

A Member-Exclusive Report

# Labor Market & Salary Report 2020 | 2021

Brief Edition

**13**<sup>th</sup>  
Edition



**Partner For Employers**



# Labor Market & Salary Report 2020 | 2021

GERMAN CHAMBER OF COMMERCE IN CHINA

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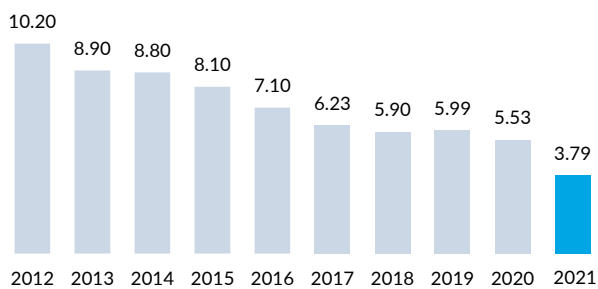
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# EXECUTIVE SUMMARY

## Wage Developments at German Companies

The expected salary growth for 2021 among German companies in China averages 3.79 percent, a 1.74 percentage points (p.p.) expected decrease from 2020 - the lowest expected salary growth and strongest decrease ever recorded by the German Chamber of Commerce in China (Figure ES.1).

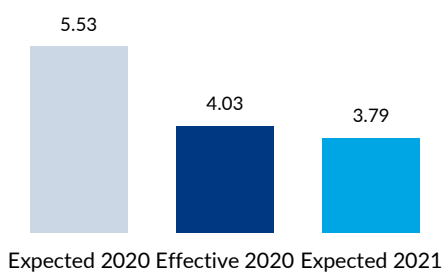
**Figure ES.1: Expected Wage Growth Development at German Companies in China 2012-2021, Nominal Growth, in %**



In each edition, the expected wage growth is the average of all the individual positions' expected wage growth collected in the survey. In 2020, with a total of 576 companies and 39 different roles, the number of observations collected amounted to 7,307.

The effective wage growth in 2020 averages 4.03 percent, 1.50 p.p. below the projected 5.53 percent for 2020 (Figure ES.2).

**Figure ES.2: Expected & Effective Wage Increases in China 2020-2021, in %**



In addition to the traditional downward trend in wage growth developments, this year companies faced the impact of COVID-19 on wage developments: 66.5 percent report that the pandemic has a medium to high impact on the actual salary growth for 2020, and 67.0 percent report the pandemic has a medium to high impact on their projections for 2021.

German companies have taken certain measures to mitigate the impact of COVID-19 on their organization. The most common initiatives have been: hiring stops (51.2 percent);

introduction of alternative work arrangements, such as remote work (46.0 percent); and the usage of HR government support measures (44.3 percent). Some companies report laid-off personnel (11.1 percent) or reduced salaries, either temporarily (10.6 percent) or permanently (7.1 percent) (Figure ES.3).

**Figure ES.3: Measures Taken Due to COVID-19 Measures Taken by German Companies, in %**



Sample: 576 companies. Multiple answers allowed per contributor. "Cut extra benefits" may include the following: supplementary health insurance, life insurance, overtime, children allowances, meal and transportation allowances, supplementary housing funds, retention bonuses. GBS: Gross Base Salary.

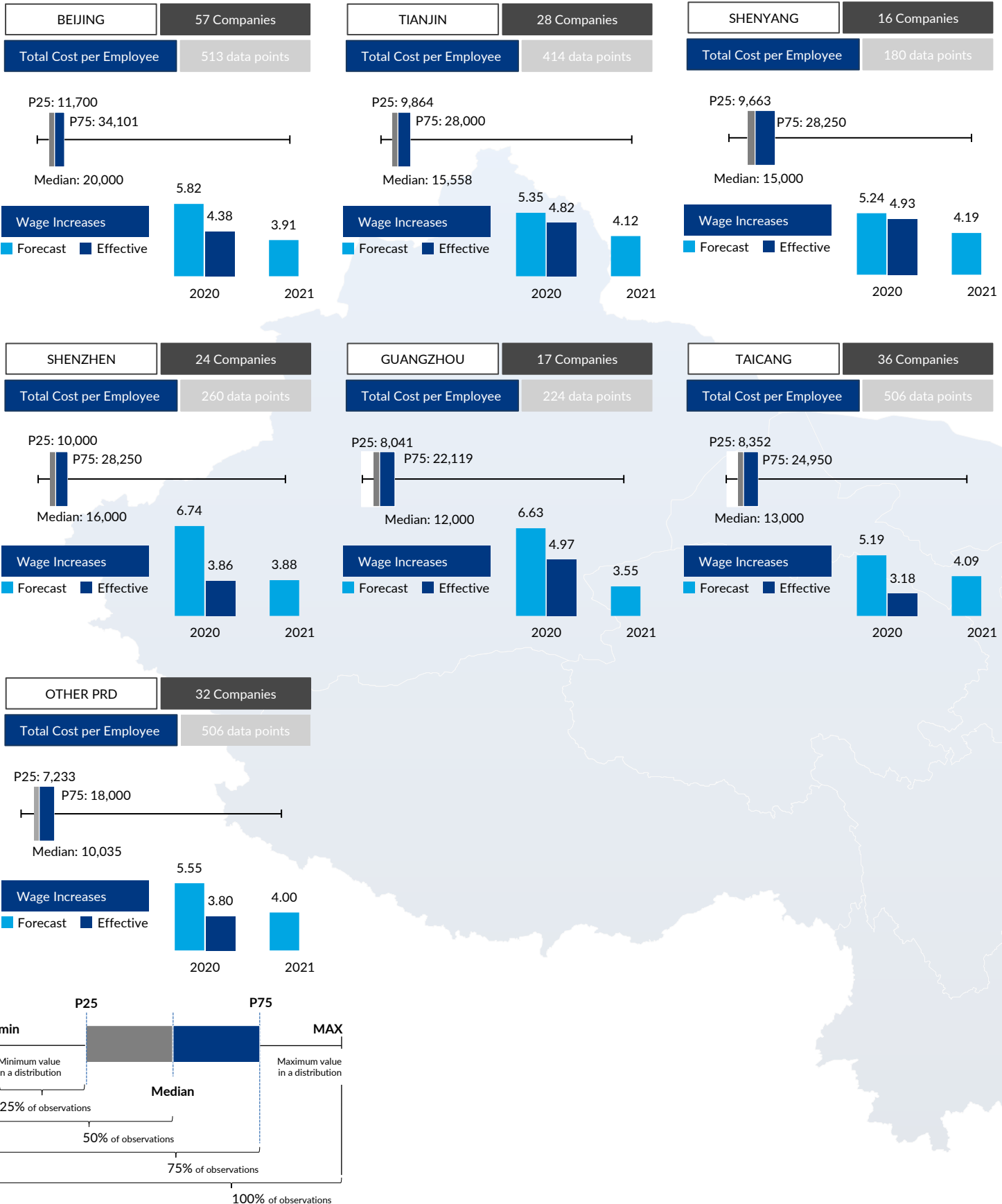
The total cost per employee (TCE) among German companies in China has a median value of RMB 15,317 / month.

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. However, in certain regions (Taicang and Kunshan, other Pearl River Delta), the outlook for next year seems more favorable, with salary growth projections for 2021 that are above the reported effective wage growth rates this year.

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



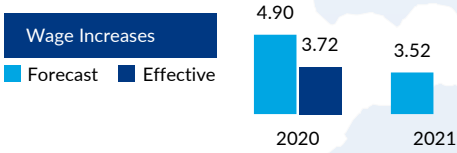
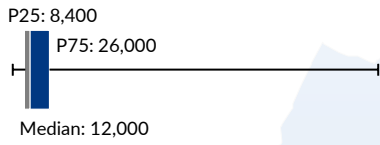
# GENERAL RESULTS OVERVIEW



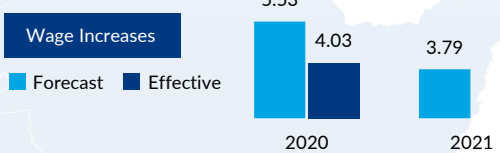
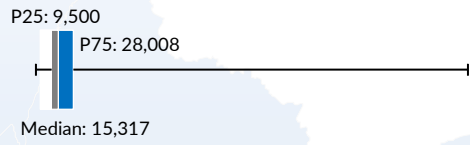
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**Total Cost per Employee:** RMB/month, for a 12-month based year. P25: Percentile 25, compensation level below which 25 percent of the observations concentrate; Median: level of compensation that divides the distribution in two equal parts; P75: percentile 75, compensation level below which 75 percent of the observations concentrate. **Wage Increases:** data in percentage. \* There are 13 companies, that belong to the Other North region (outside Shenyang, Dalian, and Changchun) for which data is not presented due to limited sample size.

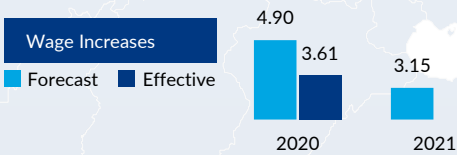
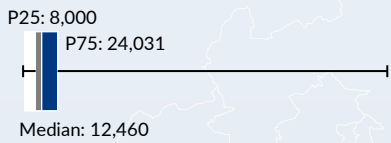
**DALIAN & CHANGCHUN** 18 Companies  
Total Cost per Employee 287 data points



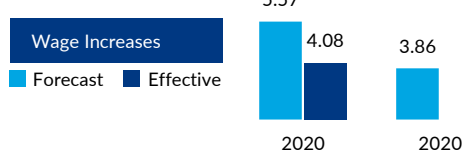
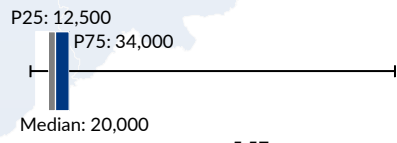
**CHINA** 576 Companies\*  
Total Cost per Employee 7,289 data points



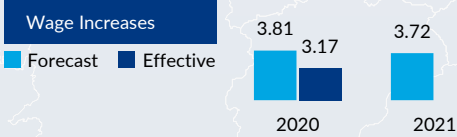
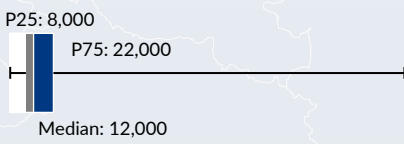
**SUZHOU** 32 Companies  
Total Cost per Employee 511 data points



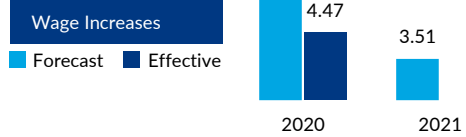
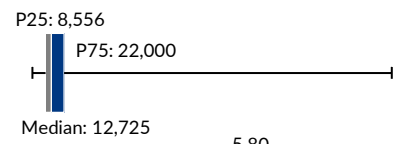
**SHANGHAI** 234 Companies  
Total Cost per Employee 2,465 data points



**KUNSHAN** 14 Companies  
Total Cost per Employee 302 data points



**OTHER YRD** 55 Companies  
Total Cost per Employee 934 data points



# I. LABOR MARKET ENVIRONMENT

## 1. Chinese Economy amid COVID-19

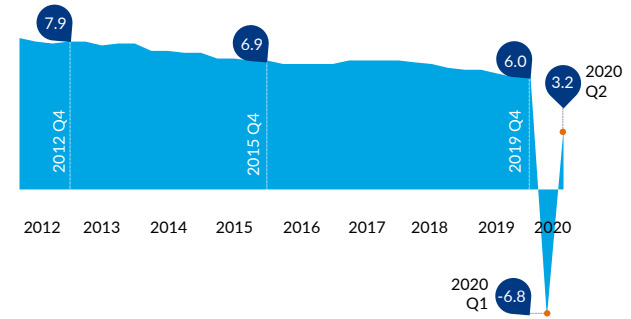
The COVID-19 pandemic has caused a global recession and affected jobs and social welfare worldwide. The Chinese economy suffered a substantial hit, reporting a gross domestic product (GDP) decline of 6.8 percent year-on-year (YoY) for the first quarter of 2020. Since the People's Republic of China's (China) policy of reform and opening up, it was the first negative GDP development recorded. The economic growth of 3.2 percent of the second quarter of 2020 hints toward a gradual recovery of the economy (Figure 1.1).

Overall, China experiences a significant economic slowdown in 2020. Whereas in 2019, GDP grew by 6.1 percent, fulfilling the growth target for the year (between 6.0 to 6.5 percent), this year, due to the pandemic and the uncertainty it brought, Premier Li Keqiang announced to abandon the growth target for 2020 (Li, 2020). The World Bank (2020) forecasts a 1.6 percent GDP growth for 2020 for China, marking the country's slowest growth rate since 1976.

The sector hardest hit by the pandemic in the first quarter of 2020 was the secondary sector, experiencing YoY GDP decline of 9.6 percent. It also contributed only 35.6 percent to the total GDP, showing a temporary decrease compared to previous quarters (Figure 1.2). As in previous years, the most dynamic sector continues to be the tertiary sector, contributing to over 55 percent of the total GDP in the first half of 2020 (Figure 1.2). Nevertheless, the tertiary sector also experienced negative GDP growth of 5.20 percent in the first quarter of 2020.

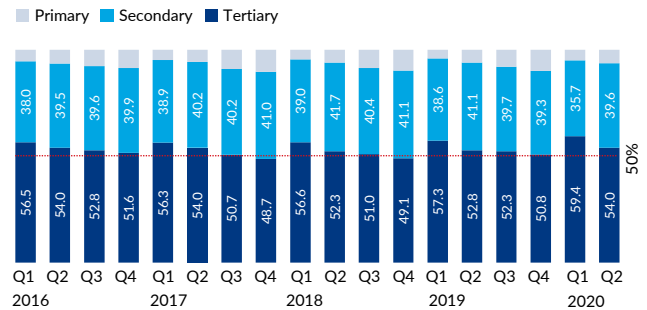
Even though the economic growth of the second quarter of 2020 (3.2 percent) indicates a gradual recovery of the economy, it is recovering unevenly. In the first half of 2020, the information, software, and information technology services, here summarized as information and technology services (ICT), showed the highest YoY growth with 14.5 percent. The recovery was led by industrial production, contributing to almost one-third of the GDP (31.7 percent) in the first half of 2020. Hotel and catering services saw the most severe decline, with a negative YoY growth of 26.8 percent, followed by wholesale and retail trades with a YoY decline of 8.1 percent for the H1 of 2020 (Figure 1.3). These figures show that the COVID-19 pandemic hit services involving face-to-face interactions particularly hard, most likely caused by restrictions on service activity and behavioral changes (World Bank, 2020).

**Figure 1.1: GDP Growth China**  
2012-2020, Quarterly Data, in %



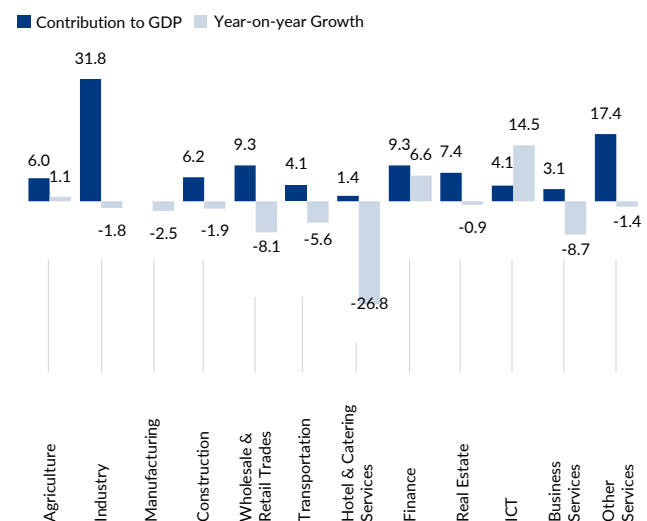
Source: National Bureau of Statistics China (NBS). Preliminary accounting results for 2020.

**Figure 1.2: Contribution to GDP by Sector**  
2016-2020, Quarterly Data, in %



Source: NBS. Data is cumulative: the contribution to GDP from a sector in a quarter for any given year includes the previous quarter/s within that year.

**Figure 1.3: Contribution to GDP and Growth by Industry**  
First Half 2020, in %



Source: NBS.

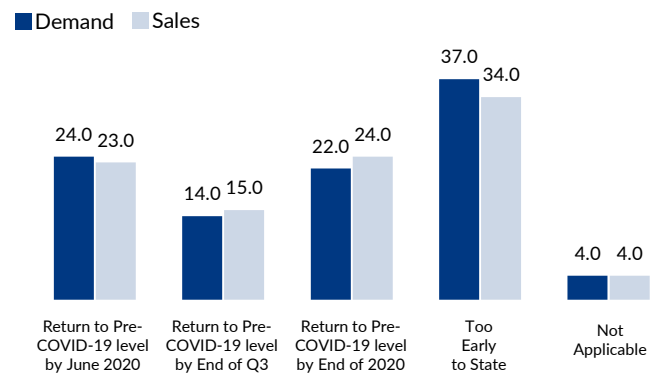
The GDP figures reflect the challenges brought about by COVID-19 in the first quarter, extending into the second quarter of 2020. In order to contain the spread of COVID-19, Chinese authorities implemented measures such as travel restrictions across provinces and cities, as well as local quarantine regulations. These measures resulted in a shortage of qualified staff and disrupted supply chains. On 27 February 2020, the German Chamber of Commerce in China and the European Union Chamber of Commerce in China released a joint survey on the effects of COVID-19 on European business in China. 47 percent of the surveyed companies reported staff shortages. Migrant workers, that represent a significant part of the workforce in China, were unable to return to their workplaces after Chinese New Year due to domestic travel restrictions. The shortage of staff had a major impact on production: Companies that started production in February operated on limited staff capacity. Furthermore, nearly 50 percent of European companies in China reported disruptions in logistics, impacting their business activities.

By April 2020, however, companies indicated a change for the better. According to the German Chamber of Commerce in China's second survey on COVID-19's future impact on German businesses, 67 percent of German enterprises reported staffing rate returned to normal. Almost 60 percent of the companies resumed production, and another 30 percent expected a return to pre-pandemic levels by the end of Q2. These results could be explained by the easing of domestic travel restrictions and the resumption of production and business activities.

Yet while domestic supply is recuperating, the domestic and global demand is putting a strain on economic recovery. In June 2020, only around one-quarter of surveyed German enterprises reported that demand and sales have returned to normal, meaning to pre-COVID-19 levels (Figure 1.4). According to the World Bank (2020), the effects of income losses and labor dislocation cause consumers to exercise restraint.

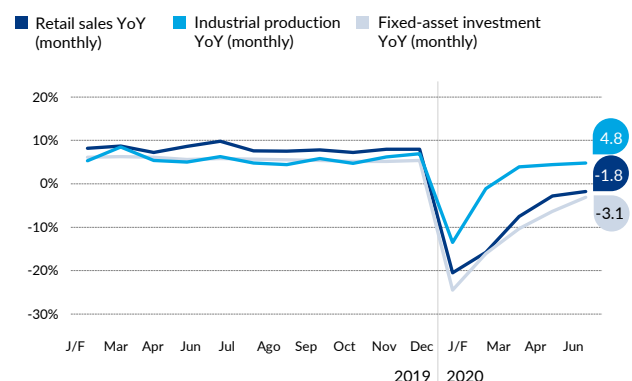
These developments are also reflected in the YoY retail sale growth, published by the National Bureau of Statistics, China (NBS), amounting to negative 20.5 percent in January/February 2020. Also, the fixed-asset-investment declined in January/February by 24.5 percent YoY. Until June 2020, both indicators are showing negative YoY growth, whereas industrial production recovered in March 2020, stating positive YoY growth (Figure 1.5).

**Figure 1.4: Business Operation Expectations of German Companies in June 2020**  
Demand and Sales, in %



Source: German Chamber of Commerce in China's third survey on COVID-19's future impact on German businesses (June 2020). Formulated question: "By when do you expect your company's business operations to return to normal?" Answered by 255 German companies.

