



Human Resources Working Group

Key Recommendations

1. Enhance Workforce Flexibility by Implementing More Flexible Employment and Termination Rules, and Improve the Employer Credit System

- Relax the restrictions on labour dispatch to allow employers to hire based on business needs.
- Clarify how work-load (including part-time) or project-based contracts with employees can be used.
- Empower employers in the employment and termination processes and consistently implement the policy across China.
- Centralise the Employer Credit System and enhance its supervision.

2. Adapt Social Insurance Policies to a Changing Economic Environment

- Continue to lower social insurance contributions, and introduce preferential policies for small-scaled or newly-established companies and businesses that are encountering economic difficulties.
- Exempt foreign employees from paying unemployment insurance.
- Introduce more liberal rules and financial incentives, such as preferential tax treatment and governmental subsidies, encouraging companies to establish enterprise annuity plans.

3. Improve Visa and Work Permit Procedures Transparency, and Relax Requirements on Acquiring a Visa

- Standardise the work permit application process in China.
- Implement more flexible procedures for hiring foreign technical expert talent without a high education level.
- Allow foreign employees, over the age of 55 for women and 60 for men, who do not fall under the under Class A Top Talents category to renew their work permits past the current age of retirement.
- Broaden internship access and employment opportunities for junior foreigners, and allow foreign interns to receive salary.
- Widen the applicable scope of the current green card policy to cover more territory in China.

4. Develop the Practicality of the Education System

- Encourage universities and enterprises to co-design curriculum to ensure graduates acquire the competitive skills needed on the market.
- Develop Vocational Education to train talented professional technicians.
- Allow foreign investors to contribute to professional training in China.

5. Implement a Fairer System to Employ People with Disabilities

5.1 Support Companies in their Efforts to Hire Employees with Disabilities

- Establish additional recruitment platforms for companies to hire skilful professionals with disabilities.





- Facilitate access to educational and professional training for people with disabilities for the purpose of improving job market access, and increase financial support.

5.2 Adjust the Contribution Standard to a Reasonable Level and Supervise the Use of the Fund

- Allow local governments to establish their own policies according to the financial situation and the status of the people with disabilities at the location.
- Adopt a more transparent approach to the use of the employment security fund.

Introduction to the Working Group

The European Chamber's Human Resources (HR) Working Group is currently active in Shanghai, with Fora representation in Beijing, Nanjing South China (Guangzhou and Shenzhen). The working group is composed of a wide range of HR professionals from European multinational corporations (MNCs) and small and medium-sized enterprises (SMEs) involved in a variety of industries. The working group represents European companies employing hundreds of thousands of people who contribute to social security funds and tax receipts, as well as HR service providers across China. The working group provides a platform to exchange information, experiences and best practices among member companies, as well as to promote awareness of HR- and labour-related issues. The working group regularly organises events and facilitates training sessions to share with members acquired knowledge and experience.

Recent Developments

New Foreigners' Work Permit Application System

On 28th March 2017, the *Notice on the Implementation of the Foreigners' Work Permit System in China* was issued by the State Administration of Foreign Experts Affairs (SAFEA) Bureau.¹ Stemming from this notice, China started implementing a new Foreigners' Work Permit Application System as of 1st April, 2017. The unified work permit, the result of a merger between the original Foreign Expert Permit and the Alien Employment Licence into a single permit, is aimed at attracting more high-level talent. The working group encourages the nationwide and consistent use of

this new system. More details about this working group recommendation is available under Key Recommendation 3.

Companies' compliance to the People's Republic of China (PRC) Labour Law

On 25th July, 2016, the *Methods on Ranking of Credits of Enterprises in Compliance of the PRC Labour Law*² was issued by the Ministry of Human Resources and Social Security (MOHRSS). They took effect on 1st January, 2017. The Methods rank all companies into three different levels – A, B or C – subject to compliance with People's Republic of China (PRC) labour law. The working group recommends to centralise the Employer Credit System and increase its supervision. More information can be found under Key Recommendation 1.

Additionally, on 1st August, 2016, the *Methods on Public Announcement of Severe Violations of the PRC Labour Law*³ were issued by the MOHRSS and took effect on 1st January, 2017. Labour administrative authorities can now adopt the "Name and Shame" principle. They are authorised to make public announcements of severe offences against the PRC labour law, that occur within its jurisdiction. These pronouncements are to be made quarterly or bi-annually on its official website, or in media such as newspapers or local television. While the working group appreciates the intention of the regulator, members also believe companies who are appropriately rectifying their actions to comply should be given the opportunity to make a follow-up public

1 *Notice on the Implementation of the Foreigners' Work Permit System*, SAFEA, 6th April, 2017, entered into force on 1st April, 2017, viewed 10th August, 2017, <<http://www.safea.gov.cn/content.shtml?id=12749533>>

2 *Methods on Ranking of Credits of Enterprises in Compliance of the People's Republic of China (PRC) Labour Law*, MOHRSS, entered into force on 1st January, 2017, 25th July, 2016, viewed 10th August, 2017, <http://www.mohrss.gov.cn/gkml/xxgk/201608/t20160801_244618.html?keywords=+企业劳动保障守法>

3 *Methods on Public Announcement of Severe Violations of the PRC Labour Law*, MOHRSS, entered into force on 1st January, 2017, 1st August, 2017, viewed 10th August, 2017, <http://www.mohrss.gov.cn/gkml/xxgk/201609/t20160909_246849.html?keywords=+重大劳动保障>





pronouncement for the purpose of restoring their reputation.

