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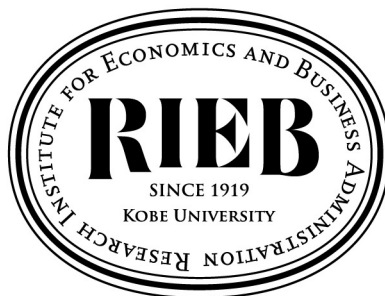
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Abstract

This paper reviews the institutional background of China's minimum wage system, shaped by four key labor law regulations, with a focus on its defining feature of regional heterogeneity. We compile a unique and comprehensive database on minimum wage standards across all 31 provinces from 1995 to 2022, incorporating both nominal and real wage levels as well as their geographic distribution. The dataset and our analysis provide a valuable foundation for understanding the potential role of minimum wage policy in shaping labor market outcomes and regional economic dynamics in the context of a modernizing and developing economy.

Keywords: Minimum Wage; China; Regional heterogeneity; Minimum wage database

JEL Classification: J30 ; J38 ; C81

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1 Introduction

China’s minimum wage system is a relatively recent development compared to that of many developed economies. The first national legislation on minimum wages was enacted in China on 24 November 1993, followed by a significant revision on 20 January 2004. In comparison to developed countries, such as New Zealand and Australia, which implemented the first minimum wage laws as early as the 1890s, the United States in 1938 and Japan in 1959 (Starr, 1981; Neumark and Wascher, 2008), China’s minimum wage system has only been in place for three decades.

Despite the relatively brief history of the minimum wage, it has become an important component of China’s labor market policies. Over time, relevant laws and regulations have undergone continuous refinement and standardization in order to address the challenges posed by China’s vast regional disparities and the demands of a dynamic labor market (Li and Lin, 2020). The implementation of minimum wage policies has a range of implications for economic outcomes, including employment and wage levels (Wang and Gunderson, 2011; Huang et al., 2014; Fang and Lin, 2015), as well as broader economic patterns such as inequality (Lin and Yun, 2016; Howell, 2020), the gender wage gap (Li and Ma, 2015; Chen and Xu, 2024), substitution among inputs (Fan et al., 2021), and firm performance (Long and Yang, 2016; Mayneris et al., 2018; Du et al., 2022; Li et al., 2023).

However, further research is necessary to reveal the potential impact of minimum wages on the geographical distribution of economic activity. A comprehensive examination of the evolution of China’s minimum wage system, including its geographic distribution across provinces, would therefore be a valuable undertaking. In this paper, we review the development of the minimum wage legislation in China, with a particular focus on its distinctive feature of regional heterogeneity. We then conduct an original minimum wage database across China’s 31 provinces from 1995 to 2022, examining the wage floor levels and geographic patterns. Such examinations provide an opportunity to explore the intersections between minimum wage policies and geographical economic activity, including migration patterns, firms’ location decisions, and regional development strategies. These issues are particularly significant in China, given its scale, diversity, and ongoing economic evolution. This paper, therefore, contributes to a broader understanding of the manner in which minimum wage policies shape the spatial and economic dynamics in a modernizing and developing economy.

The rest of this paper is organized as follows. Section 2 presents the institutional backgrounds of China’s minimum wage policy, which has been mainly refined by four regulations and exhibits regional heterogeneity. Section 3 demonstrates the level of minimum wages in China with our unique database. Section 4 concludes.

2 Historical Evolution of China's Minimum Wage System

2.1 Four Regulations

The evolution of China's minimum wage system has been underpinned mainly by four labor law regulations, either directly providing or containing specifications for the minimum wage. In the late 1980s, Zhuhai in Guangdong Province took the lead in implementing its local minimum wage regulations, followed by Shenzhen, Guangzhou, and Jiangmen in 1989 (Fang and Lin, 2015). It was not until late 1993 that China's first national minimum wage regulation, *Minimum Wage Regulations for Enterprises*, was issued by the former Ministry of Labor. This regulation stipulated that all provincial, autonomous regional, and municipal governments should set their minimum wage standards according to the following five factors, i.e., the local minimum cost of living, average wage level, labor productivity, local employment conditions, and differences in economic development across counties. These provisions were written into the *Labor Law of the People's Republic of China*, which took effect in early 1995.