**Figure 1.5: Growth of Retail Sales, Fixed-Asset Investment & Production**  
2019 -2020, YoY Monthly Growth, in %



Source: NBS. Retail sales and industrial production growth rates compared to the same period last year. Data is cumulative for fixed-asset investment (total amount of money invested in the construction and purchase of fixed assets).

The total retail sales of consumer goods reached RMB 17,225.6 billion from January to June 2020. The retail sales of consumer goods, excluding automobile sales, amounted to RMB 15,586.9 billion, down 10.9 percent YoY (NBS, 2020a). The automobile retail sales decreased by 15.2 percent from January to June 2020, compared to last year (Figure 1.6). Automobile sales in July are expected to rise by 14.9 percent (compared to July 2019) to 2.08 million vehicles, according to the China Association of Automobile Manufacturers (Shanghai Securities News, 2020).

The COVID-19 pandemic also took its toll on business sentiment. China's Caixin / Markit's Purchasing Manager's Index (PMI) fell to a record low of 26.5 in services in February 2020 from 51.8 in January (a PMI above 50 indicates expansion, while one below 50 indicates contraction). Business sentiment fell to a historical low amid company closures, travel restrictions, a decline in exports, and job cuts (Figure 1.7).

After February, the Caixin China General Services PMI steadily increased, reaching 58.4 in June 2020, an over 10-year high. These results can be attributed to the easing of virus-containing restrictions, growing demand, and export sales as well as an increased activity in the construction sector, rising for the first time since January. In July, the Services PMI fell to 54.1.

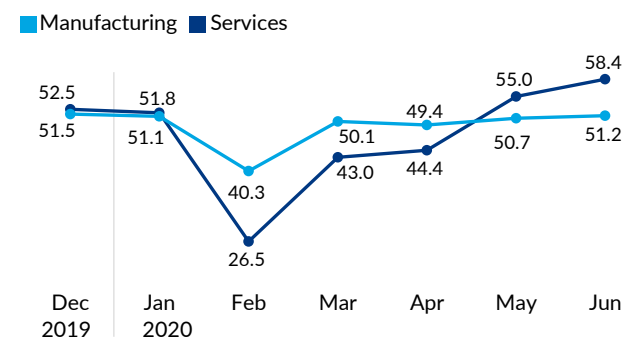
The Caixin China General Manufacturing PMI is rising monthly since April 2020, when it experienced a decline to 49.4 due to the challenging domestic and global demand (Figure 1.7). The service and manufacturing PMI from the NBS reports similar developments. After a dive in February, the PMI shows an expansive trend. In April, the NBS indicates a manufacturing PMI of 50.8, whereas Caixin reported 49.4. For services, NBS reported a PMI of 53.2, opposed to Caixin reporting a drop to 44.4. The differences are caused by the Caixin / Markit's index monitoring private companies and smaller firms, while the index from the NBS focuses on state-owned enterprises and larger companies (Ahern, 2020).

**Figure 1.6: Retail Sales of Consumer Goods 2020**  
January-June 2020, Absolute Value in RMB 100 million, YoY Growth Rate in %

	June		January to June	
	Value	YoY	Value	YoY
Grain, Oil, Food	1,252	10.5	7,453	12.9
Beverages	210	19.2	1,026	10.5
Tobacco and Liquor	330	13.3	1,726	-3.1
Garment, Footwear, Hats, Knitwear	1,059	-0.1	5,120	-19.6
Cosmetics	326	20.5	1,477	-0.2
Gold, Silver, Jewelry	193	-6.8	977	-23.6
Commodities	615	16.9	2,927	5.2
Household appliances and AV Equipment	1,026	9.8	3,770	-12.2
Traditional Chinese, Western Medicines	461	9.7	2,535	5.8
Cultural and Office Appliances	349	8.1	1,510	1.6
Furniture	159	-1.4	657	-14.1
Communication Appliances	576	18.8	2,414	5.8
Petroleum and Related Products	1,495	-13.0	7,916	-18.4
Automobile	3,612	-8.2	16,388	-15.2
Building and Decoration Materials	163	2.2	712	-11.0

Source: NBS.

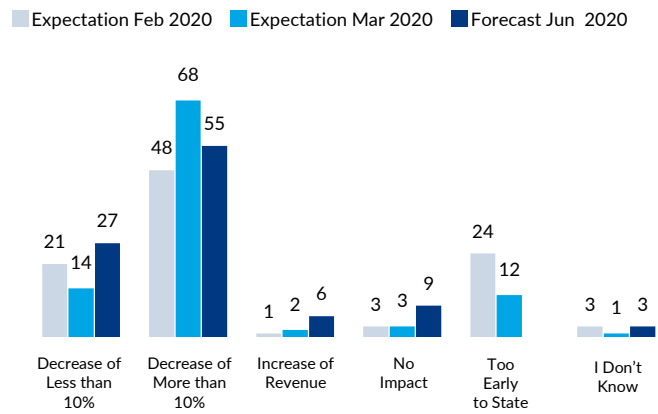
**Figure 1.7: Business Sentiment 2020**  
China's Caixin / Markit Purchasing Manager's Index (PMI)



Source: China's Caixin / Markit Purchasing Manager's Index (PMI). PMI values > 50 indicate expanding business; values < 50 indicate contraction.

COVID-19's continuing strain on China's economy is reflected in the predicted impact of COVID-19 on the German companies' revenue in the first half of 2020. In June 2020, 55 percent of German companies forecasted a revenue decrease of 10 and more percent for the first half of 2020. This forecast shows a positive development to March 2020, as 68 percent of the surveyed German companies predicted a revenue decrease of 10 and more percent for H1 2020. Nevertheless, only 9 percent of the surveyed German enterprises reported no impact of COVID-19 on revenues (Figure 1.8).

**Figure 1.8: Impact of COVID-19 on German Companies' Revenue in H1 2020**  
In %



Source: German Chamber of Commerce in China's first, second, and third survey on COVID-19's future impact on German businesses (February, March, & June 2020). To what extent has the COVID-19 epidemic impact your company's revenue in the first half of 2020? Answered by 229 German companies, per item only one answer possible.

## 2. Labor Market Developments

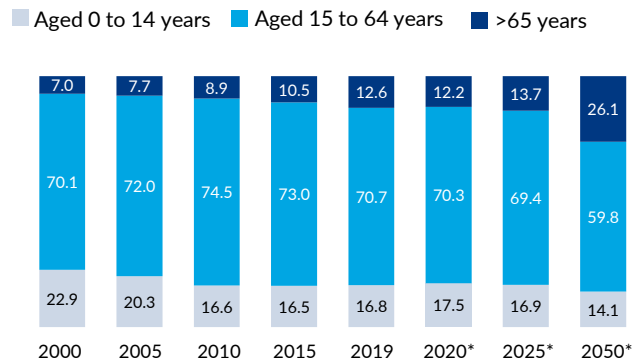
Along with the ongoing challenges of an aging population (Figure 1.9), shrinking labor force, and, thus, an increasingly challenging worker-to-pensioner ratio, the Chinese labor market faces severe disruptions as a result of the pandemic. Rising unemployment and, at the initial phase of the outbreak, labor dislocation, brought about further instability to the labor market.

The official surveyed urban unemployment rate, released by the NBS, increased significantly in February 2020 to 6.2 percent (from 5.3 percent in January). With the easing of domestic travel restrictions and the resumption of business activities, the urban unemployment rate fell to 5.9 percent in March (Figure 1.10). During that time, 76 million workers (around 17 percent of the urban workforce) were employed, but could not resume work. Additionally, 26 million urban workers lost their jobs (NBS, 2020b). The surveyed urban unemployment rate increased to 6 percent in April 2020, with a specifically high urban unemployment rate of 13.8 percent for the population aged 16 to 24 (NBS, 2020c). Looking at absolute numbers, 4.6 million people joined China's workforce in urban areas in the first five months of 2020. This marks a decrease of 1.37 million in newly employed talents compared with the same period in 2019 (NBS, 2020d). In June, an urban unemployment rate of 5.7 percent was reported, continuing to put pressure on the Chinese labor market (Figure 1.10).

Labor market disruptions have had a severe impact on migrant workers. First of all, at the initial phase of the COVID-19 outbreak, most migrant workers were visiting their hometowns for the Chinese New Year. As the outbreak began, unexpected lockdowns and domestic travel restrictions prevented millions from returning to their workplaces. It highly affected families relying on the income of the migrant workforce. According to the NBS, migrant workers numbered 290.77 million and represented 30 percent of the total workforce in urban areas in 2019. Stranded migrant workers, thus, resulted in labor dislocation and staff shortages.

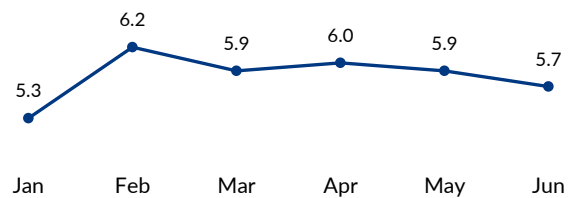
Secondly, migrant workers in urban areas are highly engaged in sectors and industries that were hit hardest by the pandemic. In the first quarter of 2020, the secondary sector was impacted the most, experiencing YoY negative GDP growth of 9.6 percent (see Chapter 1). Almost half of the migrant workers are employed in the secondary sector (Figure 1.11). The most impacted industries by COVID-19 were hotel and catering services, with a negative YoY growth of 26.8 percent, followed by wholesale and retail trades with a YoY decline of 8.1 percent for the H1 of 2020 (see

**Figure 1.9: China's Age Demographic Composition of Population 2000-2050\*, in %**



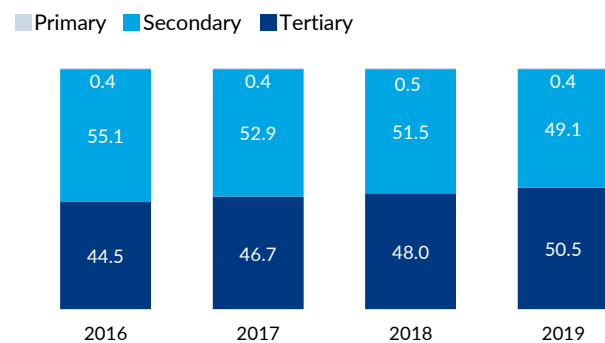
Source: NBS; \*2025, 2025, 2050 Forecast from World Bank.

**Figure 1.10: Urban Unemployment Rate 2020 In %**



Source: NBS.

**Figure 1.11: Migrant Workers Distribution of Employment by Sector 2016-2019, in %**



Source: NBS.

Chapter 1). These two industries have a disproportionate high share of migrant workers (World Bank, 2020), and almost one-fourth of the migrant workers are employed in these industries (Figure 1.12).

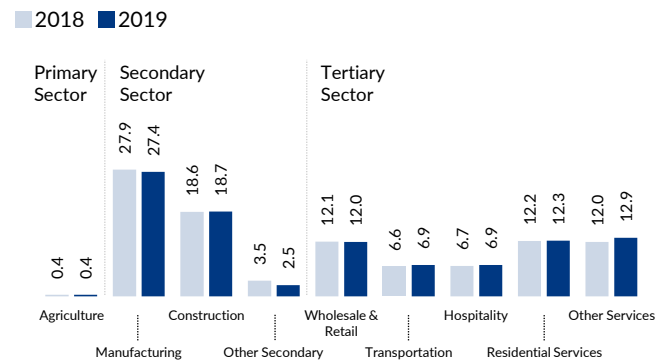
Next to migrant workers, also fresh graduates are affected by the labor market disruptions, facing difficulties in finding a job compared to previous years. In 2020, 8.74 million students are expected to graduate from college in China, a record high (Li, 2020). According to a survey conducted by The China Institute for Employment Research (CIER) and the online recruitment platform Zhaopin in February and March 2020, over half of the Chinese college students perceive the employment situation this year as not optimistic (Zeng, 2020). As a response, the Chinese government has put in place measures to encourage employment and provide employment services on an ongoing basis for graduates (Li, 2020).

The CIER reported a decrease in recruitment demand by 28.45 percent and a decrease in job applications by 8.73 percent in the first quarter of 2020, compared to the same period in 2019. The CIER Index is based on the online recruitment platform Zhaopin, and measures the balance between job supply and job demand in the Chinese labor market (an index above 1 means the job supply outweighs demand. An index below 1 indicates the opposite). The CIER index amounted to 1.43 in Q1 2020 – falling from 2.18 in the previous quarter. In March 2020, it fell to its record low of 1.02 since the index launch in 2011 (CIER, 2020). Due to COVID-19, many companies had to suspend production and business activities and, consequently, reduced recruitment. Furthermore, the pandemic also reduced foreign trade, global and domestic demand, and companies' revenues (see Chapter 1), all adding to the decline in recruitment.

The Ministry of Human Resources and Social Security (MOHRSS) publishes quarterly statistics of the job vacancies to job seekers ratios, reflecting labor shortages or surplus. The MOHRSS samples data from around 200 public talent and service organizations. A ratio above 1 indicates labor shortages, and a value below 1 means labor surplus. In the first quarter of 2020, the China ratio amounted to 1.62, denoting that demand is stronger than supply. Due to the pandemic, the number of job seekers declined significantly in the first quarter, and rose slightly in Q2. Employers recruited about 4.412 million people through public employment service agencies, and about 3.337 million job seekers entered the market in the second quarter (MOHRSS, 2020), resulting in a ratio of 1.32 (Figure 1.13).

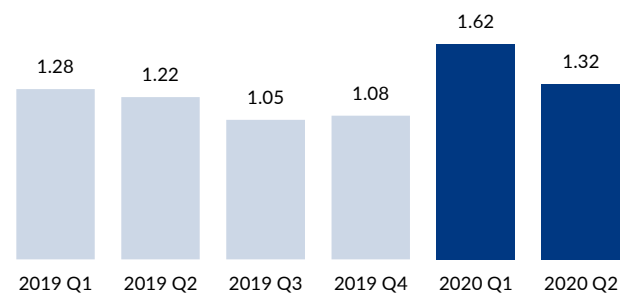
In order to stabilize the labor market, the Chinese government announced in May 2020 that it would create

**Figure 1.12: Migrant Workers Distribution of Employment by Industry 2018-2019, in %**



Source: NBS.

**Figure 1.13: MOHRSS Job Vacancies to Job Seekers 2019-2020, Quarterly**



Source: Ministry of Human Resources and Social Security (MOHRSS). A value > 1 indicates labor shortages; a value < 1 means labor surplus.

nine million urban jobs to ensure a surveyed urban unemployment rate of around 6 percent to stabilize employment. Furthermore, a target was set to eliminate poverty among rural residents living below the current poverty line (Li, 2020). The poverty line is based on an income of RMB 6.3 per day at 2010 constant prices.

Furthermore, China has adopted policy measures to better secure employment and support income. The measures mainly rely on the existing social protection program, expanding the benefits and coverage. This includes, for example, extending social protection programs for migrant workers (World Bank, 2020), allowing low-income earners to postpone social insurance payments, and canceling employment-related government charges (Li, 2020). China's social protection and employment policies are expected to amount to 1.65 percent of the GDP. For reference, upper-middle income countries spend 0.51 percent of GDP on average on these measures (Gentilini, Almenfi, Dale, Lopez, Mujica, Quintana, & Zafar, 2020). Still, Migrant workers



looking to participate in the social support program might face certain hurdles, as China's household registration system (hukou) ties the social security benefits and access to social service to the place of registration, and not the place of employment (World Bank, 2020).

## II. WAGE DEVELOPMENTS IN CHINA

### 1. Wage Developments

China's annual average wage increased from RMB 82,413 in 2018 to RMB 90,501 in 2019, showing an average nominal wage growth of 9.8 percent (Figure 2.1). Consistent with the GDP growth rate, the average wage growth faces a downward trend as well (Figure 2.2).

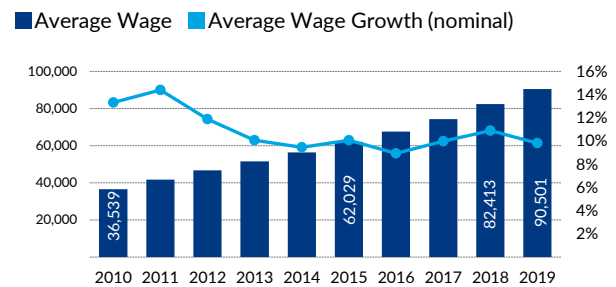
In the first half of 2020, the average per capita disposable income of Chinese residents amounted to RMB 15,666, indicating a 2.4 percent growth compared to the first half of 2019 (RMB 15,294) (Figure 2.3). The per capita disposable income of urban residents was RMB 21,655 and for rural residents RMB 8,069 in the first half of 2020. The median per capita disposable income of Chinese residents for the first half of 2020 increased by 0.5 percent to RMB 13,347 compared to the same period in 2019 (NBS, 2020e).

Looking at wage increases on a regional level, the latest official data was released by the NBS and referred to 2018. In the figure 2.4, northern and eastern provinces show an average wage growth between 2010 to 2018 that is below the China average. South and Southwest regions reported above-average wage growth during this period (Figure 2.4).

For an assessment of the provincial wage levels and their development, refer to Figure 2.5.

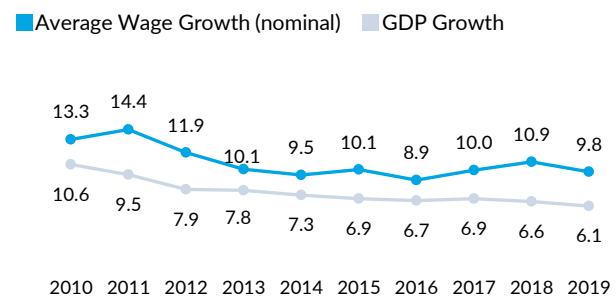
According to the NBS, the highest average monthly wage levels among urban employees (RMB/month) for 2018 was reported in Beijing (RMB 12,147) and Shanghai (RMB 11,700), and the lowest in Heilongjiang (RMB 5,065) and Henan (RMB 5,265). The 2019 average wage levels are evaluated based on the GDP growth, inflation, and wage increases from the past five years. The estimations of the average wage levels for 2020 are including the COVID-19 impact and are based on the same indicators as the 2019 analysis, while including in the calculation the deviation between the expected and effective wage increase for 2020 found by the German Chamber of Commerce in China (see Part III). Due to the COVID-19 pandemic and its ongoing impact on global markets, a decrease in wage growth from 2019 to 2020 is likely (Figure 2.5).

Figure 2.1: Average Wage and Wage Growth 2010 - 2019, Average Wage in RMB, Average Wage Growth in %



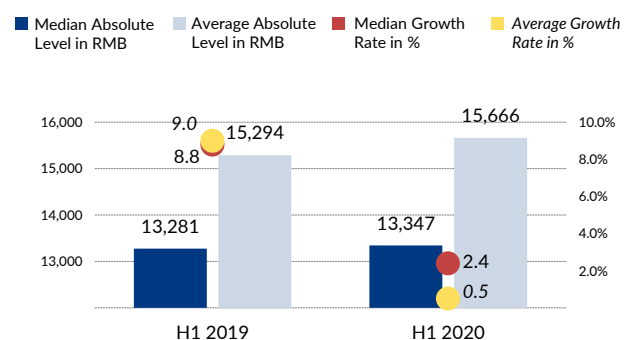
Source: NBS. Annual wages based on 12 months; all wages are pre-tax.

