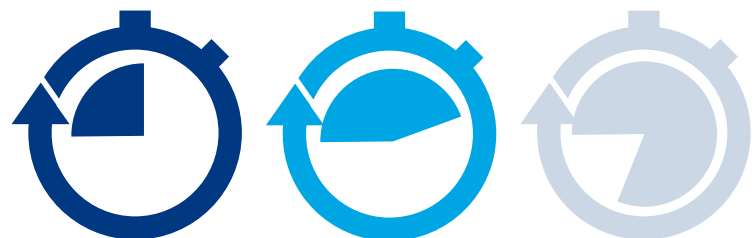


# Labor Market & Salary Report 2020/2021

Shenzhen, 25 September 2020



### Contributions

Profile of contributors to the 2020 Edition

### Wage Developments Amid COVID-19

Effective and expected wage increases. Measures taken due to COVID-19

### Other Wage Developments

By industry, company size, level of seniority, production roles

### HR Challenges

Impact on Business; Why positions cannot be filled; Strategic changes; Local staff skills

### Conclusions

Key takeaways



### Definitions

Gross base salary, total cost per employee, actual and expected wage increases

### Regional Wage Developments

Shanghai, Taicang, Suzhou, Beijing, Tianjin, Shenyang,...

### Productivity

Evaluation of wage levels considering productivity

### Wage Negotiations

Importance of factors for wage negotiations

# Contributions

## Survey 2020

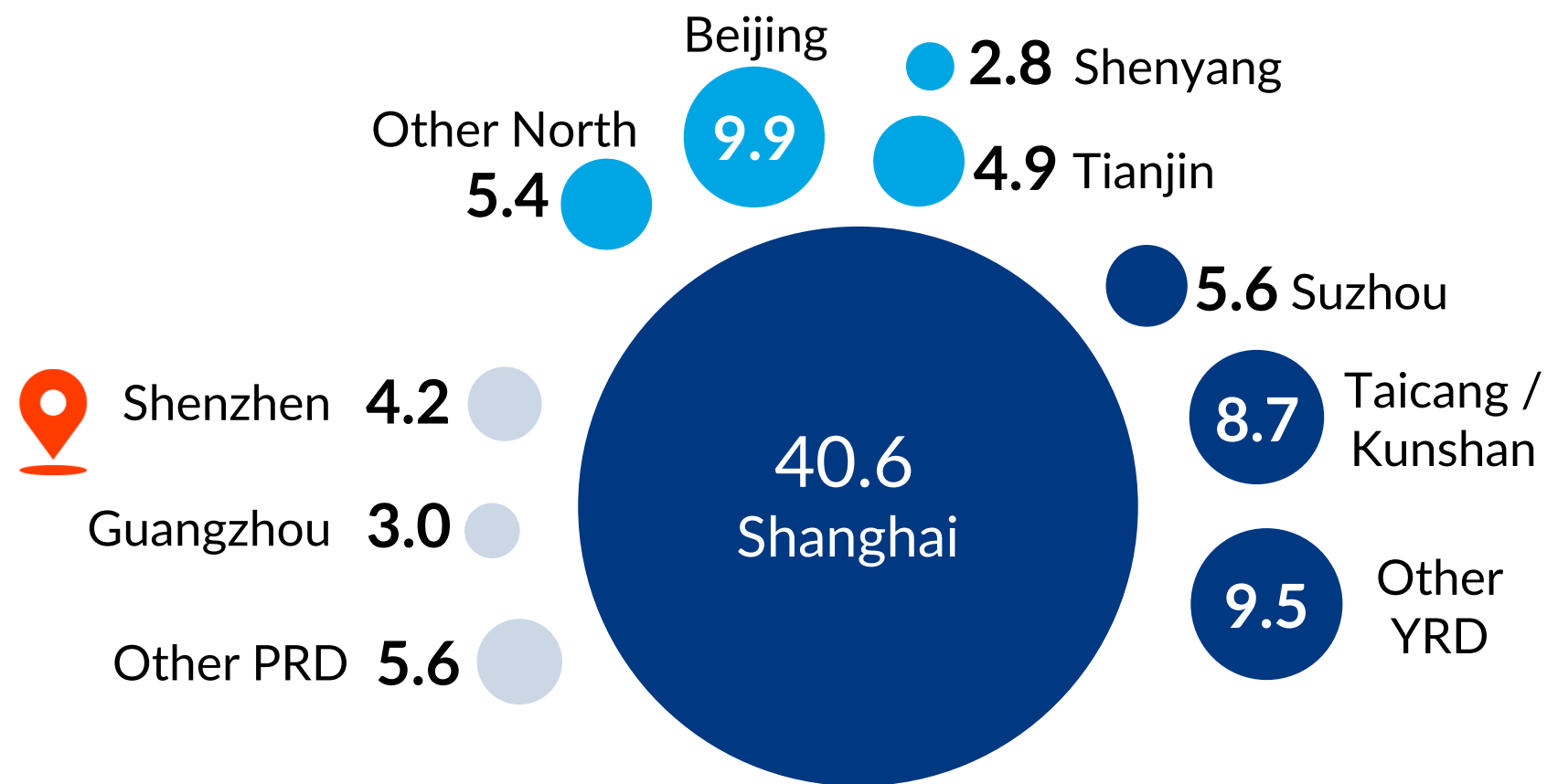


576

Contributors (members German Chamber of Commerce in China only)

### By Region

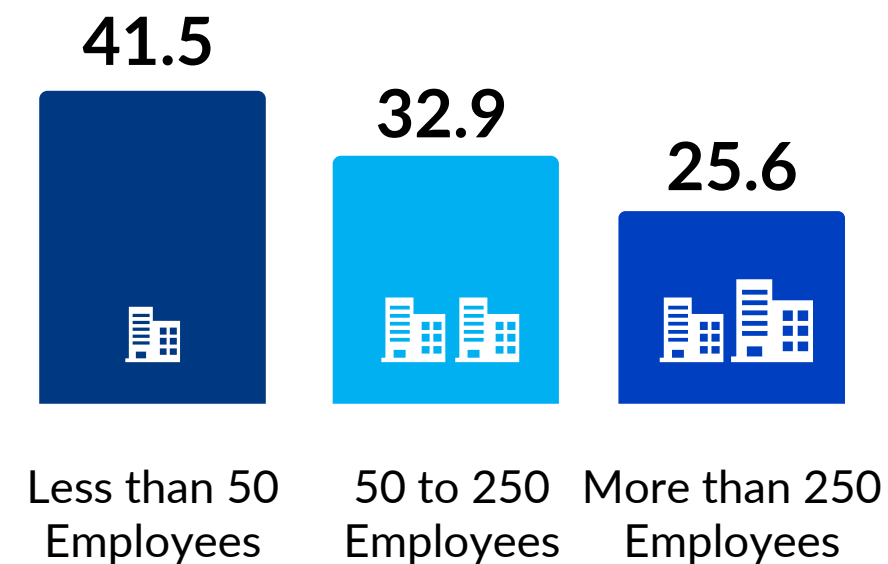
Data in %



Note: Other YRD: Other Yangtze River Delta areas, Other PRD: Other Pearl River Delta areas

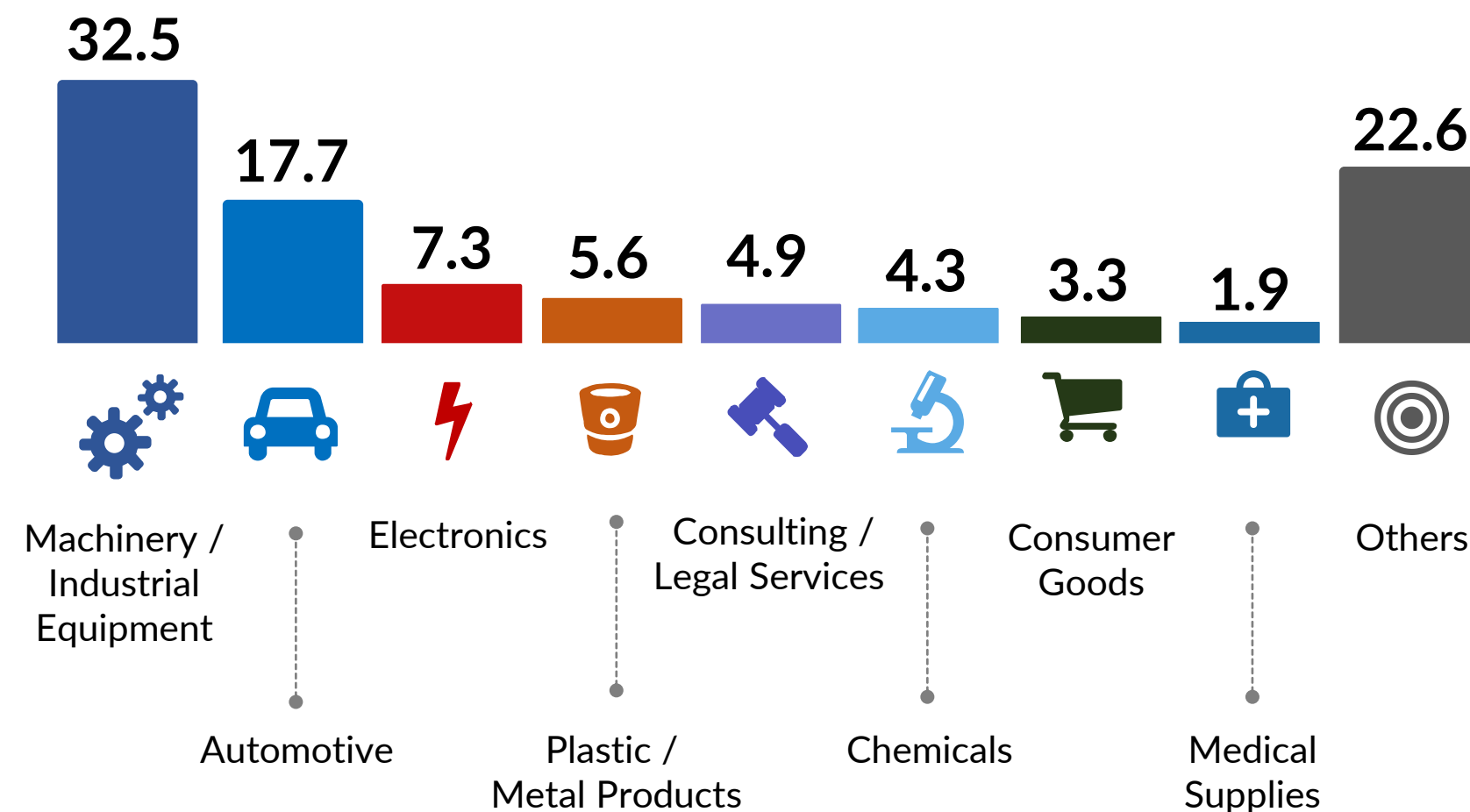
### By Company Size

Number of Employees.  
Data in %.



### By Industry

Data in %



# Definitions

## Survey 2020



### Total Cost per Employee

Adding to the gross base salary, the total cost per employee includes on top of it both the mandatory social security and housing fund contributions by the employer plus any other extra benefits the employer is providing: supplementary health insurance, life insurance, variable bonuses, sales incentives, overtime, children allowances, meal and transportation allowances, supplementary housing funds, skill allowances, retention bonuses, etc.

Provided by respondents in monthly values, based on a 12-month year period and tax included.



### Actual Change from 2019 to 2020

Total cost per employee increase (merit increase, and market adjustments) provided in percentage by respondents.



