

Hello China or Goodbye China?

2024 - 2025 FOREIGNERS IN CHINA UPDATE



Executive Summary

The landscape for foreign nationals in China – excluding residents of Hong Kong, Macao, and Taiwan – has significantly evolved due to shifting economic demands, the COVID-19 pandemic, and geopolitical factors.

In 2024, foreign talent residing in China is characterized by a marked decline in foreign nationals from developed countries and an increase in individuals from developing nations.

This report is designed to help companies in China analyze and customize their talent strategies, providing insights into the available market talent and aligning these with their organization's specific stage of maturity and business needs.

The report also offers forward-looking insights to aid strategic decision-making in this evolving environment, drawing on current statistics and recent national census data.



Miriam Wickertsheim

Miriam Wickertsheim
Direct HR General Manager

Key Findings



DECLINE IN FOREIGN NATIONALS FROM DEVELOPED WESTERN AND ASIAN COUNTRIES AND INCREASE FROM DEVELOPING ASIAN COUNTRIES.

In 2010, **17%** of foreign nationals in China came from the United States, Germany and France; another **33.5 %** came from South Korea, Japan, and Singapore. By 2020, these percentages decreased to **8.9%** and **12.4%**, respectively, and over **52%** of the foreign nationals in China were from developing Asian nations Myanmar, Vietnam, and Laos, up from **13%** in 2010.



IMPACT OF COVID-19 ON FOREIGN TALENT DISTRIBUTION

The COVID-19 pandemic has had a lasting impact, with a steep decline in foreign nationals in major cities, such as Shanghai, Beijing, and Guangzhou. By 2024, urban centers such as these experienced declines of over **40%** in their foreign populations, reshaping foreign labor's geographic distribution within China.



SHIFT IN FOREIGN WORKFORCE PROFILES

There has been a noticeable change in the types of foreign workers that China attracts, with an increase in lower-skilled workers from developing countries and a decrease in high-skill professionals from developed nations. The demand for foreign employees from developed countries with a higher educational degree is at a low point amidst the current localization drive of Western companies in China.



REDUCTION IN COMPENSATION FOR FOREIGN EXECUTIVES

Compensation packages for foreign executives in China have decreased by around **25%** from 2014 to 2024, with reductions in allowances for housing, school fees, and flight reimbursements.



EVOLVING PROFILE OF DESIRED FOREIGN EXECUTIVES

In 2024, the ideal profile for foreign executives has shifted to younger candidates, with an MBA that complements their technical background, a growth-oriented mindset, willingness to travel extensively, Mandarin proficiency, and a strong grasp of the Chinese digital media landscape.



CONSIDERATIONS IN HIRING DECISION-MAKING

Since mid-2023, a strong shift from foreign management to local management has been observed. This trend continues to persist and has now reached across small and medium enterprises (SMEs) and into multinationals (MNCs) which see their foreign workforce reduced. Whether foreign or local executives, each option offers unique benefits and challenges, impacting overall strategic alignment, and operational efficiency.

Introduction

China's landscape for foreign residents has evolved significantly in recent years, shaped by shifting economic demands, the impact of the COVID-19 pandemic, and geopolitics.

The presence of foreign talent in China has historically played a pivotal role in bridging international expertise with domestic business needs, contributing significantly to sectors ranging from high-tech industries to manufacturing. Currently, a substantial shift in the dynamics of foreign employment is being observed. As foreign companies adjust their recruitment and employment strategies, China is recalibrating its talent policies to address post-pandemic realities, and local Chinese champions are expanding their global footprint.

In 2024, the foreign workforce in China is markedly different from that of previous decades. There has been a decline in foreign nationals from developed Western and Asian countries, particularly in first- and second-tier Chinese cities, which have traditionally attracted most foreign nationals, and a substantial rise in workers from developing Asian countries. This development reflects both the increased cost-consciousness among hiring companies and a reassessment of China's foreign worker needs, as the country emphasizes self-reliance in high-skill sectors while filling essential roles in manufacturing, which has been dealing with a shortage of blue-collar workers through low-skilled immigrants from neighboring countries.

