

Let's Resolve any Doubts about the "Double-Digit Growth in Wages."

What are Wages?

"Wages," as defined under China's labour statistics system, refers to remuneration for the labour of those persons who are classified as "staff and workers." According to the rules of China's labour statistics system, not all persons employed by enterprises and other entities may be called "staff and workers."

The *China Statistical Yearbook 2006* provides the following explanation of the statistical classification of "staff and workers:"

"Staff and workers" refers to all types of personnel working and receiving wages from state-owned, urban collective, jointly-operated, shareholding, or entities with foreign, Hong Kong, Macao or Taiwan investment, or their subsidiaries. It does not include the following personnel: 1) persons employed by rural enterprises; 2) persons employed by private enterprises; 3) self-employed urban workers; 4) retired or discharged persons; 5) re-employed retired persons; 6) community-supported teachers; 7) foreigners or persons from Hong Kong, Macao or Taiwan working in urban organizations; or 8) other persons by regulation not included within the statistical scope of staff and workers...

In 2006, there were 283 million employed persons (*jiuyezhe*) in urban China. Only 112 million of whom could be called "staff and workers" (*zhigong*) or 40 percent of all those employed in urban areas.

During the planned-economy era, the number of "staff and workers" in Chinese cities was subject to strict central control, because the state had to issue wages for each person hired. Because of the simple, single ownership system during the planned-economy era, the number of urban "staff and workers" during that period was essentially the same as the number of persons employed in the cities. For example, in 1985 the number of persons employed in urban areas was 128.08 million and the number of "staff and workers" was 123.58 million; there was only a 3.5 percent discrepancy between the two. The base employee wage was therefore a direct indicator of the income of all urban workers during the planned-economy era. In the 1990s, after the appearance of large numbers of private enterprises and self-employed workers in the wake of the reform of the enterprise ownership system, the proportion of "staff and workers" among the urban employed declined sharply. In 1990 there were 170.41 million people employed in urban areas and 140.59 million "staff and workers;" "staff and workers" comprised 83 percent of those employed in urban areas. By 2006, "staff and workers" comprised only 40 percent of employed persons. The "wages" of this period are at most an indicator the remuneration of only 40 percent of the people employed in urban areas. What significance is there to publishing such "wages?"

We need to further our understanding of "wages."

The *China Statistical Yearbook 2006* provides the following explanation of the statistical provision for “total wages:”

Total wages refers to the total remuneration for labour paid by all organizations directly to all staff and workers of those entities, within a set time period. Total wages must be calculated based upon the entirety of remuneration for labour paid directly to staff and workers. Total wages include remuneration for labour, and other wages paid out according to regulations, that are paid to staff and workers by all employers, regardless of whether or not they are included in a company’s costs, whether or not bonuses are taxable according to state regulations, or whether or not they are paid in monetary or material form.

The above makes it clear that no one should limit their understanding of “wages” to the money they receive in hand each month. Now, the money you receive each month is truly only one part of the wages to which you are theoretically entitled. In the last two years, wages actually received have been reduced because of a sizable increase in various kinds of individual social security and housing fund deductions. In addition to income tax, individual pension, medical insurance, and unemployment insurance are deducted from wages. For some people, a housing fund allowance is also deducted.

Thus, even if wages continue to increase at the current rate, the wages of ordinary workers on the bottom rung of the ladder will remain a pittance.

An Overview of Average Wages by Industry (1)

	Avg. Employee Wages, All Industries	Agriculture	Coal Mining & Processing	Manufacturing	Construction	Wholesale & Retail	Hospitality
1998	7,479	4,528	7,242	7,064	7,456	5,818	7,530
2001	10,870	5,741	9,586	9,774	9,454	8,154	9,756
2005	18,364	8,309	20,626	15,757	14,338	15,241	13,857
2005 monthly average	1,530	692	1,719	1,313	1,195	1,270	1,155

Note: 1. “Agriculture” here refers to “staff and workers” working in primary industries.
 2. Coal Mining & Processing is part of a larger category of extraction industries, with its staff and workers comprising 68 percent of extraction industry staff and workers and wages comprising 62 percent of total industry wages in 2005.

An Overview of Average Wages by Industry (1) shows the average wages that staff and workers in basic industries are entitled to receive before income taxes or deductions for social security and other funds. Can these average wages be called high? Even with a “double-digit increase,” what is there to boast about?