### Gross Base Salary

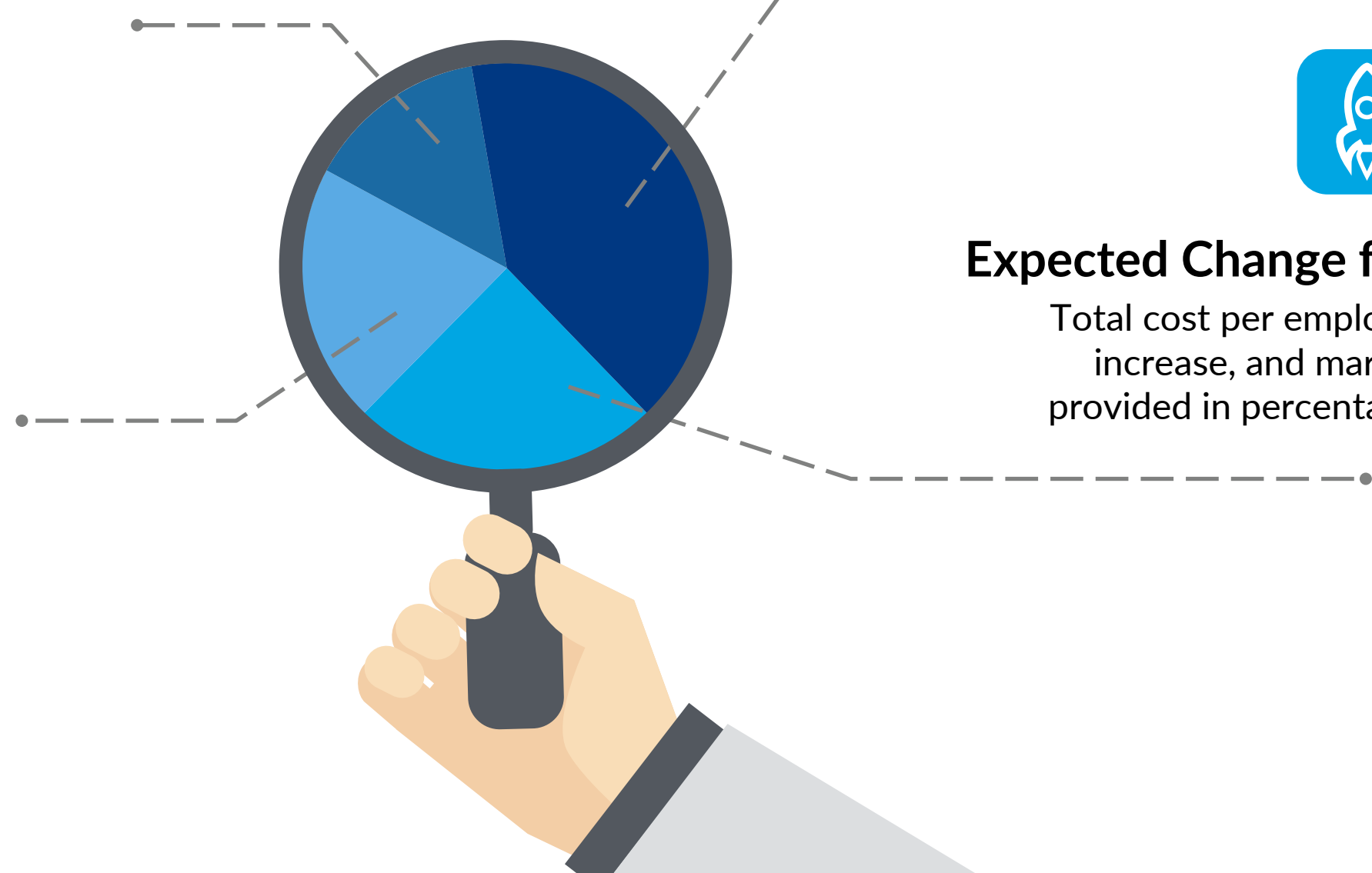
The gross base salary is the base for the calculations of the individual income tax. It is clearly stated in the labor contract. If yearly one-off payments (i.e. a 13th month or a 14th month) are included in the contract, they are also part of the base salary.

Provided by respondents in monthly values, based on a 12-month year period and tax included.



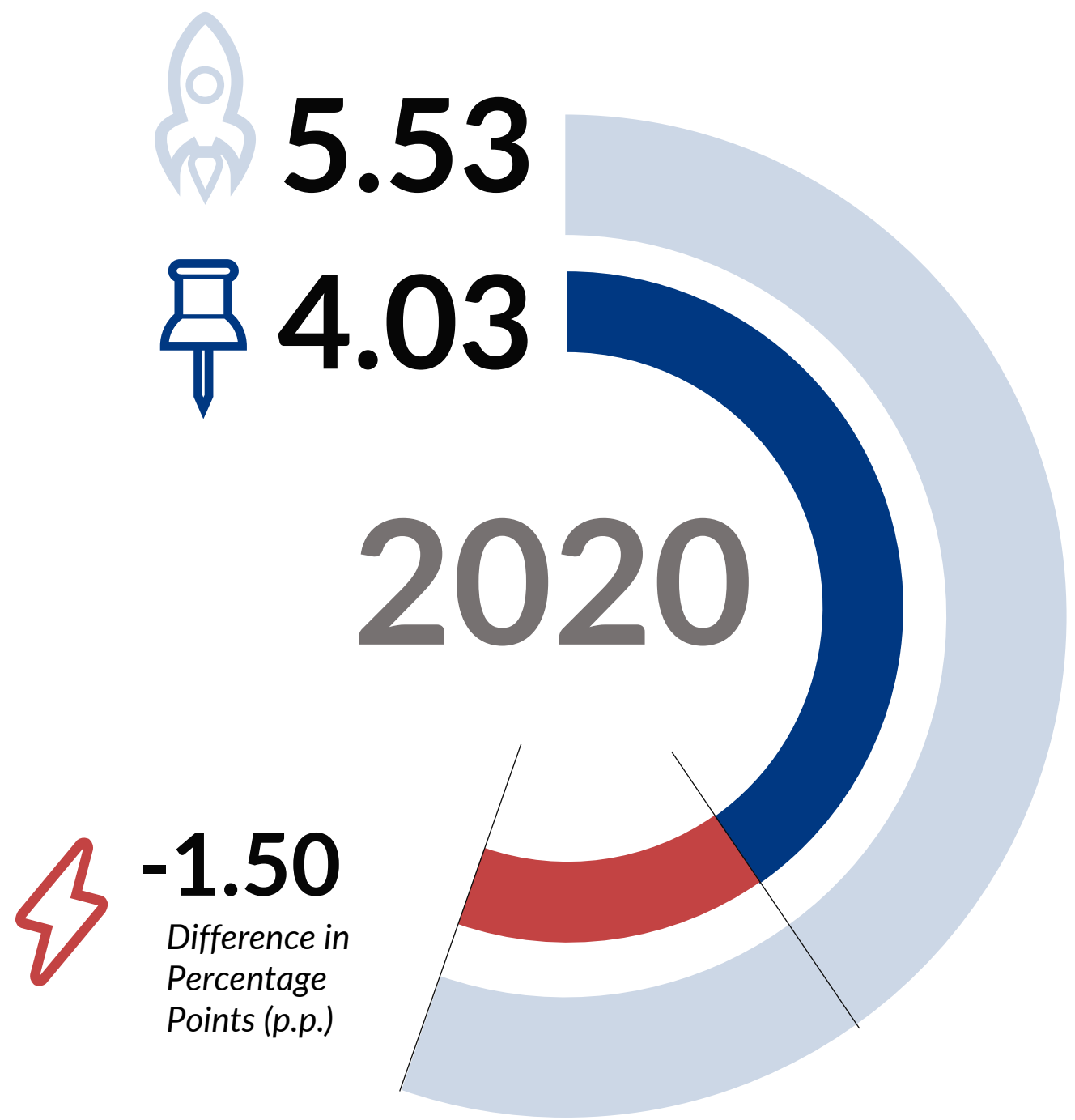
### Expected Change from 2020 to 2021

Total cost per employee increase (merit increase, and market adjustments) provided in percentage by respondents.



# Wage Developments Amid COVID-19

At German Companies in China, in %



## Expected Wage Increase 2020

In July 2019, German companies in China projected a wage increase of 5.53% for 2020



## Effective Wage Increase 2020

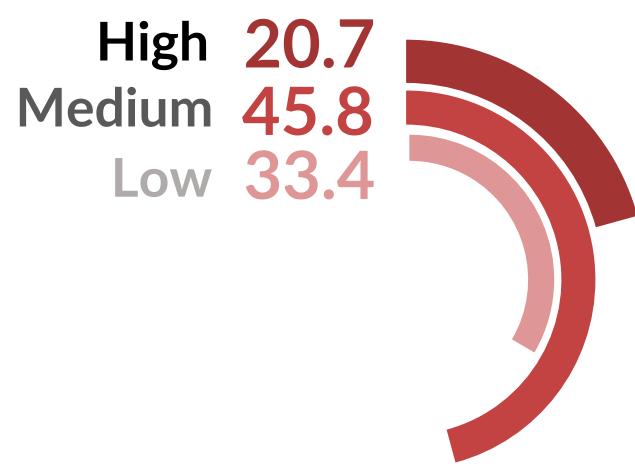
In July 2020, German companies in China reported a wage increase of 4.03% in 2020



## Gap Between Expected and Effective Increases 2020

In addition to the traditional downward trend, companies this year are facing the impact of COVID-19

Perceived Impact on Effective Wage Increase Development at German Companies in China in 2020. In %

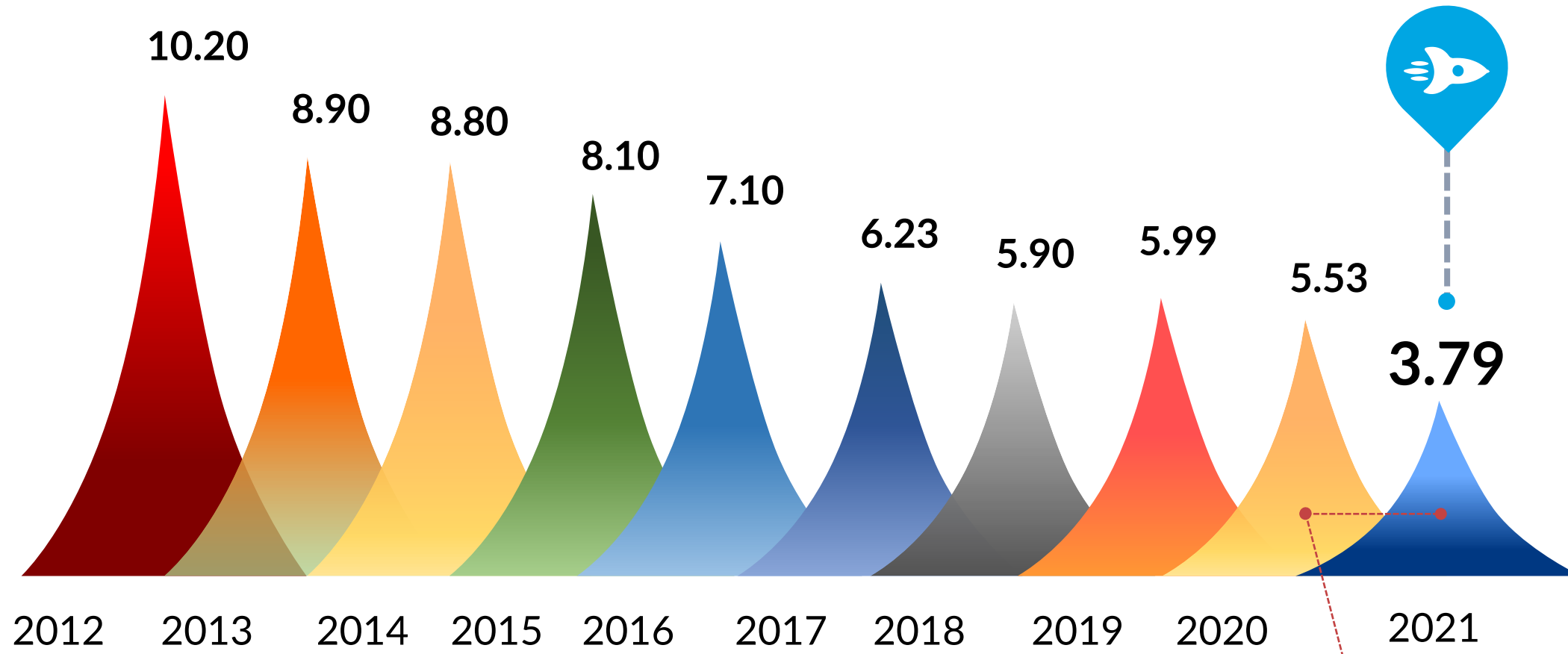


# Wage Developments Amid COVID-19

At German Companies in China, in %

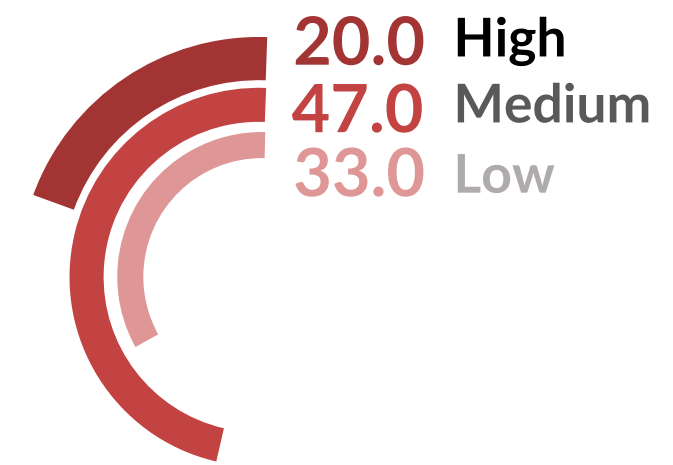


Expected Wage Increase (%)



