

# Shanghai spotlight

an expat's guide to the city on the sea



## Shanghai – the commercial and financial capital of China

With more than 20 million inhabitants, Shanghai is one of the largest cities in the world and a lively hub for business. The most important entry point into mainland China, this sophisticated, international city attracts visitors and expats who shop the bustling markets of Nanjing Road, jog along the river beneath the Pearl Tower, enjoy the lights of old Shanghai while dining at M on the Bund, visit the Yuyuan Garden or take tea in the afternoon charm of the French Concession. Shanghai, literally “city on the sea,” began as a fishing village at the mouth of the Yangtze River. The growth of cotton and textile markets made it a small town in the 13th century.

*Shanghai is expected to remain one of the most popular expat destinations in the world.*

Over the next few centuries, Shanghai’s location on the East and South China seas drew international attention, and it became one of China’s most important seaports. Foreign investment and development contributed to Shanghai’s growth into the multicultural megalopolis that it is today. Shanghai is considered the commercial and financial capital of China. British, French and American presence has had a strong influence on life and has contributed to a diverse culture.

Shanghai has displayed strong economic growth during the past few decades and this, along with the city’s history as an international port, has attracted a large number of expatriates over the years. Moving forward, Shanghai is expected to remain one of the most popular expat destinations in the world.

Predicted to eventually rival or surpass cities such as London, New York, Singapore and Hong Kong as a global financial and business leader, Shanghai is already mainland China’s major industrial center. Fast-paced development is likely to continue. In September 2013, the government established a Pilot Free Trade Zone designed to streamline the domestic financial sector and lure even more foreign investment – and early returns on the initiative have been promising. This is a city where social and civil developments are accelerating. Internal (Chinese)



and external (non-Chinese) forces will continue to unite and create a contemporary city. Many believe Shanghai is where China perfects what it means to be modern and Chinese.

### business practices

China ranks high on Hofstede’s power distance index (80, compared to 68 for France, 40 in the U.S. and 35 in the U.K., for example) and low on individualism (20, versus 71 in France, 89 in the U.K. and 91 in the U.S.). Therefore, Westerners should realize that behavior in the workplace will look very different from what they may be used to.

In China, individuals are influenced primarily by formal authority and sanctions. They are generally optimistic about people’s capacity for leadership and initiative. From a working and day-to-day perspective, people feel they should not have aspirations beyond their rank and will often “toe the line” as opposed to speaking up or sharing creative ideas.

Stories abound within the expat business community of the perceived lack of innovation, drive and willingness to make decisions by Chinese employees, but what is often



at issue is a lack of understanding of these key cultural dimensions. Many companies have had great success in creating a culture of innovation. Those companies that do find success are the ones that understand and adopt local business practices.

### work permits

At a basic level, for entry into China, the government requires a valid passport and visa (visitor, business, tourist or work). However, China passed laws in April 2017 and is still making further changes that are intended to streamline the work authorization application guidelines – the Unified Work Authorization Policy.

The new policy is designed to attract foreign talent that will help drive the economy toward a knowledge and technology base. Applicants under the new policy must qualify under a points-based system that takes educational qualifications, position and work experience into consideration. As per the prior policy, applicants will still need the minimum of a bachelor's degree and must demonstrate that they possess at least two years of relevant work experience.

The new policy also requires employers who need to sponsor foreign workers in Shanghai to register with the Shanghai Expert Bureau. Under current processing times in Shanghai, it typically takes two to three months for highly skilled foreign nationals to complete the first stage of the process, including the issuance of the employment permit and the work visa application at a consular post abroad. Additionally, foreign workers seeking to change employers in Shanghai are now required to submit additional documents (e.g. legalized diplomas) with their applications, which is expected to significantly prolong the processing time.

Even after arrival in Shanghai, with the correct documentation, the work and residence permit application processes take about one month. The law requires a physical examination and temporary residency certificate along with in-person application to the Division of Aliens and Entry-Exit Administration of the Shanghai Public Security Bureau within 30 days of arrival. This can be inconvenient, as original passports must be left with the bureau, which restricts travel during this period. Spouses or partners accompanying a Z visa-sponsored employee to Shanghai on an S1 or S2 visa for family members of foreign professionals and students cannot work legally.

We should note that policies are changing in China on a consistent basis, so we have yet to see how many of these regulations will be interpreted by various consular officials globally.

“In today’s environment when government policies seem to be changing by the minute, employers must have the most up-to-date information,” explains Jamie Gilpin, workforce trends analyst and CMO of Envoy, an immigration services provider. “To mitigate risks of penalties, fines or worse, employers need a trusted partner with up-to-date, in-country expertise to ensure they are moving their employees around the globe compliantly.”



