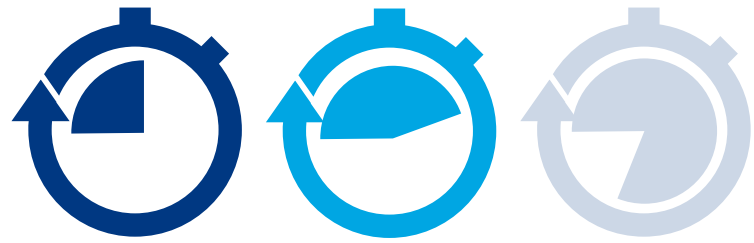




Labor Market & Salary Report 2021 | 2022

Shenzhen, 3 September 2021





Contributions

Profile of contributors to the 2021 Edition

Wage Developments

Effective and expected wage increases

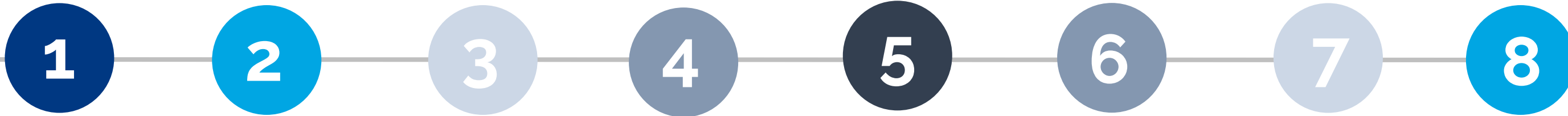
Other Wage Developments

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

Wage Negotiations

Importance of factors for wage negotiations

Start



Questions

Definitions

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

Regional Wage Developments

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

HR Challenges

Impact on Business; Blue Collar Workers Recruitment; Why positions cannot be filled; Strategic changes

Conclusions

Key takeaways

Contributions

14th Edition

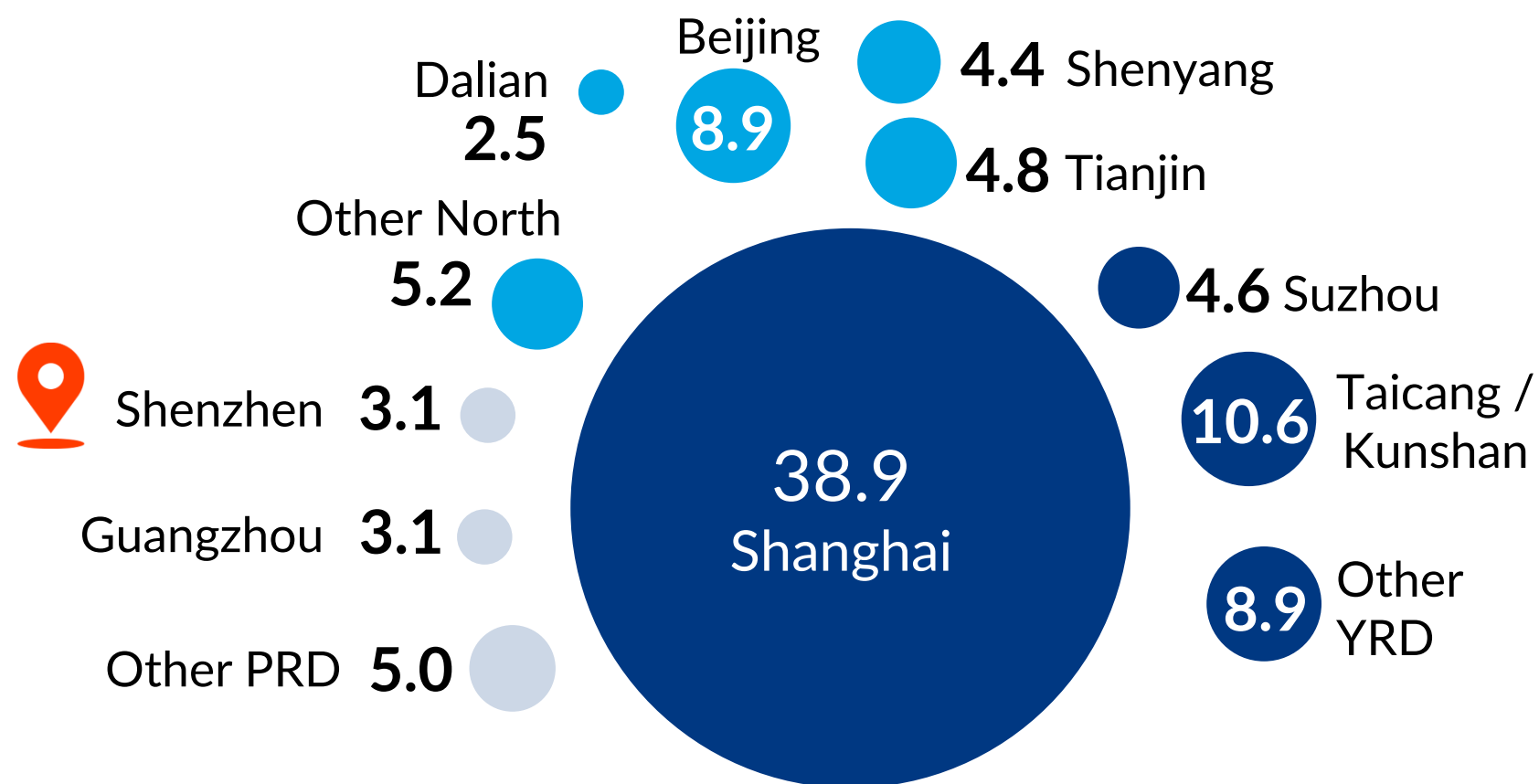


481

Contributors (Members German Chamber of Commerce in China only)

By Region

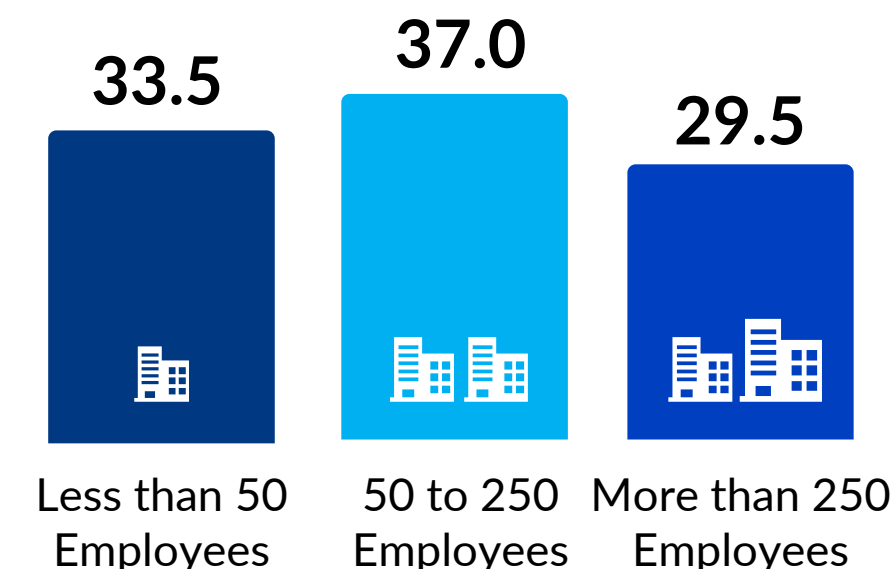
Data in %



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

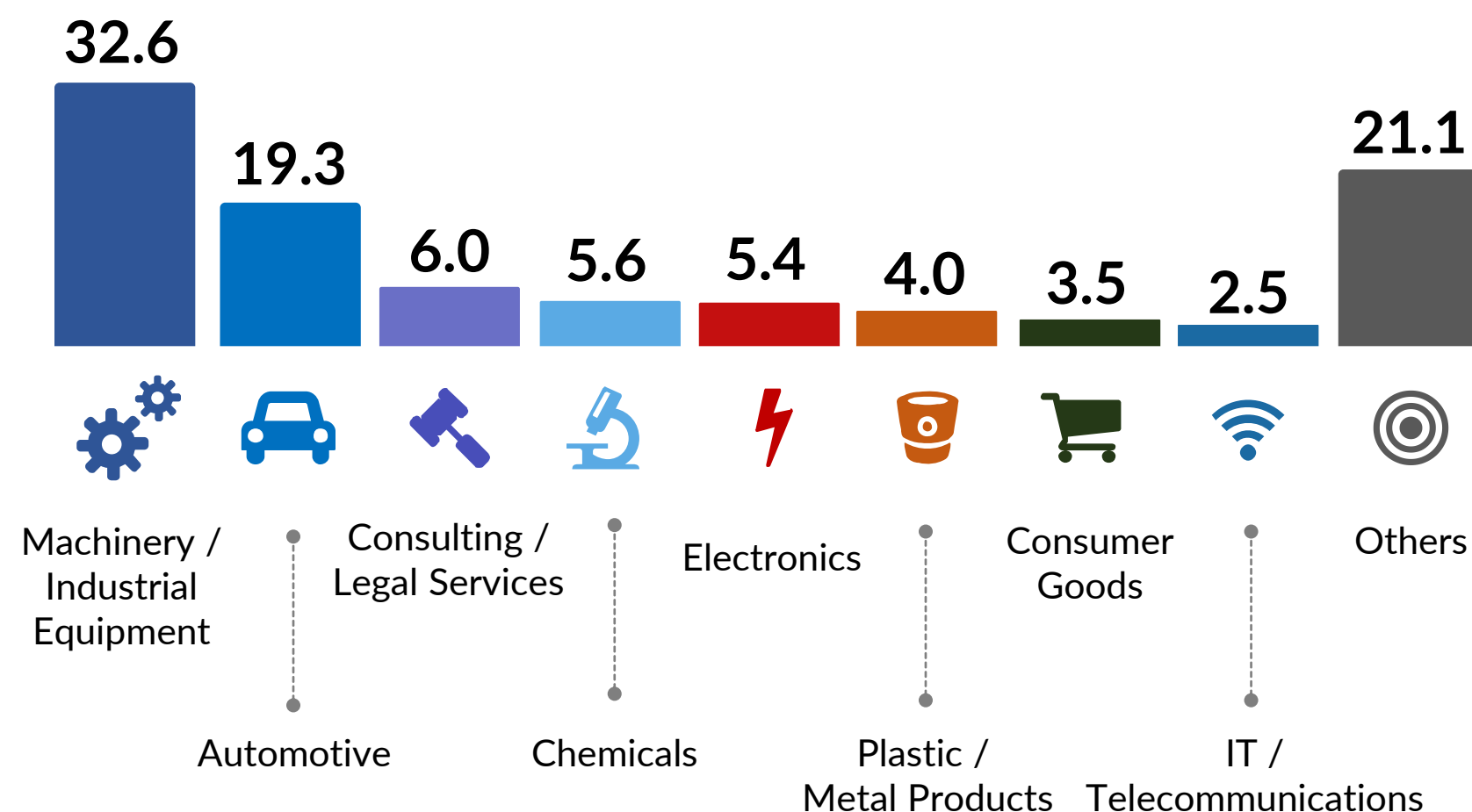
By Company Size

Number of Employees. Data in %.