Disabled People's Employment

On 15th March, 2017, the *Notice on Relevant Policies about Cancellation and Adjustment of Some Governmental Funds*⁴ was issued by the Ministry of Finance (MOF). The *Notice* adjusted policies pertaining to the Disabled People's Employment Security Fund. According to the notice, which took effect on 1st April, 2017, an enterprise with no more than 30 employees may enjoy the exemption of paying the Disabled People's Employment Security Fund. Furthermore, the

calculation basis for the contribution to the Disabled People's Employment Security Fund is the average annual salary of the employees of the enterprise but capped with a threshold of three times of average annual salary of employees for the previous year at the location where the enterprise is registered. See Key Recommendation 5 for further details. The Human Resources Working Group welcomed this development and the government's consideration of European Chamber member companies' concerns raised in September 2016. The working group hopes for many more fruitful conversations in the future.

State Council Document No. 5

On 17th January, 2017, the State Council released the *Notice on Several Measures on Promoting Further Openness and Active Utilisation of Foreign Investment (Guofa [2017] No. 5, State Council Document No. 5 or Circular 5)*, which aims to create a more favourable regulatory environment and a level playing field for both domestic and foreign enterprises. The European Chamber attaches great importance to this document, and sees it as the overarching guiding principle for foreign investment reform for the short to medium term. *State Council Document No. 5* serves as the key theme for this year's Executive Summary on page XX, and a full copy can be found on page XX.

Which commitments made in the State Council Document No. 5 are relevant to the Human Resources Working Group?

Some relevant commitments made in the *State Council Document No. 5* include:

- Article I: Support the development of overseas talents in China;
- Article II: Promote the opening up of education;
- Article VII: Support the entrepreneurship and development of high-level foreign talent in China. Science and technology enterprises established by high-level foreign talent with permanent residence permits from foreign countries shall enjoy the same treatment as Chinese citizens. Convenience shall be provided to foreign high-level talent, foreign spouses and children who have repeatedly received visas or residence permits.
- Article XVI: Grant enterprise income tax preference to qualified Foreign-Invested Enterprises (FIEs) engaged in encouraged industries in the Western Region. For FIEs transferring to the Middle and Western Regions and the Northeast Region, the MOHRSS would, upon application, handle the procedures for transfer of social insurance in a timely fashion.

What is the likely impact of the State Council Document No. 5 on the members of the Human Resources Working Group?

Articles I and VII may improve China's attractiveness and help the government retain top, and distinct overseas talent, by making it easy for them and their families to come to China and develop professional careers.

Today's Chinese fresh graduates lack competitive skills needed on the market such as critical thinking or problem solving. Opening the education system in China can increase the transferring of practical knowledge between Europe and China and contribute to improving recent graduates' skills. See Key Recommendation 4 for more details.

⁴ *Notice on Relevant Policies about Cancellation and Adjustment of Some Governmental Funds*, MOF, entered into force on 1st April, 2017, 15th March, 2017, viewed 10th August, 2017, <http://szs.mof.gov.cn/bgtZaiXianFuWu_1_1_11/mlqd/201703/t20170317_2559302.html>





The anticipated easiness of transferring social insurance between China's Middle, Western and Northeast regions may encourage member companies to relocate to less developed areas.

What does the Human Resources Working Group recommend in order to ensure effective implementation of the State Council Document No.5?

The working group recommends further improving living standards in China, including increased internet speed as well as air, soil and water quality. It will boost foreign interest in choosing China as a preferential destination for investments. This recommendation has been developed extensively in the *European Business in China Position Paper 2016/2017*.⁵ Additionally, improving transparency of visa and work permit procedures will allow for more foreign talent to migrate to China, and ultimately support the transformation and upgrading of China's manufacturing industry. See Key Recommendation 3 for more details.

Education system reform is needed to fully prepare local graduates with skills they need to enter the marketplace. Adequate education will serve the Chinese service industry well, as outlined in *State Council Document No. 5*. The education system should be open to everyone, including people with disabilities, to allow them to contribute in the work environment. See Key Recommendations 4 and 5 for more details.

