

The Challenges of Managing a Workforce Across Asia

By Adam Livermore



About Dezan Shira & Associates



Dezan Shira & Associates

1992

Dezan Shira's **establishment**

300+

Our team of legal, tax, accounting and audit **professionals**

2,000+

Multinational clients that have already chosen us

80+

Countries served by our professional services

24

Our **offices** in China, India, Vietnam, Singapore, liaison offices in Italy, the United States and Germany, and alliance offices in Indonesia, Malaysia, the Philippines, and Thailand.

Profile – Helen Kong



HELEN KONG

- [Helen Kong](#) works as the Manager of Human Resources Administration and Payroll Services at Dezan Shira & Associates. She has been working in the Dezan Shira HR field since 2008 and leads a specialized team in Dalian for payroll and HR admin outsourcing services.
- Helen has expertise in providing tax planning and advisory services for foreign individual income tax matters, and has also helped many newly established companies on HR start up related services.

Profile – Adam Livermore



ADAM LIVERMORE

- [Adam Livermore](#) is the newest equity partner at Dezan Shira & Associates. He directly manages Dezan Shira's Dalian, Qingdao and India offices while leading the team providing integrated payroll processing services to clients across China, Vietnam, India, Hong Kong and Singapore.
- Adam has a particular specialization in the areas of human resources in China, relating to both the legal and administration aspects, as well as possessing a comprehensive understanding of the key legal and accounting topics relating to foreign direct investment in China.



DEZAN SHIRA & ASSOCIATES



**Years
1992-2017**

Challenges relating to Language / Culture



Language Challenges I

Chi tiết về Phiếu Lương

Mã nhân viên	VN001	Lương tháng	June 2017
Tên nhân viên	Lee Yun	Ngày bắt đầu	1st Feb 2012
Tên Tiếng Anh	Ada Lee		

• Thu nhập	Số tiền (VNĐ)	• Các khoản giảm trừ	Số tiền (VNĐ)
Lương cơ bản thực tế	20,000,000	Bảo hiểm xã hội	1,600,000
Trợ cấp điện thoại	770,000	Bảo hiểm y tế	300,000
Trợ cấp tiền ăn	150,000	Bảo hiểm thất nghiệp	200,000
Thu nhập gộp	20,920,000	Thuế thu nhập cá nhân	304,000
Lương thực nhận		Tổng giảm trừ	2,404,000
			18,516,000

• Người phụ thuộc	1	• Số Ngày Làm việc tiêu chuẩn của Tháng	22
• Số Ngày Làm việc thực tế trong Tháng	22		

Language Challenges II



LANGUAGE MISUNDERSTOOD

The single largest cause of confusion and time waste for HR managers at US and European multinationals is language.



POOR UNDERSTANDING OF CONCEPTS

HR managers will be familiar with the concept of “RIRO” (Rubbish In, Rubbish Out) from payroll processing work. The main contributor to “Rubbish In” relates to poor understanding of concepts translated from the original language.



NO PRESENCE OF EXPERIENCED HR MANAGERS

This tends to be a larger problem in low-headcount countries where internal high-level HR managers are not present.

Cultural Challenges I

List of public holidays in DSA India in 2017				
S.No	Holiday	Date	Delhi	Mumbai
1	Republic Day	26 January 2017	1	1
2	Mahashivratri	24 February 2017	2	
3	Holi	13 March 2017	3	2
4	Good Friday	14 Apr 2017	4	
5	Maharashtra Day	1 May 2017		3
6	Raksha Bandhan	7 August 2017	5	4
7	Independence Day	15 August 2017	6	5
8	Ganesh Chaturthi	25 August 2017		6
9	Gandhi Jayanti	2 October 2017	7	7
10	Diwali	18 October 2017	8	8
11	Bhai Dooj	20 October 2017	9	9
12	Christmas	25 December 2017	10	10