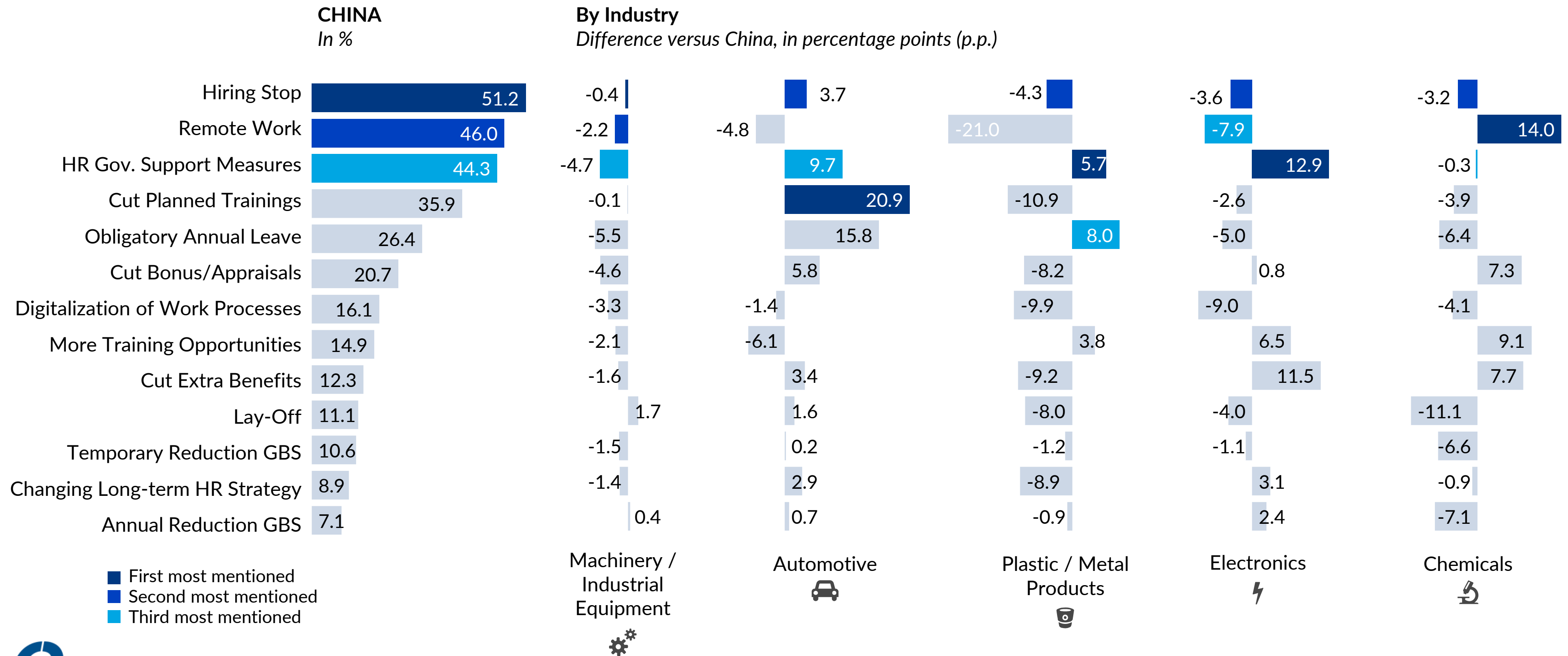
Perceived Impact on Expected Wage Increase Development at German Companies in China in 2021. In %