Under these two regulations' guidance, most provinces in mainland China promulgated their first monthly minimum wage standards around 1995. Among them, Shanghai was the first provincial administrative unit to enact its minimum wage standard, as early as 1993, followed by Beijing, Fujian, Shandong, and Hainan in 1994. By the end of 1995, 28 out of 31 provinces in mainland China had announced their minimum wage standards although the coverage and enforcement were still debatable (Du and Jia, 2020).¹

In early 2004, a revised version of minimum wage regulation, *Minimum Wage Regulations*, was promulgated by the former Ministry of Labor and Social Security and went into effect on March 1, 2004. Like the 1993 regulation, this modified version also suggested that minimum wage standards within a province could vary across administrative regions. More importantly, there are three remarkable improvements in the 2004 new regulation. First, it is stipulated that monthly minimum wage standards applicable to full-time workers and hourly minimum wage standards applicable to part-time workers should be set separately.² Second, minimum wage standards should be adjusted at least once every two years, while it was at most once a year in the 1993 regulation. Third, penalties for violation are significantly increased from 20–100% of the owed wage to 100–500% of the owed wage. The 2004 new regulation, as part of the *Labor Contract Law of the People's Republic of China* that came into force in early 2008, substantially strengthened the enforcement of minimum wages and led to frequent minimum wage adjustments across provinces in subsequent years (Fang and Lin, 2015; Mayneris et al., 2018; Du and Jia, 2020).

In the 2010s, concise guidelines on the minimum wage have been stated by the Ministry

¹Comments on the three remaining provinces: Although Chongqing became a provincial-level municipality in 1997, Sichuan's minimum wage regulations had already set a separate minimum wage standard for Chongqing in 1996. Gansu enacted its minimum wage standards in 1996. Tibet only introduced the minimum wage system in November 2004.

²By the end of 2004, 22 provinces had explicitly announced their hourly minimum wage standards applicable to part-time workers. The other 9 provinces had also announced such standards by the end of 2008.

of Human Resources and Social Security in the outlines of the two five-year plans (Wei et al., 2023). Specifically, the 2011 *Outline of the 12th Five-Year Plan for the Development of Human Resources and Social Security* points out that the minimum wage system should be improved and the minimum wage standard should be raised gradually. Additionally, it suggests that the average annual increase in the minimum wage standard should be more than 13% and the minimum wage standard in most regions should reach more than 40% of the average wage of local urban workers during the period 2011–2015. Five years later, the 2016 *Outline of the 13th Five-Year Plan for the Development of Human Resources and Social Security* states that the minimum wage increase mechanism should be improved and a minimum wage assessment mechanism should be established.

2.2 Regional Heterogeneity

One of the defining characteristics of China’s minimum wage system is its regional heterogeneity (Fang and Lin, 2015; Mayneris et al., 2018; Ma et al., 2024), which primarily stems from its decision-making processes. Unlike countries such as the United States or Japan, China lacks a unified national minimum wage standard or a centralized authority responsible for uniform adjustments. Instead, provincial governments, in coordination with labor unions and entrepreneurs’ associations, draft minimum wage standards, which are then submitted to the Ministry of Labor and Social Security for review and approval, resulting in diverse policies tailored to regional conditions.

In addition, Article 7 of the 2004 *Minimum Wage Regulations* permits provinces to establish different minimum wage standards for various administrative regions within their boundaries. As a result, except for Beijing and Shanghai, most provinces have implemented multiple minimum wage tiers. In some cases, such as in Jilin and Hainan, the tiers are defined at the provincial level, while in provinces like Liaoning and Jiangsu, local governments determine the applicable standard. Additionally, the number and scope of these tiers often change from year to year, reflecting local economic and labor market conditions.

Another source of heterogeneity lies in whether social insurance contributions are included in the calculation of minimum wages, which varies across provinces. For example, in recent bulletins, Beijing explicitly excludes social insurance and housing provident fund contributions paid by individual workers from the monthly minimum wage for full-time employees. However, pension, medical, and unemployment insurance contributions paid by both employers and individual workers are included in the hourly minimum wage for part-time workers. In contrast, Shanghai excludes all social insurance contributions from its hourly minimum wage standard. Provinces such as Hunan, Sichuan, and Ningxia include individual worker contributions to social insurance in both monthly and hourly minimum wage standards.