Foreign investment in China will increase if the income tax regime is attractive and fair to companies. Investment will also increase if the employment and termination rules are flexible enough to allow companies to adapt easily to a dynamic environment. Working group members recommend the social insurance contribution to be lowered nationwide to relieve pressure on companies, ensure people's welfare and enhance workforce flexibility. See Key Recommendations 1 and 2 for more details.

Key Recommendations

1. Enhance Workforce Flexibility by Implementing More Flexible Employment and Termination Rules, and Improve the Employer Credit System

Concerns

The working group's concerns include flexibility employing part-time and contingent workforce, difficulty terminating an employee's contract when acting incompetently and the Employer Credit System not being well-enough established.

Assessment

According to the *European Chamber's Business Confidence Survey 2017*, respondents consider rising labour costs as the top HR challenge for European companies in China.⁶ Labour outsourcing should be encouraged to ease rising labour costs and reduce workforce shortages while meeting the special needs of

companies that depend on seasonal workers. However, stringent rules exist for controlling labour dispatch with a 10 per cent limit of the total workforce.⁷

Since elderly people and children need comparatively more care from family members, workload (including part-time) or project-based contracts may be a pragmatic option compared with traditional time-based contracts, allowing employees to better handle work responsibilities while at home. Additionally, the rapid development of communication technology has made it possible to work remotely. By December 2016, 87.7 per cent of internet users nationwide had access to internet while at home.⁸ Meanwhile, all urban families in China will have optimal internet access by the end of 2017.⁹ Therefore, a flexible working scheme would be ideal for those who need to look after family members while increasing work efficiency and creativity.

⁶ *European Chamber's Business Confidence Survey 2017*, European Union Chamber of Commerce in China, 2017, viewed 26th July, 2017, <<http://www.eurochamber.com.cn/en/publications-business-confidence-survey>>

⁷ *Interim Revisions on Labour Dispatch*, MOHRSS, 26th January, 2014, viewed 30th April, 2017, <http://www.mohrss.gov.cn/gkml/xxgk/201401/20140126_123297.htm>

⁸ *39th Statistical Report on Internet Development in China*, China Internet Network Information Centre, January, 2017, viewed 26th April, 2017, <<http://www.cnnic.cn/hlwfzyj/hlwxzbg/hlwtjbg/201701/P020170123364672657408.pdf>>

⁹ *2017 National Industry and Information Technology Working Conference*, NetEase News, 26th December, 2016, viewed 26th April, 2017, <<http://news.163.com/16/1227/07/C99DIOIN00014Q4P.html>>





For the purpose of protecting employees' interest, the *PRC Labour Contract Law* sets rigid limits for employers terminating an employee, while there are very few restrictions on employees' unilateral termination of the labour contract. Therefore, employers have to enter into an open-term labour contract with an employee after the second contract renewal or pay a large amount of compensation to reach a mutual termination agreement with employees. This raises overall employment costs, which in turn decreases the employment rate. Additionally, contract termination rules are currently inconsistently implemented across China, which can easily lead to unfairness in the labour market. The working group also noted that in most circumstances outside of an employee's probation period, a 30-day notice is required for all employees to terminate their labour contracts. This period is short compared to most European countries and often does not allow the company to recruit and fully train a replacement person, especially in the case of a senior executive with client facing responsibilities, sometimes with outstanding annual leave. The employee's notice period under PRC Labour Contract Law should be longer, and reflect the responsibility level of the employee, in order to make room for a smoother transition and a more efficient global functioning.

The working group noticed that on 25th July, 2016, the MOHRSS introduced the *Methods on Ranking of Credits of Enterprises in Compliance of PRC Labour Law* which was geared towards an Employer Credit System that rated employers' compliance with employment laws. This system eventually came into effect on 1st January, 2017.¹⁰ Labour administrative authorities can now adopt the "name and shame" principle. When a labour dispute arises between an employer and its employee(s), the judge or arbitrator may use the credit information system, which grades enterprises' credit, as a reference when the judge or arbitrator has to render a verdict at their discretion. Enterprises with a good track record may be granted more flexibility when terminating labour relations. This is a positive development in an attempt to relieve the burden on employers and simultaneously protect legal interests of employees. However, separate credit information systems already exist, including China's State Administration of Industry and Commerce (SAIC)'s National Enterprise Credit Information Publicity

System, launched on March 2014, and the Supreme People's Court database of dishonest debtors open to public access starting October 2013. These systems function differently in the various government bodies and have not been well integrated. A comprehensive and centralised employer credit system would be a more efficient institutional tool.

Recommendations

- Relax the restrictions on labour dispatch to allow employers to hire based on business needs.
- Clarify how work-load (including part-time) or project-based contracts with employees can be used.
- Empower employers in the employment and termination processes and consistently implement the policy across China.
- Centralise the Employer Credit System and enhance its supervision.

