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Beijing city to raise minimum wage 21%

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Beijing city is to raise its minimum wage 21 per cent next year, the second such rise in barely six months, amid rising inflationary pressure and growing concern over China's widening wealth gap.

The increase, which will come into effect on New Year's day, raises the statutory minimum monthly wage in the Chinese capital to Rmb1,160 (\$175) and the hourly rate to Rmb6.7. It follows a 20 per cent rise in June.

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Every province and municipality in China has announced a rise in its minimum wage this year, with increases ranging from 12 per cent to Beijing's rise.

The official measure of annual consumer price inflation in China hit 5.1 per cent in November, up from 4.4 per cent in October, with food prices rising 11.7 per cent in November from a year earlier.

The government is worried about the disproportionate burden of rising food costs on low-income households, which spend a larger share of their income on basic necessities. It also fears that persistent price rises could stoke social unrest, as they often have in the past.

"While China's living standards have dramatically risen over the past 30 years, the gap between rich and poor has sharply widened," Yu Yongding, an influential former adviser to China's central bank, wrote in a newspaper article last week. "With the contrast between the opulent lifestyles of the rich and the slow improvement of basic living conditions for the poor fomenting social tension, a serious backlash is brewing."

Nationwide increases in minimum wages are part of the government's plan to reduce income disparity and the Chinese economy's heavy reliance on investment and promote greater consumption by middle- and low-income households.

But with many businesses already being squeezed by rising input costs, wage increases come at a difficult time and are likely to lead to higher overall inflation.

“In just the last three months we’ve already had to raise entry-level starting wages 60 per cent just to get people to come to a job interview,” said Jade Gray, chief executive of Gung Ho Pizza, a Beijing-based gourmet pizza delivery service. “With rising rents, the much higher cost of ingredients and now wage inflation, many businesses in the services industries are going to find it impossible not to pass on much higher costs to consumers.”

With its latest wage increase Beijing now has the highest minimum wage in the country, ahead of Shanghai on Rmb1,120 per month but other cities and provinces, including the manufacturing hub of Guangdong, are already eyeing further increases early in the new year.

The government estimates that Beijing’s minimum wage rise will benefit nearly 3m people.

In the separately-ruled Chinese territory of Hong Kong, legislators in November set the city’s first-ever minimum wage at HK\$28 an hour. The new wage, which takes effect in May 2011, followed months of public consultation and debate amid growing concern in the city about widening income disparities.

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