Last, the frequency and timing of minimum wage adjustments are flexible, according to the socio-economic conditions of each province. For instance, Beijing and Shanghai have made nearly annual adjustments since the 1990s. In contrast, Hebei adjusted its standards only twice in the past decade, while Yunnan adjusted its standards every two years during

the 2000s. Moreover, implementation dates for new standards vary widely, occurring in April, May, July, October, or other months depending on the province.

In sum, this regional heterogeneity reflects local economic conditions and labor market dynamics, underscoring the complexity of crafting a unified labor policy in a geographically and economically diverse country. Such variation leads to considerable regional disparities in minimum wage levels, further shaping the economic landscape across provinces.

3 Trends in Minimum Wage Levels in China

3.1 Original Database

Before conducting statistical or empirical analyses, it is crucial to establish a clear understanding of the changes and growth in China’s minimum wage levels over time. However, a significant challenge lies in the lack of a uniformly reliable or officially available database documenting long-term minimum wage levels across China³

To address this gap, we manually collected and meticulously documented minimum wage data from local and provincial government websites, statistical bulletins, and publicly available statistics online. This original database spans all 31 provinces in mainland China from 1995 to 2022, providing detailed information on monthly and hourly minimum wage standards, bulletin numbers, and specific implementation dates.⁴

The process of calculating the long-term nominal and real minimum wages in China involves the following steps.⁵ First, selection of the provincial minimum wage standard: To account for the existence of multiple minimum wage standards within most provinces, we adopt the highest level of minimum wage standards as the provincial minimum wage, consistent with prior studies (Neumark and Wascher, 1992; Sun et al., 2020). Second, time-weighted adjustment: Given the substantial variation in implementation dates across provinces and years, a time-weighted average method is employed to minimize time bias, ensuring an accurate estimation of the annual nominal minimum wage for each province.⁶ Third, population-weighted aggregation: Provincial nominal minimum wages are aggregated into a national average using a population-weighted method.⁷ Finally, adjustment

³For example, Dong (2003) provides data on the highest and lowest minimum wage standards by province for 1994-2007, while the Ministry of Human Resources and Social Security (MOHRSS: http://www.mohrss.gov.cn/SYrlzyshbzb/laodongguanxi_/fwyd/) lists provincial minimum wage standards since 2016. As another example, the China Minimum Wage Database (CMWD: <https://www.chinaminimumwage.org>), referenced in several chapters of Li and Lin (2020), is restricted to specific research project members.

⁴The original minimum wage database is available on the author’s website (<https://sites.google.com/view/qianqianyang/>).

⁵China’s minimum wage panel data is also available on the author’s website (<https://sites.google.com/view/qianqianyang/>), as well as the panel data for 31 provinces and calculation processes.

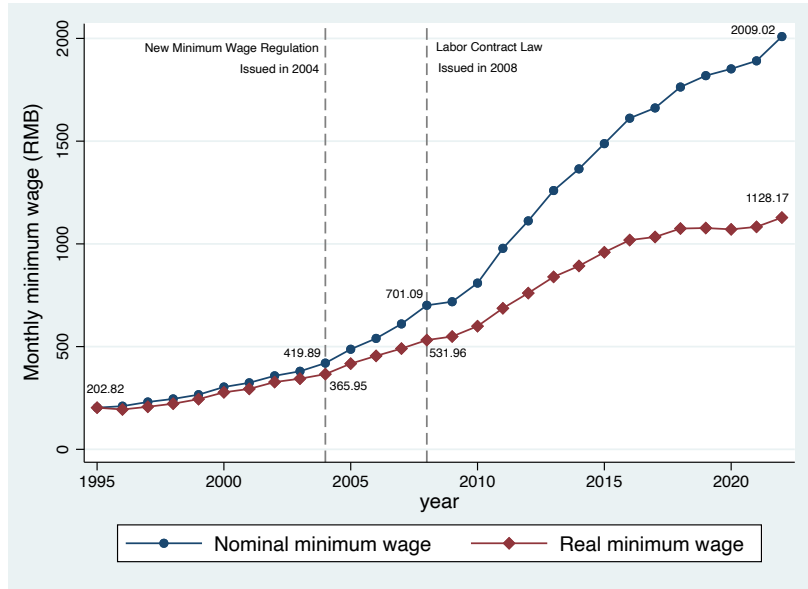
⁶For example, when province j adopts a new minimum wage standard MW_t on October 1 of year t , the nominal minimum wage for the year, $MW_{j,t}$, is determined using a time-weighted average formula: $MW_{j,t} = \frac{9*MW_{t-1} + 3*MW_t}{12}$, where MW_{t-1} represents the previous year’s minimum wage standard. This calculation is widely adopted in the context of developing countries, e.g., see Rama (2001) for Indonesia, and Fang and Lin (2015), Du and Jia (2020) for China.