Figure 2.2: GDP and Wage Growth 2010-2019, in %



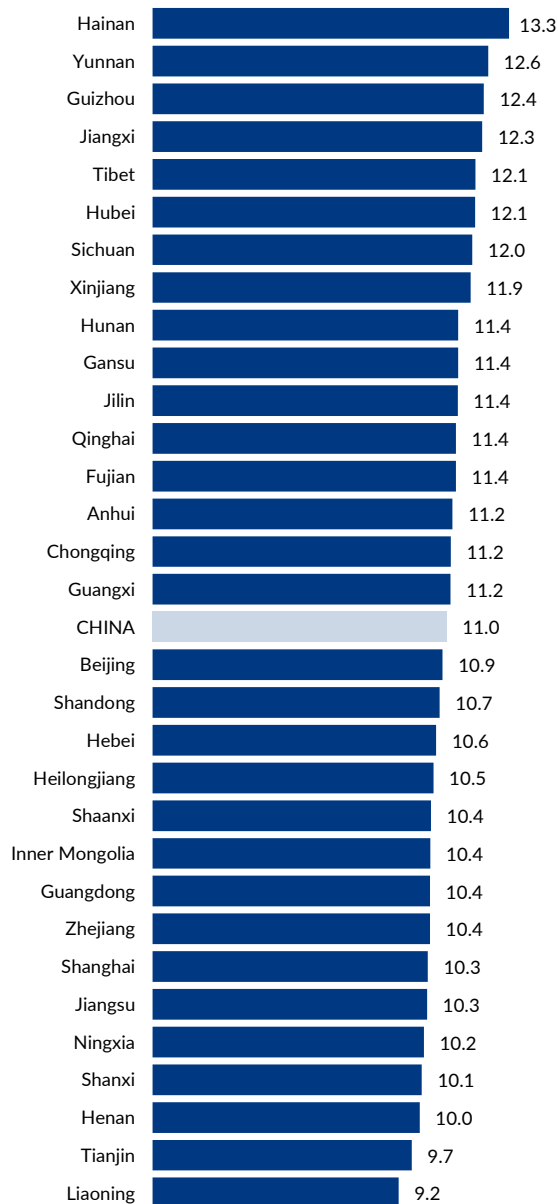
Source: NBS.

Figure 2.3: Disposable Income of Chinese Residents H1 2019 & H1 2020, Income per Capita in RMB, YoY Growth in %



Source: NBS.

**Figure 2.4: Average Wage Developments 2010-2018**  
By Province, in %



Source: NBS.

**Figure 2.5: Wage Level by Province**  
2018-2020, Average Monthly Wages in RMB, Wage Growth in %

Province	2018	2019*	2020**	COVID-19 Impact on Wage Level	
				2020 Wage Growth	Factor***
Beijing	12,147	13,267	14,297	7.8	1.75
Shanghai	11,700	12,936	13,924	7.6	1.70
Tibet	9,668	11,378	13,369	17.5	1.64
Tianjin	8,394	9,148	9,795	7.1	1.20
Zhejiang	7,407	8,147	8,814	8.2	1.08
Guangdong	7,386	8,090	8,802	8.8	1.08
Qinghai	7,115	7,845	8,556	9.1	1.05
Jiangsu	7,057	7,701	8,256	7.2	1.01
<b>CHINA</b>	<b>6,868</b>	<b>7,534</b>	<b>8,168</b>	<b>8.4</b>	<b>1.00</b>
Chongqing	6,577	7,220	7,783	7.8	0.95
Ningxia	6,532	7,067	7,605	7.6	0.93
Guizhou	6,526	7,067	7,965	9.2	0.98
Sichuan	6,474	7,148	7,777	8.8	0.95
Hainan	6,324	7,047	7,728	9.7	0.95
Yunnan	6,308	7,125	7,957	11.7	0.97
Xinjiang	6,288	6,842	7,355	7.5	0.90
Anhui	6,198	6,687	7,226	8.1	0.88
Fujian	6,193	6,729	7,208	7.1	0.88
Inner Mongolia	6,153	6,612	7,049	6.6	0.86
Hubei	6,148	6,800	7,403	8.9	0.91
Shandong	6,133	6,758	7,290	7.9	0.89
Shaanxi	5,999	6,517	7,014	7.6	0.86
Gansu	5,891	6,538	7,147	9.3	0.87
Guangxi	5,884	6,586	7,260	10.2	0.89
Hunan	5,852	6,456	7,034	9.0	0.86
Hebei	5,726	6,316	6,914	9.5	0.85
Jiangxi	5,714	6,274	6,823	8.8	0.84
Jilin	5,711	6,274	6,815	8.6	0.83
Liaoning	5,610	6,053	6,480	7.1	0.79
Shanxi	5,493	5,842	6,191	6.0	0.76
Henan	5,265	5,701	6,196	8.7	0.76

Source: German Chamber of Commerce in China analysis based on 2018 NBS data. \*2019 values are estimates considering GDP growth, inflation and wage increases of the last 5 years. \*\*2020 is also based on historical GDP growth, inflation and wage increases and additionally, including the deviation between the surveyed German companies' expected and effective wage increase for 2020 found by the German Chamber of Commerce in China. \*\*\*Factor represents the ratio of regional wage to national average for 2020. Monthly wages, based on 12-months year basis; all wages are pre-tax.

Since 2016, IT is the highest paying industry in China. With an average monthly wage of RMB 13,446 in 2019, the compensation level in IT jobs grew by 9.3 percent compared to 2018. Technical Services and R&D, as well as Financial Services, remain the top three industries with the highest wage level (Figure 2.6).

With 11.8 percent the mining industry has the highest wage increase. Already between 2017 to 2018, the compensation level in the mining industry increased by 17.2 percent. Consequently, monthly wages in mining (RMB 7,589) have passed the national average (Figure 2.6).

The most modest wage level increases from 2018 to 2019 are reported in the financial sector (1.2 percent), business services (3.6 percent), and hospitality (4.3 percent) (Figure 2.6).

**Figure 2.6: Wage Developments by Industry 2019**  
Ranked based on 2019 wages

Industry	2018	2019	Growth (%)	Factor*
IT	12,307	13,446	9.3	1.78
Technical Services, R&D	10,279	11,122	8.2	1.47
Finance Services	10,820	10,950	1.2	1.45
Healthcare	8,177	9,075	11.0	1.20
Utilities	8,347	8,978	7.6	1.19
Culture	8,218	8,976	9.2	1.19
Education	7,699	8,140	5.7	1.08
Transport & Logistics	7,448	8,088	8.6	1.07
Public Management	7,328	7,864	7.3	1.04
Mining	6,786	7,589	11.8	1.01
<b>CHINA</b>	<b>6,872</b>	<b>7,542</b>	<b>9.8</b>	<b>1.00</b>
Wholesale & Retail	6,713	7,421	10.5	0.98
Business Services	7,096	7,349	3.6	0.97
Real Estate	6,273	6,680	6.5	0.89
Manufacturing	6,007	6,512	8.4	0.86
Construction	5,042	5,465	8.4	0.72
Water & Environment	4,723	5,097	7.9	0.68
Residential Services	4,612	5,019	8.8	0.67
Hospitality	4,022	4,196	4.3	0.56
Agriculture	3,039	3,278	7.9	0.43

Source: NBS. \* Factor represents the ratio of industry-specific average wages to national average wage for 2019. Monthly wages, based on 12-months year basis; all wages are pre-tax.

## 2. Minimum Wages and Wage Guidelines

Provincial and local governments issue wage guidelines based on their region's economic development. These guidelines are recommendations providing a reference for wage increases. Newly-released wage guidelines, published since the last edition of the Labor Market & Salary Report (September 2019), can be found in Figure 2.7.

In addition to the wage guidelines, China has a minimum wage system. Enforced since 2004, the minimum wages issued by local governments are mandatory and should be revised every two years. The minimum wages are supposed to stay between 40 to 60 percent of the region's average monthly salaries.

In 2020, only three provinces have increased their minimum wage: Fujian, Guangxi, and Qinghai. Among these three regions, Qinghai presents the highest minimum wage increase, with 11.8 percent. The minimum wage has not been updated in Qinghai since June 2017, and has now seen an increase from RMB 1,500 / month to RMB 1,700 / month. Prior to this change, Qinghai was the province with the lowest minimum wage. Now Anhui province has the lowest minimum wage rate in China, set at RMB 1,550 / month.

Since fall 2019, four additional provinces have increased their minimum wage: Hebei, Liaoning, Hunan, and Guizhou. Hebei (13.2 percent) and Liaoning (10.5 percent) have introduced the highest wage increase among these provinces.

**Figure 2.7: Regional Wage Increase Guidelines 2020**  
In %

Province	Minimum	Average	Maximum
Beijing	3.5	8 - 8.5	-
Tianjin	3	7	12
Hebei	3.5	10.5	16
Shanxi	4	8	12
Liaoning	4	8	12
Jilin	3	6	9
Guizhou	3	7.5	12
Yunnan	3	7	11
Gansu	4	7	12
Qinghai	3	7	12
Ningxia	3	6.5	12
<b>Average</b>	<b>3.4</b>	<b>7.5</b>	<b>12</b>
Average 2019	2.2	6.4	10.3
Average 2018	3.2	7.6	11.8

Source: Ministry of Human Resources and Social Security (MOHRSS).

**Figure 2.8: Minimum Wage Rates in China 2020**  
Monthly Wages in RMB

Region	Class						Last Increase* (%)	Valid since
	A	B	C	D	E	F		
Beijing	2,200	-	-	-	-	-	3.8	Jul 2019
Tianjin	2,050	-	-	-	-	-	4.9	Jul 2017
Hebei	1,900	1,790	1,680	1,580	-	-	13.2	Nov 2019
Shanxi	1,700	1,600	1,500	1,400	-	-	5.4	Oct 2017
Inner Mongolia	1,760	1,660	1,560	1,460	-	-	8.1	Aug 2017
Liaoning	1,810	1,610	1,480	1,300	-	-	10.5	Nov 2019
Jilin	1,780	1,680	1,580	1,480	-	-	18.1	Oct 2017
Heilongjiang	1,680	1,450	1,270	-	-	-	15.5	Oct 2017
Shanghai	2,480	-	-	-	-	-	2.5	Apr 2019
Jiangsu	2,020	1,830	1,620	-	-	-	14.7	Aug 2018
Zhejiang	2,010	1,800	1,660	1,500	-	-	8.4	Dec 2017
Anhui	1,550	1,380	1,280	1,180	-	-	2.3	Nov 2018
Fujian	1,800	1,720	1,570	1,420	-	-	5.6	Jan 2020
Jiangxi	1,680	1,580	1,470	-	-	-	10.1	Jan 2018
Shandong	1,910	1,730	1,550	-	-	-	5.5	Jun 2018
Henan	1,900	1,700	1,500	-	-	-	17.1	Oct 2018
Hubei	1,750	1,500	1,380	1,250	-	-	13.2	Nov 2017
Hunan	1,700	1,540	1,380	1,220	-	-	7.1	Oct 2019
Guangdong	2,150	1,720	1,550	1,410	-	-	6.2	Jul 2018
Guangxi	1,810	1,580	1,430	-	-	-	7.2	Jan 2020
Hainan	1,670	1,570	1,520	-	-	-	17.8	Dec 2018
Chongqing	1,800	1,700	-	-	-	-	20.7	Jan 2019
Sichuan	1,780	1,650	1,550	-	-	-	20.4	Jul 2018
Guizhou	1,790	1,670	1,570	-	-	-	6.1	Dec 2019
Yunnan	1,670	1,500	1,350	-	-	-	9.0	May 2018
Tibet	1,650	-	-	-	-	-	17.9	Jan 2018
Shaanxi	1,800	1,700	1,600	-	-	-	7.6	May 2019
Gansu	1,620	1,570	1,520	1,470	-	-	10.8	Jun 2017
Qinghai	1,700	-	-	-	-	-	11.8	Mar 2020
Ningxia	1,660	1,560	1,480	-	-	-	12.2	Oct 2017
Xinjiang	1,820	1,620	1,540	1,460	-	-	10.4	Jan 2018
Shenzhen	2,200	-	-	-	-	-	3.3	Jul 2018

Source: People's Daily. "Class" refers to different wage districts or jurisdictions within a province. Local governments are responsible for setting minimum wages. With the exception of Shenzhen, only provinces and province-level municipalities set minimum wage levels. \* Increases are calculated as the average increases of adjustments for all categories in the region.

### III. SURVEY RESULTS

#### 1. Company Measures Amid COVID-19

As COVID-19 has a substantial and continuing impact on the economy and business activities in China, German companies have taken certain measures to mitigate the impact of COVID-19 on their operations. The most common initiatives have been: hiring stops (51.2 percent); introduction of alternative work arrangements, such as remote work (46.0 percent); and the usage of HR government support measures (44.3 percent) (Figure 3.1).

Around one in ten German companies have laid-off personnel (11.1 percent) or reduced salaries, either temporarily (10.6 percent) or permanently (7.1 percent) (Figure 3.1).

#### 2. Expected and Effective Wage Developments at German Companies

The expected salary growth for 2021 among German companies in China averages 3.79 percent. The projection represents the lowest expected salary growth ever recorded by the German Chamber of Commerce in China, and it is 1.74 p.p. below the projected growth for 2020 (Figure 3.2).

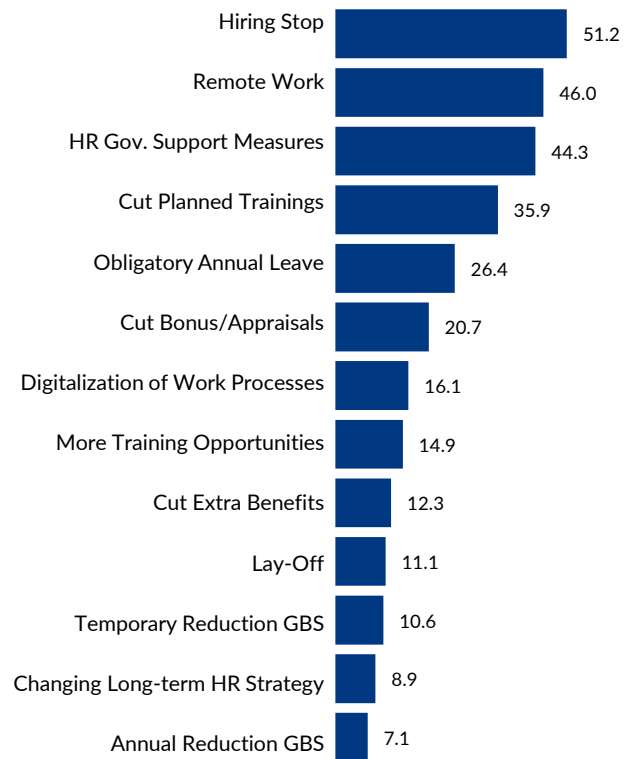
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The 2020 effective salary growth among German companies in China averages 4.03 percent, 1.50 p.p. below the projected growth for 2020 (Figure 3.3).

The effective salary growth for 2020 and the expected salary growth for 2021 indicate that, due to COVID-19's impact on business, German companies have adjusted salary developments. 45.8 percent of the companies report that the pandemic has had a medium impact on their effective salary growth developments, and another 20.7 percent report a high impact (Figure 3.4). Similarly, 47.0 percent report that the pandemic has a medium impact on their projections for next year, and another 20.0 percent claim it has a high impact (Figure 3.5).

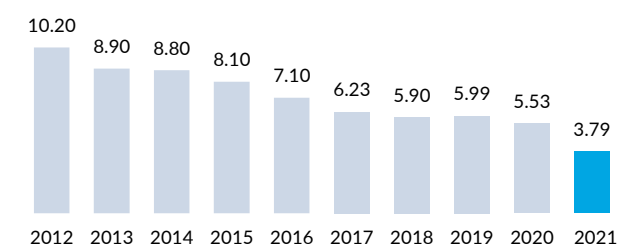
German companies have taken measures to mitigate the impact of COVID-19 on their business. Some of these measures affect the labor cost, like the usage of HR government support measures, which is the most common among those measures (44.3 percent). It is followed by cuts in performance appraisals and bonus pay-outs (20.7 percent), and cuts in extra benefits, such as supplementary health insurance, overtime, or children allowances (12.3 percent) (Figure 3.6).

**Figure 3.1: Measures Taken Due to COVID-19**  
Measures Taken by German Companies, in %



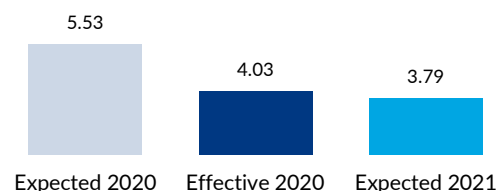
Sample: 576 companies. Multiple answers allowed per contributor. "Cut extra benefits" may include the following: supplementary health insurance, life insurance, overtime, children allowances, meal and transportation allowances, supplementary housing funds, retention bonuses. GBS: Gross Base Salary.

**Figure 3.2: Expected Wage Growth Development at German Companies in China**  
2012-2021, Nominal Growth, in %

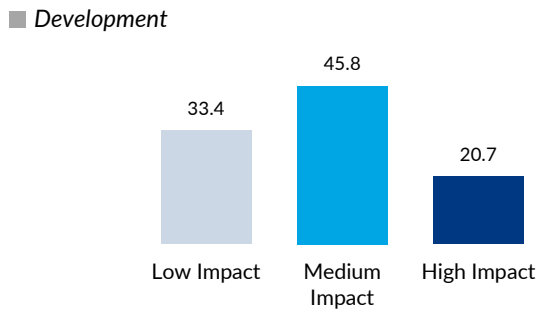


In each edition, the expected wage growth is the average of all the individual positions' expected wage growth collected in the survey. In 2020, with a total of 576 companies and 39 different roles, the number of observations collected amounted to 7,307.

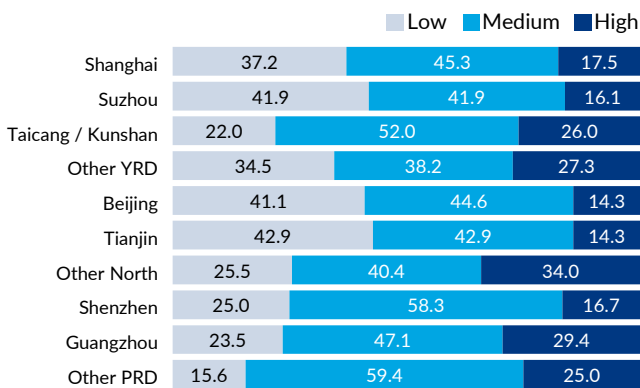
**Figure 3.3: Expected & Effective Wage Increases in China**  
2020-2021, in %



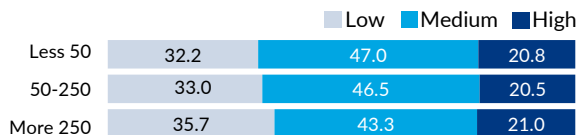
**Figure 3.4: COVID-19 Impact on Actual Wage Growth Development at German Companies in China in 2020**  
Perceived Impact by German Companies, in %



■ Results by Region

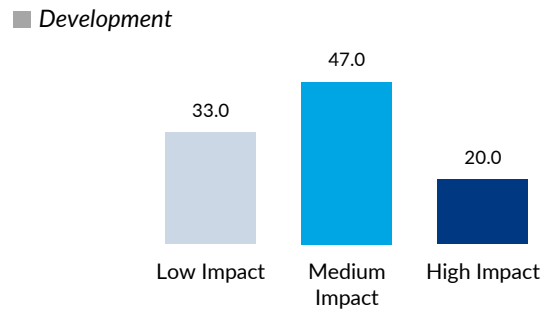


■ Results by Company Size (Number of Employees)

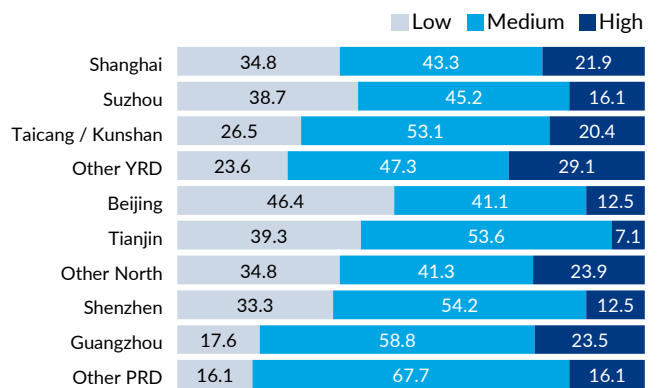


Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

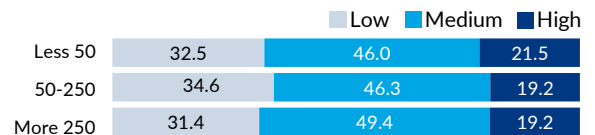
**Figure 3.5: COVID-19 Impact on Expected Wage Growth Development at German Companies in China in 2021**  
Perceived Impact by German Companies, in %



■ Results by Region

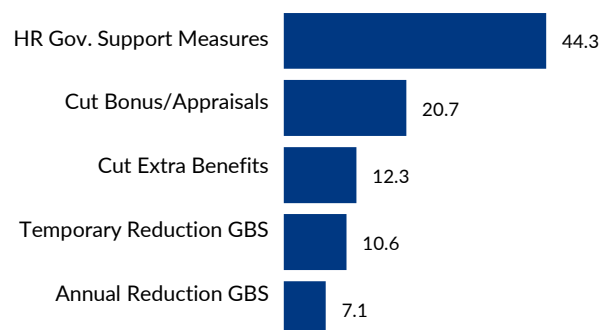


■ Results by Company Size (Number of Employees)



Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

**Figure 3.6: Measures Taken Due to COVID-19 with Impact on Compensation**  
Measures Taken by Companies, in %



Sample: 576 companies. Multiple options allowed per contributor. Cut extra benefits may include the following: supplementary health insurance, life insurance, overtime, children allowances, meal and transportation allowances, supplementary housing funds, retention bonuses. GBS: Gross Base Salary.



