



EMPLOYMENT IN CHINA



China, officially known as the People's Republic of China, is a country in East East Asia which boasts the world's largest population and second largest economy in terms of nominal GDP. The country is one of the fastest growing major economies and is the world's largest manufacturer and exporter. China's employment laws are numerous, complex, and often ambiguous, but the two major employment laws that all foreign businesses must consider before hiring are the 1995 Labour Law and the 2008 Labour Contract Law.



PROS AND CONS OF HIRING IN CHINA

China is developing at an incredibly fast rate, along with heavy investment in the country. Salaries are competitive within industries, many Chinese are typically well educated, highly motivated, and ambitious. However, there can often be culture clashes with other countries. Companies need to ensure they are complying with strict local laws when considering employing a Chinese national.

WHY CHINA IS GOOD FOR REMOTE WORKERS

China has a relatively low cost of living compared with other developed countries. However, compared with other countries China is still catching up with the global trend of remote working and if Chinese work culture is ready to adapt.

WORKING TIME AND OVERTIME

The Chinese government stipulates a 5-day work week, typically worked Monday through to Friday, which is regulated to no more than 8 hours per day, and no more than 44 hours per week. Any work that exceeds 8 hours per day must be paid at 1.5x the employee's normal salary for a normal work day. Employees who are asked to work at the weekend must be paid 2x salary, and 3x salary on a Chinese national holiday. Overtime is limited to 3 hours on a given day and 36 hours per month.

ANNUAL LEAVE

Employees who have worked at a company for one continuous year are entitled to five days' annual leave. Where an employee has not taken all of their paid annual leave in a given year, they are permitted to carry over the untaken leave to the next year. If they decline to do this, the employer must compensate this employee with 200% of the employee's average daily wage for each day of unused annual leave, in addition to their regular daily wage.

TRIAL PERIOD

The maximum probation period is dependent on the term of the employment contract, as follows:

- Fixed term employment contract up to 1 year: 1 month.
- Fixed term employment contract of 1-3 years: 2 months.
- Fixed term employment contract of 3+ years, or indefinite contract: 6 months.

RESIGNATION AND DISMISSAL

The amount of notice for termination varies with length of service, according to the following schedule:

- 1 month-2 years' service: 1 week's notice.
- 2+ years' service: 1 week per year of completed service, up to a maximum of 12 weeks' notice.

In China, severance pay amounts to 1 month's pay per year of service. Employees who have worked for less than 6 months are entitled to half a month's pay. If an employee's monthly salary exceeds 3x the average monthly wages of employees in the municipality where the employer is located, severance will be paid at the rate of 3x the local monthly wages and cannot be more than 12 years of work.



RESTRICTIVE COVENANTS

Reasonable restrictive covenants that protect the employer's legitimate business interests are allowed. Non-compete clauses should last no longer than 2 years and compensation is required in accordance with local rules. Customer and employee non-solicitation agreements are permissible by law but relatively difficult to enforce in practice.

CONTRACT OF EMPLOYMENT

In China, it is a legal requirement to implement a strong employment contract which spells out the terms of the employee's compensation, benefits, and termination requirements. An offer letter and employment contract in China should always state the salary and any compensation amounts in Chinese Yuan Renminbi rather than a foreign currency.

MATERNITY AND PATERNITY LEAVE

Pregnant employees are entitled to 98 days of maternity leave, including 15 days of prenatal leave. For multiple births, 15 days' additional maternity leave will be granted for each additional child. Extended maternity leave is subject to local regulations, but an additional 30 days can usually be granted. Statutory paternity leave in China is 14 days.

SICKNESS LEAVE

Employees are entitled to a period of medical treatment for illness or non-work related injuries that can vary from 3 to 24 months, depending on cumulative working years and length of service with their current employer. Employees are usually paid 60-100% of their normal wage during their sick leave period, depending on their seniority.