This report seeks to provide a comprehensive overview of the current situation for foreign residents in China (foreigners¹ who live in Mainland China for more than six months), offering insights for both companies considering the recruitment of foreign talent, and foreign professionals currently in China or exploring career opportunities there.

¹ According to the National Bureau of Statistics (NBS) of the People's Republic of China, foreign nationals do not include Hong Kong, Macau and Taiwan immigrants.

KEY DATA SOURCES



Overview of Foreign Residents in China

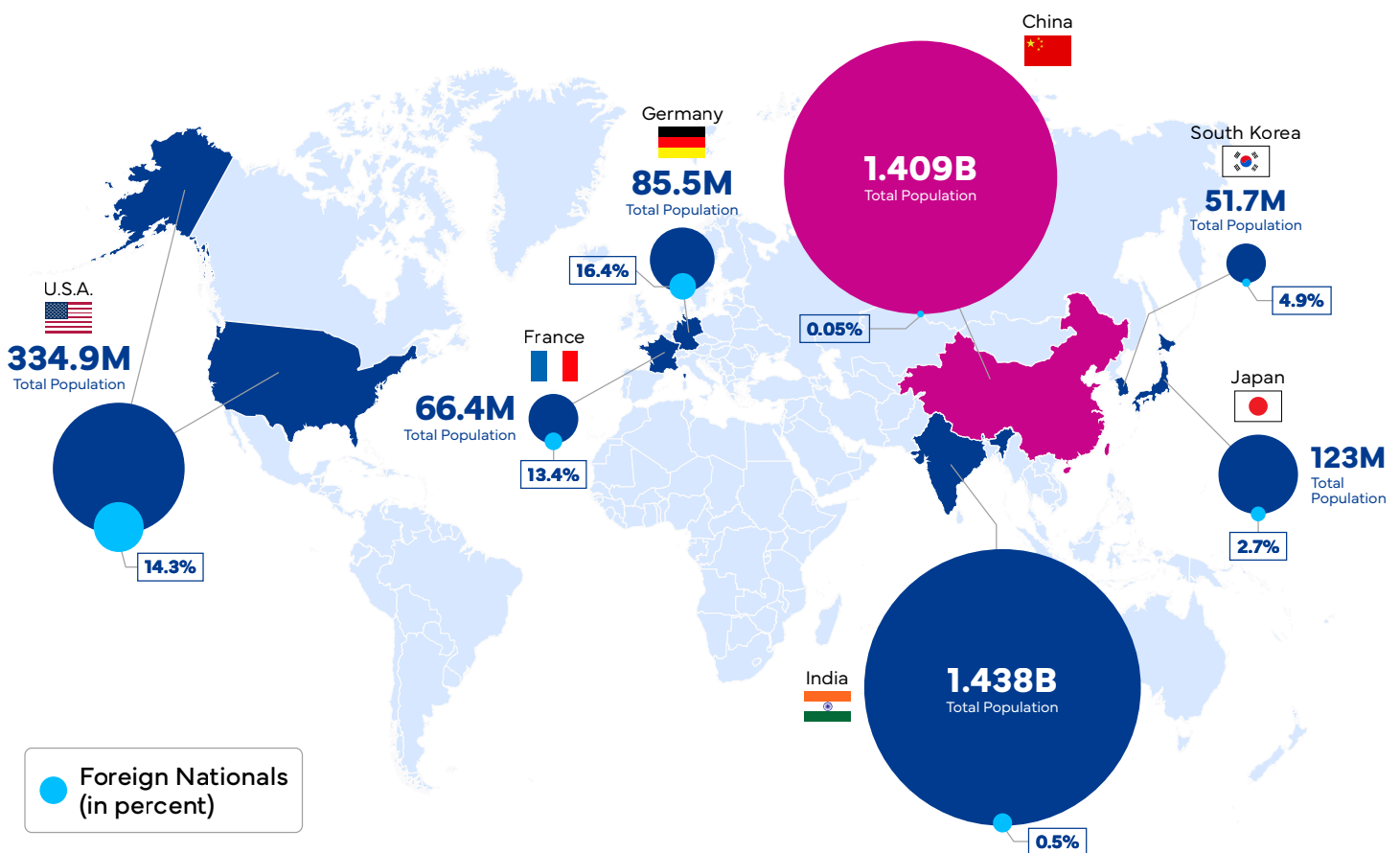


Figure 1: Foreign Nationals Across Different Countries. Total population and foreign nationals (in percent of total population).
Source: NBS and Statista.com

Despite being one of the most populous countries in the world (1.4 billion), second only to India, China has an exceptionally low percentage of foreign nationals, at only **0.05%**, as of 2023. Such a small percentage raises a point about China's positioning on the global stage and whether a greater presence of foreigners could benefit China's economy through more innovation, foreign consumer spending, attracting more Foreign Direct Investment (FDI), and increased global trade, as is common in other leading economies (see Figure 1).

During the period from 2010 to 2024, the landscape for foreign nationals in China shifted dramatically, marked by a significant transformation in both the demographics and geographic distribution of foreign residents.

In 2010, **26.4%** of the foreign population in China were nationals from developed Western countries, and **35.4%** were from developed Asian countries. On the other hand, only **19.9%** of foreign residents in China were from developing Asian economies.

Fast forward ten years: In 2020, developed Western and Asian countries accounted for **15.4%** and **13.4%** of total foreign residents, respectively, whereas foreign residents from developing Asian countries surged to **55.7%**. Particularly striking was Myanmar, making up **41.5%** of the overall foreign population in 2020, compared to just **6.7%** in 2010 (see Table 1).