### 3. Detailed Wage Developments

#### Comparison: Expected 2020 and Effective 2020

When looking at the wage developments by region, the effective wage increase reported by survey participants in 2020 lies below the projections recorded in 2019 for 2020. This is mostly due to the impact of COVID-19 on the actual wage growth developments (Figure 3.4). The highest discrepancy between the initial expectation and the effective wage growth has been reported in Shenzhen. With a projected 6.74 percent wage growth increase and an actual increase of 3.86 percent in Shenzhen, the difference amounts to 2.88 p.p. – nearly double the gap observed for China overall (1.50 p.p.). On the other hand, companies in Tianjin projected an expected wage growth for 2020 of 5.35 percent and delivered a 4.82 percent effective increase. That makes it the region with the narrowest gap (0.53 p.p.) (Figure 3.7).

#### Comparison: Expected 2020 and Expected 2021

The expected salary growth for 2021 remains below the projections for 2020 (made in 2019) in all regions (Figure 3.7).

The most pronounced gaps between projections for 2020 and 2021 are observed in Shenzhen and Guangzhou. In Shenzhen, the expected salary growth for 2021 is 3.88 percent, 3.86 p.p. below the projected growth for 2020. In Guangzhou, the projected salary growth for next year is 6.63 percent, 3.08 p.p. below last year's projection (Figure 3.7). A more detailed analysis of these differences can be found in the end of this chapter, when reviewing the results by levels of seniority.

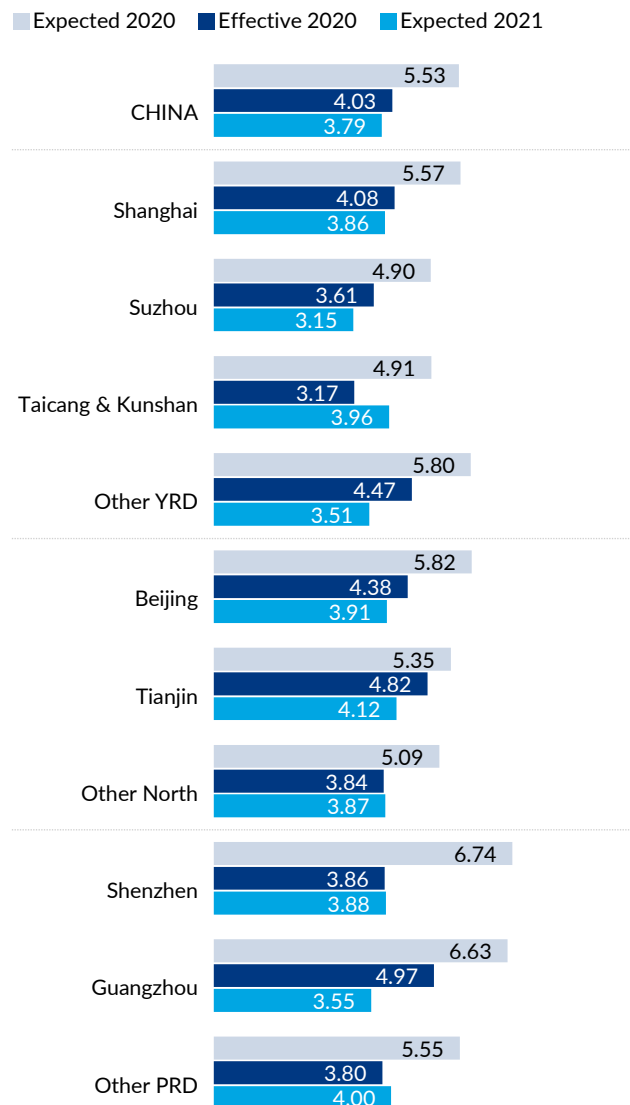
Other regions and cities present differences between their annual projections that are more moderate. That is the case of Taicang and Kunshan, with an expected salary growth for 2021 of 3.96 percent, 0.95 p.p. below the projection for 2020 (Figure 3.7).

The range of variation for next year's wage growth projections is much smaller than in the previous edition. Between the highest expected wage growth for 2021 (4.12 percent in Tianjin) and the lowest (3.15 percent in Suzhou), the difference is around 1 p.p. In the predictions from the 2019 edition that range was 1.90 p.p. for the expected wage growth for 2020 (Figure 3.7).

#### Comparison: Effective 2020 and Expected 2021

Although most regions present an expected increase for 2021 that is very similar to the effective growth in 2020, there are some exceptions. In Taicang and Kunshan the expected wage

**Figure 3.7: Wage Developments by Region**  
2020–2021, in %



Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

growth for 2021 (3.96 percent) is 0.79 p.p. above the effective wage growth in 2020. Similarly, other Pearl River Delta (Other PRD), present a 4 percent expected salary increase for 2021, 0.20 p.p. above the effective increase this year (Figure 3.7).

Guangzhou and other Yangtze River Delta (Other YRD) are the regions that expect to introduce salary increases next year that fall the furthest away from their effective increases in 2020. In Guangzhou, the expected wage growth for next year is 3.55 percent, as opposed to an effective growth this year of 4.97 percent; in Other YRD regions, the expected wage growth for 2021 is 3.51 percent, against an effective growth of 4.47 percent in 2020 (Figure 3.7).

Comparison: City Tier

When observing the evolution of the results by city tier, everywhere the effective increases in 2020 are far below the initial projections for 2020 made in 2019. However, in tier-2 cities, the gap is smaller: 3.95 effective increase in 2020, against the projected 5.30 percent for 2020.

Similarly, the expected salary growth for 2021 remains below the projection for 2020 across all three tiers (Figure 3.8).

Regardless of city tiers, the expected wage growth rates in 2021 are below the effective increases experienced in 2020. Again, the discrepancy is the smallest in the case of tier-2 cities (Figure 3.8).

Companies located in tier-1 cities report the highest projected wage growth in 2021 (3.85 percent), followed closely by businesses in tier-2 cities (3.83 percent). Companies in tier-3 cities present the most moderate increase in 2021 (3.46 percent) (Figure 3.8).

Comparison: Industry

Two industries report an effective salary growth in 2020, which surpasses the projected increases for 2020 made in 2019. Medical Supplies report an effective wage growth in 2020 of 5.96 percent, 0.15 p.p. above the initial projection; Consulting / Legal Services firms presented an effective wage growth of 6.12 percent, an increase of 0.08 p.p. compared to last year's projection. It should be noted that Medical Supplies and Consulting / Legal Services companies represent only 6.80 percent of all survey participants. For all other industries, effective increases this year are below the initial projections for 2020 (Figure 3.9).

The expected wage developments by industry are aligned with the overall trend in China, with expected salary growth for 2021 below the projected salary growth for 2020 across all industries.

Consulting / Legal Services and Medical Supplies had the highest expected salary growth in 2021, at 4.25 percent and 4.94 percent, respectively. They are also the industries with the smallest deviation between their respective projections for 2021 and

Logistics (2.67 percent), Consumer Goods (2.76 percent), Automotive (3.50 percent), Electronics (3.44 percent),

plastic & metal products (3.41 percent) and machinery & industrial equipment (3.40 percent). The

results are consistent with last year's edition, where the same

industries presented the most conservative expected

salary growth in 2021. The industries with the largest

Figure 3.8: Wage Developments by City Tier In %

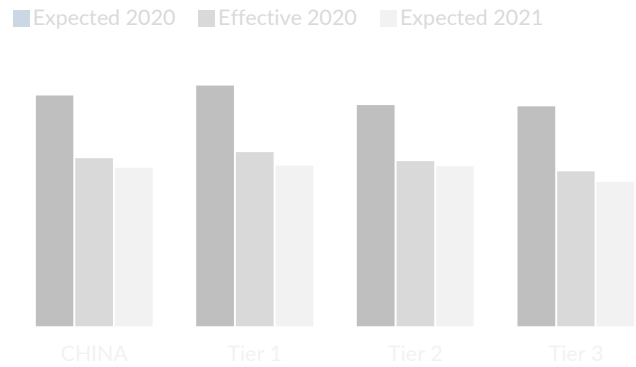


Figure 3.9: Wage Developments by Industry In %



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Only industries displayed with at least 100 data points collected from the survey. "Effective wage increase" contributed by a minimum of ten different companies. In 2019, insufficient data available for the industries IT and Logistics.

Automotive is the only industry projecting an increase next year above the effective increase experienced in 2020 (Figure 3.9). See *Detailed Comparison by Industry* in this section for in-depth industry analysis.

### Comparison: Company Size

When comparing by company size, small companies present the smallest discrepancy between the effective increase in 2020 and the initial projection in 2019. Still, the 4.74 percent effective increase for small companies is 1.10 p.p. lower than projected in 2019. Mid-sized companies register the highest discrepancy between effective and expected wage growth for 2020: the former being 1.75 p.p. lower than the latter (Figure 3.10).

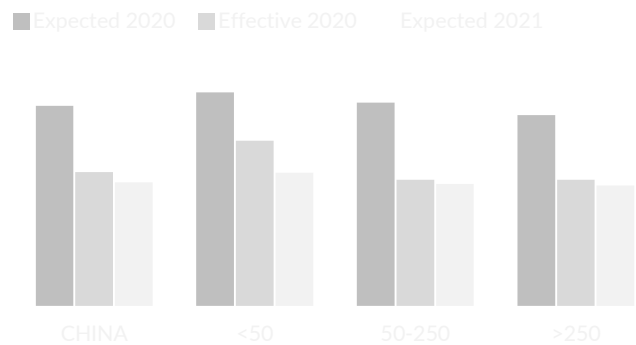
Small companies (less than 50 employees) report the highest expected increase for 2021: 4.01 percent, 0.22 p.p. above China's overall expected salary increase for 2021. Expected increases for 2021 in mid-sized (50 to 250 employees) and large companies (more than 250 employees) are more moderate: 3.76 percent and 3.72 percent, respectively. These figures are aligned with China's overall expected wage increase for 2021. In all three categories, the expected increases for 2021 fall below the projections made in 2019 for 2020 (Figure 3.10).

The projected salary increases for 2021 by company size are more moderate than the effective salary increases in 2020. Small companies are expecting the highest salary increase for 2021 (4.01 percent). Furthermore, the drop is most acute for small companies when comparing expected wage increases for 2021 with the effective increase in 2020 (4.74 percent) (Figure 3.10).

### Comparison: Production Workers and Level of Seniority

The survey analyzes wage developments across 39 different roles. Five roles (blue collar, operator, shift leader, supervisor, and production worker) are grouped into production workers. The white collar roles are grouped into junior, mid-level, and senior professionals based on work experience. In the next paragraphs, the wage developments across these three categories are analyzed. For production workers and all levels of seniority (junior, mid-level, and senior professionals), the effective salary increase for 2020 was 4.22 percent, 0.22 p.p. above the 2019 projection – on a national level, as well as within each of the analyzed regions. These deviations between effective and expected wage growth for 2020 are particularly noticeable for production workers and junior professionals, which are for mid-level and senior professionals. This is particularly the case

**Figure 3.10: Wage Developments by Company Size**  
*Company Size by Number of Employees, in %*



in Shanghai, Taicang and Kunshan, and Other YRD (Figure 3.11).

In Suzhou, Beijing, and Tianjin, production workers experience the biggest decrease between their effective salary increase for 2020 and their projection from last year, in comparison with those of junior, mid-level, and senior professionals. Junior professionals see a moderate decrease in these three regions (Figure 3.11).

In Shenzhen and Guangzhou, junior professionals present the biggest gap between their effective salary increase in 2020 and their expected increase of last year for 2020. However, production workers in Shenzhen and Guangzhou experience moderate decreases when comparing their effective salary increases in 2020 with the initial projections (Figure 3.11).

When looking at production workers, and junior, mid-level and senior professionals, the differences between the expected salary growth for 2021 and the expected increase for 2020 present similar decreases. Production workers' expected increase for 2021 is 3.86 percent, 1.74 p.p. below last year's projection for 2020; junior professionals' projection for next year is 4.05 percent, 1.73 p.p. below 2020's expectation; mid-level professionals' expected wage increase for 2021 is 3.90 percent, 1.73 p.p. below last year's results; and senior professionals' expected salary increase for 2021 is 3.63 percent, 1.70 p.p. below last year's projection (Figure 3.11).

However, differences arise at the regional level. There are regions with a lesser discrepancy between the expected increases of 2021 and 2020, and others where the gap is noticeable. Among the regions with lesser discrepancy, Taicang and Kunshan's expected salary increase for 2021 for production workers, junior, and mid-level professionals is about one p.p. below the expected increase for 2020. For senior professionals, the discrepancy is even lower: the expected increase for 2021 in Taicang and Kunshan is 0.51 percent, 0.68 p.p. below last year's projection (Figure 3.11).

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Figure 3.11: Regional Wage Developments by Production Workers and Level of Seniority 2020-2021, in %



Production workers: aggregate from the following roles in the survey: Blue-Collar, Operator, Shift Leader, Supervisor, and Plant Manager. Junior positions: aggregate of the data for professionals with 0 to 3 years of job experience from the following nine functional areas surveyed: Administration, Sales, Purchasing, Finance, HR, Quality Control, Engineering / R&D, Logistics, Consultant / Project Manager, and the two individual roles: IT Staff, and Legal Staff. Mid-Level positions: aggregate from data for professionals with 4 to 7 years of job experience from the nine functional areas surveyed. Senior positions is the aggregate from data for professionals with 8 or more years of job experience from the nine functional areas surveyed, and the two individual roles IT Manager, and Legal Manager. Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

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regions are putting forward more conservative projections. There are only two exceptions: Taicang and Kunshan, and Other PRD. The positive outlook toward 2021 in comparison with the effective increases this year spans throughout production-based roles and all levels of seniority (Figure 3.11).

[Detailed Comparison by Industry](#)

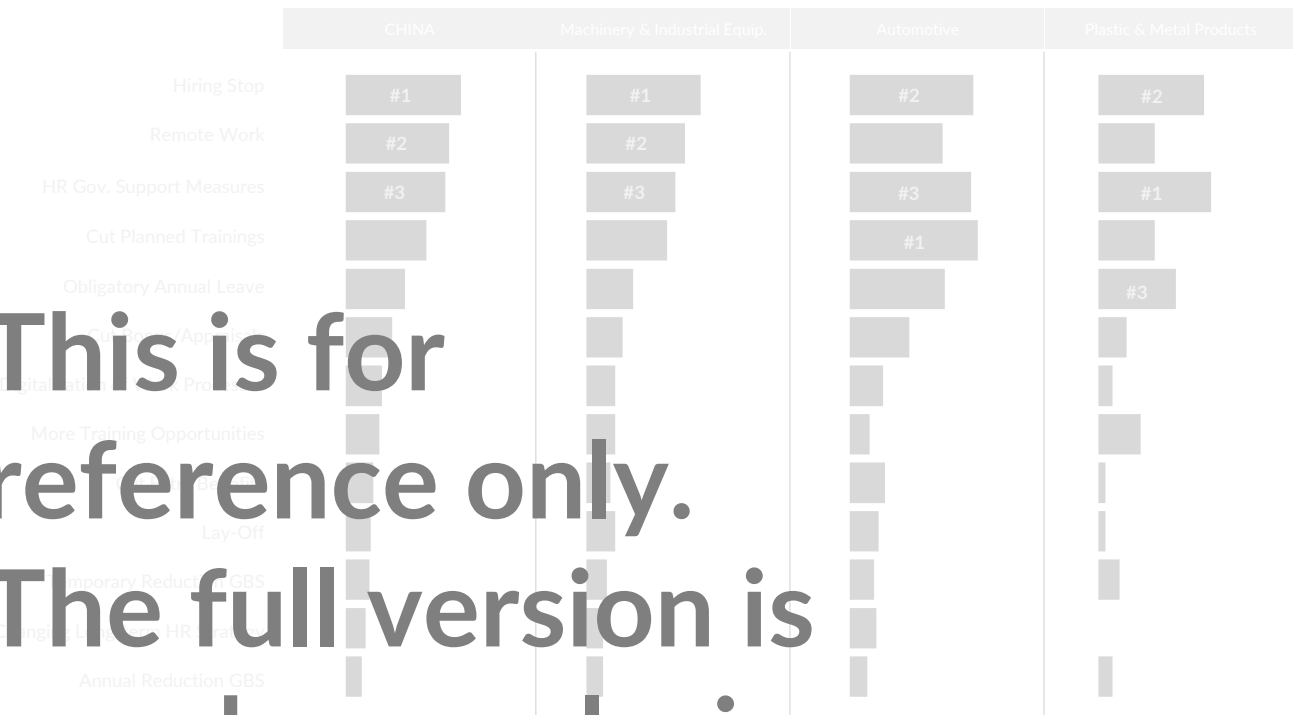
Figures 3.12 and 3.13 illustrate detailed results based on industry and company size to compare the expected salary increases

Figure 3.12: Detailed Industry Wage Developments  
By Region and Company Size, Company Size by Number of Employees, in % and "Diff." in p.p.

	Region	CHINA			Machinery & Industrial Equip.			Automotive			Plastic & Metal Products		
		Effective 2020	Expected 2021	Diff. (p.p.)	Effective 2020	Expected 2021	Diff. (p.p.)	Effective 2020	Expected 2021	Diff. (p.p.)	Effective 2020	Expected 2021	Diff. (p.p.)
	Shanghai			-0.22			0.11			0.52			-1.83
	Suzhou			-0.46			0.08						-1.25
	Taicang & Kunshan			0.79			0.52			0.63			-0.60
	Other YRD			-0.96			-1.02						-
	Beijing			-0.47			-0.12			-1.56			-
	Tianjin			-0.70			0.21			-0.70			-
	Other North						-1.41			0.18			-
	Shenzhen						0.56			-			-1.97
	Guangzhou			-1.42			-0.43			-			-
	Other PRD			0.20			1.06			-			
	Comp. Size			-0.72			0.07			-2.62			-0.30
	Less 50			-0.09			-0.20			0.61			-0.23
	50-250			-0.13						0.37			-1.65
	More 250												

Effective 2020 and expected 2021 wage increases in percent. The difference between the effective 2020 and the expected 2021 increases in p.p. Averages presented only when there is a minimum of 35 observations available at both the effective 2020 and expected 2021 increases. When the difference falls within the interval [-0.05, +0.05] it has been highlighted grey. When the difference is above 0.05, the value has been highlighted green. When the difference is below -0.05, the value has been highlighted orange.