⁷Population data for 2000-2022 is obtained from the National Bureau of Statistics of China (NBSC: <https://data.stats.gov.cn/english/>), while data for 1995-1999 is derived from the China Statistical Yearbook.

for inflation: The nominal minimum wage levels are adjusted using the consumer price index (CPI) to derive real minimum wages, reflecting changes in purchasing power over time.⁸

3.2 Nominal and Real Minimum Wages

With the unique minimum wage database, we are now able to offer direct insights into the distribution and trends of minimum wages in China. Figure 1 illustrates the levels of both nominal and real monthly minimum wages for full-time workers from 1995 to 2022. Prior to the 2004 new regulation, China’s nominal monthly minimum wage steadily increased from 202.82 RMB in 1995 to 380.02 RMB in 2003, with an average annual growth rate of 8.21%. Following the implementation of the 2004 new regulation and the 2008 *Labor Contract Law*, the wage surged from 487.18 RMB in 2005 to 1259.60 RMB in 2013, reflecting an average annual growth rate of 13.08%.⁹ After 2015, the growth slowed, with an average annual growth rate of 4.41%, surpassing 2000 RMB for the first time in 2022. Real monthly minimum wages in China followed similar trends, increasing at average annual rates of 6.95%, 9.71%, and 2.37% during these three periods. Figure 1 also highlights the growing gap between nominal and real minimum wages, which expanded from 209.75 RMB in 2010 to 880.85 RMB in 2022.



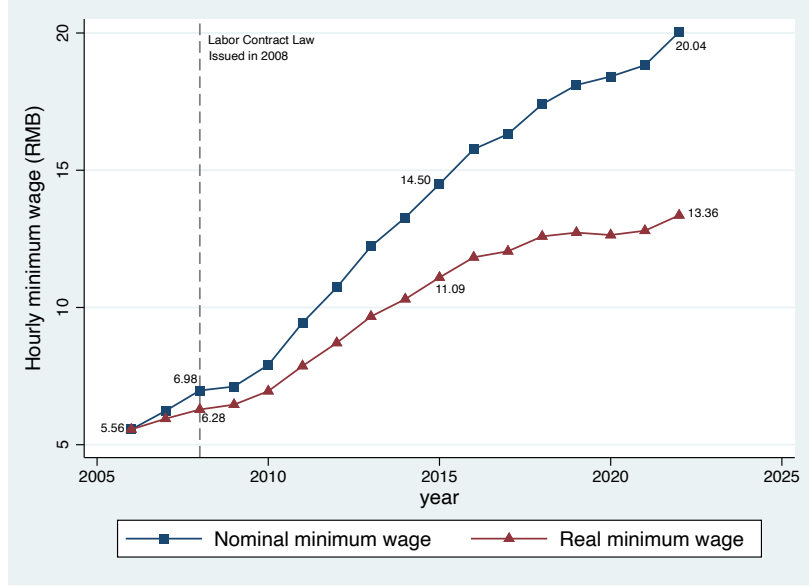
Notes: The nominal minimum wage is calculated using the time-weighted and population-weighted average methods. The real minimum wage is adjusted by CPI (1995=100). See Section 3.1 for further details on the calculation.

Figure 1: Monthly minimum wages in China, 1995–2022

For part-time workers, Figure 2 depicts the levels of hourly minimum wages. Since 2011, the nominal hourly minimum wage has remained below 10 RMB, reaching 18.10 RMB in

⁸CPI data is sourced from the International Monetary Fund’s International Financial Statistics (IFS: <http://data.imf.org/?sk=5DABAFF2-C5AD-4D27-A175-1253419C02D1>).