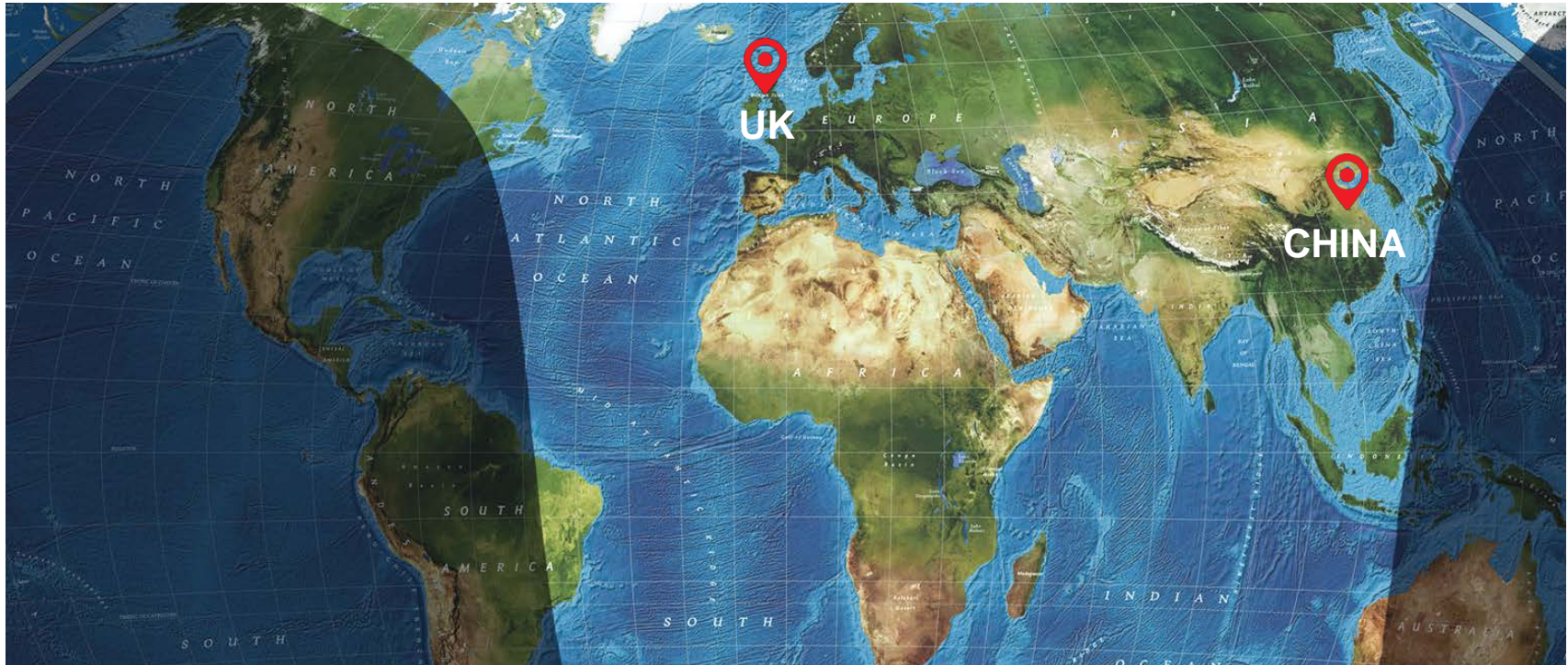
Cultural Challenges II

Type of Leave or Holiday	Delhi	Mumbai
Holidays	3 National Holidays, i.e. Republic Day, Independence Day, and Gandhi Jayanti	4 holidays, including Republic Day, Maharashtra Day, Independence Day, and Gandhi Jayanti
Privilege Leave	15 days (after having worked for 1 years), 5 days (after having worked 4 months)	21 days (after having worked for 240 days), 5 days (after having worked for 3 months)
Casual/Sick Leave	12 days (in every year) 1 day for every month	Nil
Maternity Leave	26 Weeks	26 Weeks