By Industry

Data in %



Definitions

14th Edition



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 2020 to 2021

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



Gross Base Salary

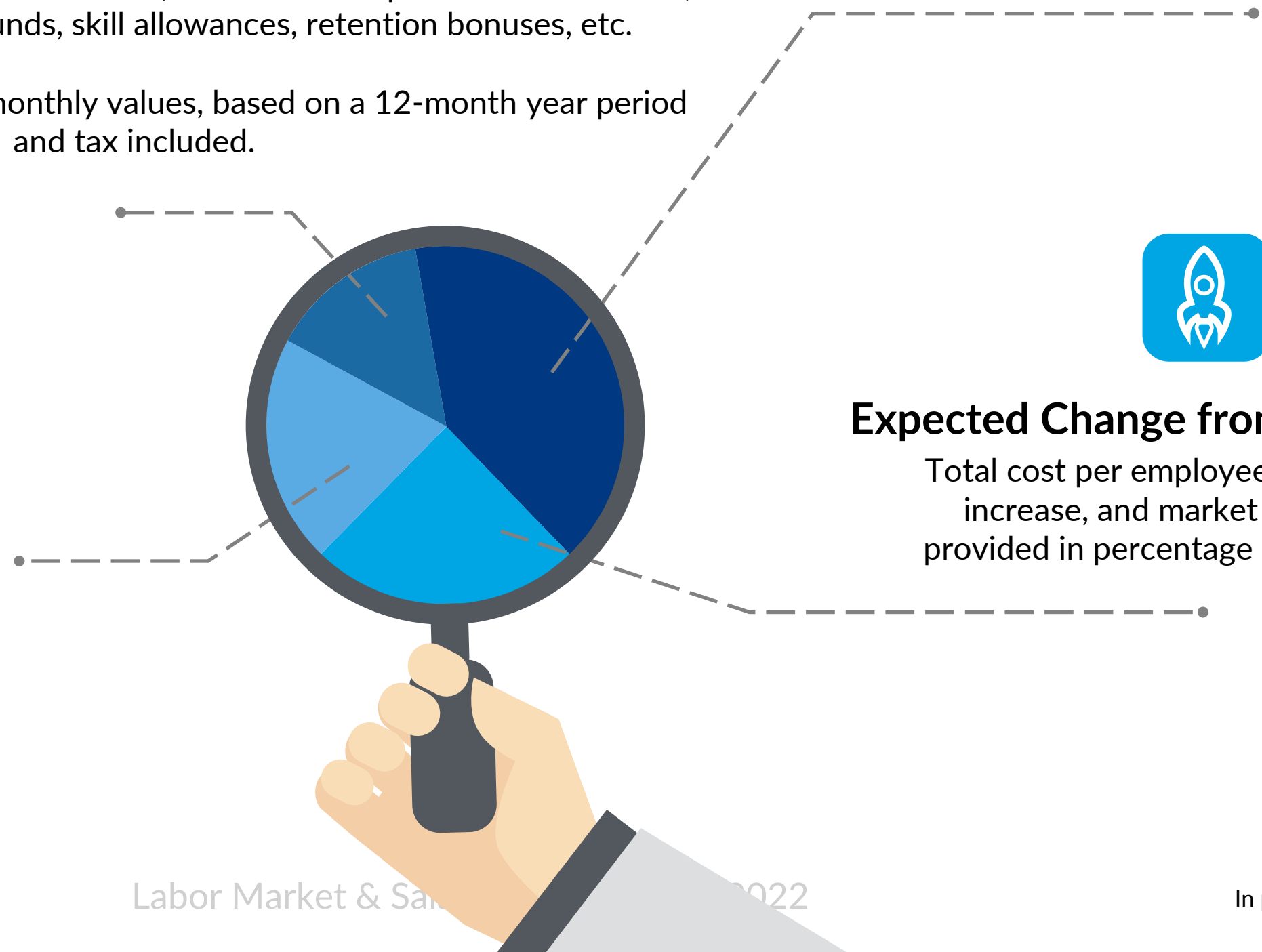
The gross base salary is the base for the calculations of the individual income tax. It is clearly stated in the labor contract. If yearly one-off payments (i.e. a 13th month or a 14th month) are included in the contract, they are also part of the base salary.

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



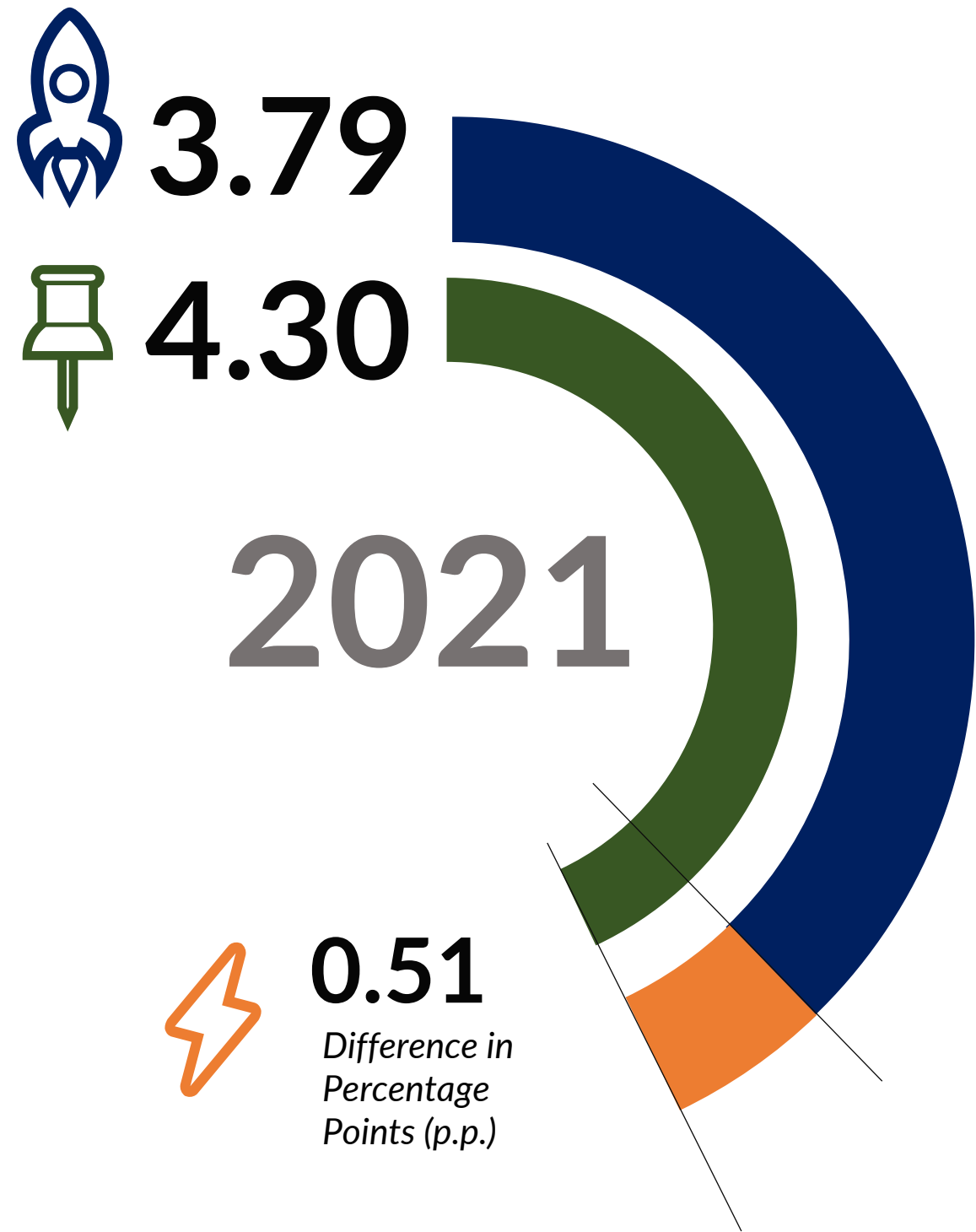
Expected Change from 2021 to 2022

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



Wage Developments

At German Companies in China, in %



Expected Wage Increase 2021

In July 2020, German companies in China projected a wage increase of **3.79%** for 2021



Effective Wage Increase 2021

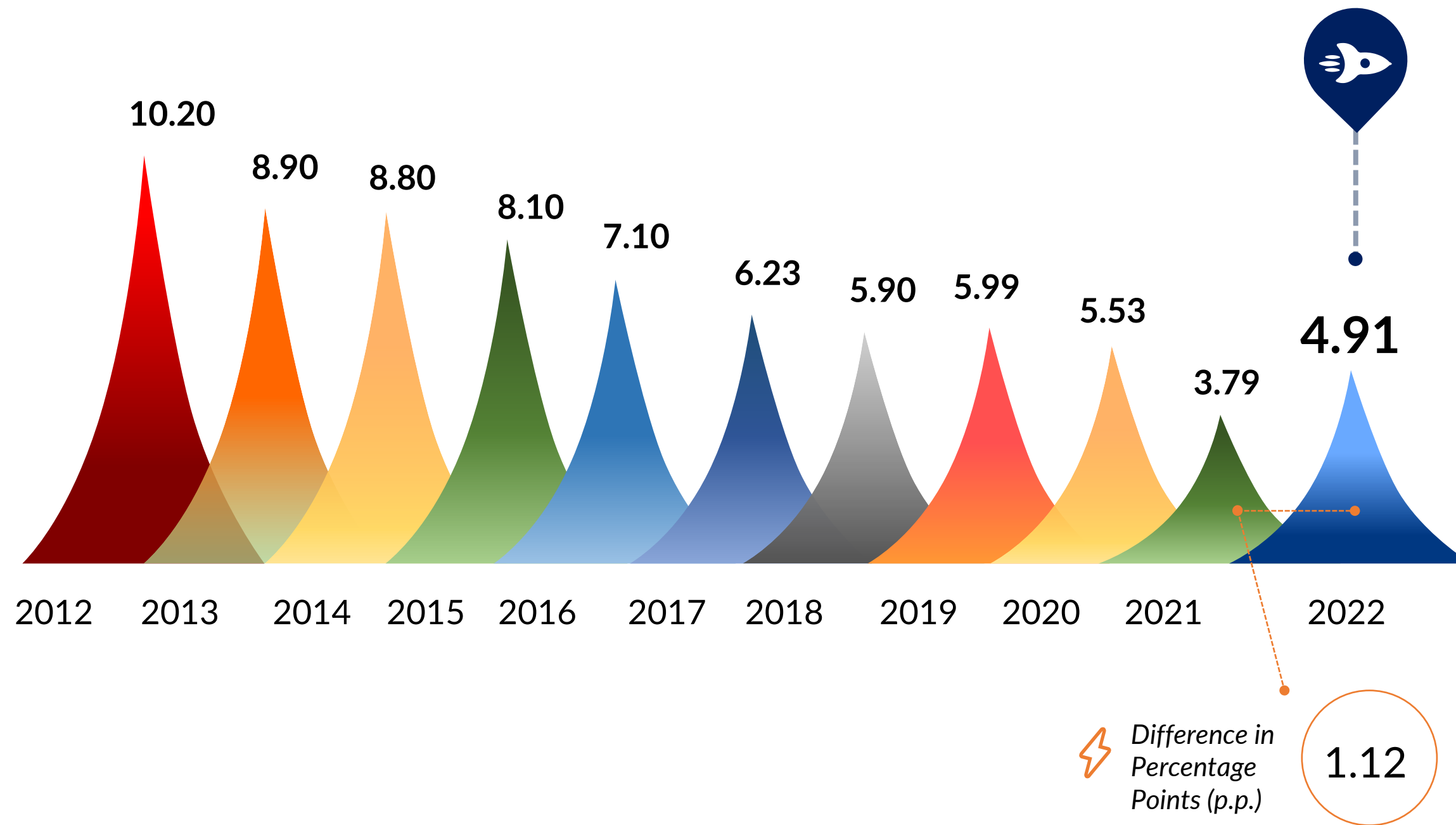
In July 2021, German companies in China reported an effective wage increase of **4.30%** in 2021