⚡ Difference in Percentage Points (p.p.)  
-1.74



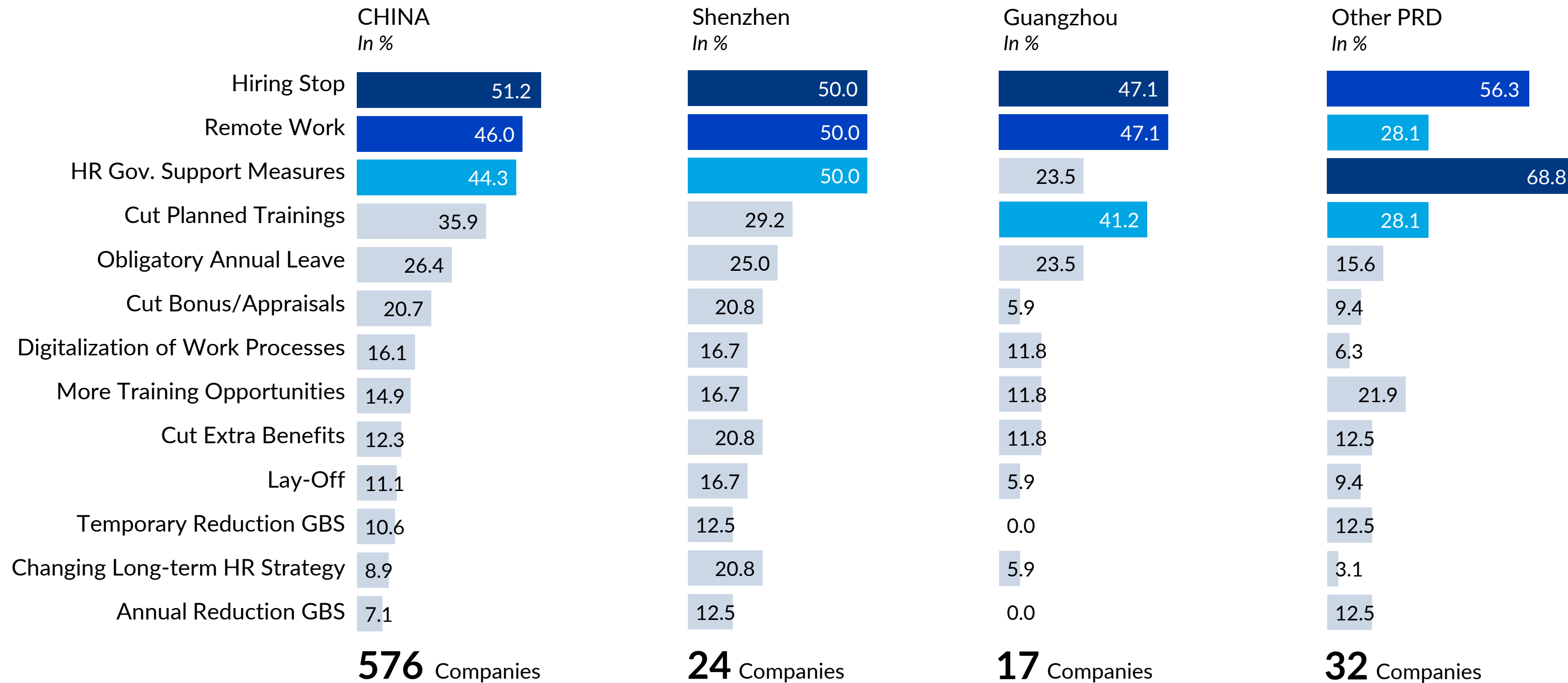
# Measures Taken Due to COVID-19

## Measures Taken by German Companies



# Measures Taken Due to COVID-19

## Measures Taken by German Companies



- First most mentioned
- Second most mentioned
- Third most mentioned

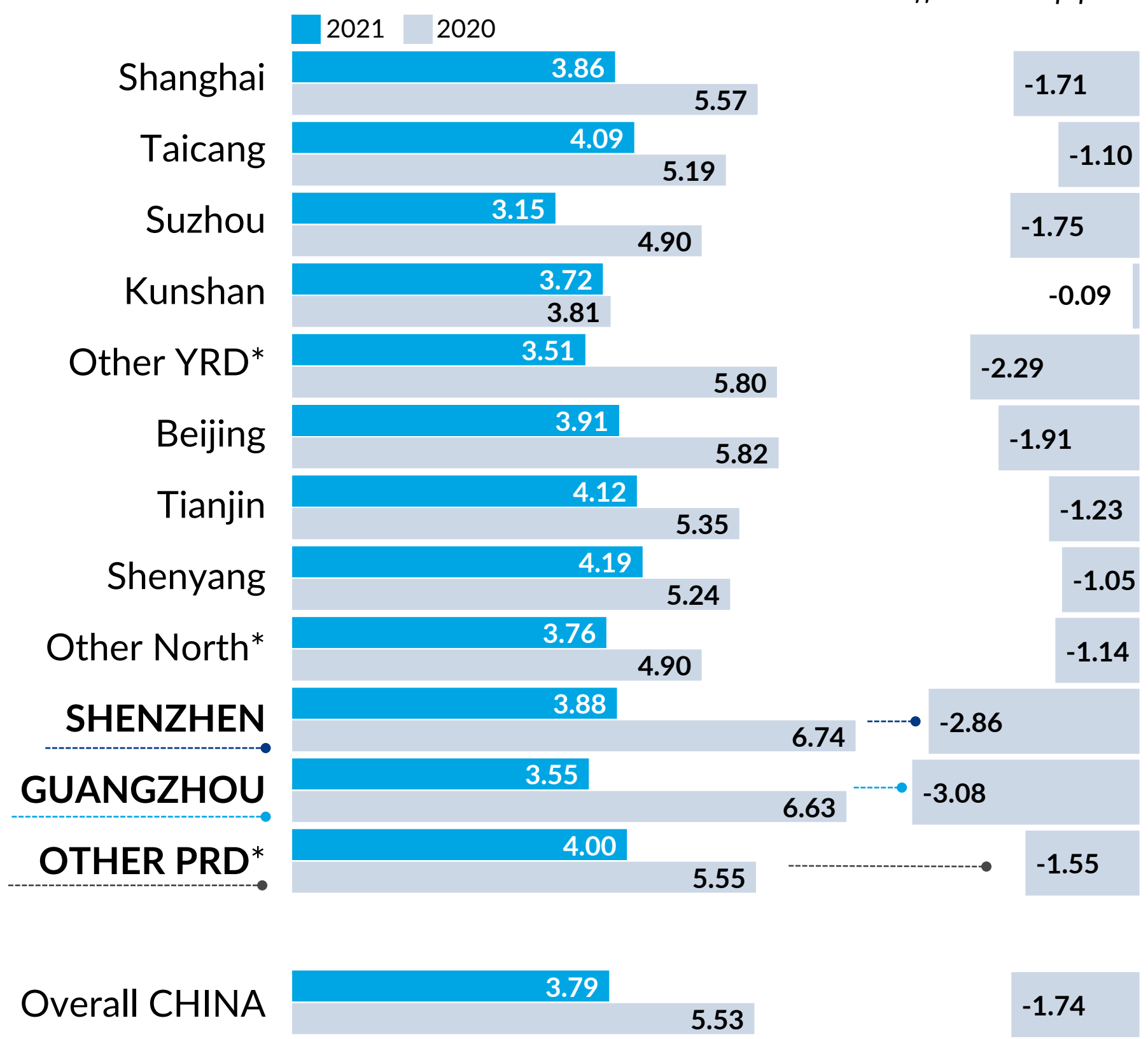


# Regional Wage Developments

## At German Companies in China

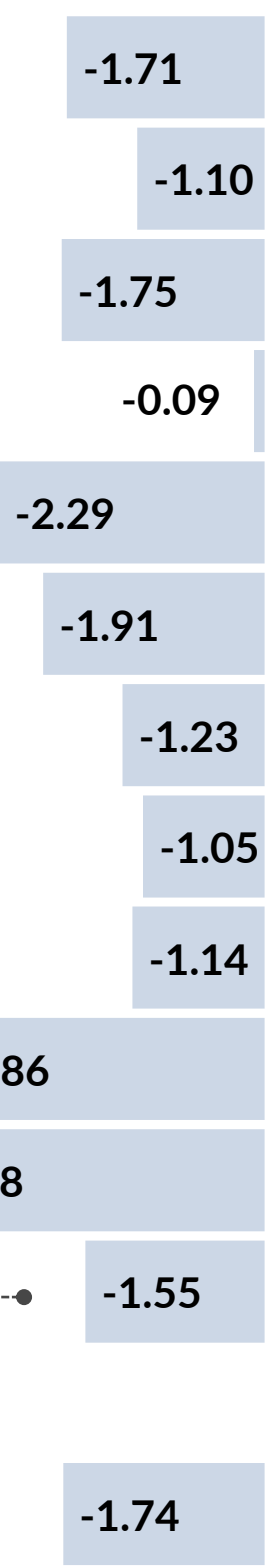
### Expected Wage Increases 2020 and 2021

In % Average Values



### Development 2021 - 2020

Difference in p.p.



### Expected vs. Effective 2020

In % Average Values

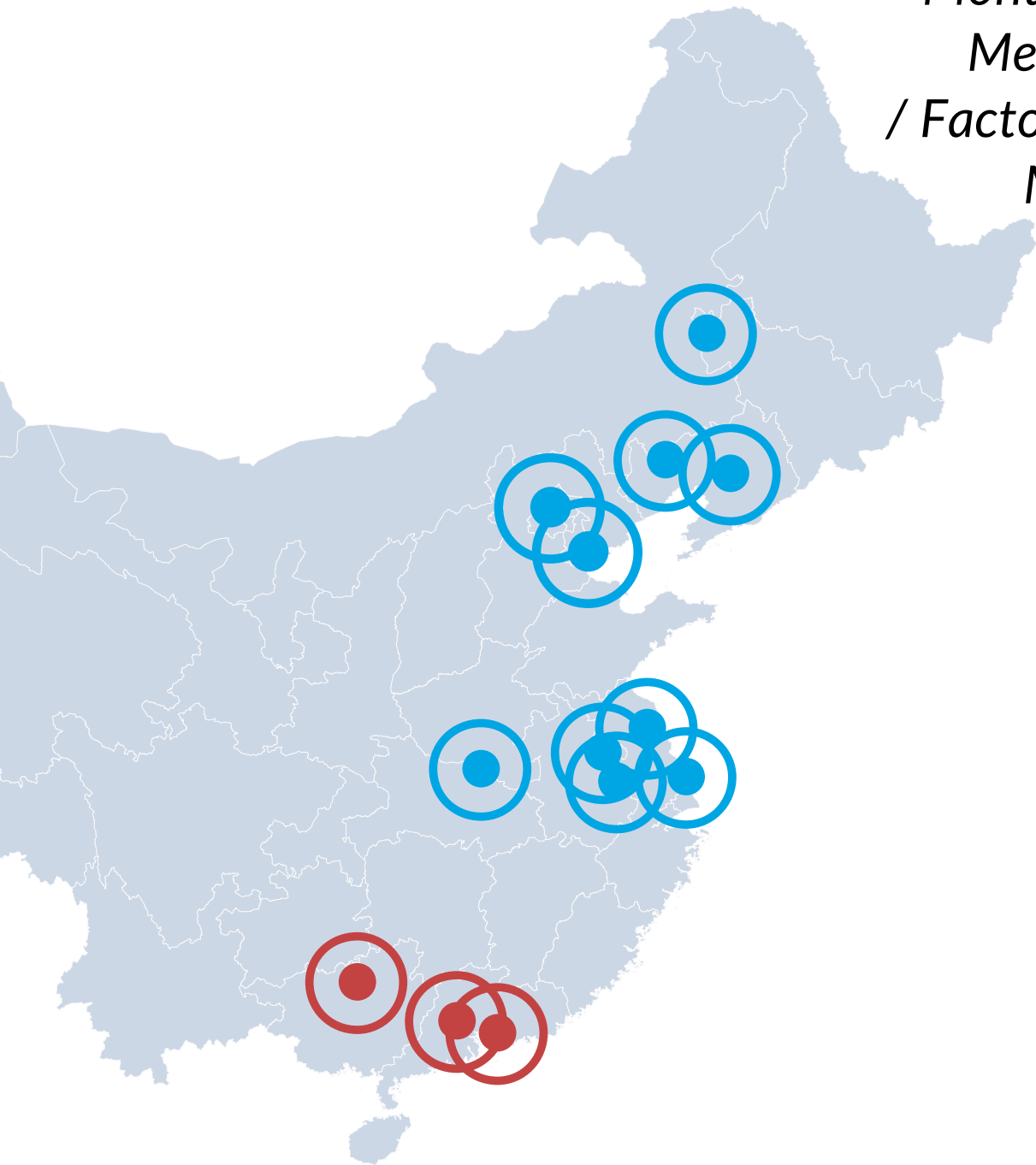


\* Other YRD: Other Yangtze River Delta Area; Other North, excluding Shenyang; Other PRD: Other Pearl River Delta Area.

# Regional Wage Developments

At German Companies in China

2020 Total Cost per Employee (TCE)  
Monthly in RMB.  
Median Values  
/ Factor of China's  
Median TCE



BEIJING  
RMB 20,000 / 1.31

SHANGHAI  
RMB 20,000 / 1.31

SHENZHEN  
**RMB 16,000** / 1.04

TIANJIN  
RMB 15,558 / 1.02

CHINA  
RMB 15,317

TAICANG  
RMB 13,000 / 0.85

OTHER YRD\*  
RMB 12,725 / 0.83

OTHER NORTH  
RMB 12,518 / 0.82

SUZHOU  
RMB 12,460 / 0.81

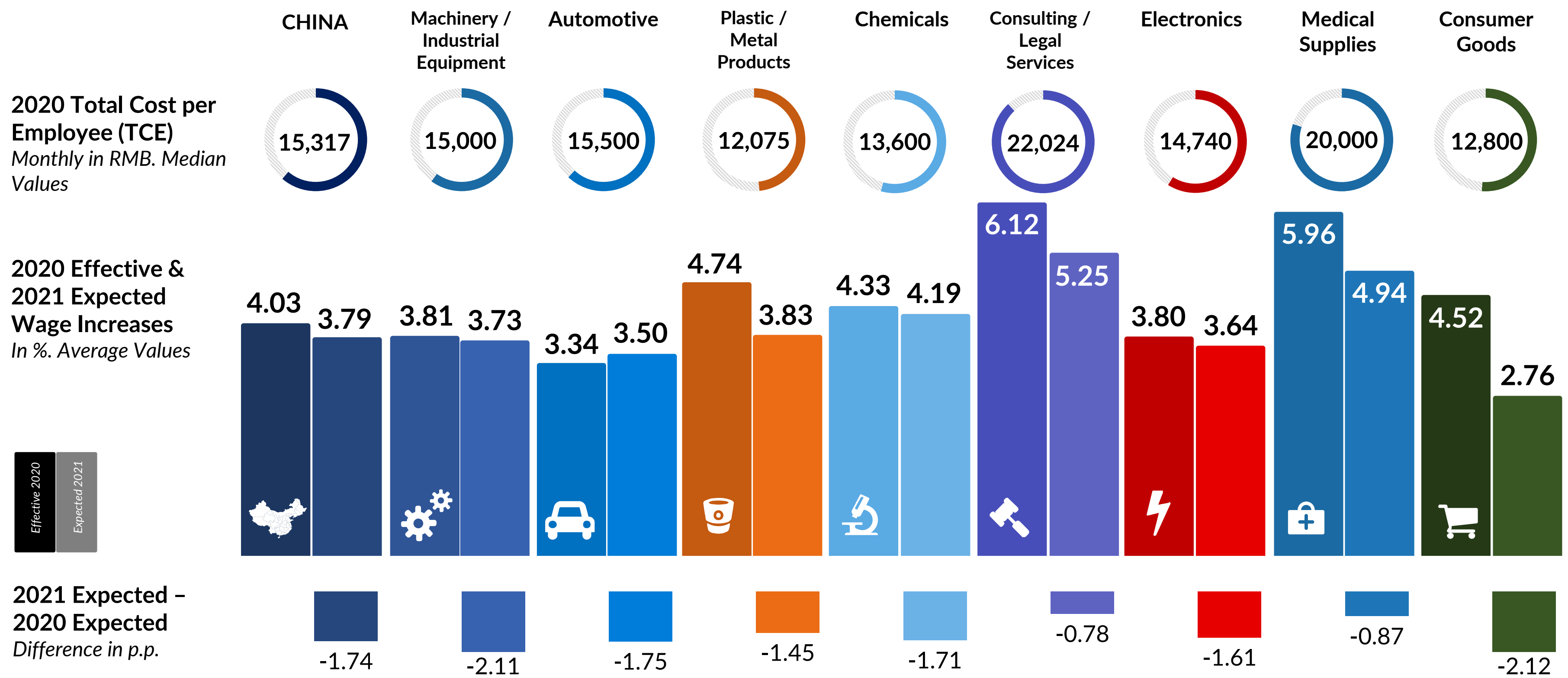
KUNSHAN  
RMB 12,000 / 0.78

GUANGZHOU  
**RMB 12,000** / 0.78

OTHER PRD\*  
**RMB 10,035** / 0.66

# Wage Developments by Industry

## At German Companies in China



2021 Expected - 2020 Expected  
Difference in p.p.

# Wage Developments by Company Size

At German Companies in China

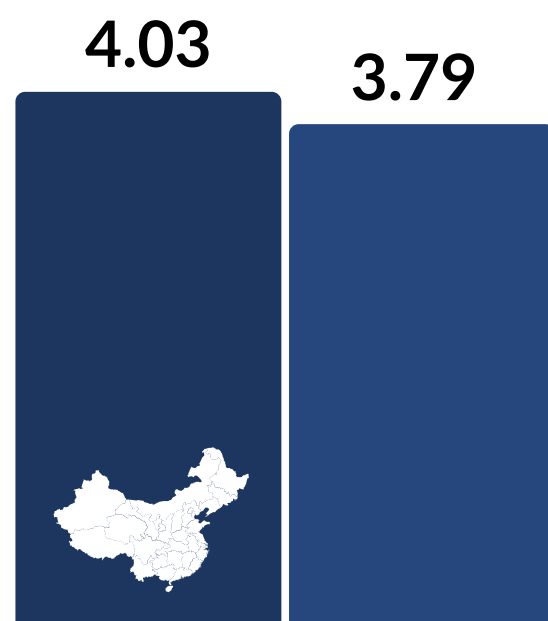
2020 Effective & 2021 Expected Wage Increases  
In %. Average Values