⁹Notably, the annual growth rate in 2009 was just 2.49%, while it spiked to 20.89% in 2011.



Notes: The nominal minimum wage is calculated using the time-weighted and population-weighted average methods. The real minimum wage is adjusted by CPI (2006=100). See Section 3.1 for further details on the calculation.

Figure 2: Hourly minimum wages in China, 2006–2022

2019. From 2011 to 2014, the annual growth rate averaged 13.90%, while the period from 2016 to 2019 saw a slower growth rate of 5.73%.

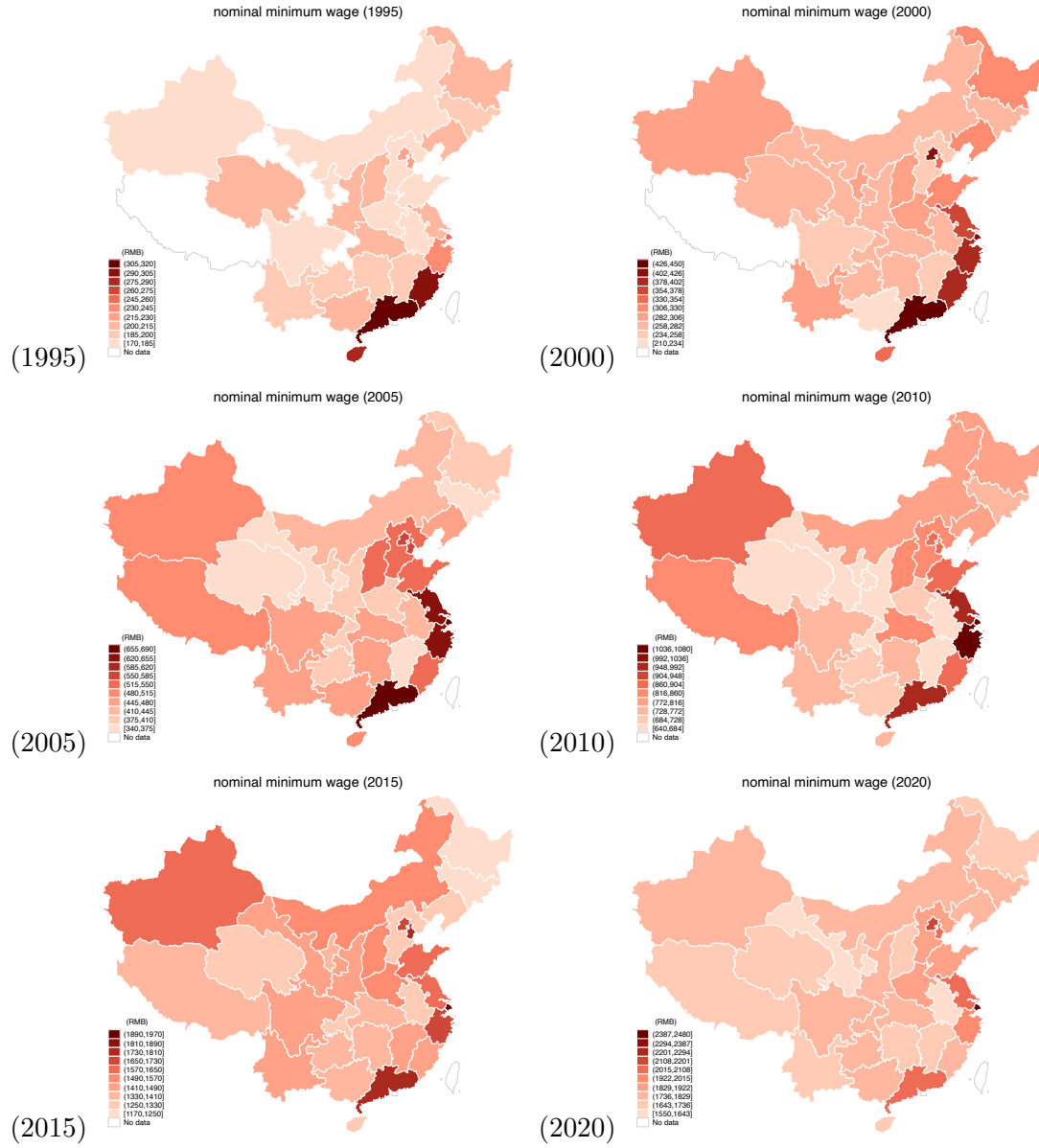
Given the significant regional disparities in China’s minimum wage system, it is clear that wage standards vary substantially across provinces. Figures 3 and 4 present the geographical distribution of nominal and real monthly minimum wages across provinces, while Table 1 lists the highest and lowest ranking provinces every five years. Minimum wage standards in more urbanized eastern regions, such as Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, and Guangzhou, are notably higher than those in the central and western regions.¹⁰ Incidentally, the coefficient of variation – calculated as the standard deviation divided by the mean – has steadily declined over the past three decades. In the first ten years (1995–2004), the average was 20.10%, while it dropped to 11.39% during the last ten years (2013–2022), suggesting that regional disparities in minimum wage standards have gradually narrowed.