Wage Developments

At German Companies in China, in %



Expected Wage Increase (%)



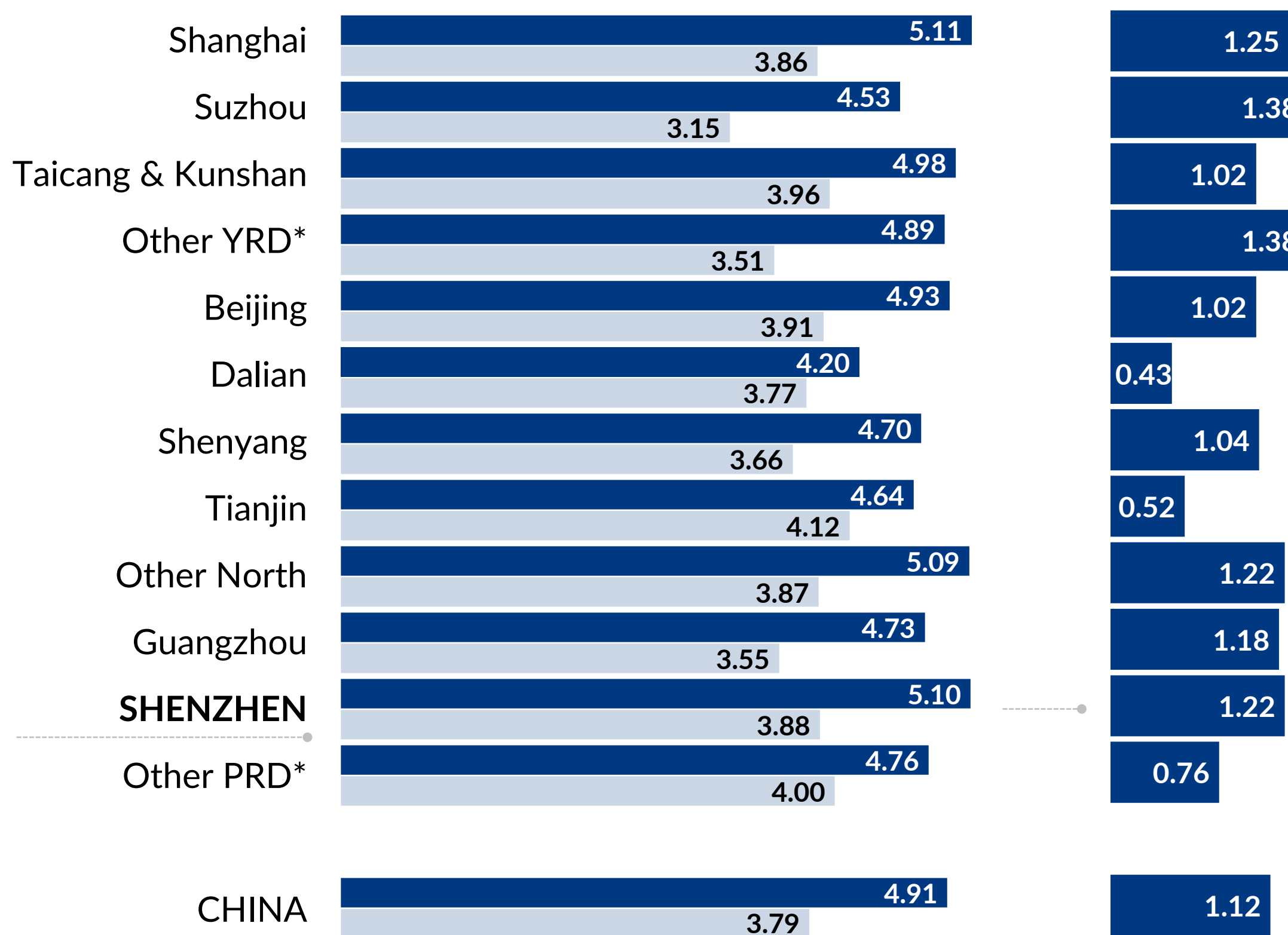
Regional Wage Developments

At German Companies in China

Expected Wage Increases 2021 and 2022

In %. Average Values

2022 2021



Development 2022 - 2021

Difference in p.p.

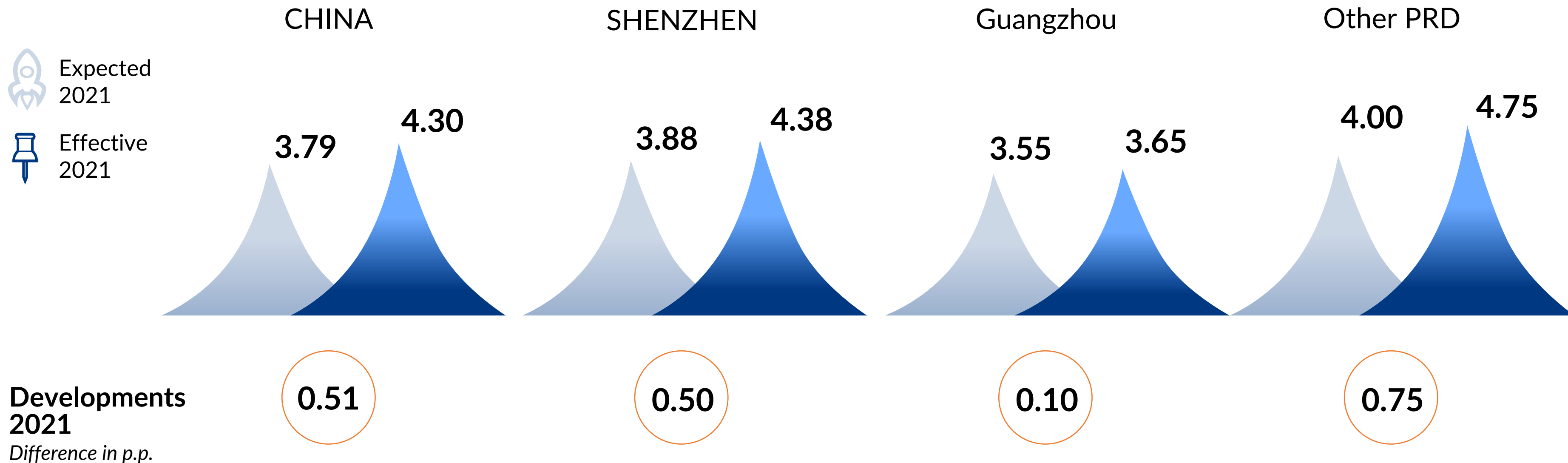
* Other YRD: Other Yangtze River Delta Area; Other PRD: Other Pearl River Delta Area.

Regional Wage Developments

At German Companies in China

Expected vs. Effective 2021

In %. Average Values



Developments 2021

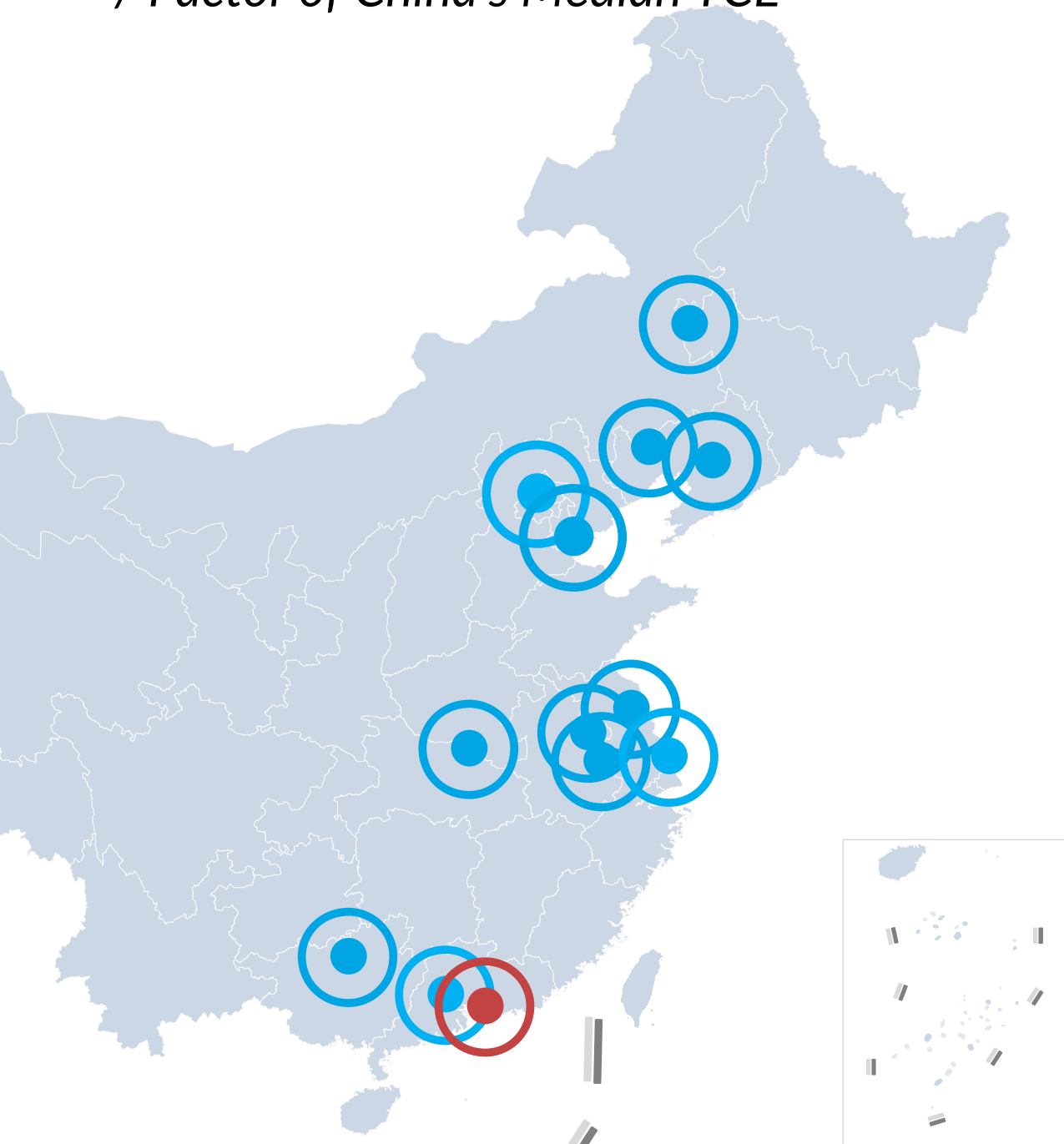
Difference in p.p.

Regional Wage Developments

At German Companies in China

2021 Total Cost per Employee (TCE)

Monthly in RMB. Median Values
/ Factor of China's Median TCE



* Other YRD: Other Yangtze River Delta Area; Other PRD: Other Pearl River Delta Area.

