

| Market Conditions Summary - CHINA | | | |
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| THE LAW | MARKET CONDITIONS | MARKET | |
| | General Information | Example 1 | |
| Recruitment and Contract | | | |
| General | The employer should file its organisation structure and employment plan with the labour administrative departments. Normal structure is to open first a Representative Office and register with FESCO which is in fact a state run employment agency. The social charges are deducted by FESCO which acts also as a payroll establishment, insurance company, provider of health benefits. | Besides FESCO, CIIC (China International Intellectual Corporation) is another state run employment agency. In some cities, some local talents markets or local personnel agents or labor offices are also state run employment agencies. | |
| Probationary Period | Depends on the length of contract: Up to 6 months = max 15 days probation: >6 months<1 year = max 1 month probation: >1 yr<2 yrs+max 2months probation:>2yrs<3 years =3 months probation: 3 years or above max 6 months. | Probationary Period varies with each city regulation. | |
| Probationary Period Extension if unsatisfactory | | | |
| Notice Period during probationary period. | nothing stated in law. Based on Labor law, there is no notice period when employee wants to revoke the contract during probation period or when employer wants to revoke the contract because of the employee is proved to be unqualified for employment. | | |
| Notice Period for normal contract | 30 days notice required if the revocation of contract is for an employee who has not returned after exhausting all their medical leave: or when an employee is unqualified and remains unqualified even after training; when there are changes in the economic environment. Strictly speaking the word . Nothing stated in Labor law about notice period if both employer and employee terminate the labor contract, but in some local regulations, one party should give a notice to the other party in 30 days if one party will not re-sign the contract when the contract is expired. | Notice Period is one month for both employee and employer if the labor contract will be revoked; in practice it's hard for a company to revoke a labor contract. | |
| Fixed Term Contract | The labour contract is normally for 1 to 3 years. It should have the following clauses. There is nothing about time limit of the labor contract stated in law. | Although the job offer letter can be in English the contract must be in Chinese and can be in Chinese or in Chinese and English | |
| | The length of the contract and the start date | | |
| | a brief description of the work required | | |
| | the working conditions and labour protection | | |
| | remuneration | | |
| | disciplinary code | | |
| | termination provisions and notice period | | |
| | details re violation of a labor contract. | | |
| Indefinite Contract | | | |
| Retirement Age M/F | | 60 for males, 50 for female hourly employees(should be non-professional female), 55 for female salaried employees(professional female, but they also can be extended to 60 if they have good health) | |
| Employment Conditions | | | |
| Working Hours | max 40 hours per week excluding meal times | | |
| Overtime | normally should not exceed 1 hour per day, max 3 hours per day or 36 hours per month. | | |
| Overtime | 150% x pay rate for ordinary overtime, 200% x pay rate for weekends and 300% on holidays | | |
| Vacation | | No regulations. Company decides on its own whether to give employee vacation or not, or how many days | |
| seniority | | No regulations any more but companies sometimes follow the previous law, although increasingly these regulations only used in government and quasi government). | |
| >1 yr but less than 15 yrs | 5 working days or 7 calendar days | | |
| >15 yr but less than 25 yrs | 10 calendar days | | |
| 25 yrs or more | 14 calendar days | | |
| 4 yr | | | |
| Special Leave | | | |
| Birth of Child | | | |
| Death of Spouse or child | 1-3 days | | |
| Death of Father or Mother | 1-3 days | | |
| Marriage | male >22 yrs old or female >20 yrs old =3 days | | |
| Marriage | male >25 yrs old or female >23yrs old =10 days | | |
| Marriage of a child | | | |