2. Adapt Social Insurance Policies to a Changing Economic Environment

Concern

Currently, China's social insurance regime (I) demands increasingly high contributions from businesses; (II) discriminates against foreign employees; and (III) does not have a sufficiently well-developed supplementary pension system. These are obstacles for companies to retain talent, and also hampers China's ability to address the issue of a rapidly aging population.

Assessment

The Human Resources Working Group acknowledges the will of the government to continue reducing the social insurance contribution rates, as stated at the Fifth Session of the 12th National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) which took place from 3rd to 16th March, 2017.¹¹ However, the working group encourages the MOHRSS and its branches to consider all factors related to insurance rate calculation. The social insurance contribution amount is based on each employee's average monthly remuneration which is regulated on a local level, capped at three times the city's average monthly salary in the preceding year and subject to a minimum of 60 per cent of the

¹⁰ *Measures on Enterprise Ratings of Compliance with Labour Securities*, MOHRSS, 25th July 2016, viewed 26th April, 2017, <http://www.mohrss.gov.cn/gkml/xxgk/201608/t20160801_244618.html>

¹¹ *Answers to the Reporters by the Minister of the Ministry of Finance at the Press Centre of the Fifty Session of 12th National People's Congress*, 7th March, 2017, viewed 2nd May, 2017, <http://www.npc.gov.cn/npc/zhibo/zzzb35/node_9634.htm>





city's average monthly salary.¹² The cities' average monthly salary is increasing every year. For instance, in Shanghai, the average salary for 2016 was raised from Chinese Yuan (CNY) 5,939 to CNY 6,504.¹³ As a result, the cap, and minimum amount, have been increased respectively to CNY 19,512 and CNY 3,902 starting from 1st April, 2017. In Shanghai, in 2017, for employees whose remuneration was higher than the cap amount, the company's contribution amount was increased by approximately CNY 710 per month per employee, and for employees whose remuneration was lower than the minimum amount, the company's contribution was increased by approximately CNY 142 per month per employee. This constantly increasing financial burden pressures newly-established, or small-scaled companies that are encountering economic difficulty and prevents growth.

Except for countries that have signed a bilateral agreement with China, foreign employees must pay for Chinese social insurance.¹⁴ According to the PRC *Social Insurance Law*, anyone who has paid insurance fees is eligible to receive welfare if certain conditions are met. However, in reality, once foreign employees resign or lose their jobs, their working permits will immediately be revoked, compelling them to leave China. Although pre-paid social insurance allowance in individual accounts may be refunded in some Chinese cities like Beijing or Shanghai, this is not the case across China and some social insurance allowance, such as the unemployment insurance, cannot be refunded to foreign employees as it is for Chinese employees.

The pension insurance system in China mainly consists of basic pension insurance, supplementary pension insurance and individual saving pension insurance. An enterprise annuity is a supplementary pension voluntarily established by an enterprise and its employees in accordance with the *Trial Measures for Enterprise Annuities* adopted by the Ministry of Labour

and Social Security on 30th December, 2003.¹⁵ In practice, only a few enterprises have established their own enterprise annuity plans. On 6th June, 2016, a revised draft *Enterprise Annuity Regulation* was opened for public comment.¹⁶ The draft regulation still contains many restrictive rules regarding the establishing or amending of an enterprise annuity plan. For companies, the supplementary pension is an effective tool for employee retention and contributes to reduced turnover rate. It also helps release pressure on the statutory pension. Therefore, the MOHRSS should further encourage the development of the supplementary pension system.

Recommendations

- Continue to lower social insurance contributions, and introduce preferential policies for small-scaled or newly-established companies and businesses that are encountering economic difficulties.
- Exempt foreign employees from paying unemployment insurance.
- Introduce more liberal rules and financial incentives, such as preferential tax treatment and governmental subsidies, encouraging companies to establish enterprise annuity plans.

3. Improve Visa and Work Permit Procedures Transparency, and Relax Requirements on Acquiring a Visa

Concern

Unclear and too strict immigration policies lead to challenges in attracting, retaining and developing international talent.

Assessment

Unified work permit

On 1st October, 2016, a unified work permit was initiated by the State Administration of Foreign Expert Affairs (SAFEA)¹⁷ in selected regions including Anhui, Beijing, Guangdong, Hebei, Ningxia, Shandong, Shanghai, Sichuan and Tianjin. Starting on the 1st April, 2017, the

12 *Circular of the Shanghai Municipal Bureau of Human Resources and Social Security on Determining the Social Insurance Contribution Basis*, 28th March, 2006, viewed 2nd May, 2017, <http://www.12333sh.gov.cn/201412333/xxgk/flfg/gfxwj/shbx/ybxx/201405/t20140506_1181767.shtml>