4 Conclusion

In this paper, we reviewed the institutional evolution of China’s minimum wage system, shaped by four key labor law regulations, with a focus on its defining feature of regional heterogeneity. By compiling a unique and comprehensive dataset covering all 31 provinces from 1995 to 2022, we documented both nominal and real minimum wage levels and their spatial distribution over time. While our analysis is primarily descriptive, the dataset lays

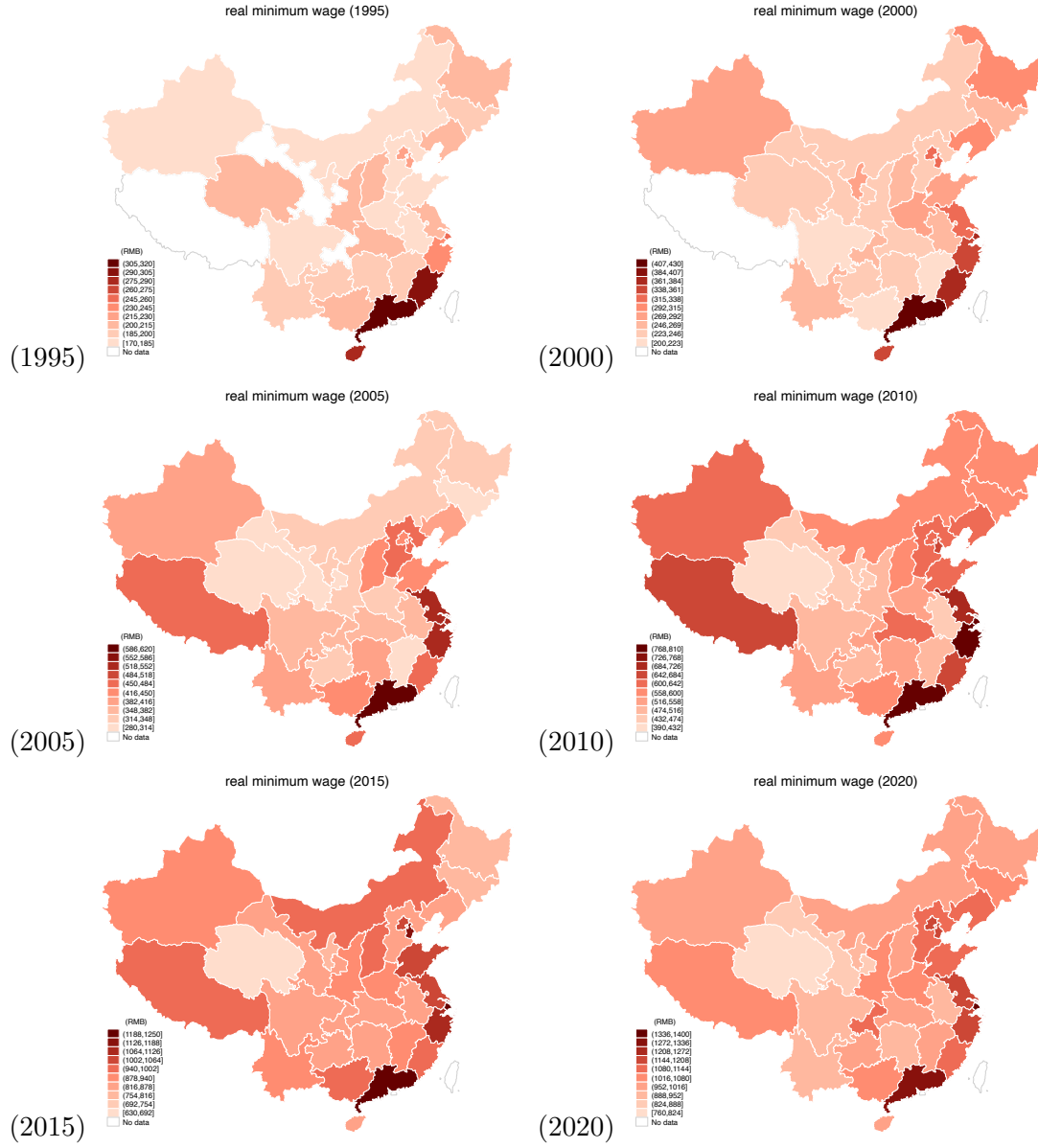
¹⁰Figure A.1 illustrates the provinces located within the eastern, central, and western regions.