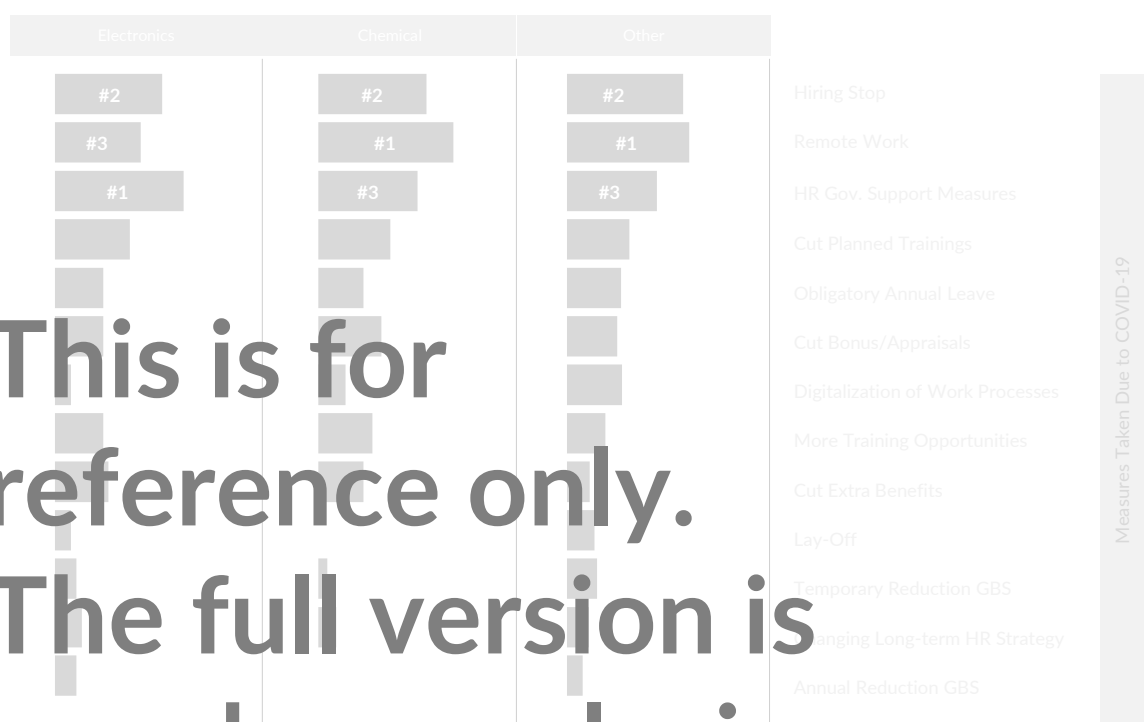
Figure 3.13: Measures Taken Due to COVID-19 by Industry  
Measures Taken by German Companies, in %



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CHINA: 100 companies; Machinery & Industrial Equip.: 32 companies; Automotive: 32 companies; Plastic & Metal Products, 32 companies; Electronics, 42 companies; Chemicals, 20 companies; Other: 108 companies from several industries (Medical Supplies, Finance, Construction, etc.). Multiple answers possible per contributor. Cut extra benefits may include the following: supplementary health insurance, life insurance, overtime, children allowances, meal and transportation allowances, supplementary housing funds, retention bonuses. GBS: Gross Base Salary.

Electronics			Chemical			Other			
Effective 2020	Expected 2021	Diff. (p.p.)	Effective 2020	Expected 2021	Diff. (p.p.)	Effective 2020	Expected 2021	Diff. (p.p.)	
		-0.14			-0.97			-0.42	Shanghai
		0.15			-			-2.41	Suzhou
		-			2.65			3.23	Taicang & Kunshan
		-1.02			-0.80			-2.01	Other YRD
		-			-			-0.53	Beijing
		-1.55			-			-	Tianjin
		-			-			3.69	Other North
		-			-			-0.25	Shenzhen
		-			-			-2.00	Guangzhou
		-0.50			-			-0.29	Other PRD
		-0.24			-2.67			-0.86	Less 50
		-0.07			0.37			-0.44	50-250
		-0.25			1.92			-0.59	More 250



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for 2021 with the effective increases recorded for 2020. Figure 3.13 presents the measures taken by companies to mitigate the impact of COVID-19 by industry.

As mentioned earlier, the Automotive industry was the only sector where the expected salary growth for 2021 exceeded the effective increase for 2020. However, this is only the case for mid-sized and large automotive companies, with an expected wage increase for 2021 of 3.77 percent and 3.42 percent, respectively. Small companies in the Automotive industry are more conservative in their prospects for next year, and the 3.12 percent expected salary increase for 2021 is 2.62 p.p. below the effective increase in 2020 (Figure 3.12).

Additionally, most of the Automotive companies that contributed to this survey are located in Shanghai (26.5 percent), Other North (24.5 percent), and Taicang and Kunshan (about 15.7 percent). The Automotive industry concentration in these regions (66.7 percent) is much higher than that of the other surveyed industries (55.5 percent). In these regions, the expected salary growth for 2021 tends to be higher than the effective increase for 2020. Such a pattern is not unique to the Automotive industry: Machinery and Industrial Equipment also present expected wage growth for 2021 above the actual wage growth for 2020 in these regions (Figure 3.12).

Figure 3.12 provides further insight into how Taicang and Kunshan, and Other PRD produce expected wage increases for 2021 that are above the effective increases for 2020.

In Taicang and Kunshan, Other industries, Machinery and Industrial Equipment, Automotive, and Chemicals maintain a positive outlook for next year. However, Plastic and Metal Products' projected wage increase for 2021 remain 0.6 p.p. below the effective increase for 2020 (Figure 3.12).

In Other PRD, Machinery and Industrial Equipment are projecting a wage increase for next year that surpass this year's effective increase; Plastic and Metal Products are planning a wage increase for 2021 that is in line with this year's effective increase (0.04 p.p. above). Other industries comprise around 36.0 percent of the observations available at Other PRD. However, Electronics, which accounts for around 4.0 percent of the observations, is projecting a 0.50 p.p. below the effective salary growth for 2021 (Figure 3.12).

Figure 3.13 provides insight into the measures taken by the different industries to mitigate the impact of COVID-19.

Companies in the Automotive industry used less than average: obligatory annual leave (20.9 percent, below China's overall 26.4 percent), use of HR government support measures (39.6 percent vs. China's 44.3 percent), or cuts on bonuses (16.0 percent vs. China's 20.7 percent) (Figure 3.13).

The Automotive industry has resorted to several measures surpassing the recorded average, such as: cuts in planned training (56.9 percent vs. China's 35.9 percent), obligatory annual leave (42.2 percent vs. China's 26.4 percent), or the use of HR government support measures (53.9 percent vs. China's 44.3 percent), hiring stop (54.9 percent vs. China's 51.2 percent) (Figure 3.13).

Plastic and Metal Products companies have made use of the HR government support measures and obligatory annual leave more often than average (50.0 percent vs. China's 44.3 percent, 34.4 percent vs. China's 26.4 percent, respectively). However, the industry turned less to the following measures: remote work (25.0 percent vs. China's 46.0 percent), cuts on planned training (25.0 percent vs. China's 35.9 percent), cuts of extra benefits (3.1 percent vs. China's 12.3 percent), cuts on bonuses (12.5 percent vs. China's 20.7 percent), or layoffs (3.1 percent vs. China's 11.1 percent) (Figure 3.13).

Electronics tended to make use of HR government support measures more than average (57.1 percent vs. China's 44.3 percent), introducing cuts on extra benefits (23.8 percent vs. China's 12.3 percent), and more training opportunities (21.4 percent vs. China's 14.9 percent). It leaned less on the digitalization of work processes (7.1 percent vs. China's 16.1 percent) and remote work (38.1 percent vs. China's 46.0 percent) (Figure 3.13).

Companies in the Chemicals industry resorted more often than average to remote work (60.0 percent vs. China's 46.0 percent), more training opportunities (24.0 percent vs. China's 14.1 percent), and cuts on extra benefits (20.0 percent vs. China's 12.3 percent). In the Chemicals industry, no company mentions layoffs (11.1 percent for China), nor the annual reduction of gross base salaries (7.1 percent for China). The industry is also less prone to a temporary reduction of gross base salaries (4.0 percent vs. China's 10.6 percent) or obligatory annual leave (20.0 percent vs. China's 26.4 percent) (Figure 3.13).

To conclude, Figure 3.14 compares the actual wage developments in 2020 with the expectation from 2019 for 2020, broken down by position. As previously mentioned, the overall effective wage increase of 4.03 percent is 1.50 p.p. below the expected wage increase for 2020. Such a gap remains throughout the 39 different roles measured in the survey, for roles such as Junior Engineer, Junior PM / Consultant, Deputy General Manager / Branch Manager

used less than average: obligatory annual leave (20.9 percent, below China's overall 26.4 percent), use of HR government support measures (39.6 percent vs. China's 44.3 percent), or cuts on bonuses (16.0 percent vs. China's 20.7 percent) (Figure 3.13).

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Figure 3.14: Expected and Effective Wage Increases 2020  
By Position, in % and Difference in p.p.

Functional Area	Position	Expected 2020 (%)	Effective 2020 (%)	Difference (p.p.)*
Production Workers	Blue Collar			-1.55
Production Workers	Operator			-1.65
Production Workers	Shift Leader			-1.39
Production Workers	Production Supervisor			-1.52
Production Workers	Production / Plant Manager			-1.70
Admin	Junior Admin			-1.14
Admin	Mid-Level Admin			-1.38
Admin	Senior Admin			-0.86
Sales	Junior Sales			-1.69
Sales	Mid-level Sales			-1.52
Sales	Senior Sales			-1.54
Purchasing	Junior Purchasing			-1.42
Purchasing	Mid-Level Purchasing			-1.38
Purchasing	Senior Purchasing			-1.34
Finance	Junior Finance			-1.30
Finance	Mid-Level Finance			-1.47
Finance	Senior Finance			-1.41
HR	Junior HR			-1.43
HR	Mid-Level HR			-1.11
HR	Senior HR			-1.05
Quality	Junior Quality			-1.85
Quality	Mid-Level Quality			-1.55
Quality	Senior Quality			-1.37
Engineering / R&D	Junior Engineer / R&D			-1.05
Engineering / R&D	Mid-Level Engineer / R&D			-1.14
Engineering / R&D	Senior Engineer / R&D			-1.52
Logistics	Junior Logistics			-1.46
Logistics	Mid-Level Logistics			-1.53
Logistics	Senior Logistics			-1.66
Project Mgt. / Consultant	Junior PM / Consultant			-1.97
Project Mgt. / Consultant	Mid-Level PM / Consultant			-1.41
Project Mgt. / Consultant	Senior PM / Consultant			-1.36
Senior Management	Deputy GM / Branch Manager			-1.99
Senior Management	CEO / GM / Managing Director			-1.92
Specialists	IT Manager			-1.48
Specialists	IT Staff			-1.74
Specialists	Legal Staff			-1.61
Specialists	Legal Manager			-1.16
Specialists	Driver			-1.45
ALL		5.53	4.03	-1.50

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\* Difference between expected and effective wage increases, in p.p.

(Deputy GM / BM) and Chief Executive Officer / General  
reaching a two p.p. range. A smaller discrepancy was reported  
for Senior Admin (0.86 p.p.) and Senior HR (1.05 p.p.)  
positions (3.3).



## 4. Wage Levels

The total cost per employee (TCE) among German companies in China has a median value of RMB 15,317 / month (Figure 3.15).

The median wages will be used as reference value for comparisons. As the median is less affected by extreme wage deviations, it represents a more reliable measure of centrality than the mean wages.

At a regional level, Shanghai and Beijing – both with a median of RMB 20,000 / month – remain the highest paying locations. Shenzhen and Tianjin, with medians of RMB 16,000 / month and RMB 15,558 / month respectively, are the other two regions that yield a TCE that exceeds the national value. On the other hand, the lowest median TCE values are those of Other PRD (RMB 10,035 / month) and Guangzhou (RMB 12,000 / month) (Figure 3.15).

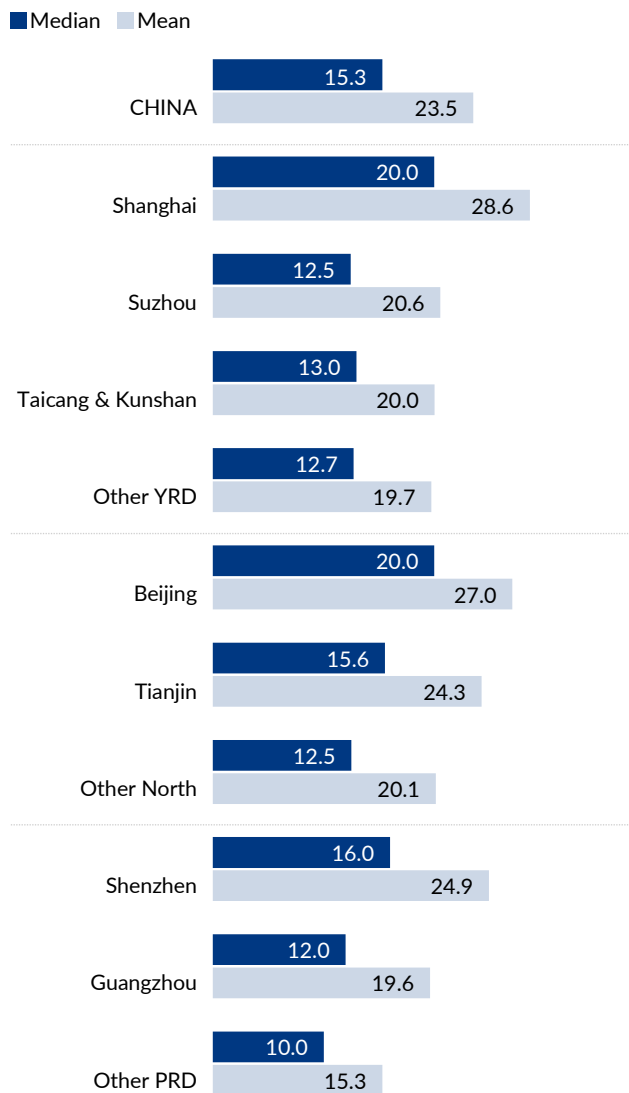
By city tier, the highest median TCE is for tier-1 cities (RMB 19,075 / month). The average TCE in tier-2 cities is 61.2 percent higher than that of the China wide median TCE; 47.1 percent higher in tier-3 cities. In tier-1 cities, average TCE is 44.3 percent higher than the median TCE (Figure 3.16).

By industry, the highest median TCE was reported for IT / Telecommunications (RMB 27,747 / month), Consulting / Legal Services (RMB 22,024 / month), and Medical Supplies (RMB 20,000 / month). The most moderate compensation levels are in the fields of Plastic and Metal Products (RMB 12,075 / month), Consumer Goods (RMB 12,800 / month), and Chemicals (RMB 13,600 / month) (Figure 3.17).

Small companies present a higher median TCE (RMB 18,000 / month). Mid-sized and large companies both yield the same median TCE, RMB 15,000 / month (Figure 3.18).

Comparing compensation levels by production workers, level of seniority, and senior management, results show that as compensation levels rise with seniority. Thus, mid-level professionals median TCE is 1.63 times higher than that of junior professionals. In turn, senior professionals median TCE is 2.04 times that of mid-level professionals (Figure 3.19).

**Figure 3.15: Wages at Regional Level**  
Total Cost per Employee / Month, in Thousand RMB



Total Cost per Employee: The gross base salary, including the mandatory social security and housing fund contributions by the employer plus any other extra benefits the employer is providing. Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

**Figure 3.16: Comparison of Wages by City Tier**  
Total Cost per Employee / Month, in Thousand RMB

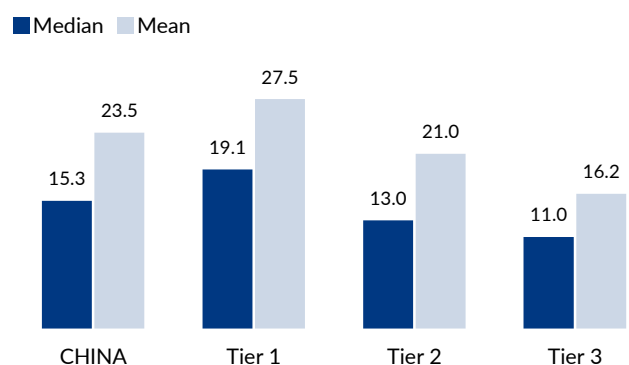
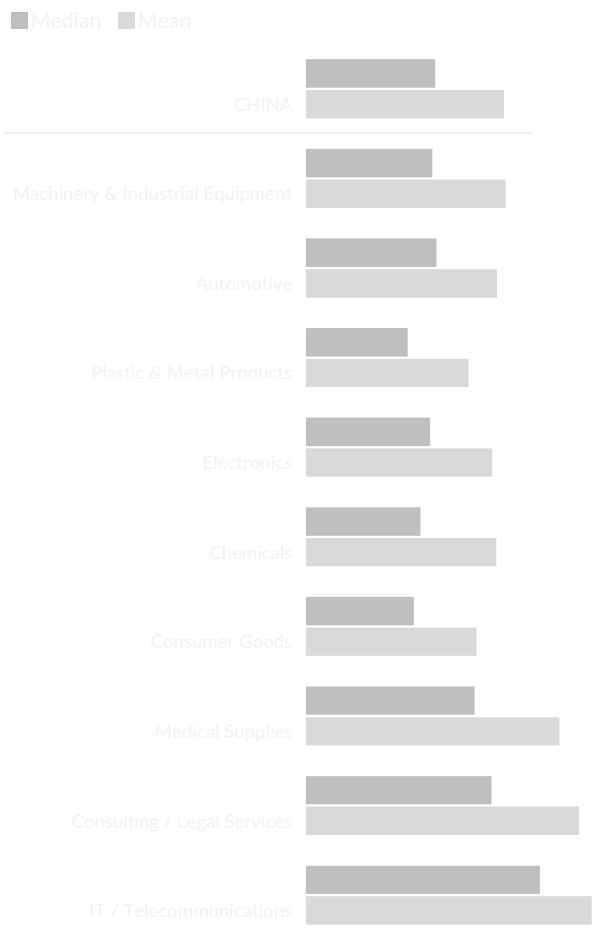


Figure 3.17: Comparison of Wages by Industry  
Total Cost per Employee / Month, in Thousand RMB



Only industries displayed with a minimum of 10 surveyed companies, providing at least 100 observations in all 39 positions.