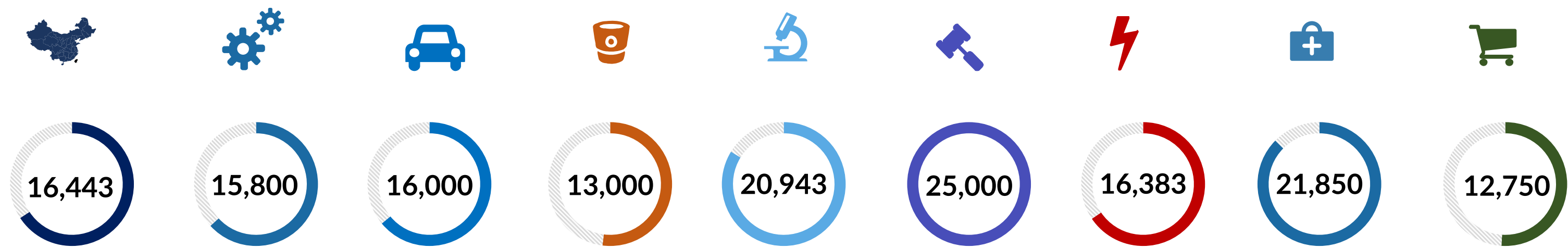
- SHANGHAI
RMB 21,450 / 1.30
- BEIJING
RMB 21,000 / 1.28
- CHINA**
RMB 16,443
- TIANJIN
RMB 15,593 / 0.95
- SUZHOU
RMB 15,000 / 0.91
- OTHER YRD*
RMB 14,685 / 0.89
- TAICANG
RMB 14,459 / 0.88

- GUANGZHOU
RMB 13,935 / 0.85
- DALIAN
RMB 13,650 / 0.83
- SHENZHEN
RMB 13,587 / 0.83
- OTHER PRD*
RMB 12,300 / 0.75
- SHENYANG
RMB 12,000 / 0.73
- OTHER NORTH
RMB 12,000 / 0.73
- KUNSHAN
RMB 12,000 / 0.73

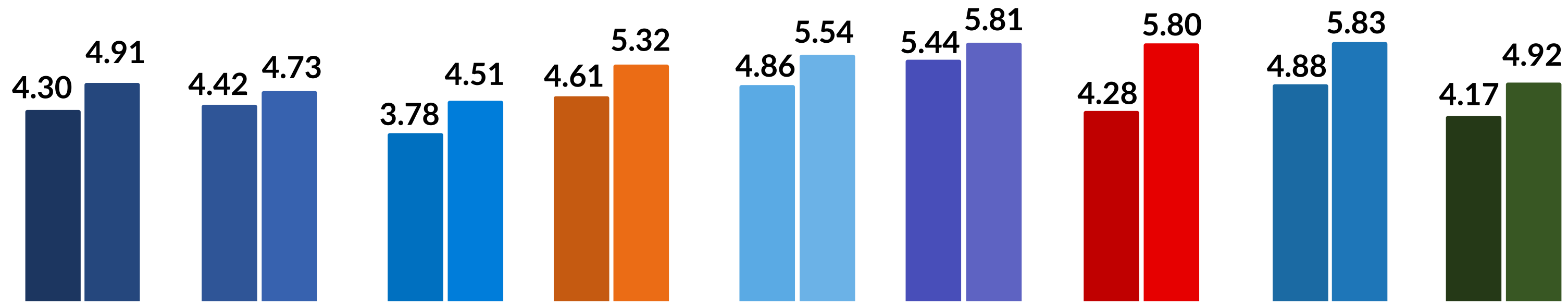
Wage Developments by Industry

At German Companies in China

2021 Total Cost per Employee (TCE)
Monthly in RMB.
Median Values



2021 Effective & 2022 Expected Wage Increases
In %. Average Values



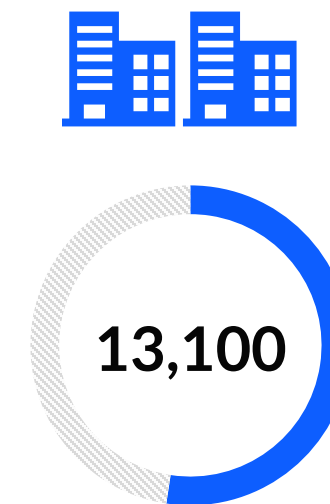
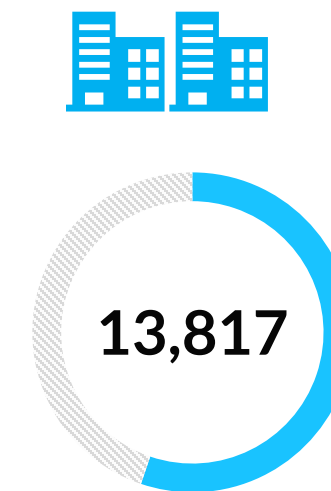
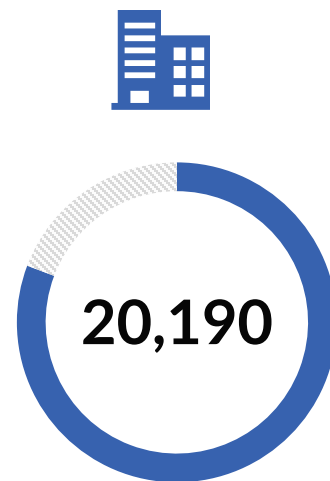
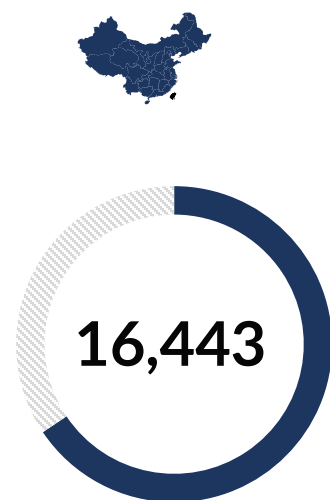
Effective 2021
Expected 2022

CHINA Machinery / Industrial Equipment Automotive Plastic / Metal Products Chemicals Consulting / Legal Services Electronics Medical Supplies Consumer Goods

Wage Developments by Company Size

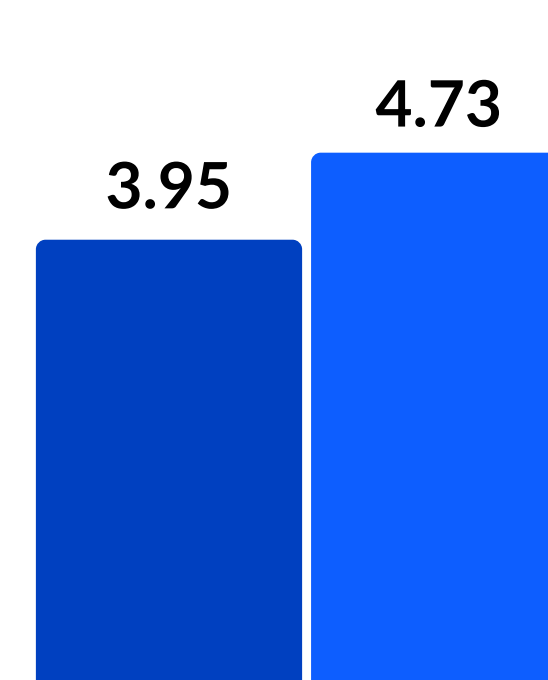
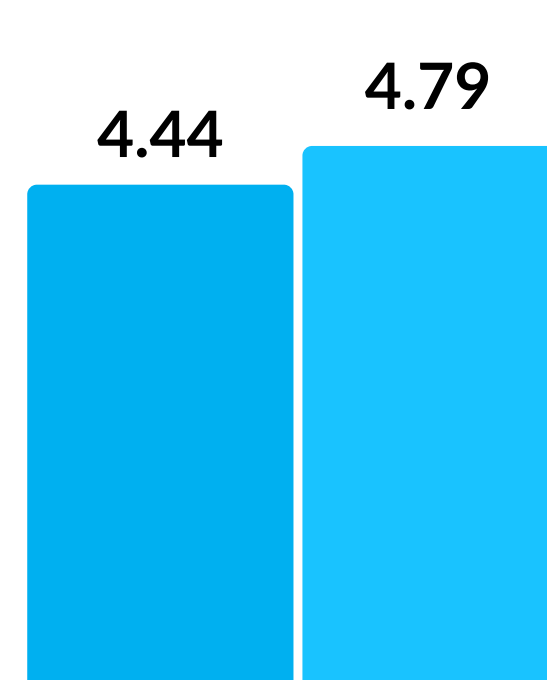
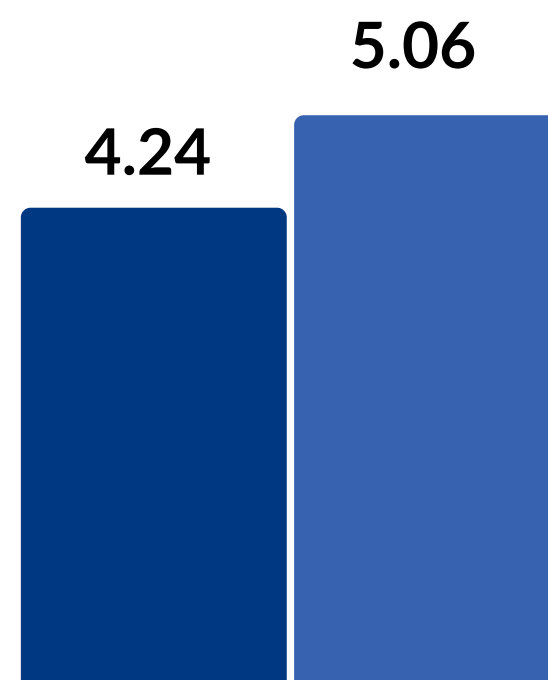
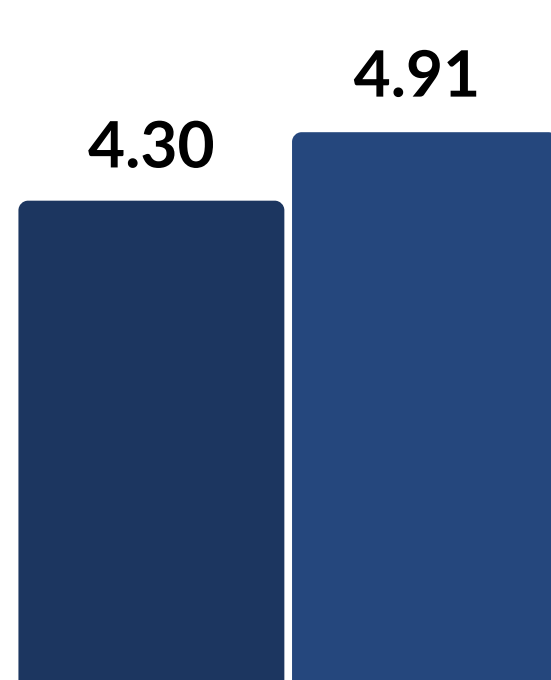
At German Companies in China