In the seven years from 1998 to 2005, staff and workers' average monetary wages increased by 146 percent. Taking inflation into account (according to the urban consumer price index, the buying power of 105 yuan in urban areas in 2005 was equivalent to that of 100 yuan in 1998), staff and workers' average actual wages increased by 134 percent (the average actual wage index equals the urban consumer price index less the average monetary wage index). The average annual growth rate was 19 percent, and even the industries with the slowest growth in average actual wages (agriculture, construction, and hospitality) achieved an annual growth rate of 12 percent. Even with this rate of increase, however, the absolute value of the wages after the increase was not very high, not to mention that these wages are nominal wages only, out of which must be deducted income taxes and the various social security payments.

Is the Current Wage Gap between Industries Reasonable?

An Overview of Average Wages by Industry (2)

	Avg. Employee Wages, All Industries	Education	Finance & Insurance	Health	Real Estate Dvlpt.	Electricity & Heating Production & Supply	Party & Gov't Entities
1998	7,479	7,377	10,633	8,471	11,083	10,478	7,773
2001	10,870	11,269	16,277	12,912	14,591	14,590	10,043
2005	18,364	18,470	32,228	21,133	22,069	25,073	20,505
2005 monthly average	1,530	1,539	2,686	1,761	1,839	2,089	1,709

We have already seen in An Overview of Average Wages by Industry (1) that, except for coal mining and processing, the average wages for the other industries were lower than the average wage standard for all industries in 2005, whereas in An Overview of Average Wages by Industry (2), the average wages for each industry surpasses the average wage standard for all industries in 2005. Is this income gap reasonable? Is it an unalterable fact? To answer this question we need to conduct an analysis combining changes in total wages by industry and changes in the number of staff and workers.

Changes in Total Wages and Number of Staff and workers by Industry (1)

Total Wages billion yuan	Year	Total	Agriculture	Extraction	Manufacturing	Construction	Wholesale & Retail	Hospitality	Sub-total	% of Total
	1998	929.7	25.0	51.4	272.4	63.5	70.28	14.4	49.7	53%
	2001	1,183.1	26.8	52.8	299.1	71.3	65.8	16.0	531.8	45%
	2005	1,979.0	34.7	101.6	482.2	123.8	77.7	22.9	842.9	43%

No. of Staff and Workers (millions)	Year	Total	Agriculture	Extraction	Manufacturing	Construction	Wholesale & Retail	Hospitality	Sub-total	% of Total
	1998	123.37	5.46	7.02	37.69	8.46	1,208	1.91	72.62	59%
	2001	107.92	4.58	5.44	30.10	7.33	8.07	1.64	57.16	53%
	2005	108.50	4.14	4.98	30.97	8.54	5.08	1.67	55.38	51%

Changes in Total Wages and Number of Staff and workers by Industry (2)

Total Wages billion yuan	Year	Total	Education	Financial	Real Estate Dvlpt.	Health	Electricity & Heating Production & Supply	Party & Gov't Entities	Sub-total	% of Total
	1998	929.7	97.9	32.0	4.7	37.2	29.3	83.5	284.6	31%
	2001	1,183.1	157.0	47.7	6.6	58.1	41.4	131.8	442.6	37%
	2005	1,979.0	256.0	94.8	1.4	98.8	73.6	246.6	783.8	40%

No. of Staff and Workers (millions)	Year	Total	Education	Financial	Real Estate Dvlpt.	Health	Electricity & Heating Production & Supply	Party & Gov't Entities	Sub-total	% of Total
	1998	123.37	13.27	3.01	.42	4.40	2.81	10.84	34.75	28%
	2001	107.92	13.93	2.93	.45	4.50	2.84	10.88	35.53	33%
	2005	108.50	14.45	2.95	.65	4.67	2.94	12.14	37.80	35%

In 2005, the total wages of staff and workers in the manufacturing, construction, extraction, wholesale and retail, hospitality, and agriculture industries comprised 43 percent of total wages of all staff and workers in that year, and the number of staff and workers in those industries comprised 51 percent of the total number of staff and workers. The proportion of total wages was 12 percentage points lower than that of the number of staff and workers. In 1998, the share of total wages in these industries was only six percentage points lower than that the number of staff and workers.

In 2005, the total wages of staff and workers in education, health, financial, real estate development, electricity and heat production and supply, and Party and government entities comprised 40 percent of total employee wages in that year, and the number of

employees in those industries comprised 35 percent of the total. The proportion of total wages was 5 percentage points higher than that of the number of staff and workers. In 1998, the share of total wages in these industries was only three percentage points higher than that of the number of staff and workers.