Figure 3.18: Comparison of Wages by Company Size  
Company Size by Number of Employees. Total Cost per Employee / Month, in Thousand RMB

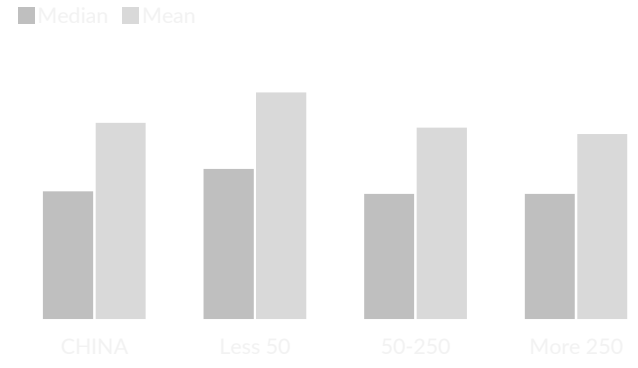
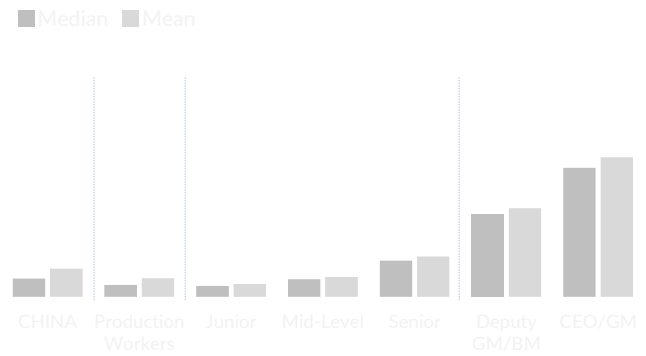


Figure 3.19: Comparison of Wage Level by Production Workers, Level of Seniority & Senior Management  
Total Cost per Employee / Month, in Thousand RMB



Deputy GM/BM: Deputy General Manager / Branch Manager. CEO/GM: Chief Executive Officer / General Manager / Managing Director.

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## 5. Compensation Levels: Perception

Despite the impact of COVID-19 on actual wage growth (Figure 3.4) and expected wage growth (Figure 3.6) developments, German companies' relative perception of their own compensation levels, relative to other companies, remains fairly stable in comparison with recent years.

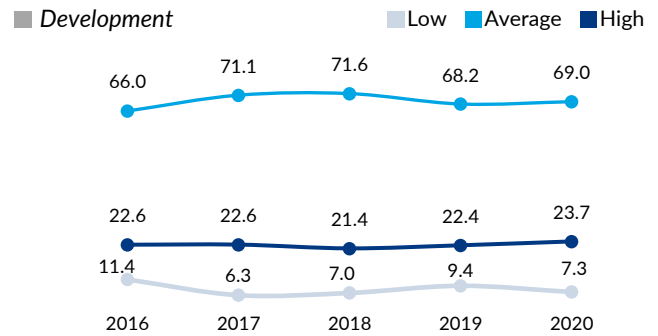
For blue-collar workers, 69.0 percent of participants consider their compensation in line with that of other companies. 23.7 percent believe they pay higher salaries than the average market pay, 1.3 p.p. above last year's findings. The proportion of participants that perceive their blue-collar workers' compensation to be lower than the market average is 7.3 percent, a 2.1 p.p. decrease from last year's perception (Figure 3.20).

Companies in certain regions perceive their compensation for blue-collar workers - compared to market compensation - higher than the average of 23.7 percent of China's total. Among those regions, the highest proportions are in Tianjin (33.3 percent), Suzhou (32.3 percent), and Taicang and Kunshan (31.3 percent) (Figure 3.20).

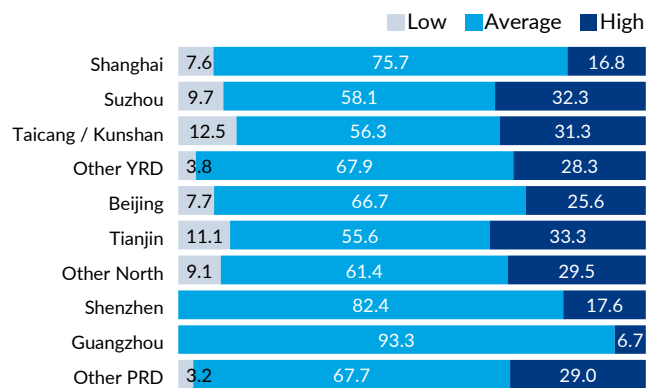
For white-collar professionals, 72.1 percent of the participants believe their compensation is on par with that of other companies. This is a 5.2 p.p. increase over 2019's results. Only 5.6 percent of the companies consider the compensation of their white-collar employees to be below the market, 1.8 p.p. below last year's results. 22.2 percent of the participants believe their compensation to be higher than the market average, a 3.5 p.p. decrease over 2019's findings (Figure 3.21).

Just as with blue-collar employees, some regions have a large portion of companies that perceive their compensation for white-collar professionals, when compared to the market average, as substantially higher than China's average. Such is the case for Suzhou and Other PRD, where 32.3 percent and 31.3 percent of the participants, respectively, perceive the compensation of white-collar employees to be above the market (Figure 3.21).

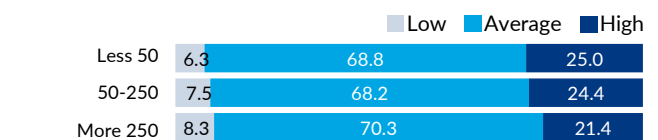
**Figure 3.20: Perceived Salary Level of Blue-Collar Workers in Comparison to Other Companies**  
In %



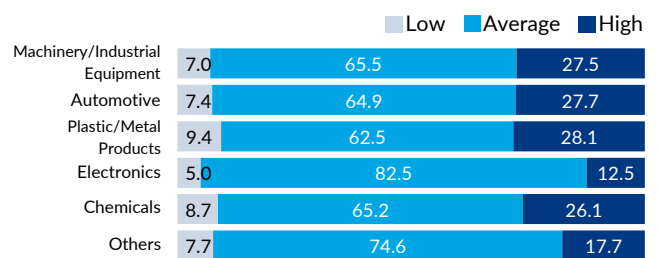
### Results by Region



### Results by Company Size (Number of Employees)



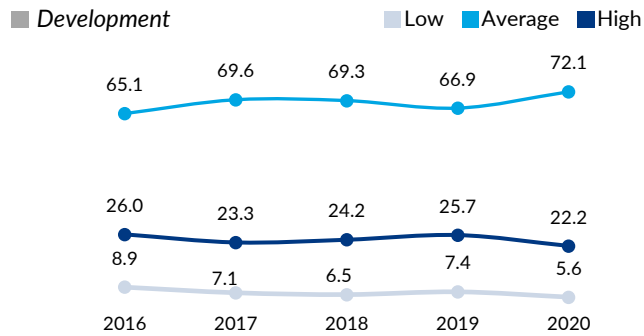
### Results by Industry



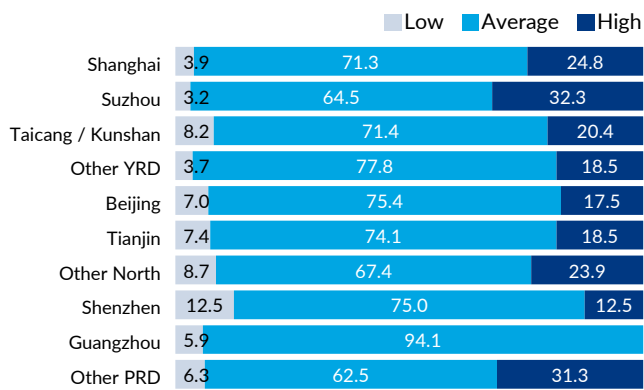
Perceived level of blue-collar workers' salary in comparison to market average. Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

**Figure 3.21: Perceived Salary Level of White-Collar Workers in Comparison to Other Companies**

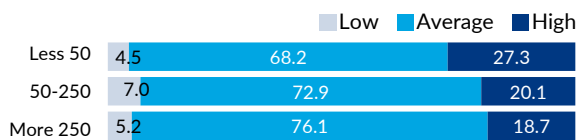
In %



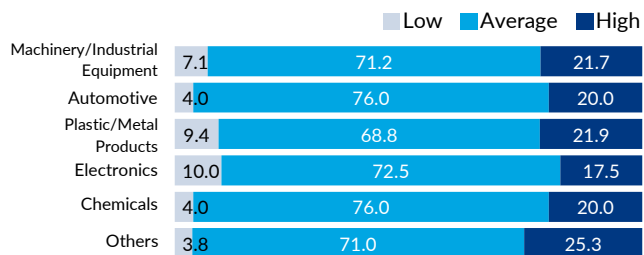
■ Results by Region



■ Results by Company Size (Number of Employees)



■ Results by Industry



Perceived level of white-collar workers' salary in comparison to market average. Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

## 6. Productivity

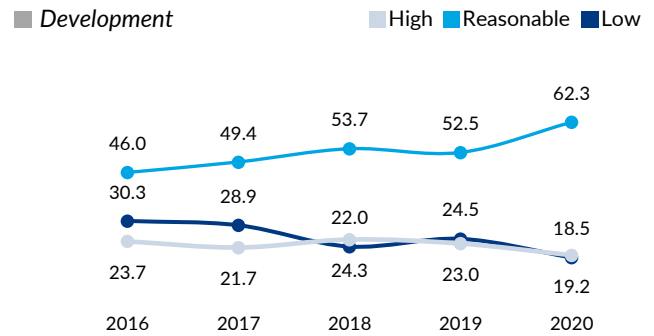
The survey measures how contributors perceive the evolution of wages within their organization, taking into account productivity and personnel qualifications.

In 2020, 62.3 percent of participants consider compensation levels reasonable. That is a 9.8 p.p. increase YoY. In turn, the proportion of companies that consider compensation either high or low has shrunk. The highest decrease, with six p.p. YoY, is that of those considering compensation to be high (18.5 percent) (Figure 3.22).

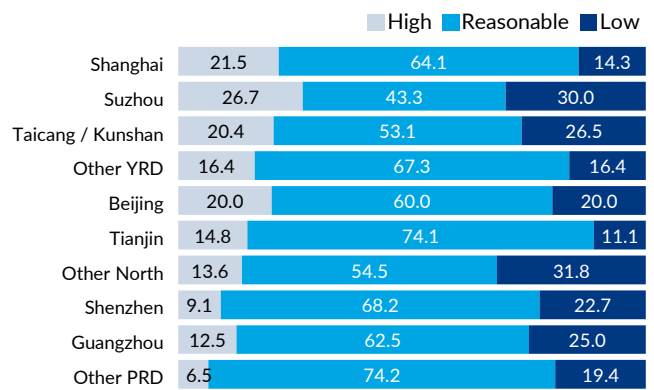
The notable increase in organizations that consider compensation reasonable could derive from companies' difficulty to assess compensation accurately during the COVID-19 pandemic, and the measures taken to mitigate the impact. 46.0 percent of the survey participants mention they turned to alternative work arrangements (i.e., remote work), 44.3 percent have used HR government support measures, 20.7 percent have cut bonuses, 12.3 percent have cut extra benefits, and 10.6 percent have temporarily reduced gross base salaries (Figure 3.1). All these initiatives have an impact on compensation, and potentially also on productivity.

Among German companies, the share of labor costs represents 31.7 percent of the total costs on average. In small companies, this proportion amounts to 39.9 percent. Mid-sized companies' share of labor costs out of total costs amounts to 27.6 percent; and large companies report a total of 25.9 percent. While there are no significant changes compared with last year's results, the weight of labor costs has increased slightly in relation to total costs across all company sizes (Figure 3.23).

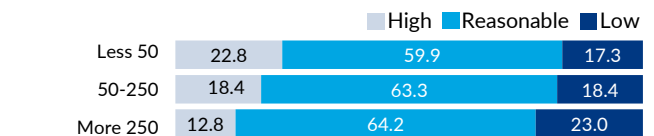
**Figure 3.22: Evaluation of Wage Levels Considering Productivity**  
In %



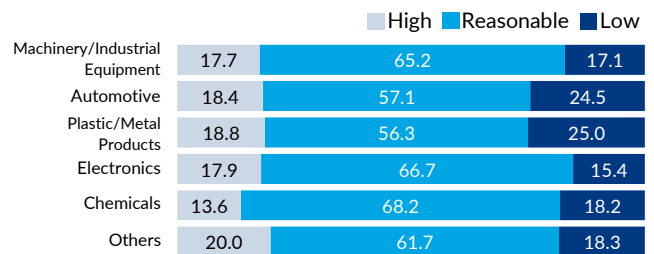
**Results by Region**



**Results by Company Size (Number of Employees)**



**Results by Industry**



Formulation of the surveyed question: "Taking productivity and qualifications into account, how do you evaluate salary levels in China?" Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

When reviewing the most important factors to improve productivity, improving internal processes, better internal training, and the use of key performance indicators (KPIs) continue to top the list. In 2020, two new factors have been surveyed: digital work processes and remote work. The former was perceived as being of comparatively moderate importance, with 22.2 percent of contributors rating it as very important, and another 46.4 percent as important. Remote work is at the bottom of the ranking, despite being one of the most common measures taken by companies to mitigate COVID-19's impact. This suggests companies see remote work more as a crisis-induced measure to deal with the contingencies associated with COVID-19, rather than a tool to improve productivity (Figures 3.24 and 3.1).

Improving internal processes, better internal training, and the use of KPIs are the top-3 factors chosen by organizations to increase productivity across all company sizes. However, the relative importance of the other surveyed factors varies slightly based on company size. Whereas large companies show a preference for increased automation (79.6 percent of contributors in this segment consider it very important or important) and digital work processes (78.3 percent), small companies tend to not see them as critical measures that elevate productivity (Figure 3.25).

Figure 3.23: Share of Labor Costs over Total Costs Company Size by Number of Employees, in %

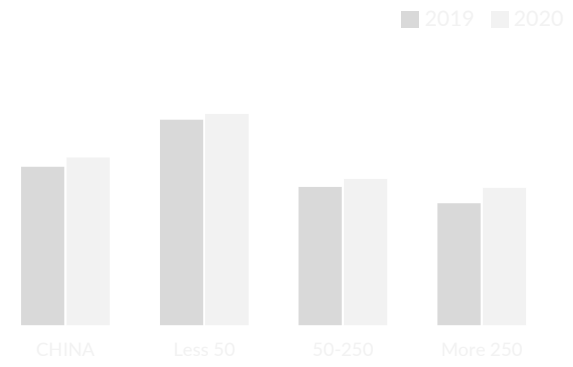


Figure 3.24: Main Factors for Productivity Increase Ranked by Very Important and Important, in %

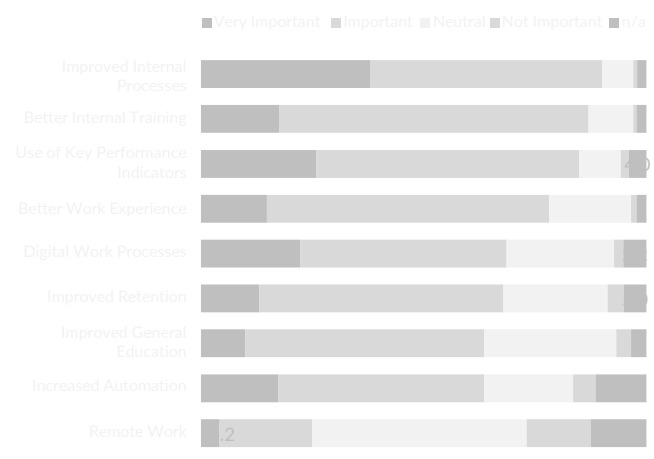


Figure 3.25: Main Factors for Productivity Increase by Company Size At Companies with Less 50 Employees vs. More 250 Employees



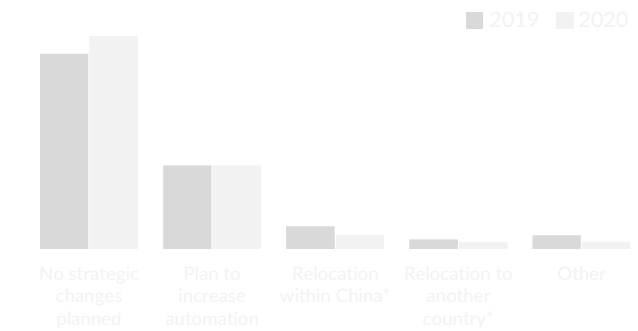
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The majority of the surveyed companies (65.5 percent) do not plan strategic changes to deal with increasing labor costs. When such plans exist, increasing automation is the preferred option at 25.7 percent, similar to last year's results. Plans to relocate to areas with lower cost, whether in or outside of China, have decreased. Whereas in 2019, 7.0 percent planned to relocate within China, this year, only 4.4 declared they plan to do so. 2.1 percent of the companies consider relocating to another country in 2020, compared to 3.0 percent in 2019 (Figure 3.26).

When examining the data based on company size, the intention to relocate to areas with lower labor costs has decreased throughout all levels, except for the proportion of large companies considering relocating outside of China: 2.7 percent, 1.2 p.p. above last year (Figure 3.27).

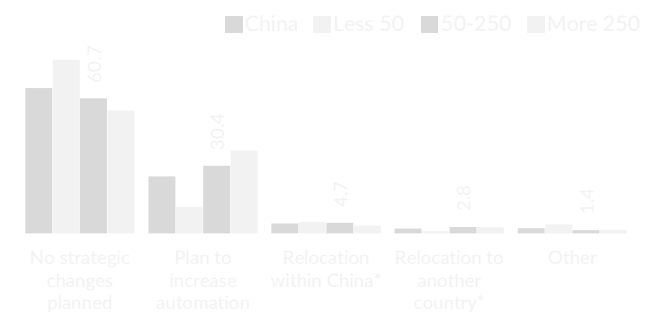
When German companies - considering productivity and staff qualifications - perceive salaries as low, they consider in higher proportion the possibility of increasing automation (30.2 percent) to improve productivity. However, when salaries are perceived as high, survey participants tend to rather consider relocating to lower labor cost areas (Figure 3.28).

**Figure 3.26: Strategic Changes due to Rising Labor Costs**  
In %



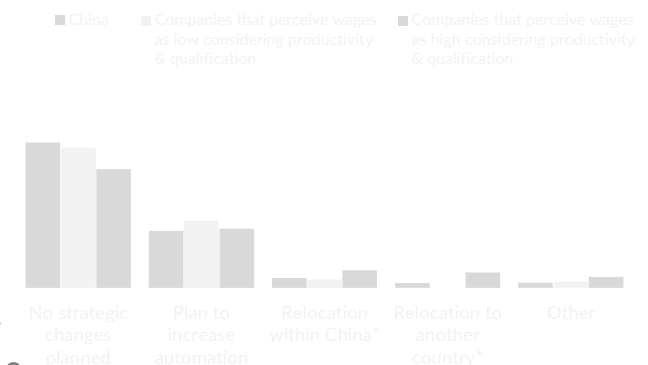
\* Relocation to lower labor cost areas.

**Figure 3.27: Strategic Changes Due to Rising Labor Costs by Company Size**  
Company Size by Number of Employees, in %



\* Relocation to lower labor cost areas.

**Figure 3.28: Strategic Changes Due to Rising Labor Costs by Perception on Salaries**  
In %



\* Relocation to lower labor cost areas.

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## 7. Wage Determination

Company and individual performance continue to be perceived as the most important factors for fixing wage adjustments in 2020. Individual performance is considered *very important* by 41.5 percent of the survey participants, 11.4 p.p. below last year's perception. Company performance is seen as *very important* by 51.7 percent of the contributors, 3.1 p.p. below 2019's numbers (Figure 3.29).