Coordination Challenges



The World is Round

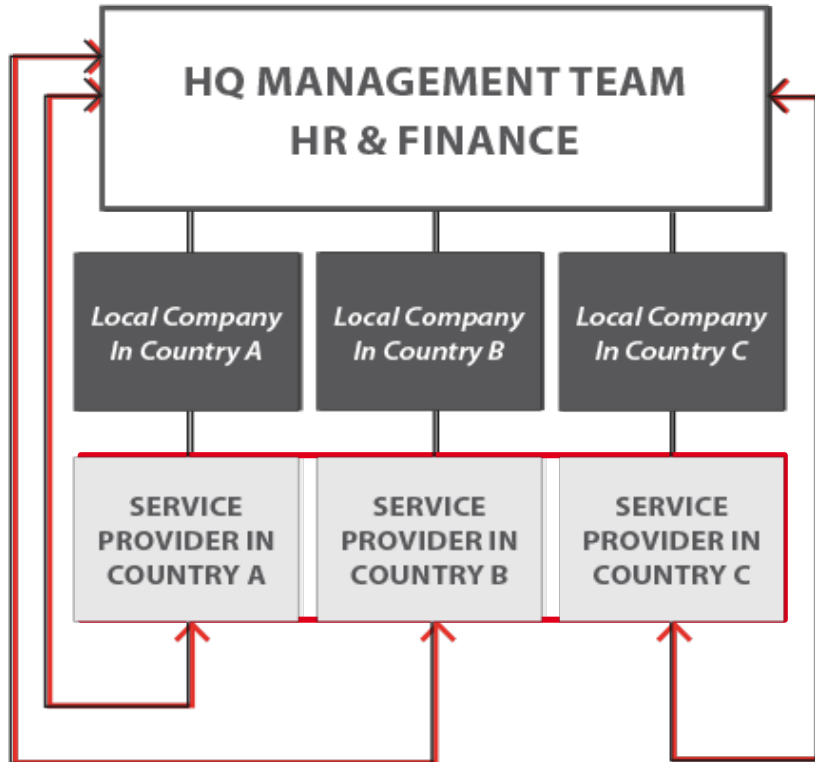


There are only a few hours in the normal working day for an HR director based in Europe to do all the coordination necessary with their HR staff across Asia

In our experience, these hours can also be the busiest for an HR manager relating to their work to Europe!