13 Calculated based on an Official Announcement, Shanghai Social Insurance Center, 10th April, 2017, viewed 2nd May, 2017, <http://www.12333sh.gov.cn/wsbs/wsbg/2007sbxx/201704/t20170407_1253571.shtml>

14 *Interim Measures on Foreigners working within China to Join the Social Insurance System*, MOHRSS, 6th September 2011, viewed 1st May, 2017, <http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/flfg/gz/201601/t20160112_231574.html>

15 *Trial Measures for Enterprise Annuities* Ministry of Labour and Social Security, 30th December, 2003, viewed 1st May, 2017, <http://www.gov.cn/gongbao/content/2004/content_62935.htm>

16 *Circular of the Ministry of Human Resources and Social Security on Soliciting Public Comments regarding the Enterprise Annuity Regulation*, MOHRSS, 6th June 2006, viewed 2nd May 2017, <http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/SYzhengqiyijian/zq_fgsl/201606/t20160606_241361.html>

17 *Implementation Plan for the Pilot Work Permit System for Foreigners Working in China*, State Administration of Foreign Expert Affairs, 27th September 2016, viewed 1st May 2017, <<http://www.safea.gov.cn/content.shtml?id=12749237>>





unified work permit was implemented by the SAFEA throughout China. The new permit merged the original Foreign Expert Permit and Alien Employment Licence into a single permit, allowing companies to attract more high-level talent. The unified permit follows a three-tiered classification system for foreign workers: Class A Top Talents are highly encouraged; Class B Professional Talents are generally controlled and Class C Ordinary Workers are strictly limited.

The Human Resources Working Group notes that at the date of publication, information about this unified work permit is not well-enough communicated across the country, especially to foreign consulates and embassies. Therefore, working group members encourage a wider and more transparent method of informing regarding the permit. They also call for a national consistent application of the scheme.

Furthermore, the unified work permit highlights new limits for workers without a higher education degree. Human Resources Working Group members employ a significant number of technical staff, composed of both Chinese and foreign employees. The close collaboration of these two populations enables the transferring of knowledge and a high degree of productivity. The market entry barrier imposed on foreign technical talents could therefore negatively affect both Chinese and European companies' production capabilities and the development of local, high-level technical talent.

Senior talent

Senior talent is highly valuable to foreign and local enterprises since they bring high-level expertise that companies need. The working group acknowledges progress in including senior foreign talent in the Chinese workplace via the unified work permit which lifts employment age restrictions for Class A Top Talent. However, retirement age limitations still exist for Class B Professional Talents, which encompasses the majority of foreign workers. These restrictions prevent foreign female employees over the age of 55 and male employees over 60 from continuing to work in China. The retirement age in most EU countries is much higher. Those experienced employees could still be employed by foreign-invested enterprises (FIEs) and their expertise would contribute to the development of Chinese entities and their employees.

Interns

The working group wishes to provide work opportunities for young, talented European graduates by offering internships and entry-level employment in China. However, at the moment, current regulations and administrative practices do not provide a specific visa-type for foreign interns.

According to new policies recently announced by the Ministry of Public Security of the PRC,¹⁸ in some special areas such as Zhongguancun Science Park in Beijing, the Zhangjiang National Innovation Demonstration Zone, the Shanghai, Fujian and Guangdong Free Trade Zones, etc., upon invitation of the companies, foreign interns can obtain an S2 visa at the port of entry with an "internship" note on their passport. The Public Security Bureau of the city where the young talent is currently studying has the authority to add the note to the student's residence permit when presented with a set of documents. However, the areas adopting such policies are quite limited.

On 13th April, 2017, the law issued by the MOHRSS on the *Foreigners' Employment Regulations in China*¹⁹ specifies that foreign interns or international students cannot work in China. However, under special circumstances they can request an approval certificate, change their visa status, and apply for an employment and residence permit. Additional measures were issued on 2nd June, 2017²⁰ further stressing that international students can have work activities during their studies in college or university, but cannot work or engage in business activities. The working group also took note of the MOHRSS announcement on a Thousand Sino-French intern project,²¹ specifying that the contract between a Chinese employer and French intern should cover the intern's stipend amount and method of payment, as well as a list of benefits the intern can enjoy. The Human Resources Working Group invites

18 Further Release Policy Effect to Attract & Aggregate Foreign Talents --- Social Security Bureau Introduces Seven Policy Measures About Exit-Entry Administration in Free Trade Zone & Areas on a National Level, the Ministry of Public Security of the PRC, 3rd September, 2017, viewed 19th May, 2017, <<http://www.mps.gov.cn/n2253534/n2253535/n2253537/c5657069/content.html>>

19 *Foreigners' Employment Regulations in China*, MOHRSS, 13th April, 2017, viewed 11th June, 2017, <http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfcg/flfg/gz/201704/t20170413_269433.html>

20 *Security Order No. 42 "School Recruitment and Training of International Students"*, the Ministry of Education, the Ministry of Foreign Affairs, the Ministry of Public Security, 2nd June, 2017, viewed 11th June, 2017, <http://www.gov.cn/xinwen/2017-06/02/content_5199249.htm>

21 *Notice on matters relating to the implementation of the internship program*, MOHRSS, 29th March, 2016, viewed 11th June, 2017, <http://www.mohrss.gov.cn/gkml/xxgk/201603/t20160331_236919.html>





the government to clarify whether foreign interns are entitled to receive salary and specify the context when a refund can occur. Financial support helps to attract, retain and motivate high-level foreign interns so they fully participate in the innovation process companies need to perform.