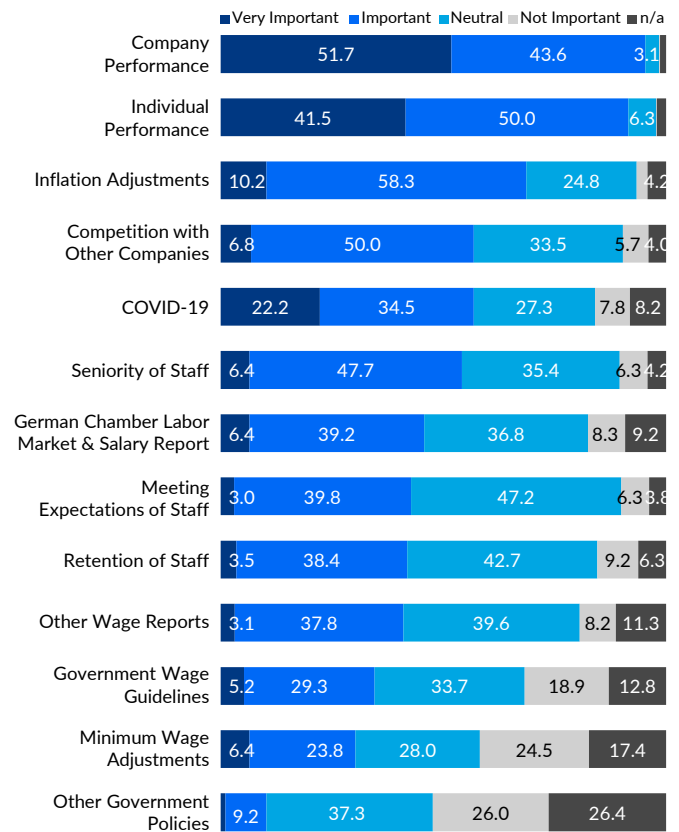
COVID-19 has been surveyed in this edition as a factor for fixing wage adjustments. COVID-19 is perceived as a moderately important factor (fifth out of 13, 22.2 percent, *very important*; 34.5 percent, *important*). Furthermore, the impact of COVID-19 could also be reflected in the decline of the relative importance associated with individual performance, as described above (Figure 3.29).

The German Chamber Labor Market and Salary Report is perceived as *very important* or *important* by nearly half of the contributors: 45.6 percent (Figure 3.29).

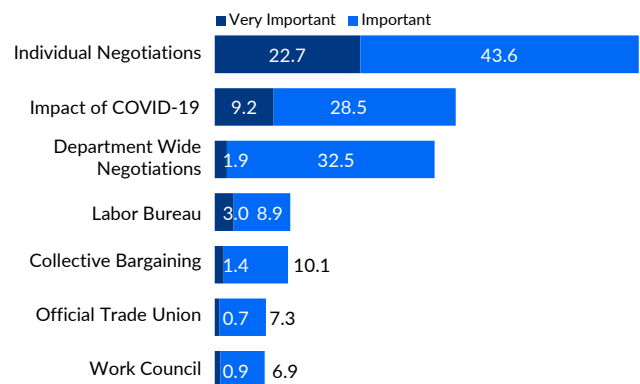
Other government policies, minimum wage adjustments, or government wage guidelines remain perceived as of low importance by German companies in China for wage adjustments (Figure 3.29).

When it comes to salary negotiations, individual negotiations still top the ranking: 22.7 percent see those as *very important*, 5.7 p.p. below 2019 results. The impact of COVID-19 ranks second among the most important factors for wage negotiations (Figure 3.30).

**Figure 3.29: Importance of Factors for Wage Adjustments**  
Ranked by Very Important + Important, in %



**Figure 3.30: Importance of Factors for Wage Negotiations**  
Ranked by Very Important + Important, in %





## 8. HR & Recruitment Challenges

Recruiting qualified personnel, rising labor costs, and retaining qualified staff are considered the top HR challenges impacting business operations, similar to previous years.

However, they are losing some of their prominence. Recruiting qualified staff is seen as having a high impact in business operations by 27.4 percent of the survey participants, 7.4 p.p. below 2019's results. 31.8 percent of the contributors see rising labor costs as having a high impact, 7.1 p.p. below last year's numbers. Retention of qualified staff has a high impact on business operations for 21.0 percent of 2020's contributors, a 9.6 p.p. drop from 2019's findings (Figure 3.31).

German companies in 2020 seem to follow similar strategies for talent retention as in previous years. Salary adjustments, bonus systems, and career advancement plans continue to be regarded as the most effective ones, almost in the same proportion as in 2019 (Figure 3.32).

Figure 3.31: Impact of HR Related Challenges on Business Operations

Ranked by High + Medium Impact, in %

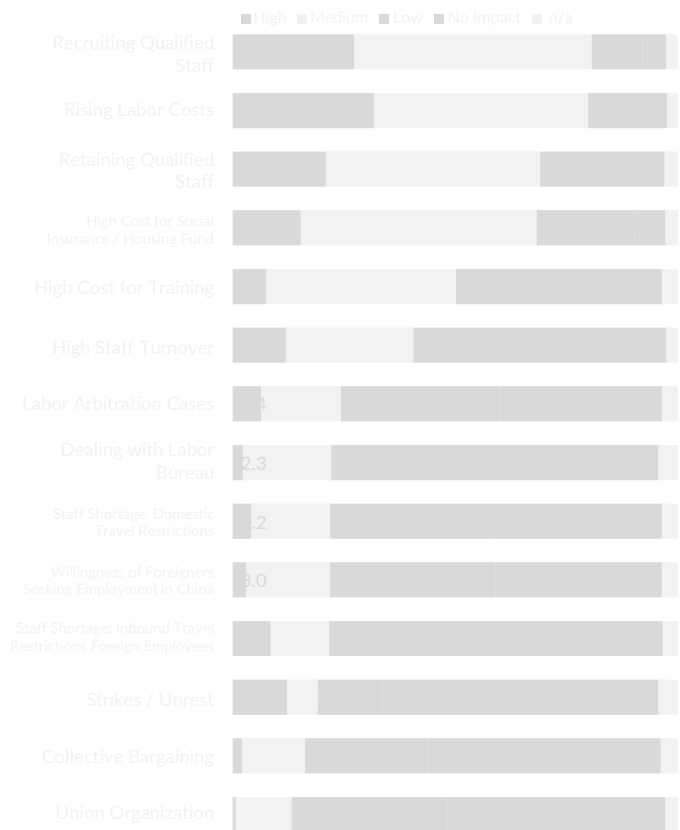
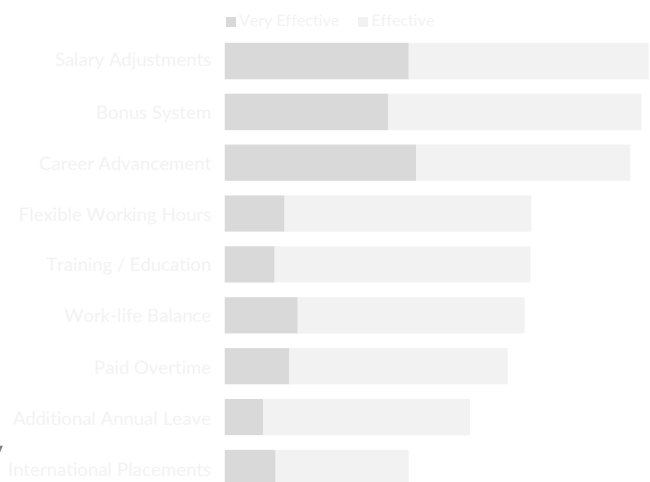


Figure 3.32: Strategies for Retaining Qualified Staff

Ranked by Very Effective + Effective, in %

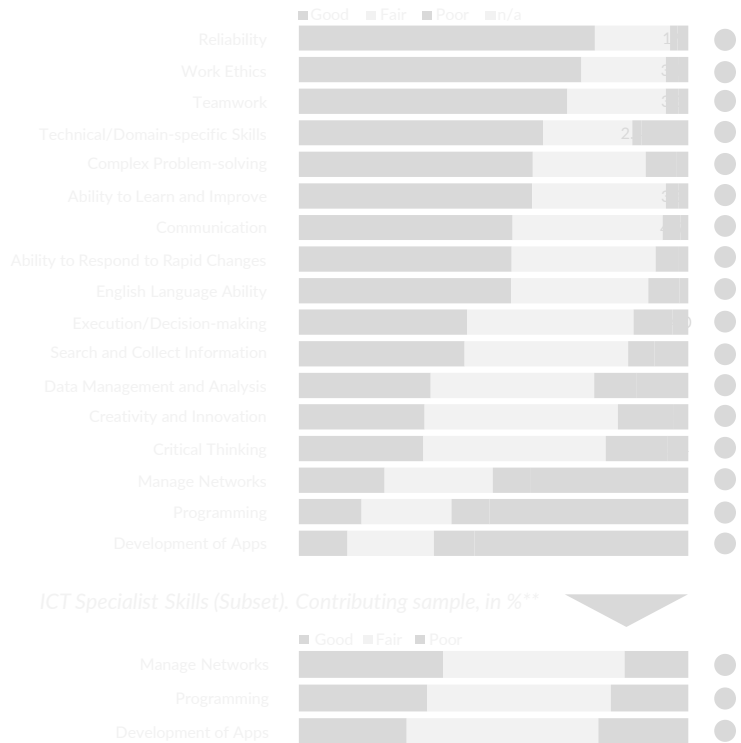


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Figure 3.33: Evaluation of Local Staff Skills  
Information and Communication Technology (ICT) Skills\*

ICT Specialist Skills	Programming
	Development of Apps
	Manage Networks
	Technical/Domain-specific Skills
ICT Soft Skills	Data Management and Analysis
	Search and Collect Information
	Complex Problem-solving
	Critical Thinking
	Creativity and Innovation
	Ability to Learn and Improve
	Communication
	Ability to Respond to Rapid Changes
	Teamwork
	Execution/Decision-making
	Soft Skills
Work Ethics	
Reliability	

Ranked by Good, in %



\* Adapted from OECD's Digital Economy Paper "Skills for a Digital World", 2016 Background report on the ministerial meeting on the digital economy. Some ICT skills are new additions to the survey in 2019; others have been reformulated to better fit the OECD definition. \*\*Managing networks, programming, and developing apps are skills that do not apply to a significant proportion of the companies contributing to the survey. For a clearer understanding on how these skills are perceived the percentages are recalculated against the number of contributions when such skills apply: Manage networks, 343 companies; Programming, 282 companies; Developing apps, 260 companies.

When asked to evaluate skills of local staff, the most prevalent skills (ranked by ratings as good) mentioned are reliability (76.0 percent), work ethics (72.6 percent), and teamwork (68.9 percent) – similar to before. Technical / domain-specific skills, complex problem solving, ability to learn and improve, communication skills, ability to respond to rapid changes, and English language abilities are also perceived as good by more than half of the contributors (Figure 3.33).

When applicable, ICT specialist skills such as managing networks, programming, or app development, are regarded mostly as fair.

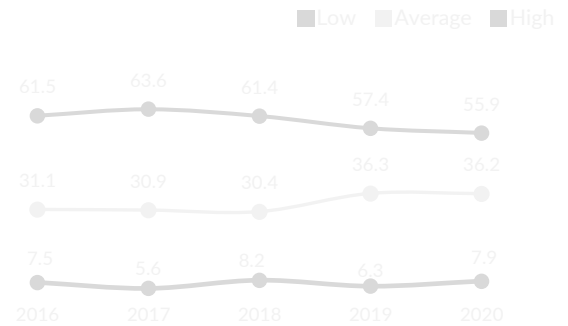
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For the third consecutive year, the proportion of participants who rate efforts needed to train staff as *high* has declined slightly - 55.9 percent. In 2020, a 1.5 p.p. below last year's results (Figure 3.34).

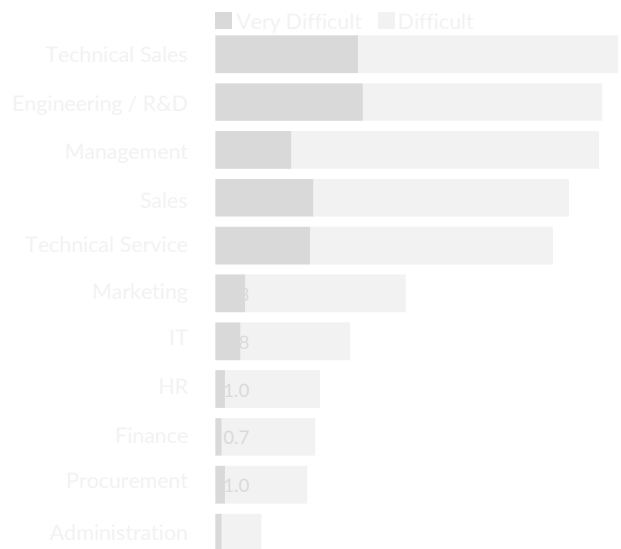
Technical sales and engineering and R&D professionals remain the most difficult positions to recruit. Management roles come third, although the percentage of contributors that consider these roles *very difficult* to recruit has decreased by 5.8 p.p. from 2019. Administration, procurement, finance, and HR roles are not seen as particularly difficult to recruit for (Figure 3.35).

The lack of sufficient skills and high salary expectations are the most common reasons why positions cannot be filled (Figure 3.36).

**Figure 3.34: Effort Needed to Train Staff To Reach the Desired Qualification Level, in %**



**Figure 3.35: Most Difficult Positions to Recruit Ranked by Very Difficult + Difficult, in %**



**Figure 3.36: Reasons Why Positions Cannot Be Filled Ranked by Major Problem + Problem, in %**



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## 9. Employee Turnover & Additional HR Data

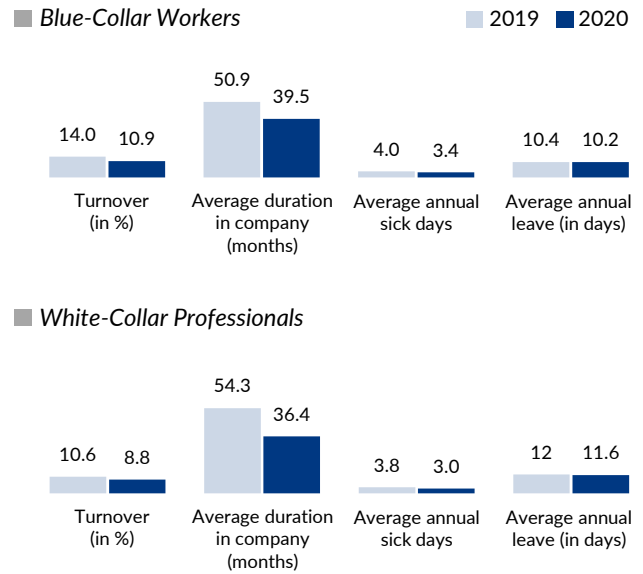
Average annual leave days and average sick days have remained basically the same as in 2019, for both blue-collar and white-collar employees. However, there are certain variations with regards to staff turnover and employee retention.

Staff turnover went from 14.0 percent in 2019 to 10.9 percent in 2020 for blue-collar workers; white-collar professionals turnover moved from 10.6 percent to 8.8 percent. The average duration of workers in a single company took a dive: from 50.9 months for blue-collar employees to 39.5 months; and from 54.3 months for white-collar employees to 36.4 months (Figure 3.37).

In this edition, employee turnover due to COVID-19 in 2020 has also been surveyed. For blue-collar workers, turnover averaged 3.1 percent, with 61.6 percent of participants report no turnover due to COVID-19 in 2020. Among white-collar professionals, the highest turnover rates were reported for junior professionals (3.1 percent), followed by mid-level professionals (1.9 percent). Senior white-collar professionals report the lowest turnover rate, with 1.3 percent. In conclusion, as the level of seniority increases, turnover tends to decrease (Figure 3.38).

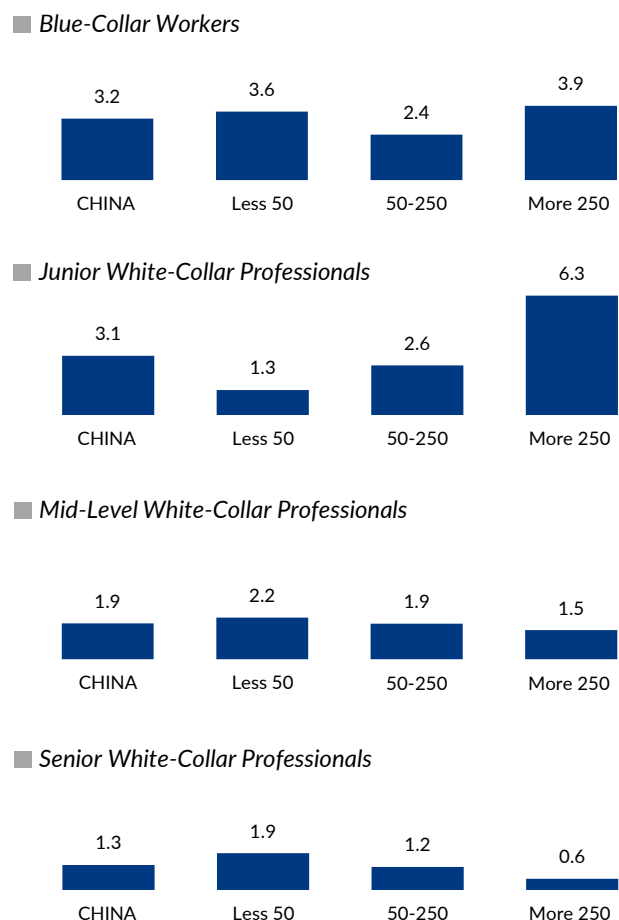
When analyzing the level of seniority by company size, the 6.3 percent turnover of junior white-collar professionals in large companies is noticeable. Such percentage stands in contrast to the 2.6 percent turnover in mid-sized companies, and the 1.3 percent in small companies (Figure 3.38).

Figure 3.37: Last Year's Employee Turnover and HR Data 2019-2020



The data collected in 2020 refers to staff turnover, average duration in company, average annual sick days and average annual leave of the previous year, 2019. Likewise, the data gathered in the 2019 edition refers to 2018.

Figure 3.38: Employee Turnover Due to COVID-19 in 2020 Company Size by Number of Employees, in %



Sample: Blue-collar, 542 companies; Junior white-collar, 533 companies; Mid-level white-collar, 532 companies; Senior white-collar, 527 companies.

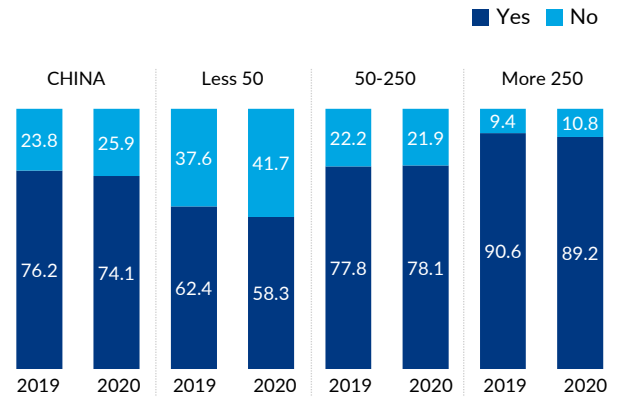
## 10. Foreign Employees

The majority (74.1 percent) of the companies contributing to the survey have foreign employees. 58.3 percent of the surveyed small companies and 89.2 percent of the large companies employ foreigners (Figure 3.39).

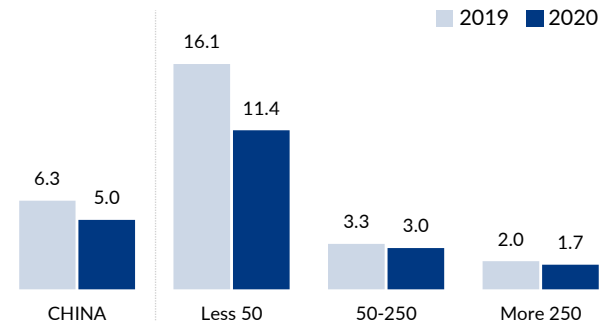
According to the data collected, as company size increases (i.e., larger number of employees), the proportion of foreign employees out of the total staff declines. In small companies, foreign employees average 11.4 percent of the workforce; mid-sized companies' foreign employees account for about 3.0 percent of its headcount. In large companies, foreign employees make up for 1.7 percent of the workforce (Figure 3.40).

When companies are asked whether they intend to replace foreign employees with local staff in the future, 51.3 percent indicate they have no changes planned. 24.6 percent of the companies intend to replace some employees - 8.5 p.p. below 2019's results. The decline could be explained by enterprises having already replaced a certain number of foreign employees by local staff in the past years. However, the intent to replace all foreign employees has slightly increased: 5.7 percent in 2020, 2.1 p.p. above 2019 (Figure 3.41).

