

HUMAN RESOURCES AND PAYROLL IN CHINA 2015 *(4th Edition)*

- 
- I. Recruiting
 - II. Hiring Staff
 - III. Payroll and Staff Administration
 - IV. Terminating Employees
 - V. Work and Business Visas
 - VI. Financial Implications


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This edition of *Human Resources and Payroll in China* was produced by a team of professionals at Dezan Shira & Associates led by Adam Livermore, including Helen Kong, Silke Neugebohrn, Mabel Ma and Lina Wang, with Steven Elsinga as technical editor and Matthew Zito as managing editor.

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Asia Briefing commonly partners with companies across various industries to produce business intelligence. The first chapter of this edition of *Human Resources and Payroll in China* was contributed by Direct HR, a boutique recruitment firm specializing in the China market.

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Introduction

A firm understanding of China's laws and regulations related to human resources and payroll management is essential for foreign investors who want to establish or are already running foreign-invested entities in China, local managers, and HR professionals who may need to explain complex points of China's labor policies.

In China, there is a wide range of government institutions involved in HR processes, and while key laws are drafted by the central government, numerous bylaws and regulations are instituted at a local level. The topic is too complex to be covered in complete detail in one book, so the term "guide" is quite appropriate for the nature of this publication. However, companies should still seek professional advice to deal with any specific situation they face relating to HR.

This guide was produced in consultation with Dezan Shira & Associates, a specialist foreign direct investment practice providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence and financial review services to multinationals investing in emerging Asia.

Since its establishment in 1992, the firm has grown into one of Asia's most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam as well as liaison offices in Germany, Italy and the United States. Dezan Shira & Associates' experienced business professionals are committed to improving the understanding and transparency of investing in emerging Asia.

Human Resources & Payroll in China at a Glance

- **Mandatory written contracts:** All employees must be given a written contract within one month of hiring; if not, the employee is entitled to double salary.
- **Probation period:** The range of legitimate grounds for dismissing an employee is considerably wider during his or her probation period. The employer may also pay only 80 percent of the employee's contractual salary during this time.
- **Regional variation:** National laws are often intentionally broad and vague, leaving a lot of room for local interpretation or additional legislation. Regulations and practices differ per city on issues such as minimum wage, work visa policy, social security contributions and maternity leave.
- **Representative offices:** The simplest of foreign investment vehicles in China, the representative office (RO), is not permitted to directly hire staff in China; instead, they need to use dispatch agencies, the largest being the Foreign Enterprise Service Corporation (FESCO).
- **Leave during the first year of employment:** Employees are not entitled to any minimum number of leave days during their first year of employment, except those during major holidays such as Chinese New Year around February, and the National Day celebrations in early October.
- **No at-will termination:** Terminating employees in China is both difficult and expensive. Employees may resign under 30 days' notice, but for employers, there are limited grounds for terminating an employee before his or her contract has come to an end.
- **Contracts can only be extended a maximum of two times:** After an employee finishes his or her second contract with your company, he/she must be offered a lifetime contract as the third. Such non-fixed term contract can only be terminated if there is grounds for dismissal.
- **Severance payments mandated by law:** In practice, severance payments are even higher than what the law prescribes, and can comprise a large part of HR costs.



“While the overall process for hiring people in China does not differ much from elsewhere in the world, there are a number of points that require special attention.”

Adam Livermore
Partner
Dezan Shira & Associates
Dalian Office



About Dezan Shira & Associates

At Dezan Shira & Associates, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. Since its establishment in 1992, Dezan Shira & Associates has grown into one of Asia's most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore and Vietnam, as well as liaison offices in Italy, Germany and the United States, and partner firms across the ASEAN region. With over 20 years of on-the-ground experience and a large team of professional advisers, we are your reliable partner in Asia.

Our HR Administration, Payroll and Accounting Services

HR & Payroll

- Monthly Payroll Calculation and Processing
- Labor Contract Drafting & Disputes
- Social Welfare and Housing Fund Calculation and Processing
- Social Welfare De-registration for Expats
- Staff Manual
- Visa Services
- Training Course for Financial Team
- Technical Interview of Financial Team

Treasury

- Process Normal and e-Banking Instructions
- Process and Track Bank Transactions
- Reimbursement Claims
- Declaration Reporting for Foreign Currency
- Bank and Petty Cash Reconciliation
- Custodian of Seals and Chops

Accounting and Reporting

- Bookkeeping
- Financial Reporting
- Consolidation of Accounts
- Accounting Advisory
- Recruitment of Finance Manager
- Training of Finance Team



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1. Recruiting Professionals in China

1.1 Profiling

1.2 Candidate Identification

1.3 Selection

1.4 On-boarding

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