Multiple Coordination Points

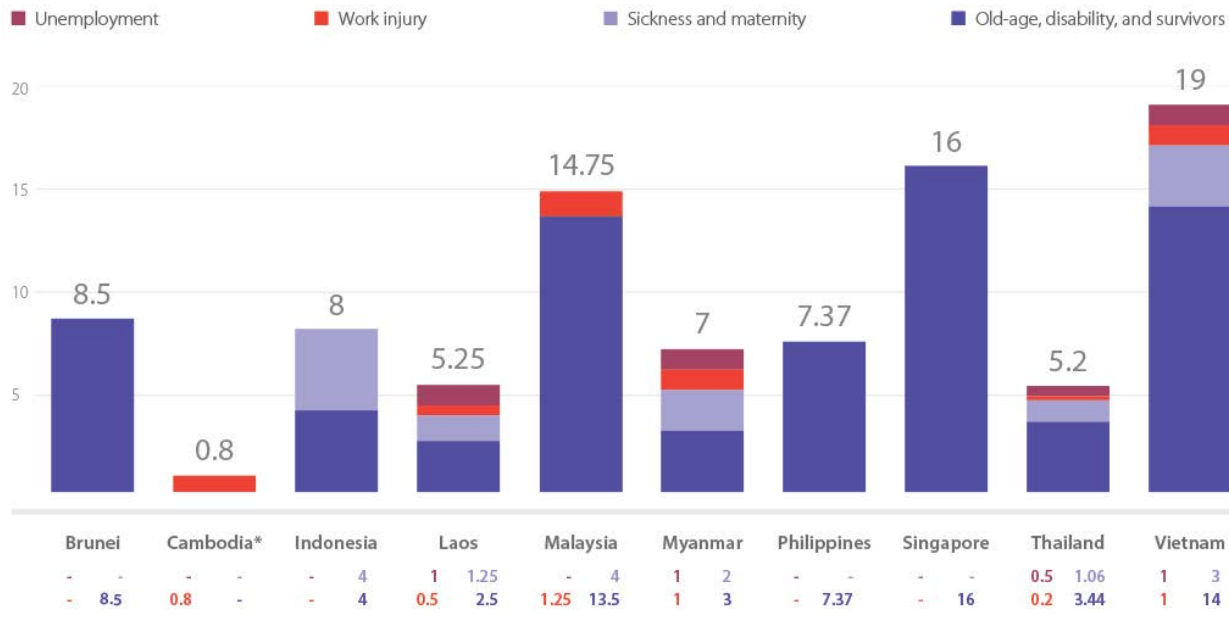
Country by Country Model



- Coordinating with multiple parties in different countries is difficult and time-consuming. It is also stressful when payroll deadlines are getting close!
- Receiving reports in the same format for easy consolidation from multiple vendors can also be very challenging

Major Challenges – Social Insurance Systems and High Staff Turnover

Social Insurance Contribution Rates for Employers in ASEAN (percent)

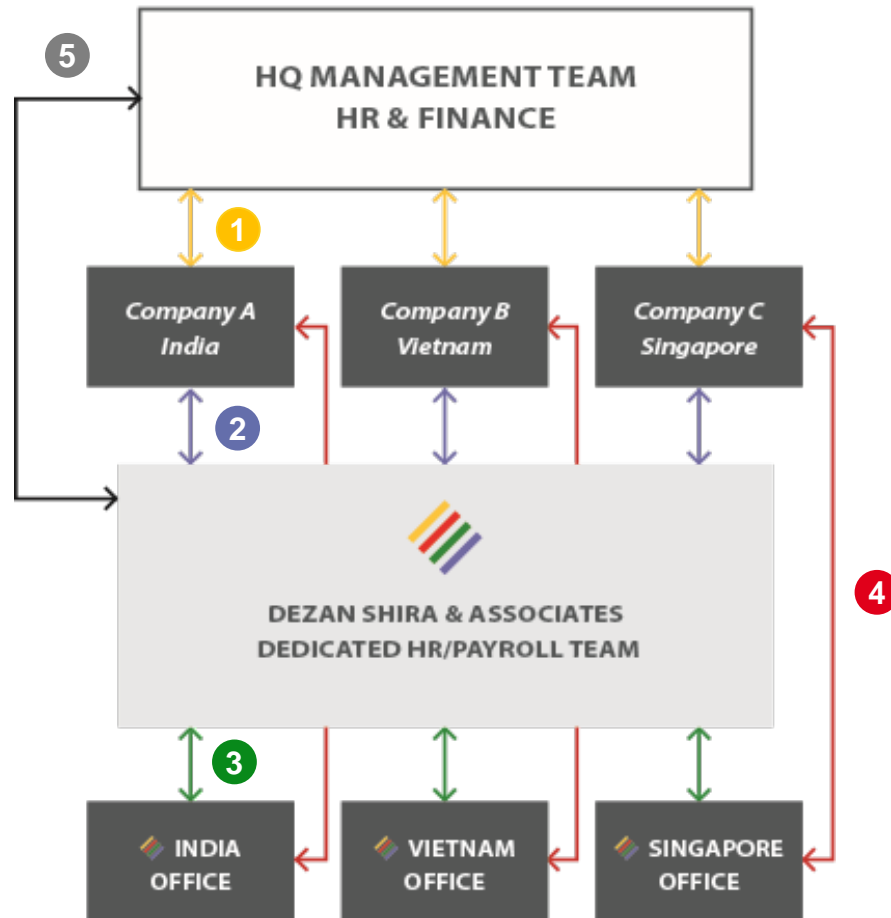


*Note: Cambodia's adoption of social security provisions beyond work injury is in progress

- Expect high staff turnover especially if your Asian ops are based in big, super-competitive cities such as Shanghai, Bangalore or HCMC
- Plan for relatively high salary increases for your Asian staff in the first four years of their employment