### lifestyle adjustments

In addition to adjusting to workplace differences, the greatest challenge for Western expatriates might be in the area of personal space. In Shanghai, the sheer number of people, coupled with a culture that does not

place a strong emphasis on personal space, often leaves new expats feeling uncomfortable. This is especially an issue when waiting in line and on public transportation at peak hours. Also, Western expats shouldn't be surprised if a stranger asks them about their age or marital status – items that are often more taboo in the West.

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## language

The major language spoken in Shanghai is “Shanghainese,” one of the more than 200 dialects of Chinese, plus many mini-dialects. Residents of the outer suburbs use different vocabulary and have accents that vary from those in urban areas. Interestingly, English study is now compulsory in every school, starting in first grade in Shanghai. Within a decade, everyone in the city may speak English – or a hybrid of Chinese and English. Fluency in Chinese is not vital for work or daily life in Shanghai.



*Pudong region of Shanghai*

## housing

Shanghai is an eclectic city with many distinct neighborhoods. Expatriates tend to live in two broad areas known as Pudong (east of the Huangpu River, with newer suburban-style development) and Puxi (west of the river, very urban). There is a good selection of expatriate housing in both areas, yet the quality can vary greatly.

Pudong is more peaceful and green, with the expatriate havens of Jin Qiao and Kang Qiao. On the Puxi side, the most popular districts are Changning, Xuhui, Jing An and Lu Wan.



*Puxi region of Shanghai*

Although there is no multi-listing system, properties in Shanghai are often listed with multiple housing agents and are usually found in more than one database. Typically, leases are agreed upon for 12 months; a two-month security deposit is due along with the first month's rent at the time of signing. Alternative options are to negotiate for a deposit offset or a corporate guarantee letter, which can replace the cash deposit. A corporate guarantee letter can only be used if the lease is signed by the company, but it does protect the company from losing any deposit during the checkout as the landlord does not have any money in hand to unreasonably deduct.

The landlord usually pays the rental agent's fee, and tenants do not need to pay any agency fees if the rental is over 15,000 RMB (roughly \$2,175 USD) per month. For properties under this amount, an agency fee of 35% of the monthly rent is usually required.

Generally, rental agreements contain a one-year fixed term, though it is suggested that the assignee or company also agrees to a one-year optional term. During the optional term, the contract can be terminated at any time with two months prior notice, or contracts can be ended after the first 10 months during the fixed year. So called “1+1 leases” are preferred by many corporate clients, as they protect the tenant from a rent increase

after the first year, but there is still the flexibility for lease termination after the fixed period. If the tenant breaks conditions of the lease during the fixed leasing period, a penalty will generally have to be paid.

Housing, like taxes, tends to be a major contributor to the overall assignment cost of any expatriate assignment. This is certainly the case in Shanghai. Housing for employees moving to Shanghai can vary quite a bit by district and area. Costs have risen on one-, two- and three-bedroom properties over the last year. One-bedroom rents are between 15,000 and 19,000 RMB (\$2,175 to \$2,750 USD) on average, up 14.2% from 2016. Two- and three-bedroom properties are up between 6 and 9%. An unfurnished property generally includes white goods (washing machine, fridge, air conditioners). A furnished property does not usually include “personal” items such as bedding, crockery/ kitchenware and towels. Many items can be negotiated from the asking price. Furnished properties tend to run 15-25% more per month.

Most housing has been built within the last decade. Expat accommodations, whether an apartment or house, will almost always offer a range of facilities including a service center, pools, fitness centers, sport courts, restaurants and local shuttle services.

Colonial properties still have a strong allure for expatriate assignees to Shanghai. The neighborhood around Anfu and Wukang roads has seen strong development within the former French Concession, where numerous Western cafes, bakeries, wine bars and independent restaurants have sprung up. The tree-lined streets in this part of town attract young couples without children and single assignees who are seeking one of the best lifestyles Shanghai has to offer.

When choosing where to live in Shanghai, it is important for expats to consider the distance to work and school, as well as what their public transportation options are.

### schooling

There are plenty of international schooling options for expatriates. American (Shanghai American School, Shanghai Community International School, Concordia International School Shanghai) and British (Dulwich

College Shanghai, British International School Shanghai) education systems are the most common, and some schools offer the French, German or Singaporean curricula.

Most schools are in session from August to June or July. All are co-educational, and all teach some Mandarin as part of the curriculum. Though these schools are in high demand, and some have waiting lists, most expatriates obtain entry into their first choice. Some schools have a debenture scheme, in which a corporation pays a lump sum to purchase a place or places in the school.