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|-------------------------------------|---|---|------------------|
| THE LAW | | MARKET CONDITIONS | |
| | | General Information | MARKET Example 1 |
| Spouse Visit- after 1 yr service | if spouse is in another country the employee is eligible for a paid spouse visit of 30 days. | Spouse visit if spouse is in another city or country that they can not get together during the weekend. The 30 days are not on full pay | |
| Parents Visit- after 1 yrs service | Unmarried employees - 1 20 days parental visit per year and 1 45 day visit every 2 yrs. If married the visit is 20 days per 4 yrs. | | |
| Public Holidays | New Years Day, Spring Festival 3 days May 1-3 for International Labor Day, October 1-3 for National Day these days are deferred if they fall on a weekend | 10 public holidays altogether | |
| Maternity Leave | 90 days paid maternity leave ,normally 15 days before birth and 75 days after the birth. This rises to 105 days if employee 24 yrs old or more. There are extra days for ladies bearing twins/triplets and employee may ask for 6 months sick leave prior to the maternity leave, meaning 9 months of leave in total. There is also the possibility of breast feeding leave .6.5 months at 80% of salary. | | |
| Paternity and Parental Leave | 3 days | | |
| Remuneration | | | |
| Salaries | | A secretary would earn about RMB 55000 a year, about \$7000 per annum | |
| Bonus | | | |
| Minimum Wage | | Varies with each city. At Shanghai, 495 rmb/ month | |
| Vacation bonus | | | |
| Months of salary payment | | 12 or 13 usually | |
| Housing Allowance | | | |
| Training reimbursement | | | |

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|---|--|--|---|
| THE LAW | | MARKET CONDITIONS | MARKET |
| | | General Information | Example 1 |
| Social Coverage with Employer and Employee Costs | | | |
| Medical Leave | Employee is entitled to medical leave as follows: | | |
| Up to 10 years total working experience and up to 5 years in the present company | 3 months per year medical leave continuous or within any 6 month period | | |
| As above but with more than 5 years in present company | 6 months medical leave per year within any 12 month period. | | |
| 10 years or more total working experience and up to 5 years in the present company | 6 months medical leave per year within any 12 month period. | | |
| 10 years or more total working experience and >5 years but less than 10 years in the present company | 9 months medical leave per year within any 15 month period. | | |
| 10 years or more total working experience and >10 years but less than 15 years in the present company | 12 months medical leave per year within any 18 month period. | | |
| >15 years but less than 20 years with present company | 18 months medical leave per year within any 24 month period. | | |
| >20 years with present company | 24 months medical leave per year within any 30 month period. | | |
| Life insurance | | | Life insurance to the level of RMB 200,000 or \$25000 per year |
| Early retirement | | | |
| Pension contributions (SHANGHAI) | Employer 22.5 % of a maximum of RMB 53280 per annum | Employee 7% of a maximum of RMB 53280 per annum which is 3 x the average monthly salary in Shanghai | |
| Principle of the pension arrangements | Employees who were working before the scheme started need 10 years contributions for full benefits: those who started after the plan came into being need at least 15 years contributions. | The principle is that the employers contributions go to financing pensions in general, not an employees individual account : the employee's payemtns however go to his own individual account. | |
| Widows and orphan pensions | | | |
| S.A.R. Retirement Savings Scheme | | | |
| Employer and Employee Pension Contributions | | | |
| Sick Pay | Sick pay if Employee off up to 6 months | | |
| | 60% of salary if up to 2 years service up to 100% of salary if 8 years service and above. | technically the sick pay is limited to the basic average wage x 70% but employers frequently waive this condition | |
| | Sick pay if Employee off more than 6 months | | |
| | 40% of salary if up to 1 years service and up to 60% of salary if 3 years service and above. | | |
| Work Related Injury | Leave for work related injuries may be up to 24 months and can be extended to 36 months for serious injury. Employer must pay all medical expenses and shall pay an injury allowance of average monthly wage over the previous 12 months | | |
| Health Insurance | Based on cities regulations, basic medical insurance is required. The employer pays 8%-12% of a maximum of 3 times of average salary the employee pays 2% of a maximum of 3 times of average salary. | | Health insurance supplement provided on an 80/20 basis-employee pays 20% up to a limit of about RMB20,000 |
| Childcare | | | |
| Long Term Care Insurance | | | |
| Disability Payment | Employee is eligible for payment of between 6 and 24 months of salary depending on disability | | |
| Child Allowance | | | |