Young graduates

Pertaining to young graduates, according to visa policies implemented on 1st April, 2017,²² top talent meeting certain criteria are no longer required to have two years working experience, as employees now only have to obtain a master's degree or above from a Chinese domestic or top 100 international university. The Human Resources Working Group welcomes this development that brings additional flexibility to the employment process. Unfortunately, the management staff and technicians of companies, i.e. the majorities of foreigners working in China, are not included. The working group would therefore recommend lowering the points threshold for young graduates without a higher level of education, but with potential entrepreneurship expertise or technical capability. This is the policy direction already outlined in the *State Council Document No. 5*. Additionally, it currently appears that the world's top 100 universities, where graduates will be exempted from having two years working experience in order to obtain a working visa, are selected differently across Chinese cities and the selection process is not clearly defined. The working group recommends further transparency in this regard.

Green Card

On 9th December, 2016, the Ministry of Public Security (MPS) released *The New 10 Items on Supporting the Construction of Science Innovation Centre in Shanghai*,²³ is a new policy pertaining to green card issuance for foreigners, also known as “foreigner's permanent residence card”, and now renamed “foreigner's permanent residence identity card”. This reform lowered the green card application threshold, streamlined the application process and clarified foreign permanent residents' social and economic treatment. This policy is seen as a positive development by the working group. On 9th March, 2017, the MPS issued measures further elaborating on how the state can attract and

retain foreign talent,²⁴ introducing seven policy items regarding Exit-Entry Administration in free trade zones and other areas. This policy extended the December 2016 measure to cover a larger portion of the country.

Recommendations

- Standardise the work permit application process in China.
- Implement more flexible procedures for hiring foreign technical expert talent without a high education level.
- Allow foreign employees, over the age of 55 for women and 60 for men, who do not fall under the under Class A Top Talents category to renew their work permits past the current age of retirement.
- Broaden internship access and employment opportunities for junior foreigners, and allow foreign interns to receive salary.
- Widen the applicable scope of the current green card policy to cover more territory in China.

4. Develop the Practicality of the Education System

Concern

A significant number of fresh graduates are not equipped with the competitive skills needed to function successfully in the current work environment, resulting in companies spending large amounts of time and money in training.

Assessment

In 2016, 7.61 million graduates entered the labour market.²⁵ This is 245 thousand more compared to 2015.²⁶ However, at the same time, talent shortage is considered one of two top HR challenges faced by European companies in 2017, according to respondents in the *European Chamber's Business Confidence Survey 2017*.²⁷

This reveals a gap between the graduates' skills and the companies' requirements. Companies wish to

22 *Circular of the MOHRSS*, 6th January, 2017, viewed 14th May, 2017, <http://www.mohrss.gov.cn/gkml/xxgk/201701/t20170111_264214.html>

23 *The New 10 Items on Supporting the Construction of Science Innovation Centre in Shanghai*, MPS, 9th December, 2016, viewed 9th June, 2017, <http://crj.police.sh.cn/kczx_page.jsp?ggbh=1000000022>

24 *Seven New Items on Exit-Entry Policy in Free Trade Zone & Relevant Areas on a National Level*, MPS, 9th March, 2017, viewed 9th June, 2017, <<http://www.mps.gov.cn/n2253534/n2253535/n2253537/c5657069/content.html>>

25 *China Statistical Yearbook 2016*, National Bureau of Statistics of the People's Republic of China, 29th February, 2016, viewed 14th May, 2017, <http://www.stats.gov.cn/tjsj/zxfb/201702/t20170228_1467424.html>

26 *China Statistical Yearbook 2015*, National Bureau of Statistics of the People's Republic of China, 29th February, 2016, viewed 14th May, 2017, <http://www.stats.gov.cn/tjsj/zxfb/201602/t20160229_1323991.html>

27 *European Business in China Business Confidence Survey 2017*, European Union Chamber of Commerce in China, 2017, p.27, <http://www.european-chamber.com.cn/en/publications-archiv/516/Business_Confidence_Survey_2017>





recruit competent graduates who will need little training time to get up to speed and who can provide results rapidly, to minimise cost. However, the long training period for staff to become fully efficient is still one of the top HR challenges for European companies in China. Companies hiring fresh graduates need to invest heavily in practical work-skills training, such as critical thinking, problem-solving, business communication and understanding company protocol.