2021 Expected – 2020 Expected Difference in p.p.

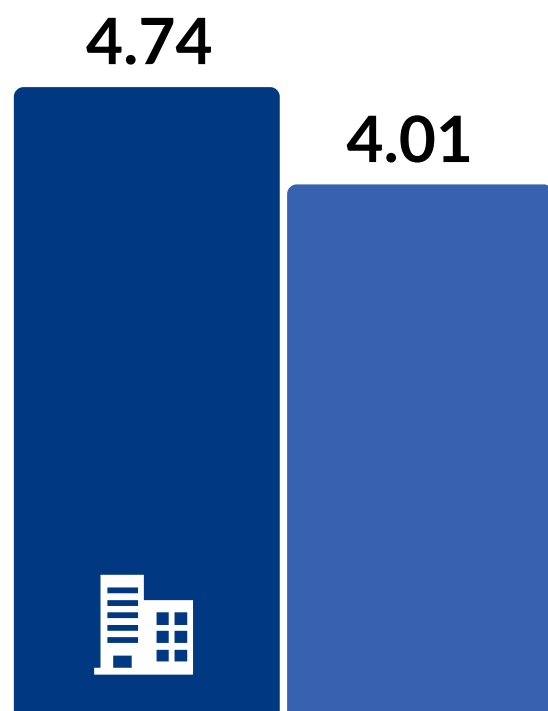
2020 Total Cost per Employee (TCE)  
Monthly in RMB. Median Values

CHINA



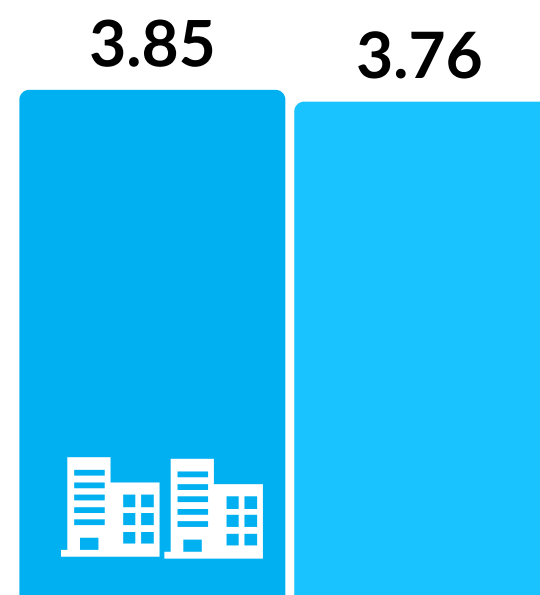
CHINA  
RMB 15,317

Less than 50 Employees



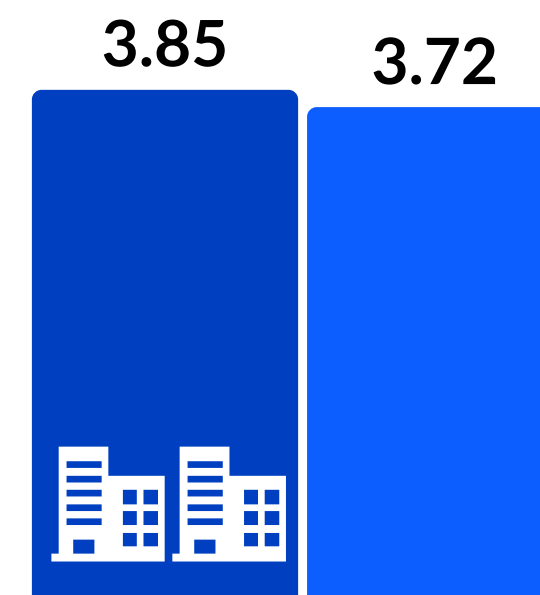
Less than 50 Employees  
RMB 18,000  
/ 1.18

50 to 250 Employees



50 to 250 Employees  
RMB 15,000  
/ 0.98

Larger than 250 Employees



Larger than 250 Employees  
RMB 15,000  
/ 0.98

# Wage Developments by Level of Seniority

## At German Companies in China

**2020 Total Cost per Employee (TCE)**  
Monthly in RMB.  
Median Values

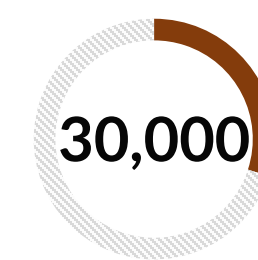
**Junior Professionals**  
Professionals from Admin., Sales, Purchasing, Finance, HR, Quality Control, Engineering / R&D, Logistics, Consultant / Project Mgr., IT Staff, Legal Staff  
**0 – 3 Years Job Experience**



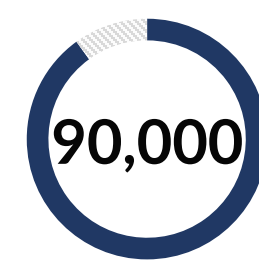
**Mid-Level**  
Professionals from Admin., Sales, Purchasing, Finance, HR, Quality Control, Engineering/ R&D, Logistics, Consultant/ Project Mgr.  
**4 – 7 Years Job Experience**



**Senior Professionals**  
Professionals from Admin., Sales, Purchasing, Finance, HR, Quality Control, Engineering/ R&D, Logistics, Consultant/ Project Mgr., IT Manager, Legal Manager  
**8 or + Years Job Experience**

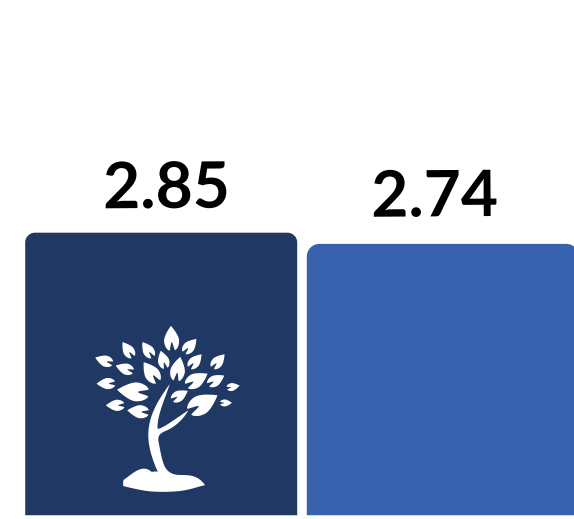
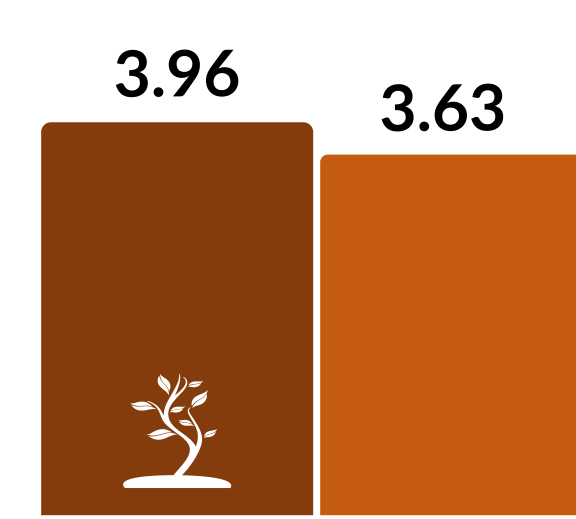
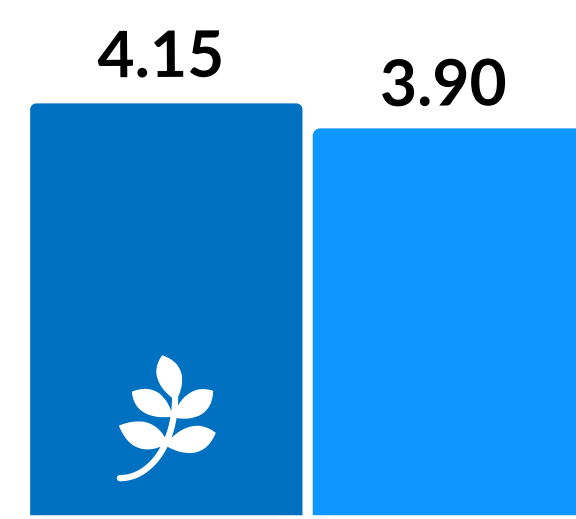
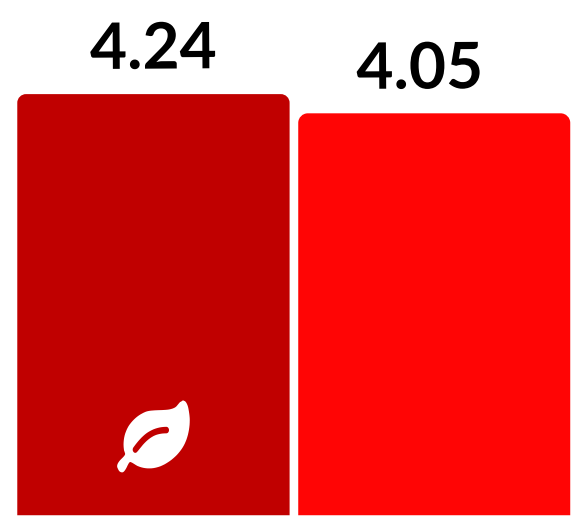


**Senior Management**  
Combines two positions: CEO/GM and Deputy GM/Branch Manager



**2020 Effective & 2021 Expected Wage Increases**  
In %. Average Values

Effective 2020  
Expected 2021



**2021 Expected – 2020 Expected**  
Difference in p.p.



# Wage Developments by Production Roles

## At German Companies in China

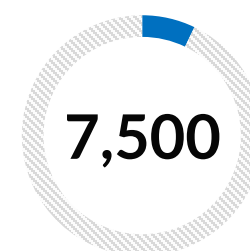
### Blue Collar

Responsible for line work, packaging, basic assembly; limited work experience



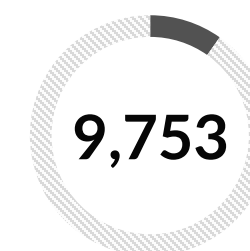
### Operator

Special but limited skills, operate machinery; some work experience



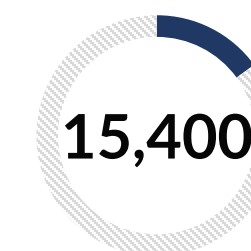
### Shift Leader

Responsible for managing parts of assembly, scheduling, training new employees, performing limited quality control, overseeing safety regulations



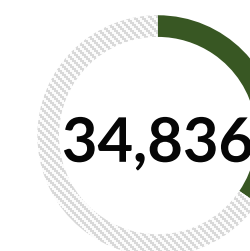
### Supervisor

Project planning, overall production supervision, resource allocation (e.g. overtime and material), quality control



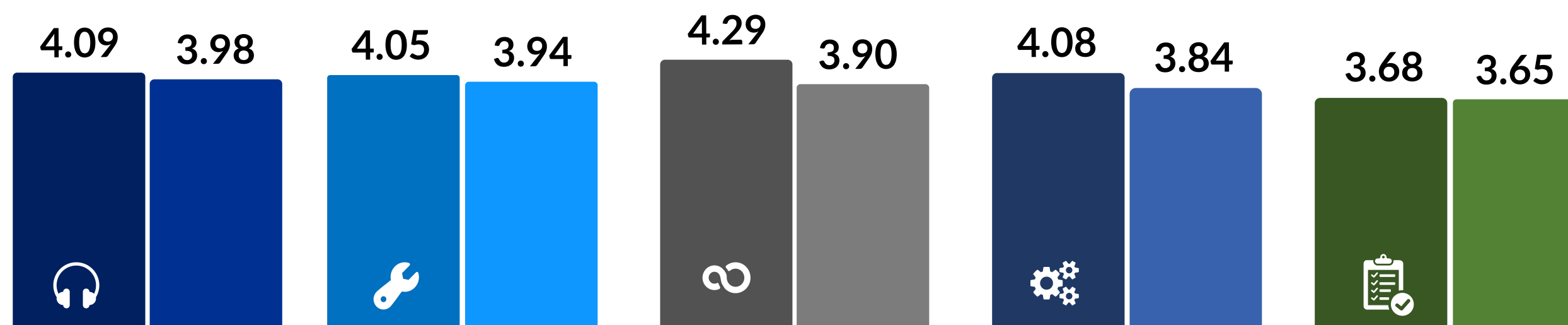
### Production /Plant Manager

Managing production, planning new production methods, investment and maintenance issues