SOCIAL SECURITY

Social security contributions to pension funds, medical funds, etc. are mandatory for Chinese employees. Foreign individuals who hold a China work permit are also required to make social security contributions in relation to pension, medical, unemployment, maternity, and work-related injury. Monthly employer and employee social security contribution rates, and applicable caps, are governed by local jurisdictions and vary quite broadly. For example, contribution rates and caps applicable to Chinese employees in Shanghai and Beijing are as follows:

City	Shanghai		Beijing	
	Employee	Employer	Employee	Employer
Social Insurance Item				
Pension	8%	16%	8%	16%
Medical	2%	9.5%	2% + CNY 3	10%
Unemployment	0.5%	0.5%	0.2%	0.8%
Maternity	0%	1%	0%	0.8%
Work Related Injury	0%	0.16 - 1.52%	0%	0.2 - 1.9%
Total	10.5%	27.16 - 28.52%	10.2% + CNY 3	27.8 - 29.5%

HEALTHCARE AND INSURANCE

Basic health and pension insurance is provided through the national system; however, supplementary health insurance is often supplied by the employer.



EMPLOYMENT OF FOREIGN NATIONALS



All foreign nationals entering, leaving, passing through or residing in China must obtain the relevant visas from the relevant Chinese authorities. Depending on the status and type of passport held by a foreign national, a diplomatic, courtesy, business, or ordinary visa may be issued. Ordinary visas are designated by letters that correspond to the purposes of the individuals' visits- ordinary visa Z is issued to a person who will work in China and is valid for three months (one entry). Business visa M is issued to those who intend to go to China for commercial and trade activities - it can be single, double, or multiple entry and can be issued for up to 10 days, with the duration of each visit typically being 30-60 days. Foreign nationals may obtain residence permits from the local Public Security Bureau for terms of between 3 months and 5 years, depending on the purpose of residence.



SALARY AND SALARY TAXES

MINIMUM WAGE

Minimum wages are determined by provincial governments, factoring in elements such as the minimum living costs of local employees and their dependents, the urban residents' consumption price index, the social insurance premiums and the housing funds paid by the employees themselves, the average salary of the employees, the level of local economic development, and the local employment status. Minimum wages in China vary greatly between different provinces, and even between different cities and areas within each province. The highest rates are in Shanghai at 2480 yuan per month / 22 yuan per hour. The lowest are less than half of the highest: the minimum rate in the Huludao and Tieling areas of Liaoning province is 1120 yuan per month / 10.6 yuan per hour. These figures can vary on a monthly basis.



INCOME TAX

Tax rates for residents are as per below table.

Taxable income (CNY)	Tax Rate
Up to 36,000	3%
Next 108,000	10%
Next 156,000	20%
Next 120,000	25%
Next 240,000	30%
Next 300,000	35%
960,000+	45%



Tax rates for non-residents are as per below table.

Taxable income (CNY)	Tax Rate
Up to 3,000	3%
Next 9,000	10%
Next 13,000	20%
Next 10,000	25%
Next 20,000	30%
Next 25,000	35%
80,000+	45%

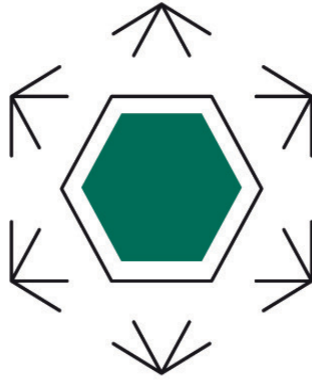
SALARY PAYMENTS

Though not mandatory, in many parts of China, it is customary to pay the salary on a 13-month basis, by incorporating an additional final month that is paid just prior to the Chinese New Year (typically in early February). Many employees expect to receive it and problems may arise if it isn't offered. This extra month is taxed in the same way as regular earnings. Some companies also provide 14th- and 15th-month bonuses, adjusted according to performance reviews.

SOCIAL SECURITY CONTRIBUTIONS

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