On 19th January, 2017, a circular issued by the State Council stated that China will promote education during the 13th Five-Year Plan (13FYP) period (2016-2020).²⁸ The educational development plan encourages entrepreneurship, the capacity to innovate and practical skills, as well as the development of technical colleges. At the State Council's executive meeting, presided over by Premier Li Keqiang on 28th December, 2016, Mr Chen Feng, Director of the National Centre for School Development Programs, also called for more efforts to develop industrial practice in vocational colleges, and reform rigid educational patterns in regular high schools.²⁹ The Human Resources Working Group sees these developments and statements positively.

To help bridge the aforementioned gap between students' capabilities and market needs, the working group further recommends that companies get involved in developing university curriculum. Academia and business need to work hand in hand to share resources and develop competitive talent the market needs. To drive this, the government may envisage setting up policies that incentivise cooperation between universities and enterprises.

Furthermore, the working group firmly agrees with Premier Li Keqiang's statement made in a meeting held in Beijing on 2nd December, 2016, which states that vocational education should play a more prominent role in cultivating high-quality workers that have professional skills and craftsmanship. The working group looks forward to a timely and widespread implementation of this statement.³⁰

28 *China to improve education during 13th Five-Year Plan period, the State Council*, 19th January, 2017, viewed 2nd May, 2017, <http://english.gov.cn/policies/latest_releases/2017/01/19/content_281475546145620.htm>

29 *Modernization of education props up China's development, the State Council*, 30th December, 2016, viewed 2nd May, 2017, <http://english.gov.cn/policies/policy_watch/2016/12/30/content_281475528798396.htm>

30 *Premier Li stresses modern vocational education, the State Council*, 2nd December, 2016, viewed 2nd May, 2017, <http://english.gov.cn/premier/news/2016/12/02/content_281475506247908.htm>

Another tool lies in the development and strengthening of professional training. In this regard, the State Council executive meeting, presided over by Premier Li Keqiang on 28th December, 2016, encouraged educational cooperation, stating private capital is welcome in schools and other teaching facilities.³¹ Although the foreign investment catalogue permits the establishment of professional training institutions beyond the educational system,³² in practice, until mid-2016, foreign invested professional training institutes were not allowed to be registered with the Administration of Industry and Commerce (AIC). They are only now being allowed to register in specified areas.

The working group recommends foreign investors to contribute to professional training in China so that competence transfer can occur and a higher number of well-trained professionals can be found in the job market.

Recommendations

- Encourage universities and enterprises to co-design curriculum to ensure graduates acquire the competitive skills needed on the market.
- Develop Vocational Education to train talented professional technicians.
- Allow foreign investors to contribute to professional training in China.

5. Implement a Fairer System to Employ People with Disabilities

5.1 Support Companies in their Efforts to Hire Employees with Disabilities

Concern

Companies are confronted with a lack of efficient channels and support to hire skilful and trainable people with disabilities in China.

Assessment

In 2007, China adopted a mandatory system of pro rata when hiring people with disabilities.³³ Companies are obliged to proportionally hire people with disabilities

31 *China passes education development plan, Xinhua*, 29th December, 2016, viewed 2nd May, 2017, <http://news.xinhuanet.com/english/2016-12/29/c_135942525.htm>

32 *Encouraged Categories of Industries for Guiding Foreign Investment, Item 345, Part 10, 2015, National Development and Reform Commission*, viewed 2nd May, 2017, <<http://www.sdpc.gov.cn/zcfb/zcfbl/201503/W020150402620481787669.pdf>>

33 *Regulation on the Employment of Persons with Disabilities*, the Central People's Government of the People's Republic of China, 25th February, 2007, viewed 2nd May, 2017, <http://www.gov.cn/zwqk/2007-03/05/content_542647.htm>





so they make up no-less than 1.5 per cent of their total staff. Most companies are willing to hire employees with disabilities, but they are facing impediments.

During the 2013-2016 period, more than 80 per cent of people with disabilities have indicated they look for employment on online job websites, from recommendations by the Disabled Person's Federation, referrals from friends and relatives or job fairs.³⁴ However many Human Resources Working Group members are not familiar with existing online job boards that are popular among people with disabilities, or are not connected with the local Disabled Persons' Federation for employee referral or job fair notifications. Meanwhile, they are unable to identify candidates with disabilities from mainstream online job websites.

Even though some companies find relevant candidates, it turns out a large number of job applicants don't have the right skill set for the vacancies,³⁵ which is especially true if no substantial professional training is provided. The working group acknowledges the intention of the State Council to accelerate vocational education development for people with disabilities, especially with regards to secondary and higher education.³⁶ Many are also concerned that little attention is given to recent graduates with disabilities who are at an earlier stage in their career. A large amount of the workforce with disabilities falls into this category and is in major need of continued professional and vocational training to keep up with labour market and business requirements.

