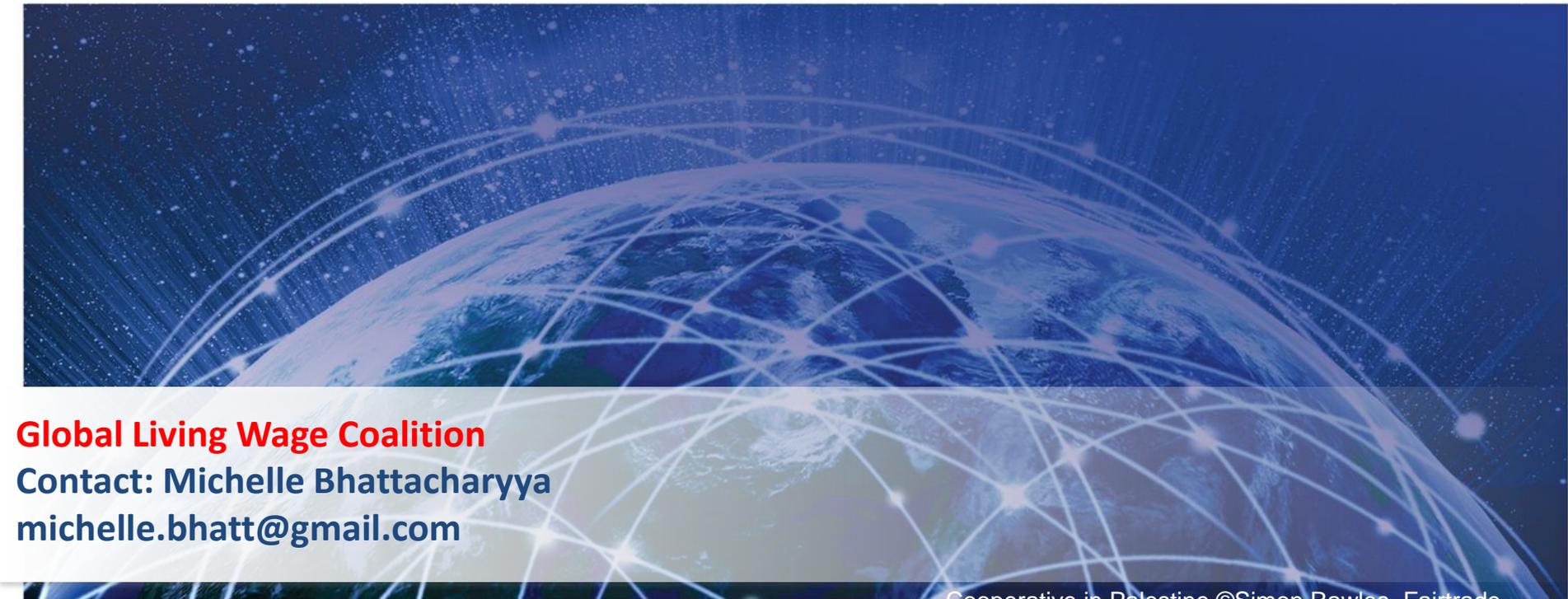
# Migrant Labour

- Many migrant workers in manufacturing factories in China.
- Anker methodology assumes that families can afford to live together for decency – if they live apart it should be by choice – not economic necessity
- Migration of the whole family to the city especially to elite cities in China is made more difficult by the Hukuo system – where migrants lose their rights to land and social services if they move to the city



Electronics in India. Courtesy Social Accountability International

**Thank You!**



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