Our Solution I

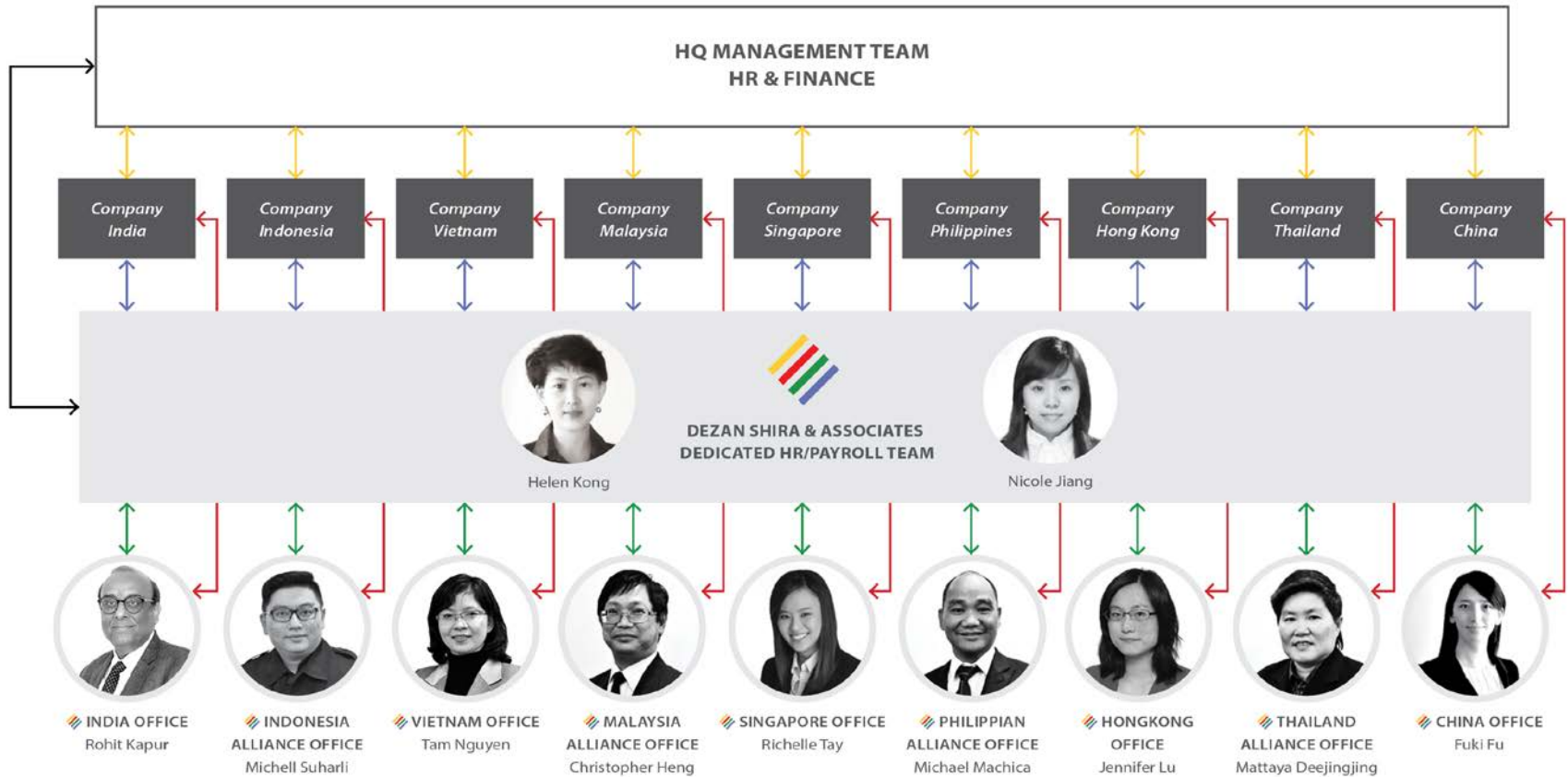
Shared Service or Integrated Model



- 1 Hiring / training / salary increase / bonus / operational etc (client internal discussions)
- 2 Interactions between Dezan Shira and local HR team / employees
- 3 Special Requests within Dezan Shira network for Local Administrative Assistance
- 4 Implementation of administrative assistance for client's local employees
- 5 Payroll processing information exchange & approval, and explanations to HQ

Our Solution II

Shared Service or Integrated Model



Our Solution III



Clients handle “soft” HR work locally via their own internal teams.

