

China Business Guide Labour Law



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01

Structuring a Salary Package

In the Chinese labor market, foreign companies based in the mainland may encounter difficulties when implementing their usual human resources strategy. Especially so when it comes to defining their remuneration practices.

Being compliant with Chinese labor law can be a challenge and includes solving various problems such as balancing the salaries of foreign and local personnel, defining benefits and allowances, and integrating cultural differences into constructive management strategies.

Gross Salary and Bonus

While a fixed gross salary must be indicated in the labor contract and should be carefully considered when negotiating with a new hire, it may depend greatly upon factors such as the previous package of the employee, the position offered, the industry, whether the employee is a Chinese national or a foreigner, the work location, and the employee's prior working experience.





Any variable part of the remuneration is usually given based upon the employee's achievements and/or work attitude being satisfactory. **Employers can decide to acknowledge their employees with monthly, quarterly, or annual bonuses. However, these must also be stated in the labor contract.**

Obviously, the structure of a compensation package must be specific to each role and employee. For example, some employees should be partially remunerated according to their work performance, while others will require a fixed salary.

Employers should consider the amount of income tax that will be deducted from the gross salary and be aware of how the addition of a bonus structure will impact taxes for the employer and the employee.

Generally, if the employee is a foreigner, the salary must be high enough to provide the employee with a standard of living similar to the one they would have in their home country. Whereas, if the employee is a Chinese national, it is recommended to offer a comprehensive package including a base salary slightly higher than average in order to maximize employee retention. Employers can also offer a 13th-month salary, which is a common practice in China, as well as "red packet" money or gift cards around Chinese New Year.



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