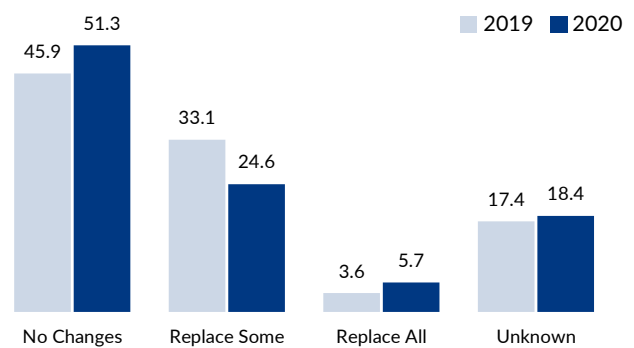
**Figure 3.39: Share of Companies Employing Foreigners**  
Company Size by Number of Employees, in %



**Figure 3.40: Average Percentage of Foreign Employees**  
Company Size by Number of Employees, in %, percentage of total employees



**Figure 3.41: Intentions to Replace Foreign Employees with Local Employees**  
In %

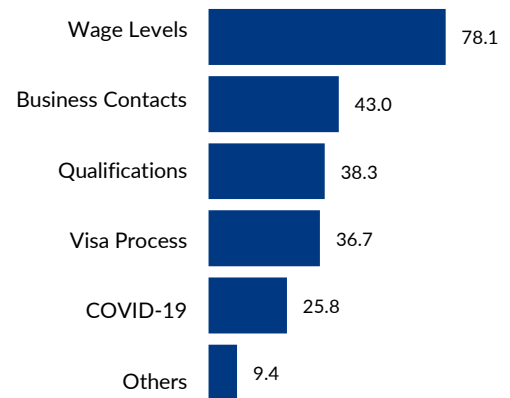


The most cited reason for replacing foreign employees with local hires is the difference in compensation levels (78.1 percent). As cost savings are now a top priority for companies due to COVID-19, replacements with local hires due to differences in compensation levels could be partly related to the pandemic. 25.8 percent report directly COVID-19 as a reason to replace foreign employees (Figure 3.42).

The most common form of labor relationship with a foreign national is by a local labor contract, used by 72.6 percent of participants (Figure 3.43). Project-based and expat contracts are used by 42.1 percent and 6.1 percent of contributors respectively on a very common or common basis.

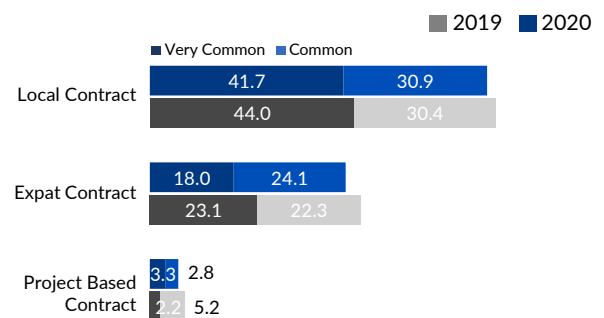
When it comes to evaluating the visa process, 28.4 percent of companies believe the process has improved - a decrease of 7.2 p.p. from 2019. While the rate of contributors claiming the visa process has worsened resembles that of last year, the percentage of respondents for which it has significantly worsened has gone up to 8.0 percent, a 4.1 p.p. increase over 2019 (Figure 3.44).

**Figure 3.42: Reasons for Replacing Foreign Employees with Local Employees**  
In %

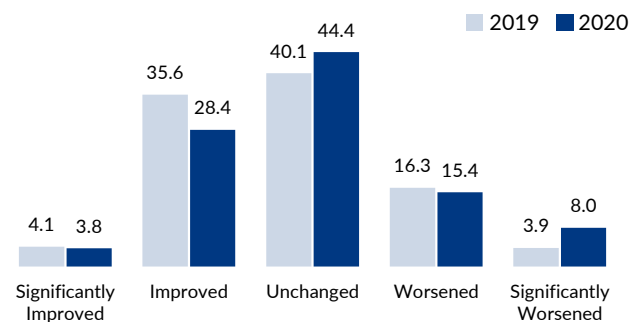


Sample: 128 companies, that have foreign employees and have indicated the intention to replace some or all. Multiple options allowed per contributor.

**Figure 3.43: Common Types of Contracts for Foreigners**  
Ranked by Very Common + Common, in %



**Figure 3.44: Evaluation of Visa Process**  
In %



## 11. About the Survey

The current report was made possible thanks to the contribution of 576 member companies of the German Chamber of Commerce in China to the annual labor market and salary online survey. The number of participants - the highest ever recorded for this survey - represents about 25 percent of the Chamber's membership base. Results are statistically representative with a 3.5 percent margin of error for a confidence level of 95 percent.

Data was collected via an online questionnaire between 6 June 2020 and 17 July 2020.

## 12. Profile of Contributors

The majority of the contributions originate from companies operating in the Yangtze River Delta area (64.4 percent) and Northern China (22.9 percent). South and Southwest China make up for the remaining 12.7 percent (Figure 3.45).

Tier-1 cities represent nearly 58.0 percent of all contributions (Figure 3.46). This high percentage is mostly due to contributions coming from Shanghai, which account for 40.6 percent of all participants (Figure 3.45).

Companies from the Machinery and Industrial equipment are the industries with the highest participation rate (32.5 percent), followed by the Automotive industry (17.7 percent) (Figure 3.47).

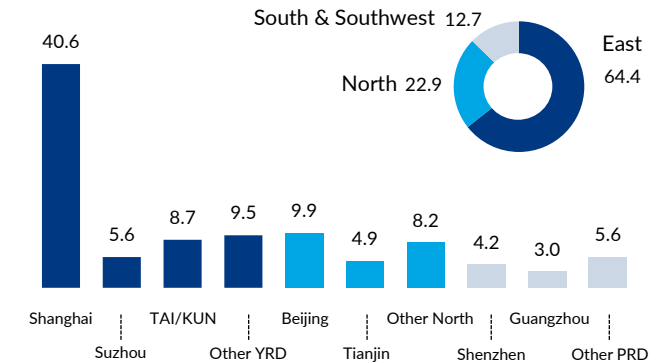
In this edition, small size companies make up for 41.5 percent of all the contributions (4.2 p.p. above last year). Mid-sized companies account for 32.9 percent (1.2 p.p. below last year), and large companies amount to 25.6 percent of participants (3.0 p.p. below 2019) (Figure 3.48).

Participating companies' main business functions in China are sales and marketing (59.2 percent); production (57.8 percent); and services (47.2 percent) (Figure 3.49).

HR managers (28.5 percent) and general managers (27.0 percent) are the two most common roles from the representatives of the companies participating in the survey. HR specialists / supervisors (14.2 percent) and C&B specialists / supervisors (10.4 percent) follow (Figure 3.50).

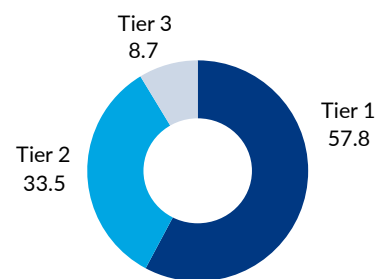
Most of the contributors are Chinese nationals (78.0 percent); 17.2 percent are German nationals (Figure 3.51).

**Figure 3.45: Regional Distribution of Survey Participants**  
In %



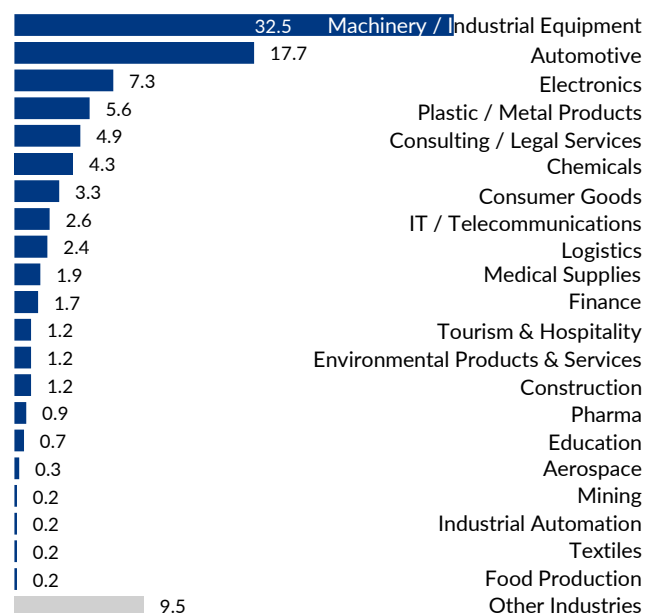
Sample: 576 companies. TAI / KUN: Taicang and Kunshan; Other YRD: Other Yangtze River Delta areas; Other PRD: Other Pearl River Delta areas.

**Figure 3.46: Distribution of Contributors by City Tier**  
In %



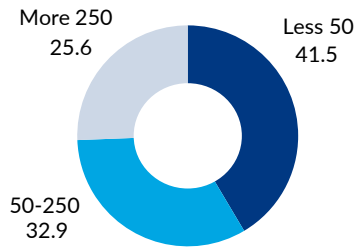
Sample: 576 companies.

**Figure 3.47: Distribution of Contributors by Industry**  
In %



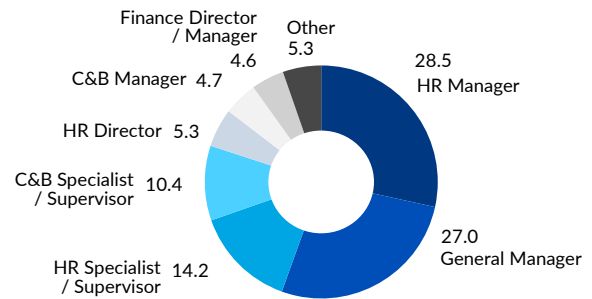
Sample: 576 companies.

**Figure 3.48: Distribution of Contributors by Company Size**  
Company Size by Number of Employees, in %



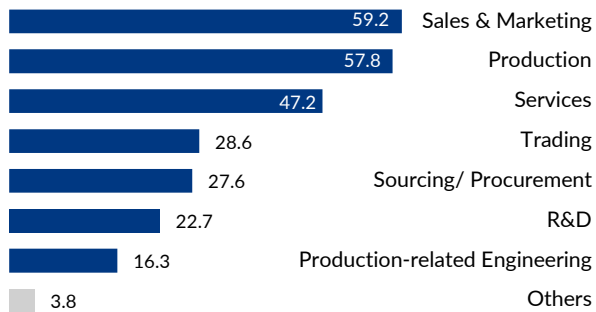
Sample: 576 companies.

**Figure 3.50: Profile of Contributors by Role**  
Position of the Company Representatives Participating in the Survey, in %



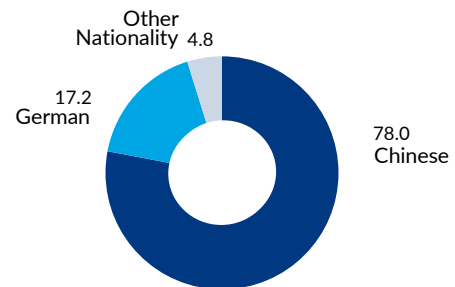
Sample: 576 companies & 636 contributors. An organization's survey can be contributed for more than one individual.

**Figure 3.49: Main Focus of Contributor's Activity**  
In %



Sample: 576 companies. Multiple activities allowed per contributor.

**Figure 3.51: Profile of Contributors by Nationality**  
Nationality of the Company Representatives, in %



Sample: 576 companies & 636 contributors. An organization's survey might have been contributed for more than one individual.



## IV. COMPENSATION DATA

### 1. Introduction

In the compensation tables following this section, we will present specific compensation details both for China and segmented levels for 39 particular positions covered in the survey.

#### FUNCTIONAL AREA

Production, Administration, Sales, Purchasing, Finance, HR, Quality Control, Engineering / R&D, Logistics, Consultant / Project Management, Senior Management, Specialists.

#### CHINA

Total Cost per Employee (TCE) in 2020 (RMB/month) is obtained from the survey. The TCE in 2021 is obtained as a result of applying the Expected Wage Increase in 2021 to the 2020 TCE. The Expected Wage Increase in 2021 is obtained from the survey.

#### Segmentation Variable

Results are segmented by Region, City Tier, Industry, and Company Size. Survey results are shown for each category of the respective segmentation variable when sample size is sufficient.

#### Specific Position

Specific position or level of seniority for professionals within the specific Functional Area.

	CHINA	EAST		NORTH		SOUTH	
ADMINISTRATION		Shanghai	Other East	Beijing	Other North	SZ / GZ	Other South
<b>Junior</b>							
2020	8,298	10,000	6,740	9,000	7,441	7,960	6,078
2021	8,623	10,402	6,980	9,383	7,773	8,214	6,329
Increase %	3.92	4.02	3.57	4.25	4.46	3.19	4.13
<b>Mid-Level</b>							
2020	12,000	15,500	9,200	14,325	9,500	12,000	8,000
2021	12,468	16,141	9,540	14,882	9,868	12,420	8,307
Increase %	3.90	4.13	3.70	3.89	3.87	3.50	3.83
<b>Senior</b>							
2020	21,084	24,911	18,000	24,000	21,600	21,975	15,558
2021	21,839	25,855	18,591	24,744	22,524	22,662	16,132
Increase %	3.58	3.79	3.28	3.10	4.28	3.13	3.69

#### Expected Wage Increase in 2021

**Average** expected wage increase for 2021. Collected in the survey as the expected Total Cost per Employee change from 2020 to 2021 (in percent).

#### Total Cost per Employee

**Median values.** Monthly in RMB based on a 12-month year period, tax included. Includes gross base salary plus variable costs such as: mandatory social security & housing fund by the employer, meal & transportation allowances, company car, subsidies studies to employees, overtime, supplementary medical insurance, annual medical check-up, life & accident insurance, critical illness allowances, supplementary pension plan, supplementary housing fund, annual variable bonus / sales incentives, other bonuses (skill, retention, management).

Unless otherwise indicated, only results with a minimum of 10 individual observations are presented. Cells with value n.a. (not available) indicate that the total number of responses collected did not meet the minimum quantity.

## 2. Wages and Wage Increases

### 1) Total Company Cost per Employee. Definition

The gross base salary, including 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. Monthly in RMB based on a 40-hour working week and a 12-month year period.

Gross base salary in the survey is defined as basic monthly salary in RMB (taxes included) based on a 40-hour working week and a 12-month year period. 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.

### 2) Forecast Salary Change from 2020 to 2021

Salary increase in percentage of Total Company Cost per Employee. Includes merit increase and market adjustments.

**Industry:** Machinery, Automotive, Plastic / Metal Products, Electronics, Chemicals and Others – the latter combines all industries for which we did not have enough observations (minimum 10) at the position specific level.

**Company Size:** (by number of employees): less than 50, between 50 and 250, and more than 250.

To facilitate comparisons, the overall value for China is provided along the categories of each segmentation variable.

**China: Median and Percentiles:** Median, Percentile 25, Percentile 50 and Percentile 75 of Total Cost per Employee values for each position in overall China.

## 3. Segmentation Variables

The results are segmented by:

**Region:** Shanghai, Other East, Beijing, Other North, Shenzhen / Guangzhou (SZ / GZ), Other South. Other East locations include cities such as Taicang, Suzhou, Kunshan, Changzhou, Changshu, Wuxi, Hangzhou, Ningbo, and more. Other North locations include Tianjin, Shenyang, Qingdao, Dalian, Changchun, Langfang and more. Other South locations include Jiangmen, Huizhou, Chongqing, Foshan, Zhuhai, Dongguan, Kunming, and more.

**East China:** Shanghai, Suzhou, Taicang / Kunshan (TAI / KUN), Other Yangtze River Delta areas (Other YRD).

**North China:** Beijing, Tianjin, Other North.

**South and Southwest China:** Shenzhen, Guangzhou, Other Pearl River Delta areas (Other PRD).

**City Tier:** Tier 1, Tier 2 and Tier 3 cities. First tier cities are Shanghai, Beijing, Guangzhou, and Shenzhen. Second tier cities are provincial capitals and cities in the vicinity of first tier ones, such as Suzhou, Wuxi, Taicang, Hefei, Nanjing, Dalian, Qingdao, Chongqing and others. Third tier cities are smaller cities, mainly in the Yangtze and Pearl River Delta.

## 4. Region

Total Cost per Employee in RMB/month (Median values)

	CHINA	EAST		NORTH		SOUTH	
		Shanghai	Other East	Beijing	Other North	SZ / GZ	Other South
<b>PRODUCTION</b>							
<b>Blue Collar</b>							
2020	6,297	7,000	6,300	6,326	6,500	5,925	5,000
2021	6,547	7,265	6,545	6,568	6,773	6,158	5,229
Increase %	3.98	3.79	3.88	3.82	4.21	3.93	4.58
<b>Operator</b>							
2020	7,500	8,500	7,000	8,250	7,000	7,256	6,000
2021	7,795	8,856	7,256	8,547	7,287	7,563	6,261
Increase %	3.94	4.19	3.65	3.60	4.10	4.24	4.34
<b>Shift Leader</b>							
2020	9,753	10,500	9,500	10,899	9,860	9,875	7,300
2021	10,133	10,918	9,854	11,315	10,258	10,276	7,607
Increase %	3.90	3.98	3.72	3.82	4.03	4.06	4.21
<b>Production Supervisor</b>							
2020	15,400	16,800	15,650	15,950*	15,200	13,374	12,010
2021	15,991	17,435	16,201	16,748	15,804	13,985	12,514
Increase %	3.84	3.78	3.52	5.00	3.98	4.57	4.19
<b>Production / Plant Manager</b>							
2020	34,836	39,240	32,000	34,648	39,803	31,960	28,712
2021	36,106	40,576	33,104	36,121	41,370	33,019	29,981
Increase %	3.65	3.40	3.45	4.25	3.94	3.31	4.42

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	CHINA	EAST		NORTH		SOUTH	
		Shanghai	Other East	Beijing	Other North	SZ / GZ	Other South
<b>ADMINISTRATION</b>							
2020	8,298	10,000	6,740	9,000	7,441	7,960	6,078
2021	8,592	10,980	6,980	9,383	7,773	8,214	6,329
Increase %	3.72	4.02	3.57	4.25	4.46	3.19	4.13
<b>Production / Plant Manager</b>							
2020	14,325	16,141	18,000	14,325	9,500	12,000	8,000
2021	12,468	16,141	9,540	14,882	9,868	12,420	8,307
Increase %	3.80	4.02	3.57	3.80	3.87	3.50	3.83
<b>Production / Plant Manager</b>							
2020	21,084	24,911	18,000	21,000	21,600	21,975	15,558
2021	22,524	25,224	18,500	22,524	22,524	22,662	16,132
Increase %	3.58	3.79	3.28	3.10	4.28	3.13	3.69

\*Median from 8 observations.

This is for  
reference only.  
The full version is  
member-exclusive

NEW

# China Salary Taxberg

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It provides General Managers, HR Professionals, and Hiring Managers a comprehensive understanding of all the funds and taxes that apply at any given compensation level in over 90 cities in China.

## China Salary Calculator

**DirectHR**  
Member of PAWLİK Group

Simply adjust any of the below 3 numbers!

Shanghai

Monthly GROSS Salary

**CNY 23,611.73**

Monthly NET Salary

**CNY 18,000**

Monthly TOTAL Employer Cost

**CNY 31,693.29**

**CNY 18,000**  
Monthly NET Salary

**CNY 5,611.73**  
Monthly Total Funds &  
Taxes Employee Pays

**CNY 8,081.56**  
Monthly Total Funds &  
Taxes Employer Pays

Total Funds & Taxes paid by the Employer and Employee

**CNY 13,693.29**

(a premium of 76.07% on top of the Monthly NET Salary)

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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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