**2020 Total Cost per Employee (TCE)**  
Monthly in RMB.  
Median Values

**2020 Effective & 2021 Expected Wage Increases**  
In %. Average Values



**2021 Expected – 2020 Expected Difference in p.p.**



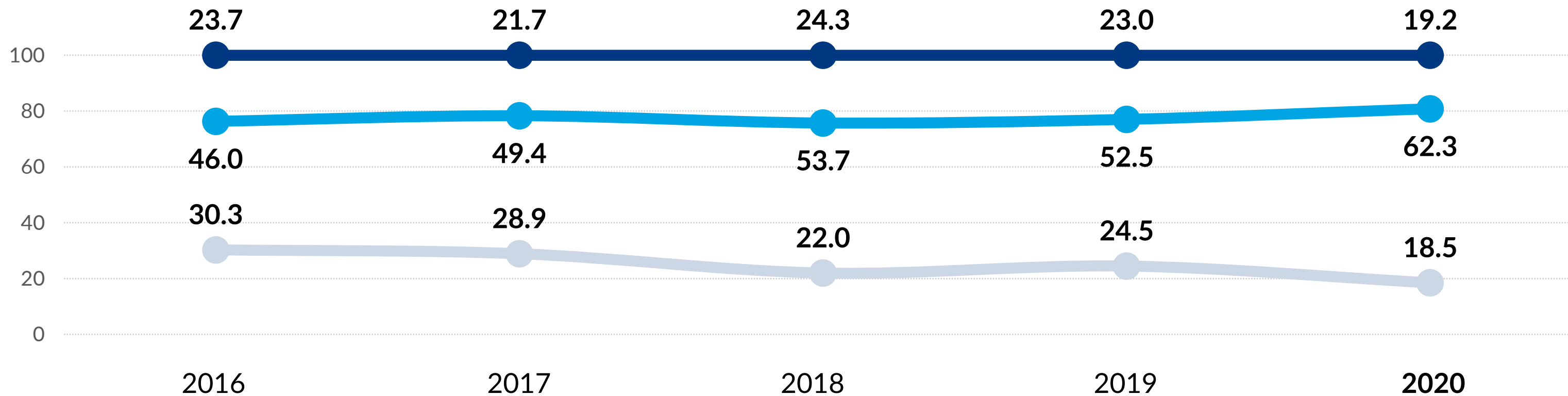
# Productivity Perceptions

At German Companies in China

# Evaluation of Wage Levels Considering Productivity

■ High ■ Reasonable ■ Low

China Development  
2016-2020, in %



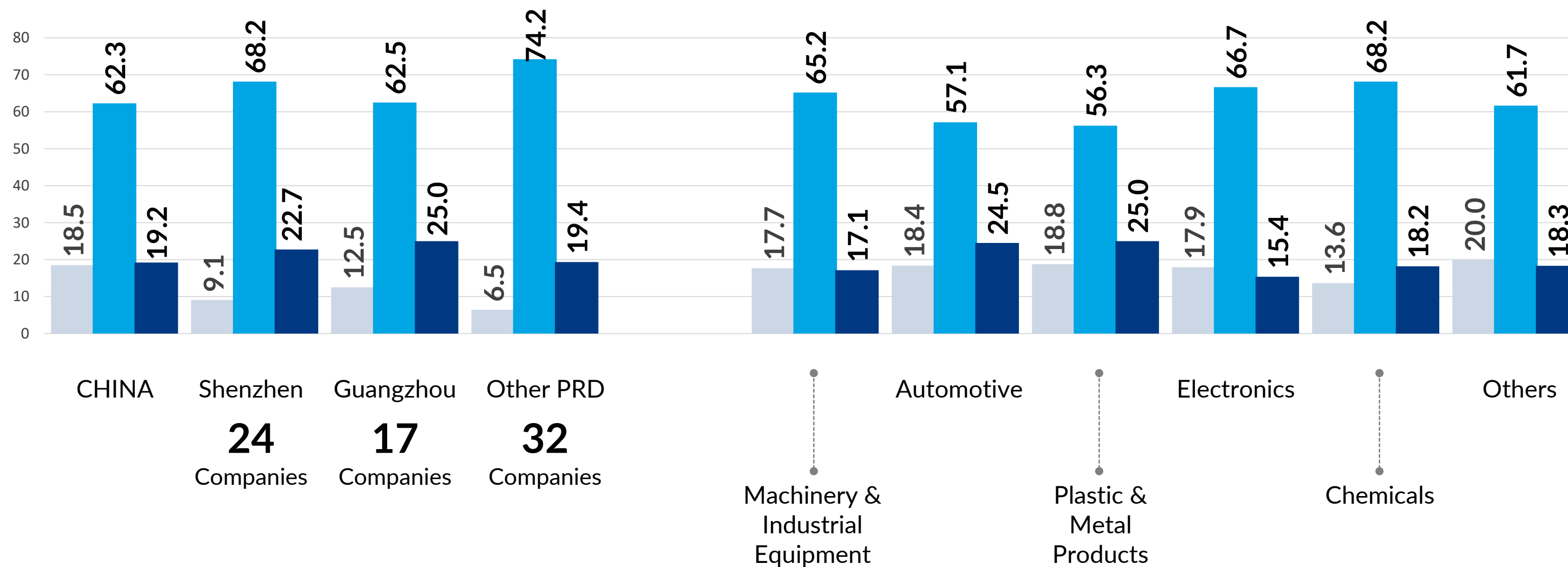
# Productivity Perceptions

At German Companies in China

# Evaluation of Salary Levels Taking Productivity into Account

High Reasonable Low

2020 Data: China, Shenzhen, Guangzhou, Other PRD, and Industry  
In %



CHINA  
24 Companies

Shenzhen  
17 Companies

Guangzhou  
32 Companies

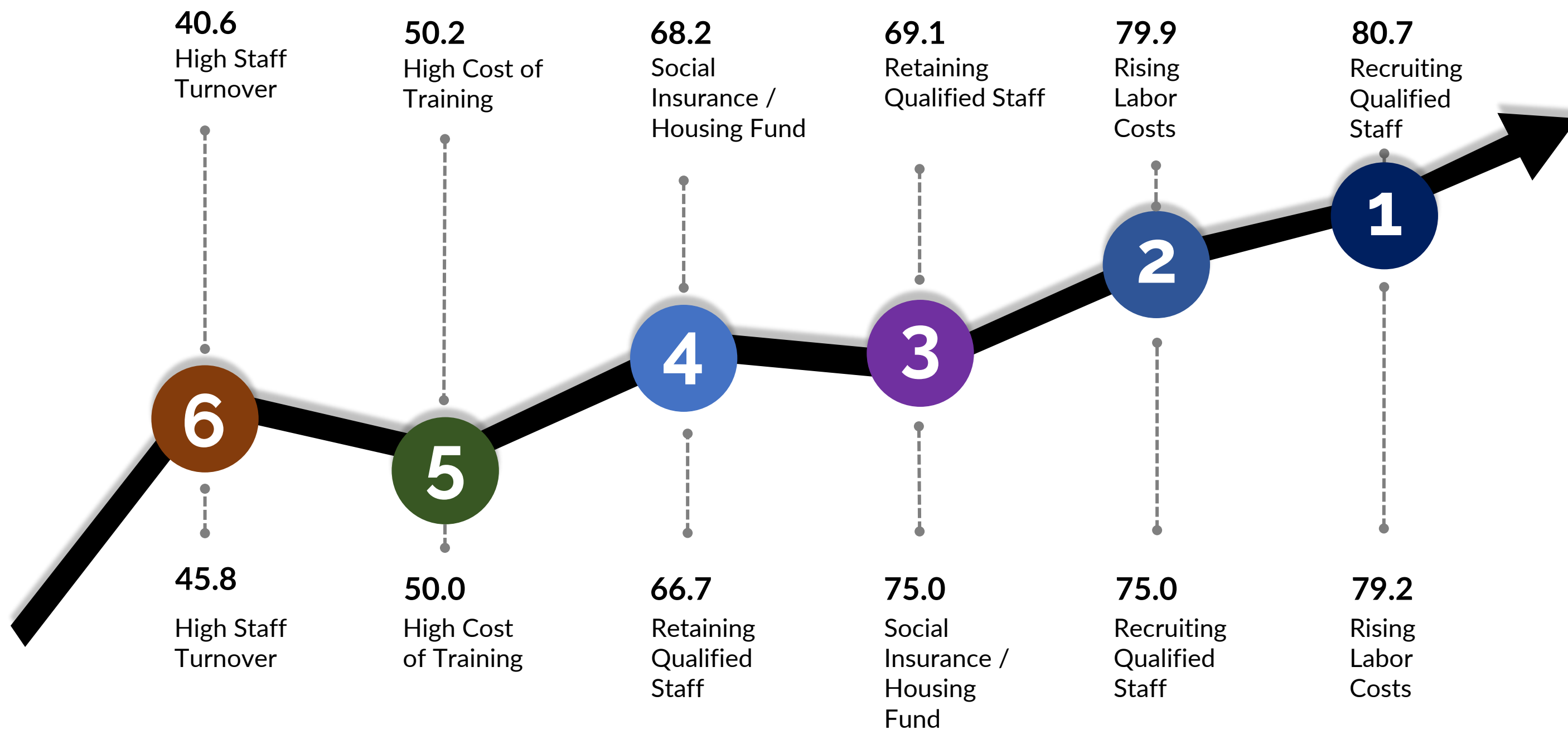
Other PRD  
32 Companies



# HR Challenges with Impact on Business Operations

High + Medium Impact, in %

CHINA

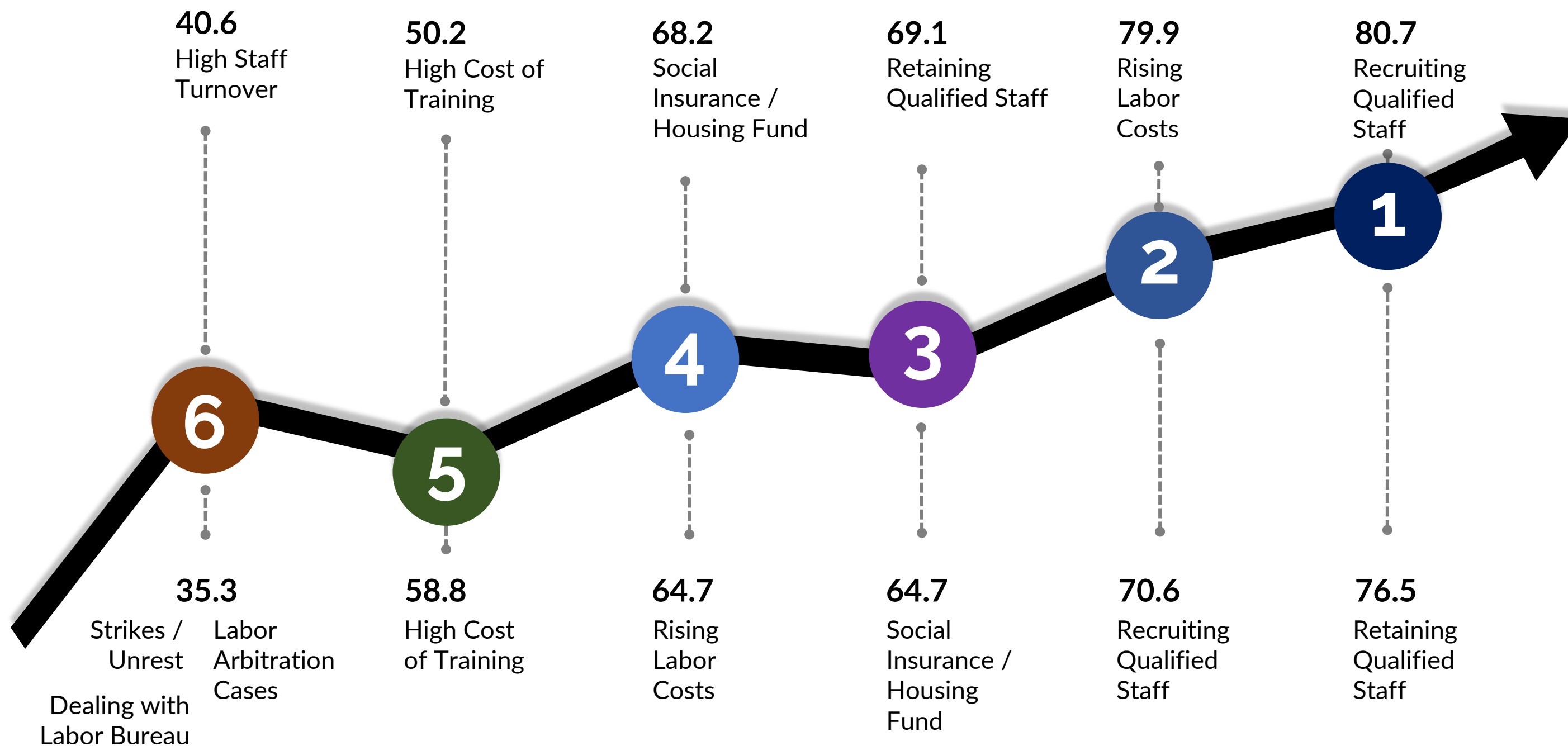


SHENZHEN

# HR Challenges with Impact on Business Operations

High + Medium Impact, in %

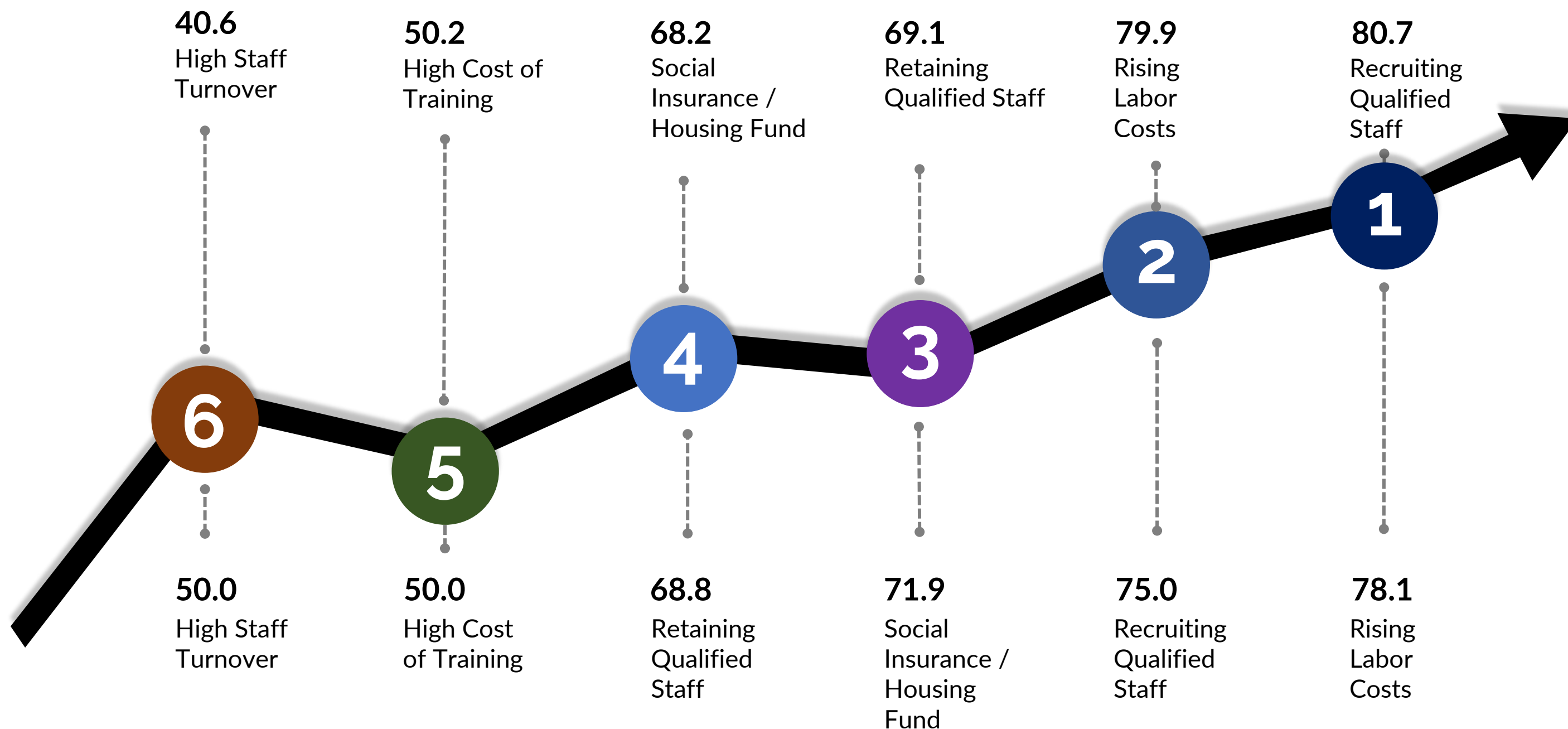
CHINA



# HR Challenges with Impact on Business Operations

High + Medium Impact, in %

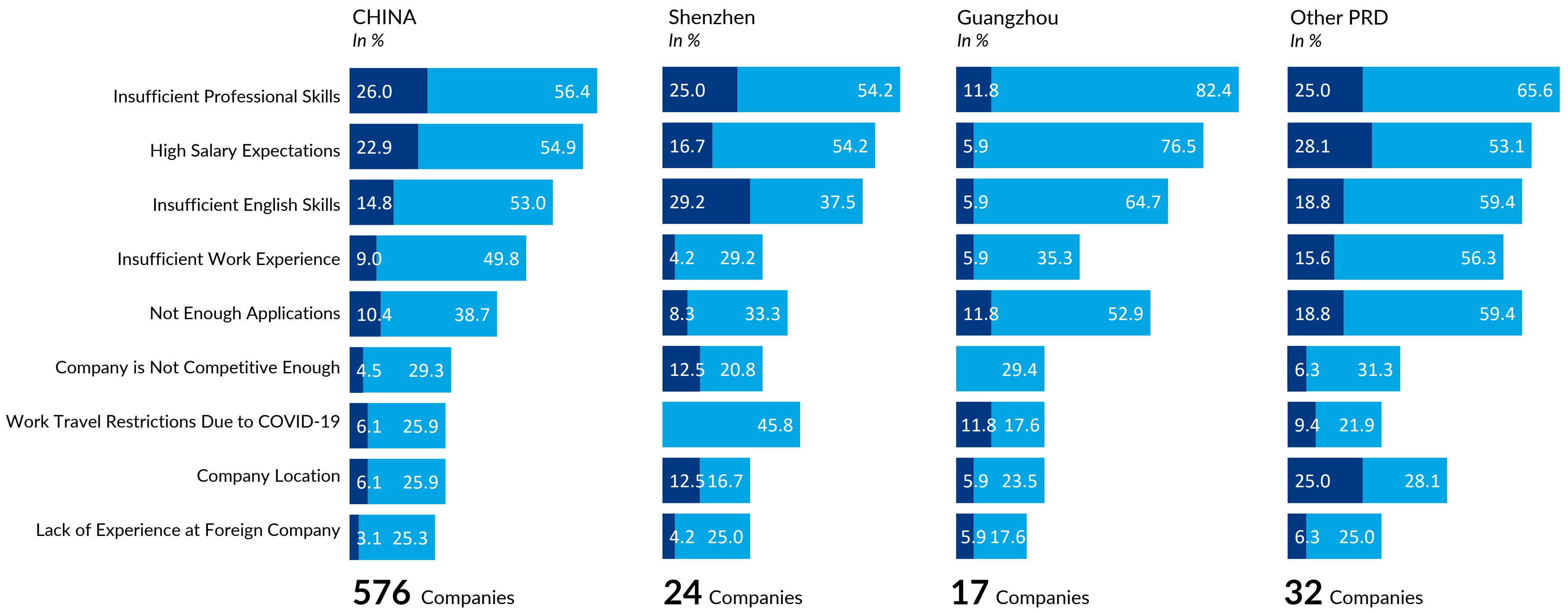
CHINA



OTHER PRD

# HR Challenges: Reasons Why Positions Cannot Be Filled

Major Problem + Problem, in %



**576** Companies

**24** Companies

**17** Companies

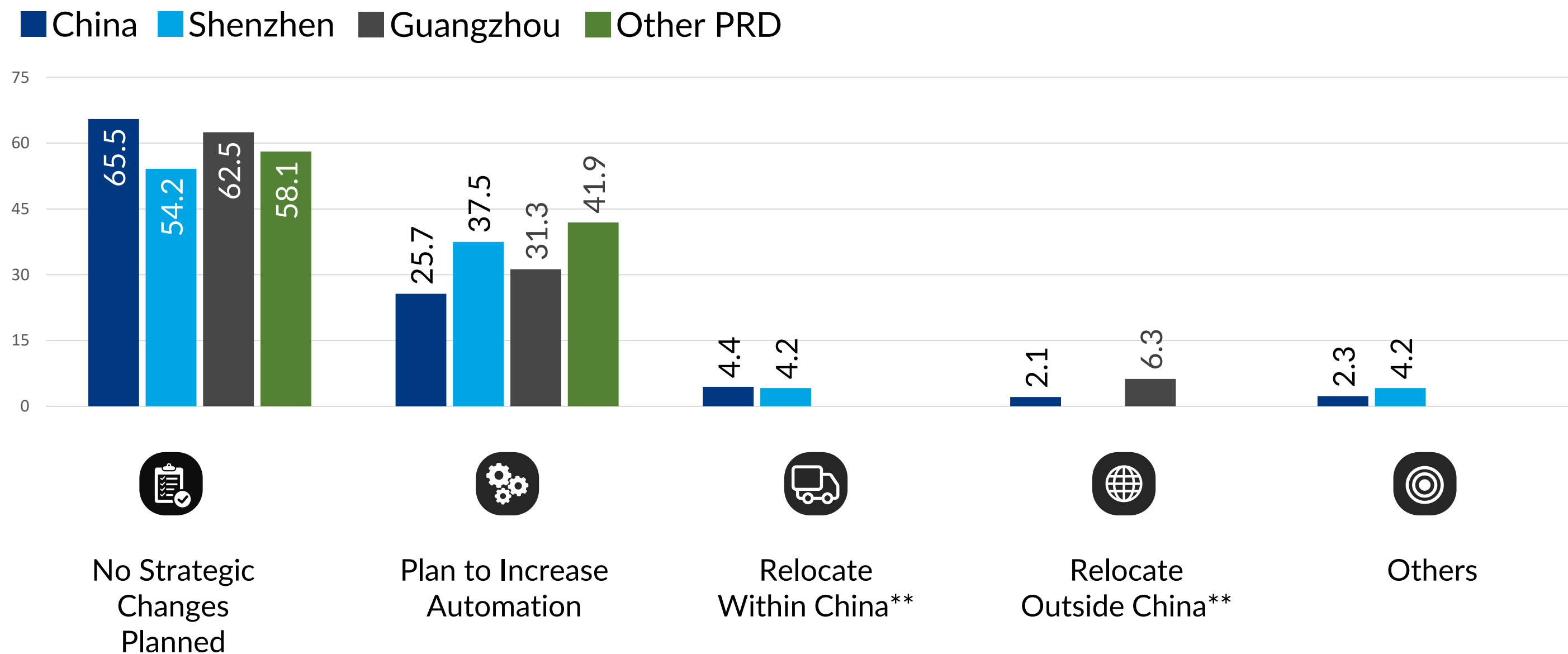
**32** Companies

■ Major Problem  
■ Problem

# HR Challenges: Strategic Changes

## Due to Rising Labor Costs

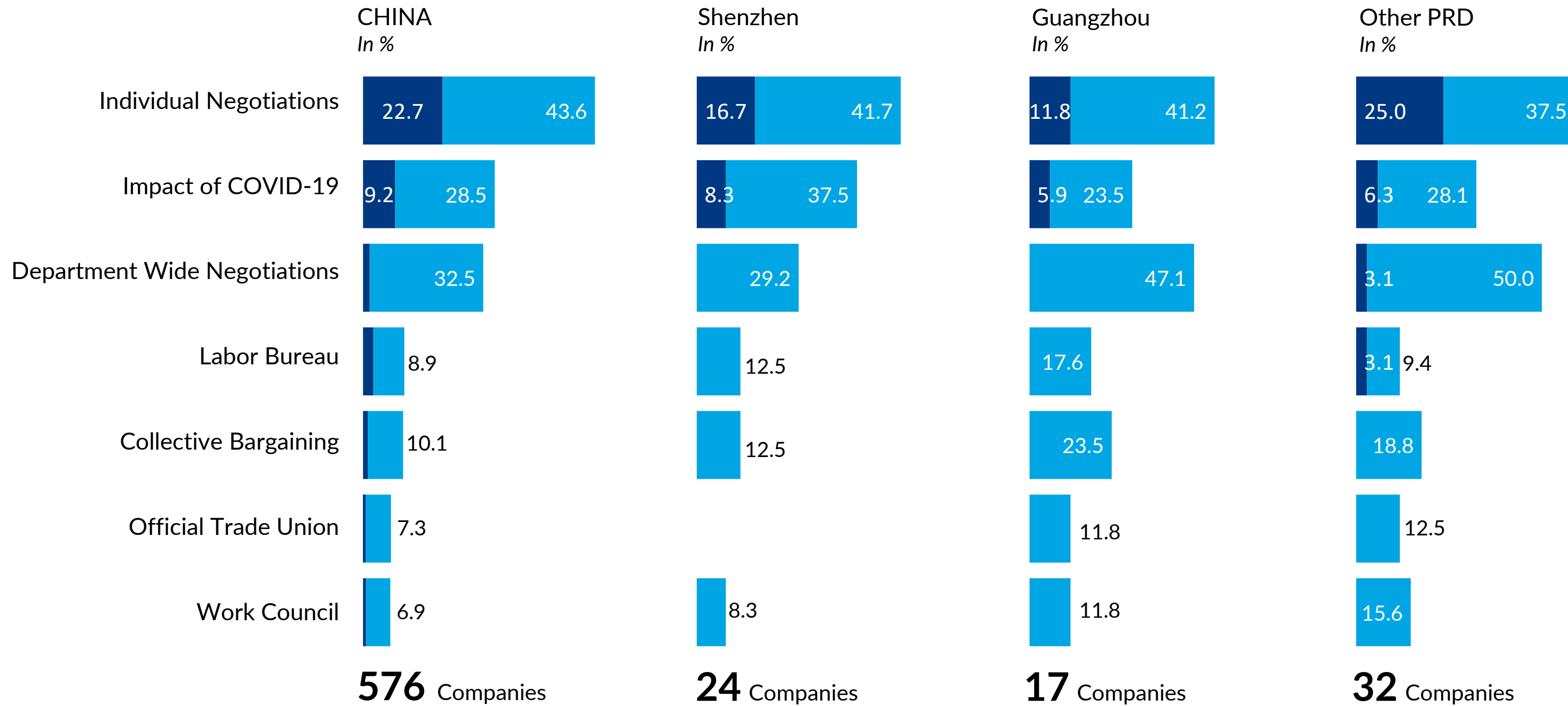
Results  
2020  
In %



\*\*To lower labor cost areas

# Importance of Factors for Wage Negotiations

Very Important + Important, in %



Very Important  
Important



1

The **expected average wage increase for 2021 is 3.79 percent**. This is the lowest expected salary growth increase ever recorded by the German Chamber of Commerce in China.

It represents a decrease of 1.74 p.p. compared to last year's expectation. To the historical trend, the impact of COVID-19 has added further downward pressure this year. 67.0 percent of the contributing companies state that the pandemic has had a medium to high impact on their salary growth projections for 2021.

2

The **effective wage growth in 2020 averages 4.03 percent**, 1.50 p.p. below the projected 5.53 percent for 2020.

The deviation is, again, attributed mostly to the impact of COVID-19 in the actual salary developments.



3