2021 Total Cost per Employee (TCE)
Monthly in RMB.
Median Values



2021 Effective & 2022 Expected Wage Increases
In %. Average Values

Effective 2021
Expected 2022



CHINA

Less than 50 Employees

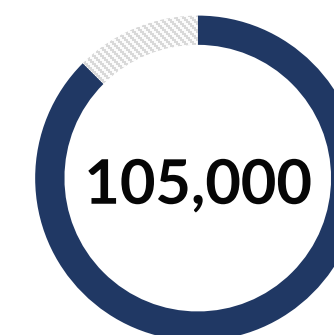
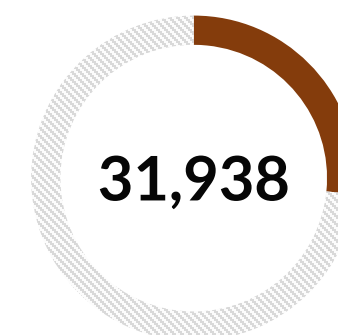
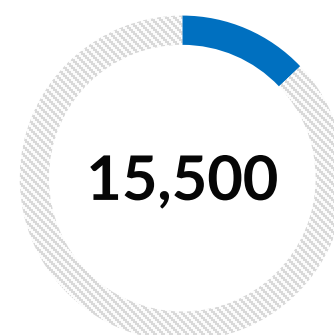
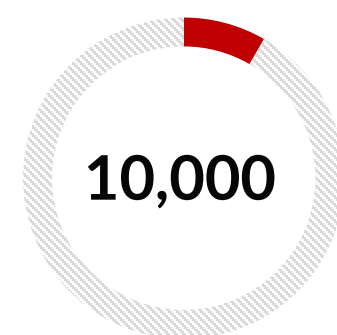
50 to 250 Employees

More than 250 Employees

Wage Developments by Level of Seniority

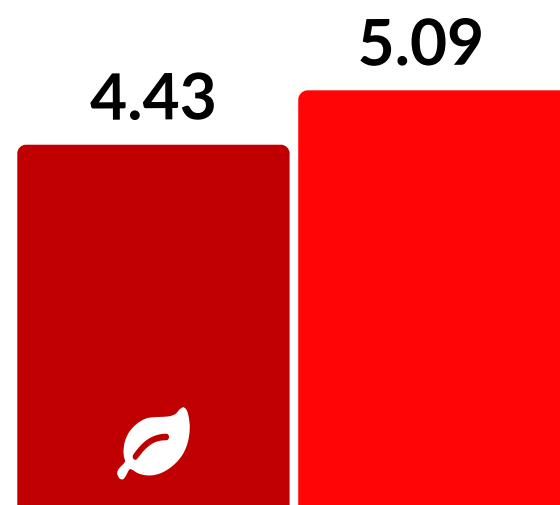
At German Companies in China

2021 Total Cost per Employee (TCE)
Monthly in RMB.
Median Values



2021 Effective & 2022 Expected Wage Increases
In %. Average Values

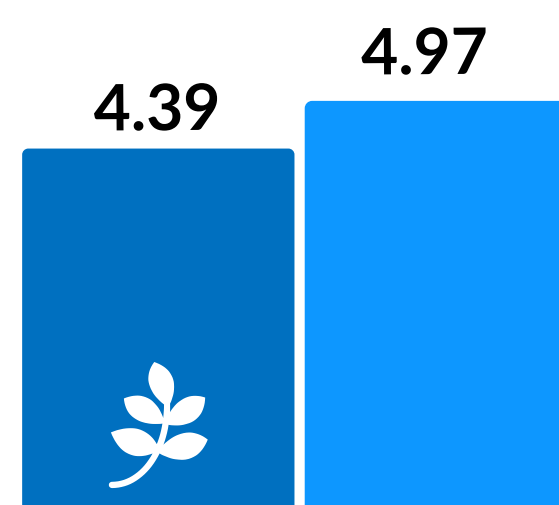
Effective 2021
Expected 2022



Junior Professionals

Professionals from Admin., Sales, Customer Service, Technical Service, Purchasing, Finance, HR, Quality Control, Engineering / R&D, Logistics, Consultant / Project Mgr., IT Staff, Legal Staff

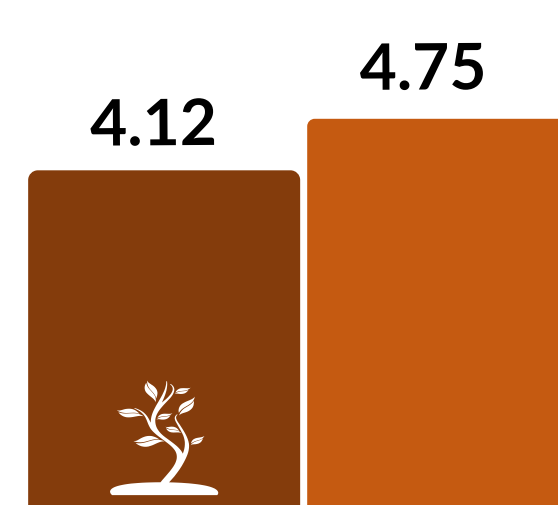
0 – 3 Years Job Experience



Mid-Level

Professionals from Admin., Sales, Customer Service, Technical Service, Purchasing, Finance, HR, Quality Control, Engineering / R&D, Logistics, Consultant / Project Mgr., IT Staff, Legal Staff

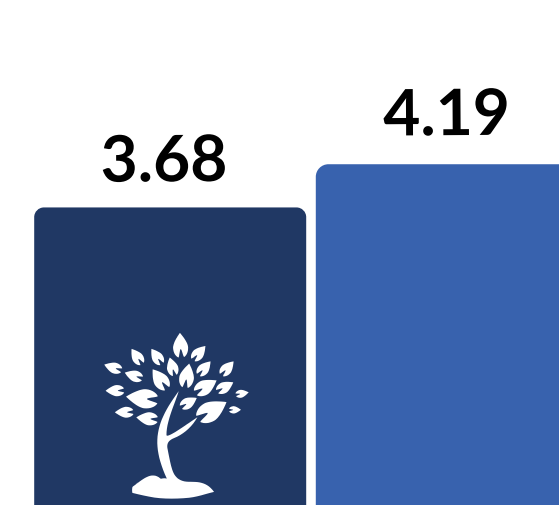
4 – 7 Years Job Experience



Senior Professionals

Professionals from Admin., Sales, Customer Service, Technical Service, Purchasing, Finance, HR, Quality Control, Engineering / R&D, Logistics, Consultant / Project Mgr., IT Staff, Legal Staff

8 or + Years Job Experience



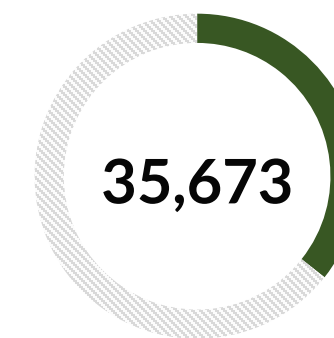
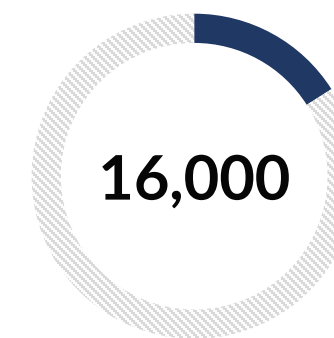
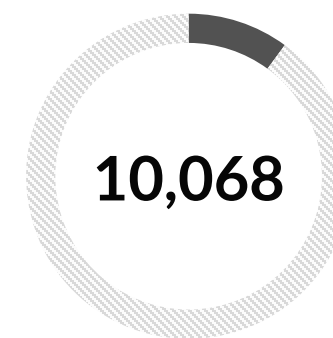
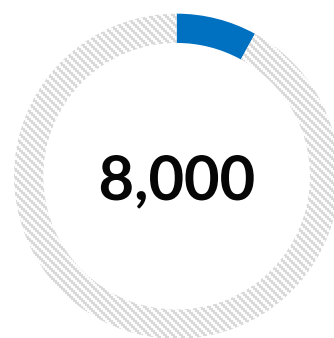
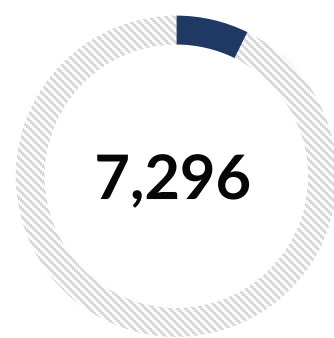
Senior Management

Combines two positions: CEO/GM and Deputy GM/Branch Manager

Wage Developments by Production Roles

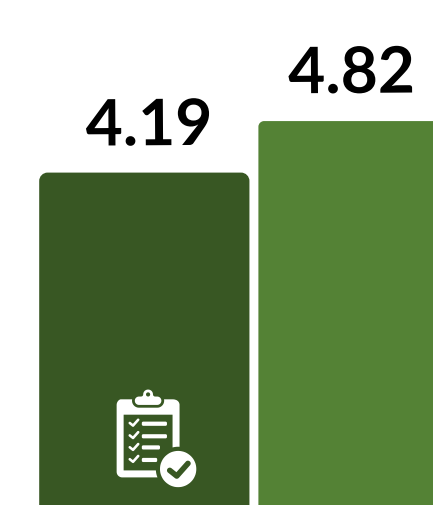
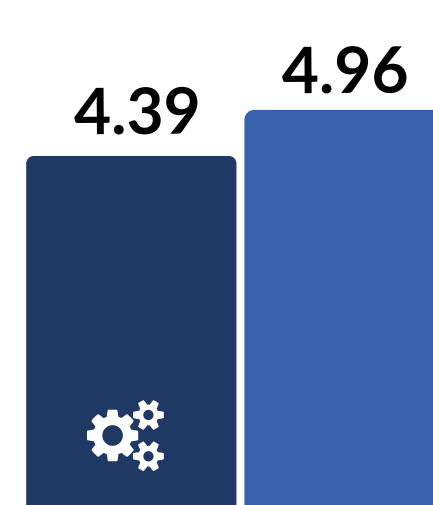
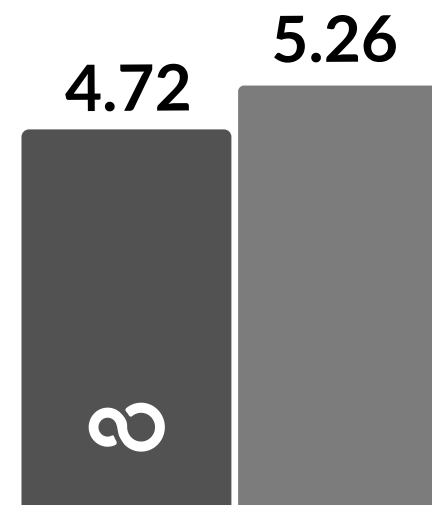
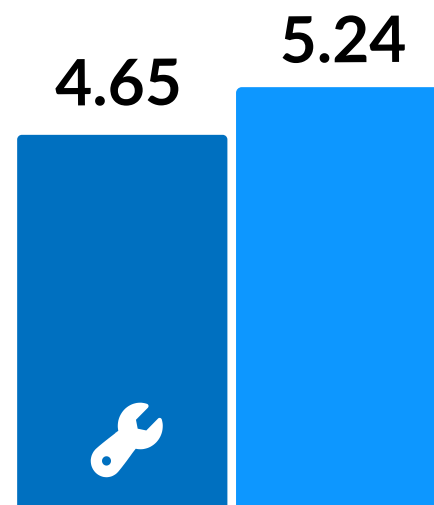
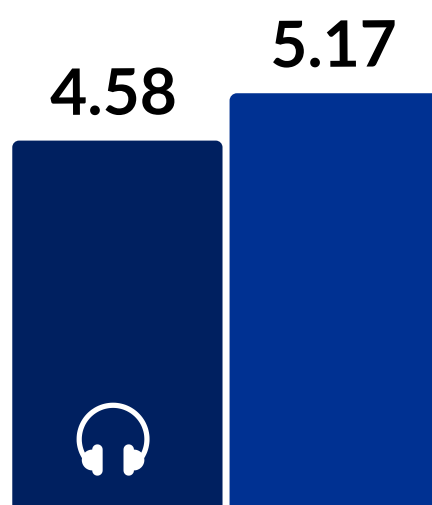
At German Companies in China