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|---|---|--|-----------|
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| Social Insurances | | | |
| Unemployment insurance | Employer 2% of premium base of RMB 53280 (in Shanghai)per annum.The employer pay 2% of a maximum of 3 times of average salary ,the employee pays 1% of a maximum of 3 times of average salary but this varies by city. | | |
| | Employee 1% of premium base of RMB 53280(Shanghai rates) per annum. | | |
| Provident Fund | Employer must register with local Provident Fund Management Center within 30 days of establishment of enterprise. | | |
| Provident Fund Contribution | varies between 10 and 14% of the employee premium base of RMB 53280 per annum.(Shanghai rates) It is split 50-50 between employer and employee. | | |
| Housing Fund | Previously it was mandatory to pay 20% of total wages (payable by employer only) to housing fund. | Nowadays there is no mandatory housing payment and employers are paying 7 to 11% of 3 x average wage to individual employee housing accounts to be used exclusively for house purchase.Or some reserve the housing benefit to their special executive employees. Some however continue to pay 15 to 20% of total wages to housing accounts but those companies using FESCO/CIIC pay on the 3 x salary formula. | |
| Health Insurance Employer | Employer 12% of premium base of RMB 53280 for basic medical insurance as indicated above. | | |
| Occupational Insurance | Based on different cities' regulations, the employer pays approximatel1% of employees'salary cost. | | |
| Health Insurance Employee | Employee 2% of premium base of RMB 53280 for all medical insurance | | |
| Revocation of Contract Indemnities | | | |
| Revocation of the contract is normally only permitted: | Article 24 -when the employer and employee agree to the termination | | |
| | Article 25 -a) when the employee is found not up to requirements in probationary period b) when the employee seriously violates the rules or labor discipline 3) when he causes great losses by dereliction of duty, or4) is investigated for criminal acts | | |
| | Article 26 a)when employee doesn't turn up for work after an illness, b) when he remains unqualified for a post after training, c)there are changes in the "objective conditions" on which the contract was founded. | | |
| | Article 27 a) when the employer is on the brink of bankruptcy. | | |
| | if the contract is terminated for these reasons the employer may pay the severance pay at 1 month per year of service up to 12 months. | | |
| | if the contract is terminated outside these reasons it must be by mutual consent and further payments may be sought. | | |
| Revocation restrictions | Employer cannot terminate employment if employee had lost ability to work because of work related accident or illness. if he or she is receiving medical attention within the medical leave period if employee is female and wither pregnant or breast feeding has been employed for 10 years and is 3 years from retirement. | | |
| Severance Pay it should be "economical compensation", based on Labor Laws and other regulations. | normally one month per year of service up to 12 months max plus if the contract is ended because of non work related injury the employee has right to a further 3 to 6 months pay. | | |
| Legal Services in China | | | |
| Bryancave | <i>Hugh Scogin</i> | Company is American but has offices in Shanghai and Beijing. Start up of a representative office- if this is the appropriate structure will cost \$8000 for a "vanilla" type office. If anything more special is required then this will cost more. | |
| Payroll Services & Pricing in China | | | |
| Payroll Provider | Price per paysheet etc | Services Performed | |
| FESCO or CIIC | | normally mandatory to use FESCO or CIIC | |

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|---|---------------|--|--|
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| | | If these two companies not used the employer social charges come to between 30% to 60% of pay depending in what province the company is situated. 50% in Shanghai. | |
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| Benefits Pricing & Carriers in China | | | |
| Benefit | Provider | Cost to the Employer | |
| Health Insurance Pension | PICC or PINAN | 800-1000rmb/ yr per person | Health insurance supplement provided on an 80/20 basis- ee pays 20% up to a limit of about RMB20,000 |
| Life Insurance other | ? | 200-300 rmb/yr per person | Life insurance to the level of RMB 200,000 or \$25000 per year |
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