The expected salary growth for 2021, as well as the actual salary growth for 2020, remains below the respective projections for 2020 across all regions.

In **Shenzhen**, the expected salary increase for 2021 averages 3.88 percent. Above that of China, but 2.86 p.p. below the region's projected increase for 2020. The effective salary increase in 2020 has been 3.86 percent.

In **Guangzhou**, the expected salary growth next year is 3.55 percent, 3.08 p.p. below the expected growth in 2020 and 1.42 p.p. below the effective salary increase produced this year (4.97 percent).

4

The median total cost per employee (TCE) in China for German companies is RMB 15,317 month. **Shenzhen's** median TCE is slightly above that (RMB 16,000 month) while **Guangzhou's** and **Other PRD** median TCEs are much more moderate: RMB 12,000 and 10,035 month, respectively.





5

To mitigate the impact of **COVID-19**, the most common measures have been to **stop hires**, revert to **remote work** or other alternative work arrangements, and use **HR government support measures**. Lay-offs, temporary or annual reduction of salaries have been used only by a small proportion of participants, across China.

When compared to China, in **Shenzhen** the most common used measures are similar. The region has been slightly more prone to use measures such as cutting extra benefits, lay-offs, or annual reduction of salaries.

In **Guangzhou**, only 23.5 percent of the contributors has made use of HR government support measures compared to 44.3 percent across China.



6

All industries present lower salary growth expectations for 2021 than those of 2020.

Consulting / Legal Services, Medical Supplies, and Chemicals are the only industries with expected increases for 2021 that are above four percent.

7

When looking at different levels of seniority, the highest expected increases are for Junior and Mid-level professionals (around 4 percent). On the other hand, it is Senior Management where we see the most moderate increase.



8

The perception of wage levels considering productivity has not been altered by the pandemic: 62.3 percent of companies consider wage levels reasonable, and 18.5 percent consider them high.

9