We can also see that the number of staff and workers engaged in the manufacturing, construction, extraction, wholesale and retail, hospitality, and agriculture industries is decreasing. The number of staff and workers decreased by 17.24 million, while total wages increased by 70 percent. The number of staff and workers engaged in education, health, financial, real estate development, electricity and heat production and supply, and Party, government, and public entities industries is increasing. The total number of workers and staff increased by 3.05 million, while total wages increased by 170 percent.

We can conclude from the above that the gap in wages has increased over the last ten or so years, occurring simultaneously with the phenomenon of large-scale layoffs and reassignments of personnel in low-wage industries and an increase in personnel in the relatively high-wage industries.

People are understanding and reasonable. If staff and workers in basic industries are laid off and staff and workers in elite and monopolized industries increase while at the same time the benefit to society can truly be maximized, and this maximization of benefits can also be enjoyed by the groups that have paid the price, the people will be able to accept paying a price. But the problem lies in the fact that once monopolized, elite and monopoly industries can command everything around them, obtaining resources at a discount. A small number of people in these industries fully utilize the resources that they can manipulate to maximize their own interests, which also increases the benefit to that industry or entity, while ordinary workers are marginalized.

If the services provided by industries like education, health, financial, real estate development, and Party, government, and public entities can satisfy society, we cannot criticize the fact that the average wages in those industries are a bit higher. The question, though, is whether the public services provided by these industries do indeed satisfy the majority of people.

The “average wages” for relatively high-wage industries actually reflect the high-end of the wage scale in those sectors rather than the wages of the majority of workers. In Shanghai, for example, the average wage for staff and workers in government, Party, and public organizations was 33,187 yuan in 2005 and 36,765 yuan in 2006. The average wage for educational organizations was 28,908 yuan in 2005 and 32,554 yuan in 2006. In financial organizations, the average wage was 45,946 yuan in 2005 and 58,681 yuan in 2006. The average for the entire real estate industry (including real estate development, management, and brokerage) was 33,336 yuan in 2005 and 37,101 yuan in 2006. In health care organizations, the average wage was 32,280 yuan in 2005 and 37,160 yuan in 2006. How can we believe that these are really the average wages of the people employed primarily in these industries? If wage statistics are supposed to be grounded in providing full and accurate information for the development of the national economy, then

averaging the wages of a gate guard at a university with those of a university professor cannot reflect the true income situation of people employed within that industry. Averaging the incomes of senior managers (who make well over ten times the income of ordinary workers) with those of ordinary workers does not reflect the true life circumstances of those on the lowest rungs of the social ladder.

Focus on the 60 percent of Urban Employed not classified as Staff and Workers.

There are even more serious problems hidden behind the data in these tables. Those lucky enough to be called “staff and workers” are the most protected group in China today. What we should be paying attention to is the income and livelihood of those 60 percent of the urban employed who are not staff and workers.

The remuneration of all urban workers in China has never been published. However, commentators have calculated the percentage of labour remuneration as part of the gross output value of the manufacturing sector in 1990, 1995, 1998, and 2003. In 1990 worker remuneration comprised 6.7 percent of manufacturing output; it was 6 percent in 1995, 4.8 percent in 1998, and only 3 percent in 2003... This demonstrates that, no matter how it is analysed, the level of remuneration for labour as a proportion of manufacturing output in China is currently at an unprecedented low. Also, these data and statistics are only from state-owned enterprises and those non-state-owned enterprises with annual sales incomes of over 5 million yuan. It is easy to surmise that the remuneration proportion of the output of smaller-scale enterprises will be lower, and certainly not higher than the overall published figures. With a lower proportion of remuneration labour in manufacturing output, profits inevitably comprise a higher proportion. Then to whom do the excess profits go? Workers have a right to inquire. We should not forget that we are still a socialist country; while that flag is still flying, workers are able, under the laws of a socialist state, to confidently demand the earnings from their own labour!

The people have a right to know, and the authorities have a responsibility to inform the people; publicizing information is part of the government’s duty. Publicizing information is not merely a matter of routinely taking care of official business or of pleasing the leadership, and certainly not of hoodwinking the people or high-level decision makers. These days, publicizing wage information can stir up a major storm, so don’t we need to take a new look at this question: What is the publication of information for? Why inform the people?

I am meddling in someone else’s business. I am doing what the government should be doing when it publicizes wage information.