2021 Total Cost per Employee (TCE)
Monthly in RMB.
Median Values



2021 Effective & 2022 Expected Wage Increases
In %. Average Values

Effective 2021
Expected 2022



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

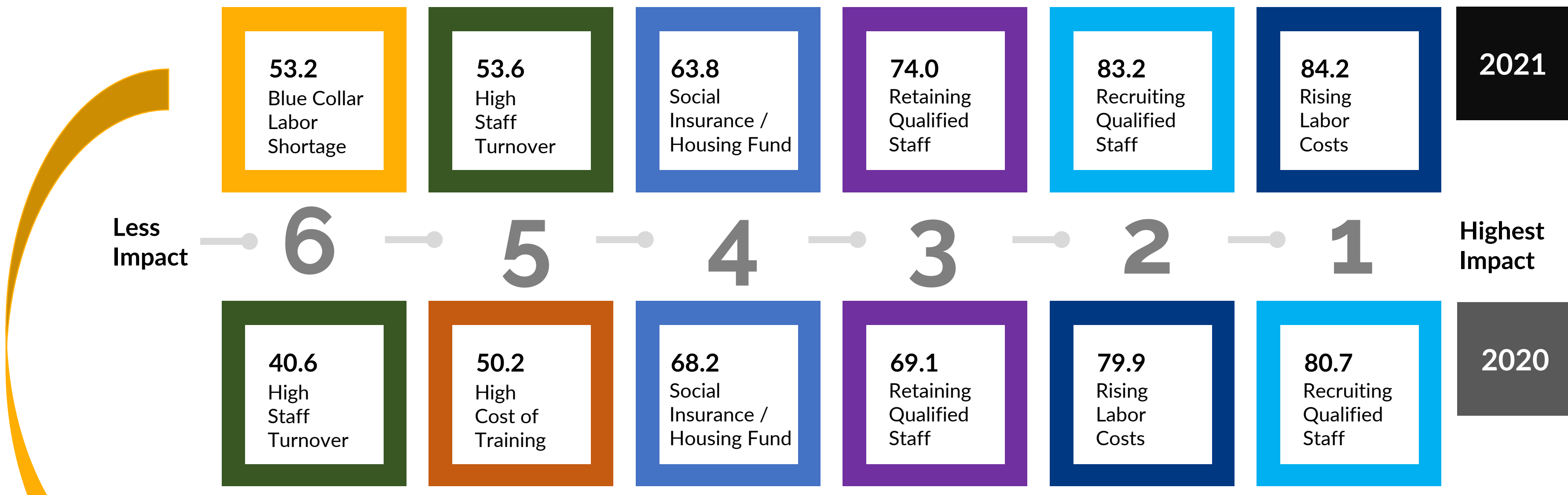
Project planning, overall production supervision, resource allocation (e.g. overtime and material), quality control

Production /Plant Manager

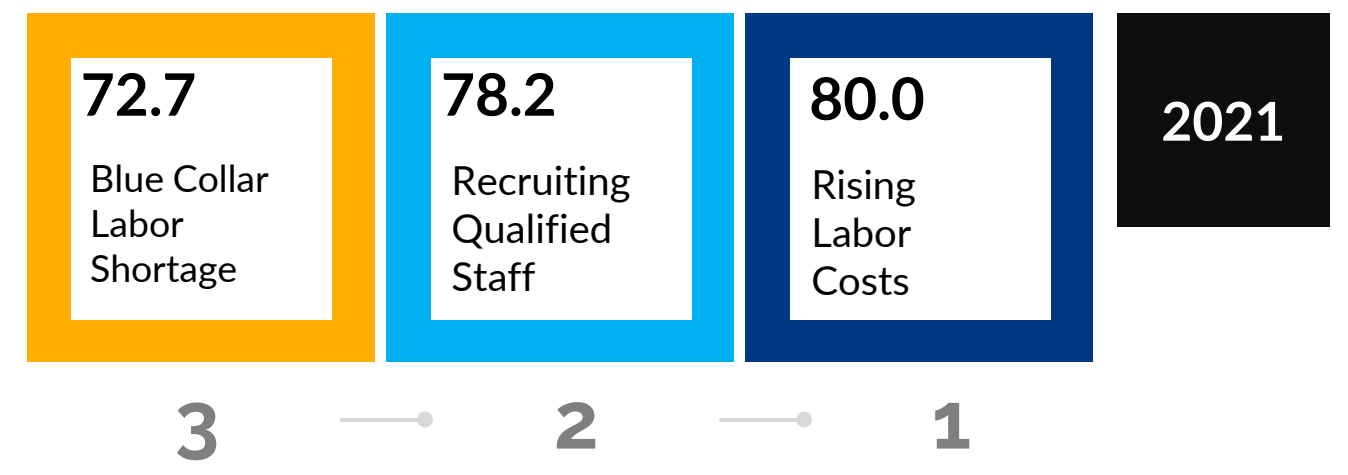
Managing production, planning new production methods, investment and maintenance issues

HR Challenges with Impact on Business Operations

High + Medium Impact, in %



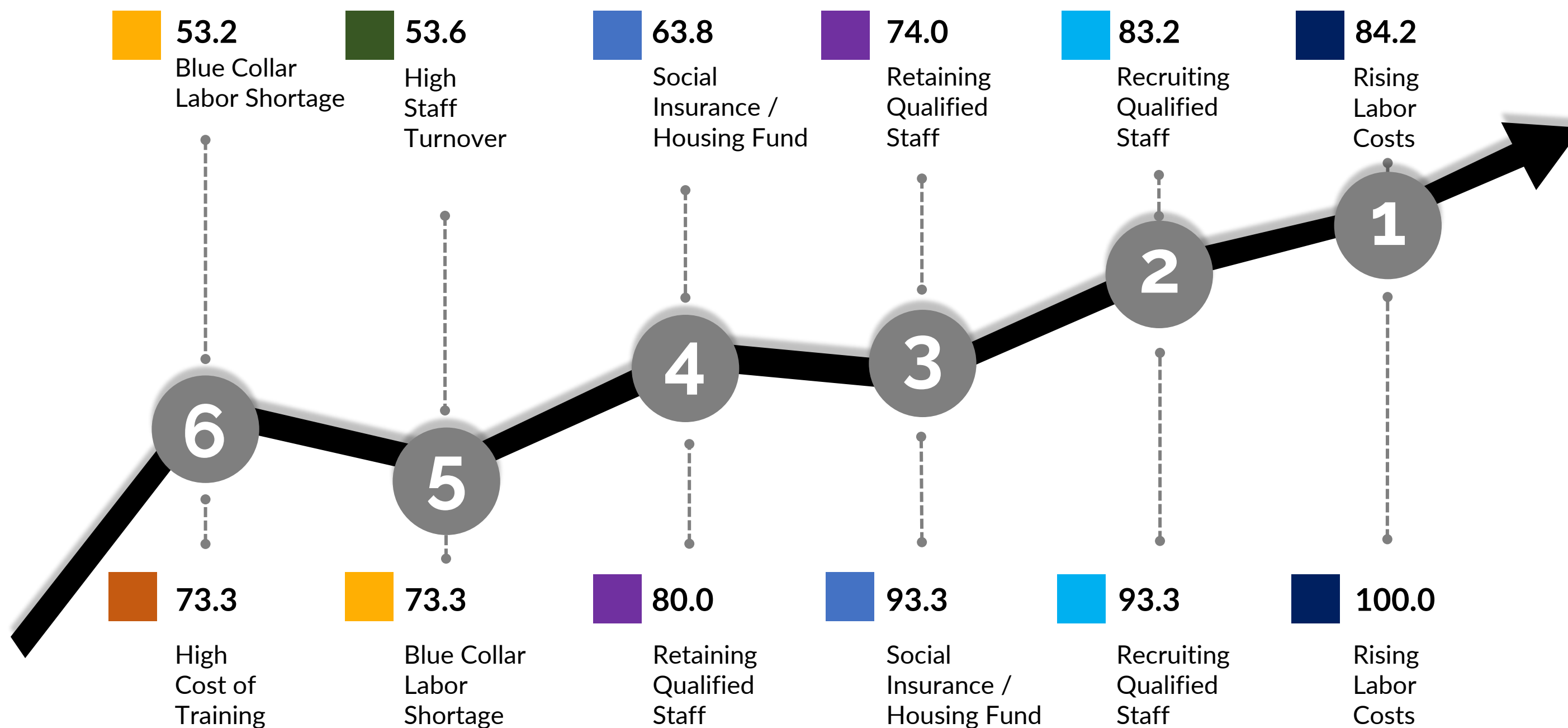
Blue Collar Labor Shortage is the third most impactful HR challenge for companies that only do production in China (n=65).