**Recruiting qualified staff, rising labor costs, and retaining qualified staff** remain as the most challenging HR issues on business operations. However, to a lesser proportion than in prior editions.

**High staff turnover** presents a decrease in its perceived impact, with 40.6 percent of companies considering it impactful (16.3 p.p. below last year).

In **Shenzhen**, the top-3 most impactful HR issues remain the same as in 2019 although in a lower proportion. **Other PRD** areas present a similar profile to that of Shenzhen. In **Guangzhou**, social insurance / housing fund has made it into to the top-3 at the expense of rising labor costs.

10

At China level, the perceived lack of skills by candidates, and their high salary expectations are the most common reasons mentioned as to why positions cannot be filled.

In **Shenzhen, Guangzhou, and Other PRD** the above reasons remain as well as important justifications. However, in **Guangzhou and Other PRD**, the proportion of companies perceiving them as being either a *major problem* or a *problem* is above that of China; whereas in **Shenzhen** those proportions are slightly below.

In **Other PRD**, although not relatively problematic when compared with other reasons, there is a higher proportion of companies that point to the lack of sufficient applications and the location of the company as to why positions cannot be filled there.



11

Among the seven factors for wage negotiations surveyed in this report, individual negotiations remains by far the most important factor (66.3 percent), followed by the impact of COVID-19 (37.7 percent).

In **Shenzhen**, the impact of COVID-19 (45.8 percent) is above that of China.

However, in **Guangzhou** and **Other PRD** areas, department wide negotiations follow individual negotiations as the most important factors. Thus, the impact of COVID-19 is only relevant to 23.5 percent of the contributors in **Guangzhou**, and 34.4 percent in **Other PRD**.

# To Be Continued...

# With Your Questions

# CONNECT



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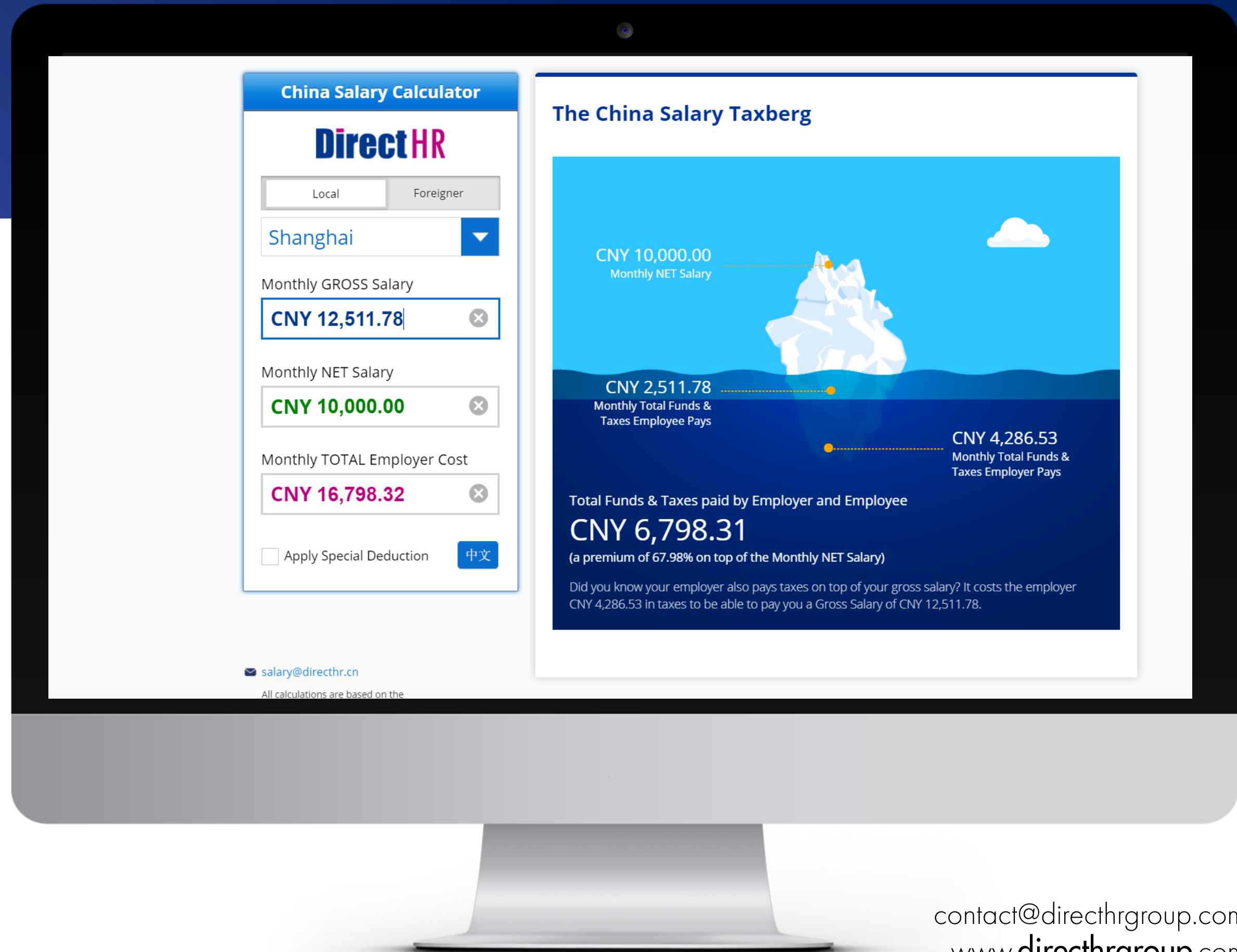
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## The German Chamber of Commerce in China

The German Chamber of Commerce in China supports German companies in their activities in China. Divided into the regional centers of Beijing, Shanghai and South & Southwest China, it assists all together about 2,300 companies.

It is thereby one of the largest foreign chambers in China. The Chamber offers a broad range of seminars, workshops and events to German companies, in addition to access to an enormous network and assistance with matters in relation to the local and regional government offices.

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