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This mainly comprises:

- Recruitment
- Management / Employee Communications
- Training
- Appraisals
- Compensation package structuring
- Etc



Dezan Shira handles “hard” HR work via our dedicated team in Dalian and its support network across Asia.

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This mainly comprises:

- Setup of HR administration infrastructure in terms of documentation templates etc.
- Payroll processing and related tax filing
- HR administration management
- Advisory for special cases

How things can go wrong - China



1. A DSA client utilized an internal HR manager to handle all HR administration including signing of employment contracts with employees and maintained this person in her role for eight years
2. Upon implementation of an HR audit, it was found that instead of providing “non-fixed term contracts” to around ten employees that were legally obligated to receive them, the HR manager had them sign fixed-term contracts instead
3. Under China’s labour contract law, this put the company out of compliance and obligated them to pay double salary to each employee for the period of non-compliance
4. The company ended up with a liability of around EUR 150,000
5. Takeaway: In Asia, HR managers are usually generalists, not specialists. Don’t rely on them to understand the regulatory framework in great detail. Get external advice and carry out periodic reviews

How things can go wrong - India



1. A client needed to terminate a female employee for non-performance. For white-collar employees in India, this is usually not as much of a challenge as it is perceived to be
2. This termination became acrimonious and the individual to be terminated had a background in law. She knew the regulations around protection of female employees in the workplace
3. In India, a company is supposed to setup a committee to protect the interests of female employees. Disputes or complaints from female staff should be considered by this committee. The committee members are drawn from the employees of the company itself
4. The client did not have such a committee in place and therefore put itself in a weak position to deal with the termination of this employee. In the end, it settled the matter by paying a large amount of compensation. It then setup the committee immediately!

Thank you!

Adam Livermore, Partner
adam.livermore@dezshira.com



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- Topics include Corporate Establishment, Financial Risk, Tax, Accounting & Compliance issues.
- Written in association with the legal, accounting, and auditing professionals at Dezan Shira & Associates
- Available in our online bookstore (www.asiabriefing.com/store)



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Dezan Shira & Associates,
Asia Briefing Media

Our Practice in East China

Hangzhou

hangzhou@dezshira.com

+86 571 5685 9956

Suite 1001, Xuefeng Mansion, 346 Qingtai Street
Dongcheng District, Hangzhou, China 310009

Ningbo

ningbo@dezshira.com

+86 574 8733 8682

Room 1105, building A, Crown World Trade Plaza, No. 11, Caihong South
Road, Jiangdong district, Ningbo, China 315040

Shanghai

shanghai@dezshira.com

+86 532 6677 5461

Suite 1803-1805, Tian An Centre, 338 West Nanjing Road
Huangpu District, Shanghai, China 200003

Suzhou

suzhou@dezshira.com

+86 512 8686 8717

Suite 608, Xing Dong Huan
Commerce Building,
1508 Donghuan Road
Wuzhong District
Suzhou, China 215000



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CHINA

Beijing
beijing@dezshira.com

Dalian
dalian@dezshira.com

Dongguan
dongguan@dezshira.com

Guangzhou
guangzhou@dezshira.com

Hangzhou
hangzhou@dezshira.com

Ningbo
ningbo@dezshira.com

Qingdao
qingdao@dezshira.com

Shanghai
shanghai@dezshira.com

Shenzhen
shenzhen@dezshira.com

Suzhou
suzhou@dezshira.com

Tianjin
tianjin@dezshira.com

Zhongshan
zhongshan@dezshira.com

HONG KONG

hongkong@dezshira.com

Hanoi
hanoi@dezshira.com

Ho Chi Minh City
hcmc@dezshira.com

DEZAN SHIRA ASIAN ALLIANCE MEMBERS

Indonesia
indonesia@dezshira.com

Thailand
thailand@dezshira.com

Malaysia
malaysia@dezshira.com

The Philippines
philippines@dezshira.com

DEZAN SHIRA LIAISON OFFICES

Germany
germandesk@dezshira.com

Italy
italiandesk@dezshira.com

United States
usa@dezshira.com



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