HR Challenges with Impact on Business Operations

High + Medium Impact, in %

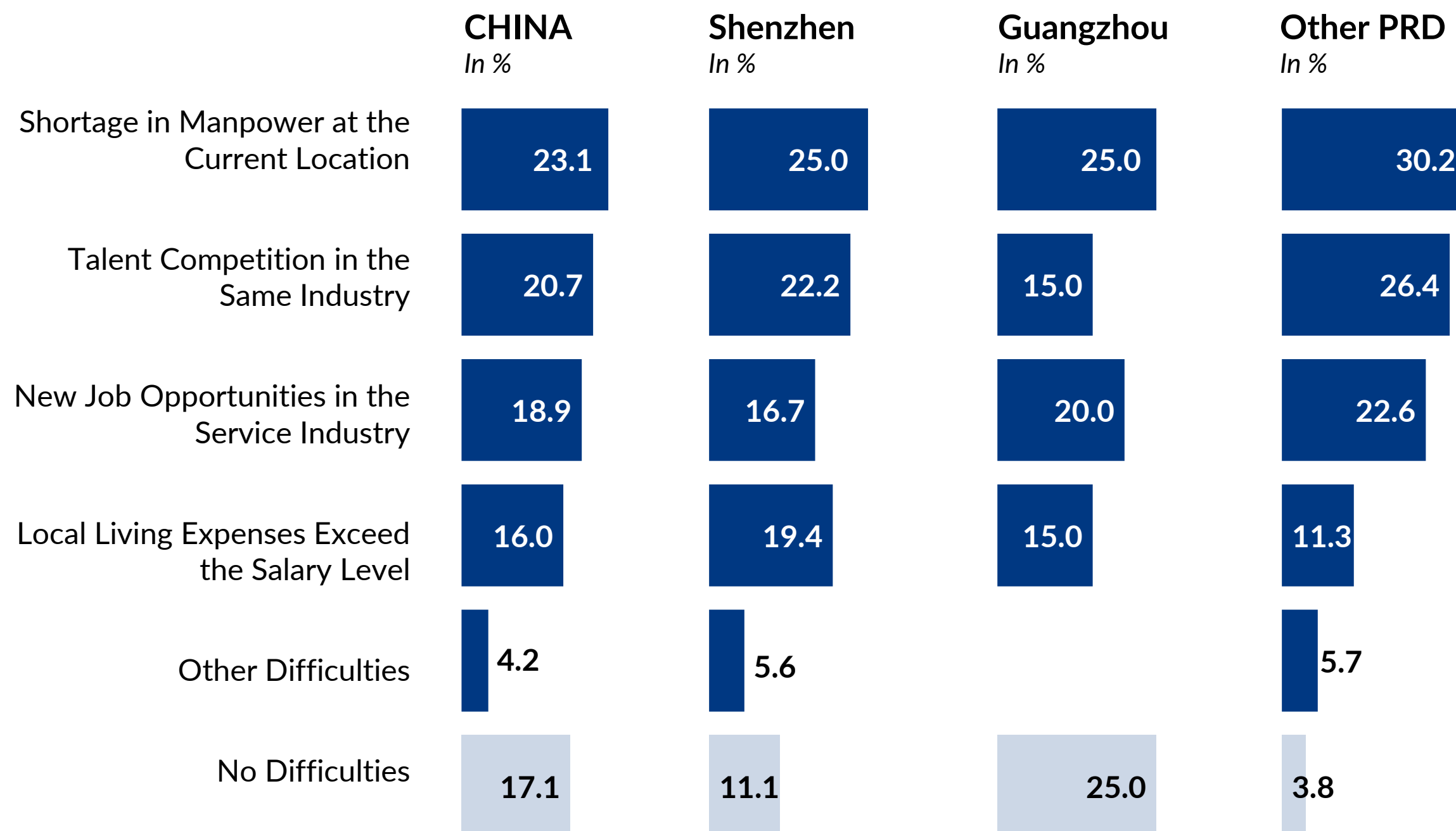
CHINA



SHENZHEN

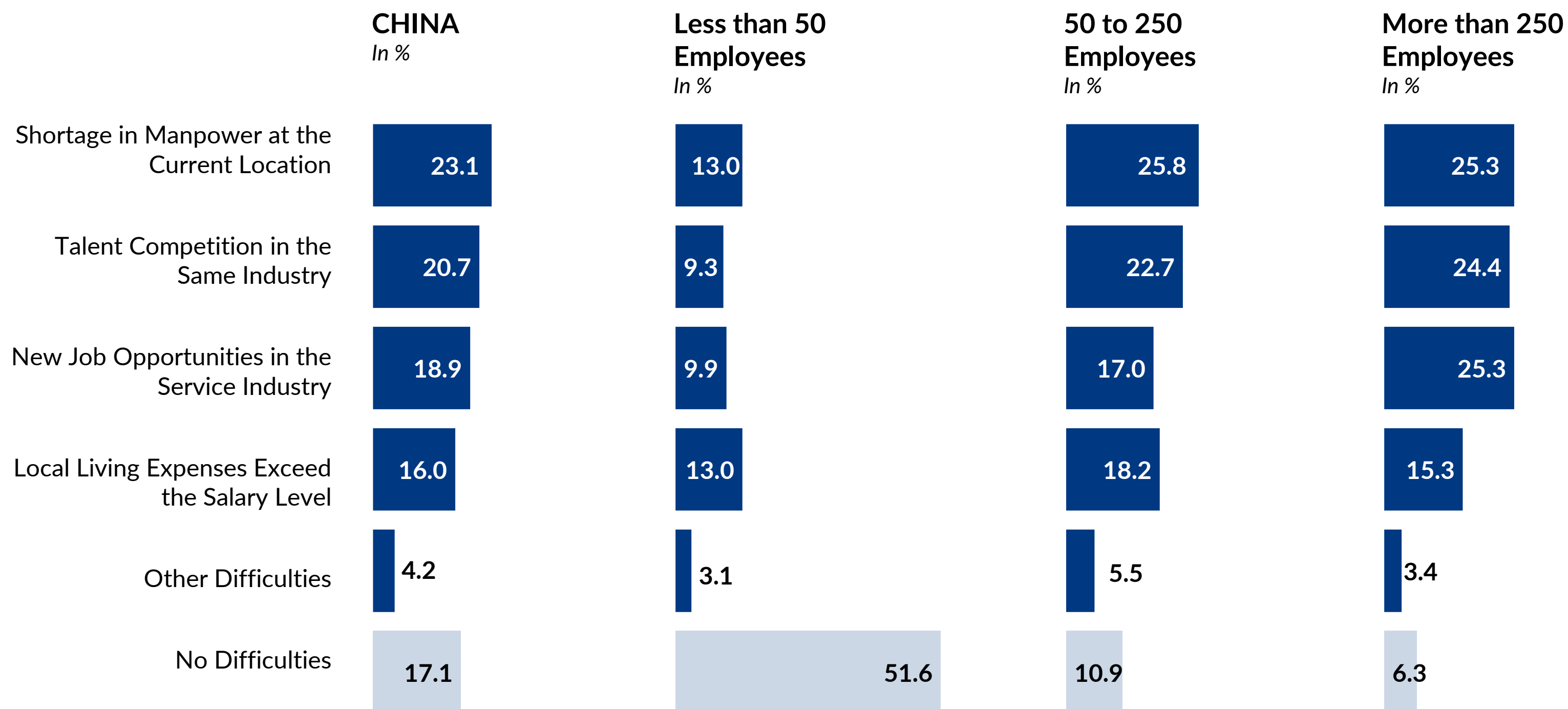
HR Challenges: Difficulties Recruiting Blue Collar Workers

China, and South China



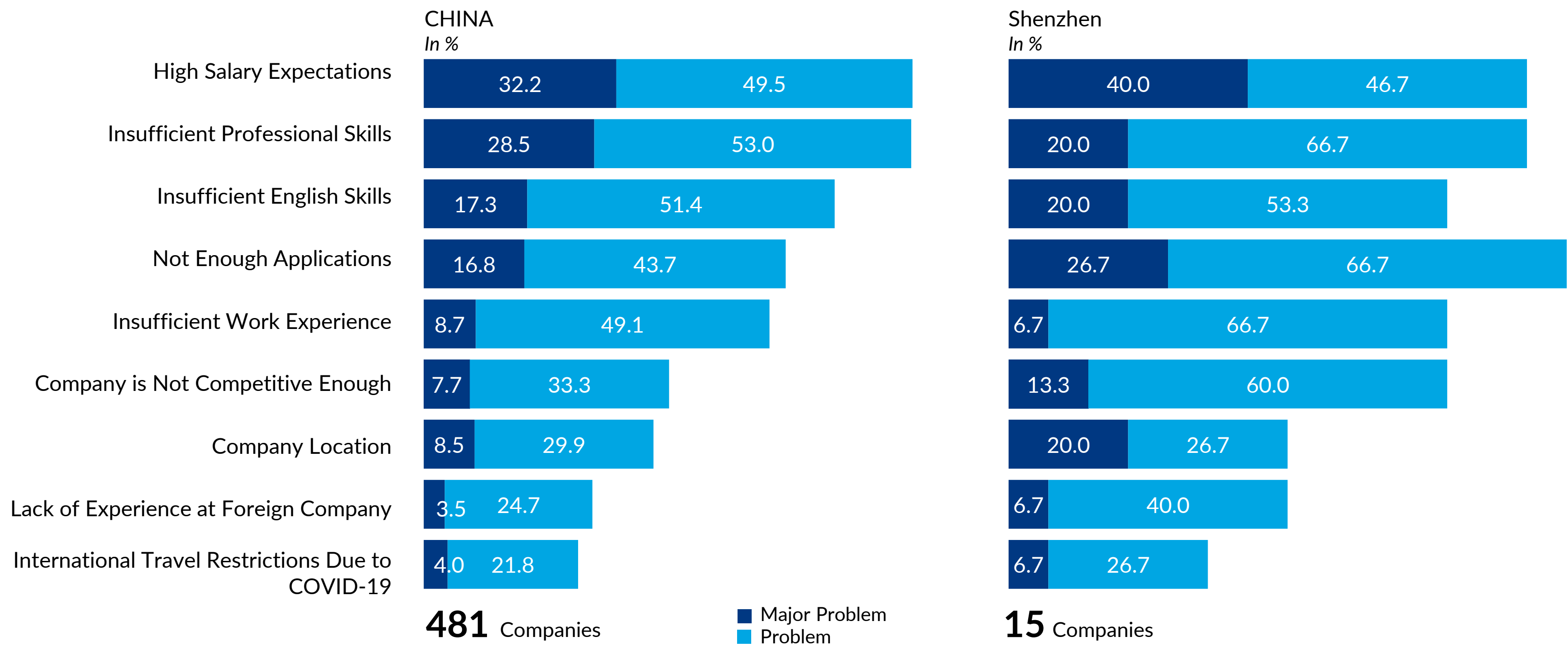
HR Challenges: Difficulties Recruiting Blue Collar Workers

China, and by Company Size (Number of Employees)