the groundwork for future empirical research on the broader labor market and economic effects of minimum wage policies within a complex and evolving institutional context.



Notes: The provincial nominal minimum wage is calculated using the time-weighted average method. See Section 3.1 for further details on the calculation.

Figure 3: Geographical distribution of nominal monthly minimum wages, 1995–2020



Notes: The provincial real minimum wage is derived from the provincial nominal minimum wage by adjusting for the provincial CPI, a procedure that differs from the one used to calculate China's real minimum wage, where the country's CPI is used.

Figure 4: Geographical distribution of real monthly minimum wages, 1995–2020

Table 1: Top and bottom ranking provinces for nominal monthly minimum wage

(unit: RMB)

1995				2000			
Bottom ranks		Top ranks		Bottom ranks		Top ranks	
Henan	170	Guangdong	320	Guangxi	210	Guangdong	450
Shandong	178.33	Fujian	300	Hebei	240	Shanghai	424.83
Xinjiang	180	Hainan	280	Sichuan	245	Beijing	406
Anhui	180	Shanghai	257.5	Jiangxi	245	Fujian	400
Inner Mongolia	180	Zhejiang	230	Hubei	260	Zhejiang	380
Ningxia	180	Tianjin	225	Shaanxi	260	Jiangsu	355
Sichuan	180	Beijing	225	Guizhou	260	Hainan	350
Hebei	180			Qinghai	260	Tianjin	350
2005				2010			
Bottom ranks		Top ranks		Bottom ranks		Top ranks	
Gansu	340	Guangdong	684	Anhui	640	Shanghai	1080
Jilin	360	Shanghai	662.5	Jiangxi	650	Zhejiang	1065
Jiangxi	360	Jiangsu	631.67	Gansu	655	Guangdong	973.33
Qinghai	370	Zhejiang	624.17	Qinghai	656.67	Jiangsu	950.83
Ningxia	380	Beijing	562.5	Ningxia	660	Tianjin	895
Heilongjiang	390	Tianjin	560	Chongqing	680	Xinjiang	893.33
Chongqing	400	Fujian	540	Shaanxi	680	Beijing	880
Guizhou	400	Shandong	530	Guizhou	695	Fujian	875
2015				2020			
Bottom ranks		Top ranks		Bottom ranks		Top ranks	
Jilin	1177.5	Shanghai	1970	Anhui	1550	Shanghai	2480
Heilongjiang	1240	Tianjin	1807.5	Gansu	1620	Beijing	2200
Chongqing	1250	Guangdong	1780	Tibet	1650	Guangdong	2100
Qinghai	1270	Zhejiang	1685	Ningxia	1660	Tianjin	2050
Hainan	1270	Beijing	1680	Yunnan	1670	Jiangsu	2020
Anhui	1303.33	Jiangsu	1630	Hainan	1670	Zhejiang	2010
Liaoning	1314.84	Xinjiang	1595	Heilongjiang	1680	Shandong	1910
Hebei	1320	Shandong	1583.33	Jiangxi	1680		

Notes: The nominal minimum wage is calculated using the time-weighted average method. See Section 3.1 for further details on the calculation.

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Appendix



Notes: The western, central, and eastern regions are classified according to the grouping criteria of the National Bureau set out by the Statistics of China (NBSC).

Figure A.1: Three economic regions of mainland China