It is common for expatriate families with very young children to employ a full-time domestic helper, called an *ayi*. Unlike in many other expatriate destinations within Asia, *ayis* rarely live in the home.



### safety and security

Compared to many Western cities, Shanghai is considered quite safe. The most common crimes are pickpocketing and petty theft in tourist locations. Such crimes increase around the Chinese New Year, when people are expected to bring gifts of money to their family. There is very little reported violent crime.

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Pollution, congestion, construction and the frenetic pace of life can be issues for expatriates. Although not as polluted as Beijing, Shanghai does suffer from air pollution, especially during autumn and winter months. Shanghai's air quality is worse than other major cities such as New York, London and Hong Kong. Many expats purchase air purifiers for their homes, monitor daily air quality and limit outdoor activities on high-index days. There has recently been an uptick in hardship premiums due to pollution concerns.

### medical benefits and concerns

Expatriates should be up to date with immunizations such as hepatitis A and B. A typhoid fever vaccination is recommended for those staying longer than six weeks.

Shanghai has a large number of international hospitals. Because they are extremely expensive, comprehensive insurance coverage is essential. Local hospitals are often overcrowded and can appear to have substandard hygiene, although the top hospitals often have VIP sections that are cleaner, work on an appointment system, often have English-speaking physicians and are cheaper than foreign-owned hospitals.

Ambulance response time is typically very slow, and transport to the nearest hospital can take a long time due to traffic congestion. Most ambulances are poorly equipped and staffed by individuals lacking EMT training or English skills. In an emergency, it is recommended to head to the nearest hospital by the first available transport, such as a car or taxi, rather than waiting for an ambulance.

### transportation

Shanghai has one of the longest metro systems and largest bus systems in the world. While the metro is easy for expatriates to use, buses are less recommended for those not fluent in Shanghaiese. The high-speed Shanghai Maglev train, which connects the airport with the city, is the fastest train in the world, reaching a maximum speed of 431 km/h (268 mph).



Road conditions, driving tactics and congestion are reason enough not to drive in Shanghai. Costs of purchasing and owning a car are quite high, too. Many expatriates utilize taxis, hire cars or take the metro. Those who choose to get behind the wheel should drive defensively and slowly. While pedestrians take little notice of traffic lights and signs, cyclists may provide the greatest concern as they weave fearlessly through traffic.



### shipping and customs

Since the turn of the century, Shanghai has been the world's busiest cargo port. Assignees shipping items to Shanghai will need the help of an experienced professional. Chinese customs regulation is becoming stricter, and inbound shipments are being X-rayed and inspected more and more thoroughly.

Particularly sensitive are items out of line with the Chinese government's views on politics and geography. To avoid import delays and confiscations, it is the moving

company's responsibility to suggest that the shipper put politically sensitive items into storage during the duration of their stay in China.

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According to Arpin International, each family is allowed up to 750 books in its sea shipment. Academics and scholars may import up to 1,000, but they must be accompanied by a certificate from the sponsoring institution in China. Regardless, politically sensitive books are likely to be confiscated. Guns of any type (toys, nonworking, antiques, etc.) are banned. No pet food is permitted in air or sea shipments.



**financial matters**

Because Chinese currency – the yuan, also called renminbi (RMB) – is carefully managed by the government, travelers and expatriates usually wait until they arrive in Shanghai to obtain it. Currency exchange in Shanghai is legal only at hotels, banks and stores at the official rate set by the Bank of China. The exchange rate (currently around 7 RMB per U.S. dollar) is the same at all nationwide outlets, saving travelers the hassle of having to find the best rate. It is advisable to keep all receipts when you exchange money; they will be needed in order to reconvert any excess RMB into your home currency before leaving China.

Shanghai is currently considered the most expensive city in mainland China. It remains slightly less expensive than Singapore, Hong Kong or Seoul, but it is still one of the most expensive locations in the region and the world. According to AIRINC, depending on an expatriate's income, family size and base location, Shanghai's total cost-of-living index using "Average City, U.S." as a base of 100 would be 208.



something fun before we go...

The Shanghai Marriage Market, held on the north side of Renmin Gongyuan, is a distinctive Shanghai experience. Each weekend, hundreds of residents assemble at the People's Park with profiles of their unmarried children, in search of potential matches. It's called *zhenghun* – "marriage seeding."

In an amazingly well-organized process, parents search on behalf of – and usually unbeknownst to – their unwed son or daughter by birth date, height, weight, hobbies, interests or geographic location.

Shanghai's birthrate is half the Chinese national average, and 1 in 3 of the city's women is in her late 20s and single. This generation's more independent women expect to marry a person of their own choosing and are in no rush, so parents scour through the millions of bachelors looking for their champion.