HR Challenges: Reasons Why Positions Cannot Be Filled

Major Problem + Problem, in %

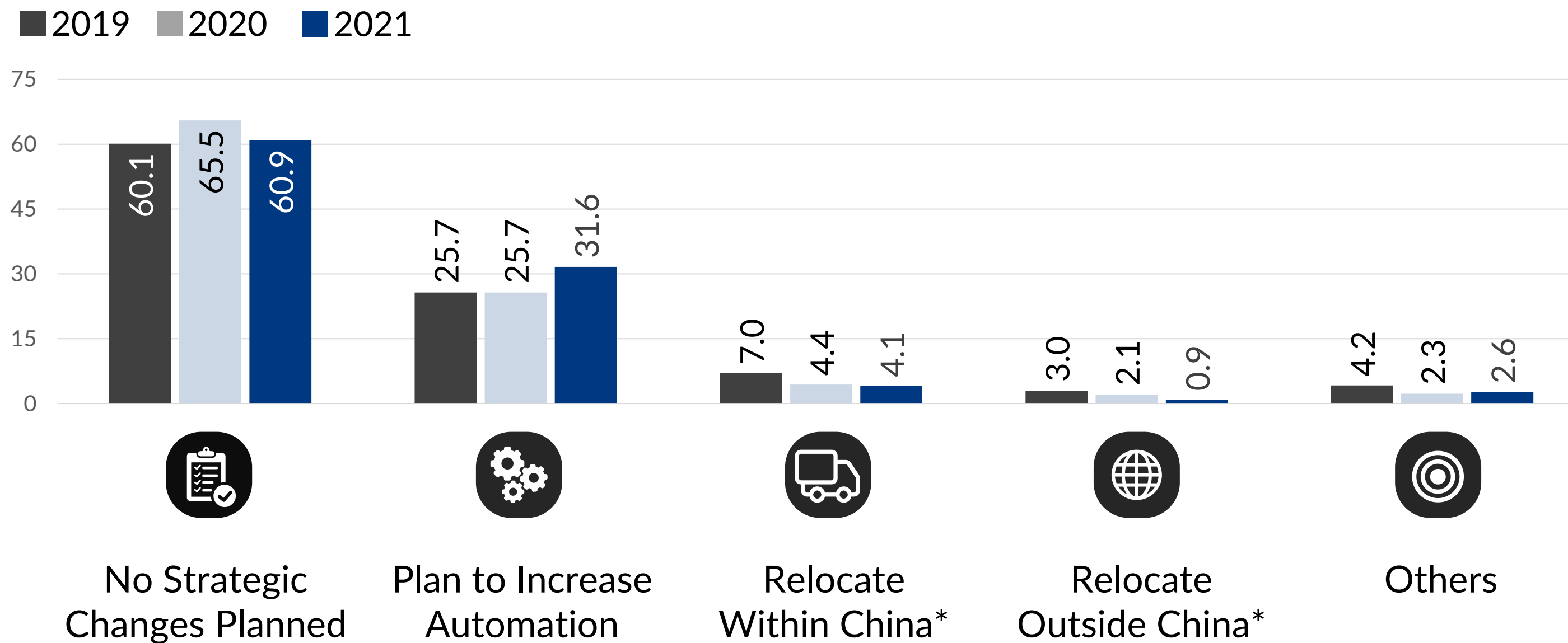


HR Challenges: Strategic Changes

Due to Rising Labor Costs

Results

In %

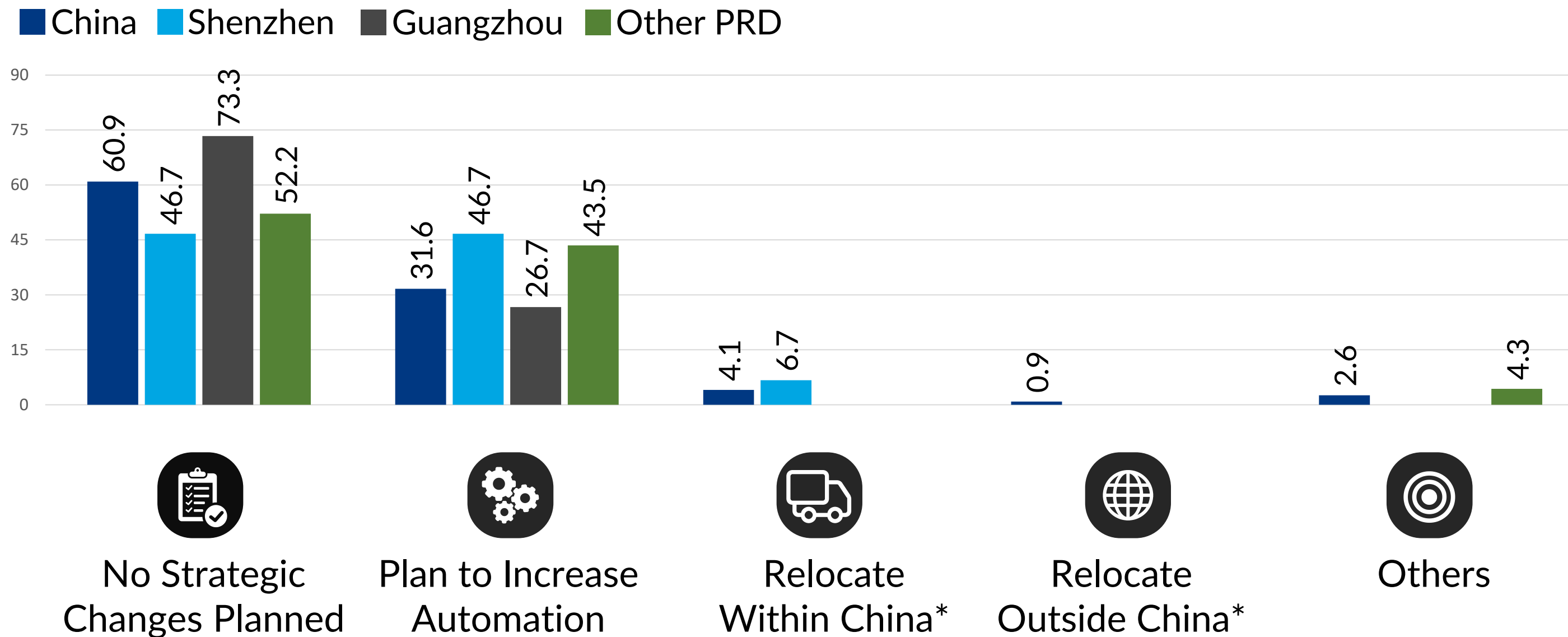


* To lower labor cost areas

HR Challenges: Strategic Changes

Due to Rising Labor Costs

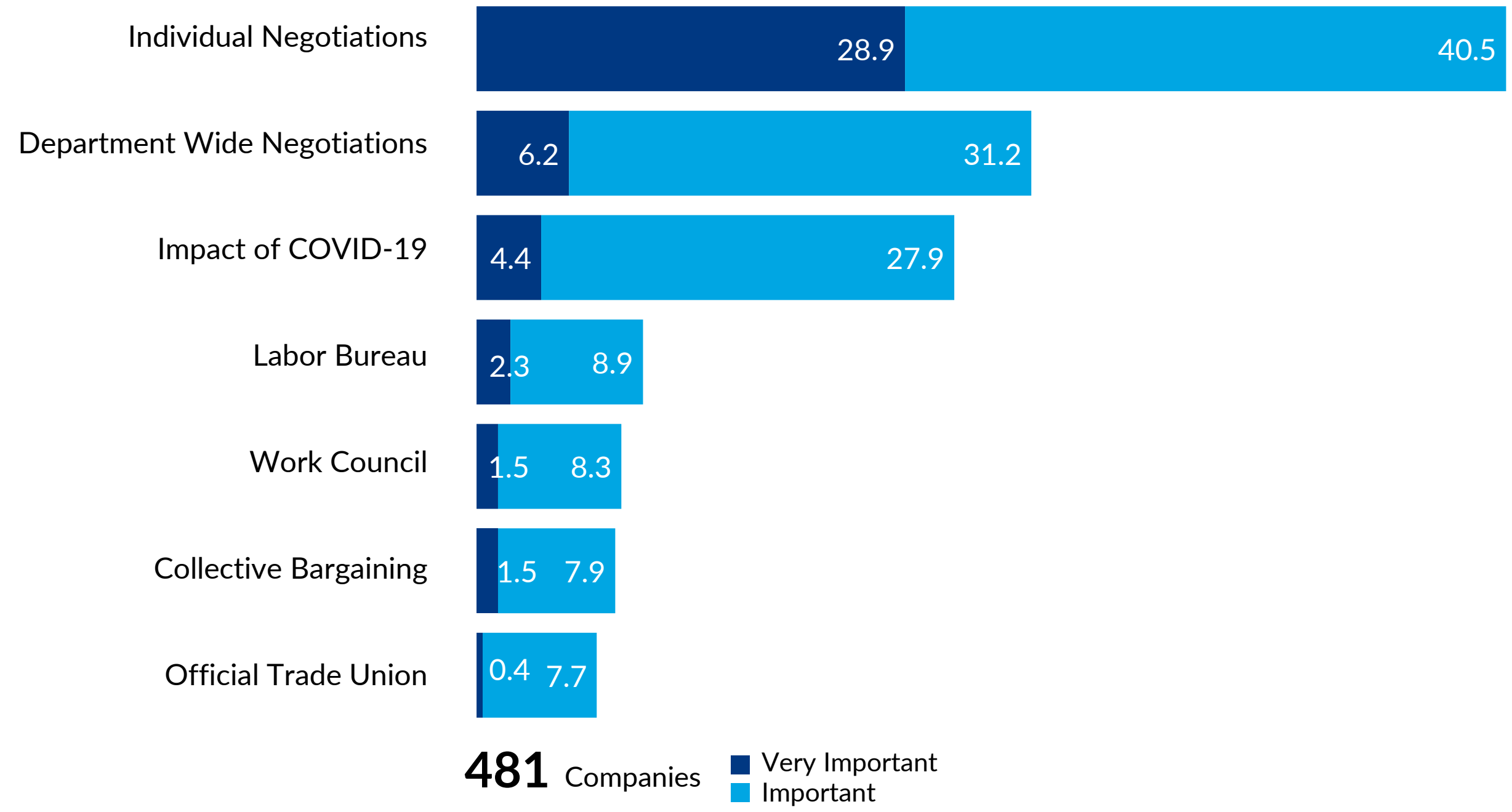
Results
2021
In %



*To lower labor cost areas

Importance of Factors for Wage Negotiations

Very Important + Important, in %





1

The **expected average wage increase for 2022 is 4.91 percent**. This projection is 1.12 percentage points (p.p.) above 2021's projection made last year, which was highly influenced by the impact of the COVID-19 pandemic.

Despite this uptick, the 2022 forecast further consolidates the downward trajectory in expected salary increases that has been dominant since the survey started. This projection is the second lowest ever recorded (after last year's 3.79 percent).

2

German companies have produced a 4.30 percent **effective wage growth in 2021**, in contrast with the initial projection of 3.79 percent made in 2020. German companies eventually opted for loosening their salary increase policies, regardless of the conservative outlook in 2020.



3

The expected salary growth for 2022 is above 2021 projections across all regions, signaling German companies across China have a more positive outlook towards 2022 than they had last year towards 2021, when the impact from the COVID-19 pandemic on business was at its height.

In **Shenzhen**, after an increase of 1.22 p.p. over last year's projection, the expected salary increase for 2022 averages 5.10 percent. It is the second largest, after Shanghai's 5.11 percent.

In addition, Shenzhen's effective 4.38 percent salary increase in 2021 represents a departure of 0.50 p.p. over its initial 3.88 percent projection.



4

The median total cost per employee for German companies in China is RMB 16,443 per month. In **Shenzhen**, it is RMB 13,587 per month (0.83 times China's median total cost per employee); in Guangzhou is RMB 13,650 per month (0.85 times China's); and in Other PRD it is RMB 12,300 per month (0.75 times China's).

5

The salary gap between the highest and lowest paying regions has narrowed down for the third consecutive edition.

The narrowing is mostly caused by the increase of the lowest regional salary levels. In 2019 the lowest median TCE was RMB 9,800 per month, in 2021 the lowest median TCE was RMB 12,000 per month.



6

All industries are expecting wage increases in 2022 above their respective effective wage increases in 2021.

The highest expected salary increases next year are for Medical Supplies (5.83 percent), Consulting / Legal Services (5.81 percent), and Electronics (5.80 percent).

The industries where salaries are expected to grow at the most moderate rate are Automotive (4.51 percent), and Machinery & Industrial Equipment (4.73 percent).



7

By levels of seniority, the expected increase for next year is also above the effective increases recorded in 2021.

Junior and Mid-level professionals have seen the highest effective increases in 2021: 4.43 and 4.39 percent, respectively. They are also the ones to expect the highest increases in 2022: 5.09 and 4.97 percent, respectively.

8

In this edition, rising labor costs tops recruiting qualified staff as the most challenging HR issue: 84.2 percent of participants consider it has high or medium impact on business operations.

Blue collar labor shortages, added for the first time in this edition, is the sixth most challenging HR issue (53.2 percent); the third for companies that only do production in China (72.7 percent).



9

In **Shenzhen**, rising labor costs, recruiting qualified staff, and social insurance / housing fund remain as the top HR challenges in 2021.

Blue-collar labor shortages are perceived to have high to medium impact on business operations by 73.3 percent of surveyed companies in **Shenzhen**. This makes it the fifth most challenging HR issue, together with the perceived high cost of training.

10

To deal with rising labor costs, one of the most common strategies for German companies in China is to increase automation levels: 31.6 percent. In **Shenzhen**, 46.7 percent of the companies plan on increasing automation; and another 6.7 percent may consider relocate to lower labor cost areas within China.

To Be Continued... With Your Questions

CONNECT



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Facts & Figures

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