Companies' concerns with regards to recruiting employees with disabilities include work environment suitability, retention and integration within the existing team. Local Disabled Persons' Federations should support HR practitioners and companies as a whole to

overcome these challenges.

Recommendations

- Establish additional recruitment platforms for companies to hire skilful professionals with disabilities.
- Facilitate access to educational and professional training for people with disabilities for the purpose of improving job market access, and increase financial support.

5.2 Adjust the Contribution Standard to a Reasonable Level and Supervise the Use of the Fund

Concern

The Disabled Persons' Employment Security Fund is often levied on businesses in an unfair manner.

Assessment

Since September 2015, with the issuance of the *Methods on Levying, Use and Management of Disabled Persons' Employment Security Fund (Methods)*,³⁷ the Fund is formally levied by local governments for all companies nationwide. The companies in the country, if they are unable to hire a sufficient number of people with disabilities according to the statutory law, should make contributions to the fund on the basis of their employees' average annual salaries the previous year. The working group acknowledges the government's intention to push enterprises to perform their corporate social liabilities. However, due to the lack of efficient channels and support systems needed to hire skilful and trainable people with disabilities, most companies do not have another option but to pay up. This brings additional financial burdens to business. The Human Resources Working Group appreciates that on 15th March, 2017, the PRC Ministry of Finance adjusted these policies³⁸ by allowing companies with no more than 30 employees to be exempted from paying for the first three years, and setting a cap at three times the average annual salary of employees for the previous year at the location for the calculation of the contribution

34 Sun, Chengying & Zhang, Tianyi & Tan, Zhiyi & Zheng, Jjianming, *An Analysis of the Employment Difficulties of Physically Handicapped People in Shanghai and the Solutions, Reform & Opening*, 2016 (17), p.90 viewed 2nd May, 2017, <<http://www.ixueshu.com/document/68968bcc6596f713318947a18e7f9386.html>>; *Current Situation of Persons with Disabilities in China and their well-off Process Monitoring Report (2013)*, China Disabled Person's Federation, viewed 2nd May, 2017, <<http://www.cdpf.org.cn/sjzx/jcbg/201408/W020140812412661060470.doc>>

35 Dong, Hongyu & Han, Xufeng, *An Analysis of the Current Situation and Problems of the Employment of Persons with Disabilities in China*, *China Economist*, issue 8, 2016, p. 40, viewed 2nd May, 2017, <<http://www.ixueshu.com/document/665803e9fd5e8a3b318947a18e7f9386.html>>; Liu, Lei, *An Analysis of the Current Situation of Employment of Persons with disabilities, Business*, 2016(31), p.50, viewed 2nd May, 2017, <<http://www.cqvip.com/read/read.aspx?id=670161714>>

36 *Regulation on Education for Persons with Disabilities, the Central People's Government of the People's Republic of China*, 2nd January, 2017, viewed 2nd May, 2017, <http://www.gov.cn/gongbao/content/2017/content_5178184.htm>

37 *Methods on Levying, Use and Management of Disabled Persons' Employment Security Fund*, State Administration of Taxation, 9th September 2015, viewed 2nd May, 2017, <<http://www.chinatax.gov.cn/n810341/n810755/c1810262/content.html>>

38 Notice on Relevant Policies about Cancellation and Adjustment of Some Governmental Funds, Ministry of Finance of the People's Republic of China, 15th March, 2017, viewed 2nd May, 2017, <http://szs.mof.gov.cn/bgtZaiXianFuWu_1_1_11/mlqd/201703/t20170317_2559302.html>





amount. This measure does reduce the financial burden of some companies to an extent. However, for many group members, costs are still high. Moreover, the fund is levied differently from one region to the next depending on the status of people with disabilities varying in different locations. Finally, although the *Methods* require local governments to announce publicly how the fund is used for supporting people with disabilities, such information cannot be found in public media. Companies would welcome more transparency in this regard.

Recommendations

- Allow local governments to establish their own policies according to the financial situation and the status of the people with disabilities at the location.
- Adopt a more transparent approach to the use of the employment security fund.

Abbreviations

13FYP	13 th Five-Year Plan
AIC	Administration of Industry and Commerce
CNY	Chinese Yuan Renminbi
CPPCC	Chinese People's Political Consultative Conference
The EU	The European Union
FIE	Foreign-Invested Enterprise
HR	Human Resources
MNC	Multinational corporation
MOHRSS	Ministry of Human Resources and Social Security
MOF	Ministry of Finance
MPS	Ministry of Public Security
NPC	National People's Congress
PRC	People's Republic of China
SAFEA	State Administration of Foreign Experts Affairs
SAIC	State Administration of Industry and Commerce
SME	Small and medium-sized enterprise