It is interesting to notice how the percentage of foreign residents from developed Asian economies has decreased significantly between 2010 and 2020 — a **22-percentage-points (p.p.)** drop, even more so compared to the decline we see for foreign population from developed Western countries, which saw an **11 p.p.** drop. The decision to leave China may be comparatively easier for foreign residents from nearby countries, such as South Korea or Japan, given their geographic proximity and the more straightforward logistical process of returning home.


































The number of foreign residents in China has generally been increasing year by year, but in recent years, the fastest increase are the residents from developing countries. This is by no means discrimination against developing countries, but generally speaking, the proportion of high-end talents from developed countries is higher, and China should attract more foreign high-end talents from developed countries.”

Dr. Wang Wen

Executive Dean of Chongyang Institute for Financial Studies
at Renmin University of China

May 9, 2023

Table 1. Nationality of Foreigners in China.

Country	2010	2010 Percentage of Total	2020	2010 vs 2020 Percentage Difference	2010 vs 2020 Absolute Difference	2020 Percentage of Total	2030 Forecast (*)
 Myanmar	39,776	6.7%	351,248	+783.1%	+311,472	41.5%	442,221
 Vietnam	36,205	6.1%	79,212	+118.8%	+43,007	9.4%	99,728
 South Korea	120,750	20.3%	59,242	-50.9%	-61,508	7.0%	74,586
 United States	71,493	12.0%	55,226	-22.8%	-16,267	6.5%	69,530
 Japan	66,159	11.1%	36,838	-44.3%	-29,321	4.4%	46,379
 Canada	19,990	3.4%	21,309	+6.6%	+1,319	2.5%	26,828
 Australia	13,286	2.2%	12,777	-3.8%	-509	1.5%	16,086
 United Kingdom	12,613	2.1%	12,513	-0.8%	-100	1.5%	15,754
 Germany	14,446	2.4%	11,236	-22.2%	-3,210	1.3%	14,146
 Laos	1,373	0.2%	9,469	+589.7%	+8,096	1.1%	11,921
 France	15,087	2.5%	9,196	-39.0%	-5,891	1.1%	11,578
 Malaysia	10,954	1.8%	8,974	-18.1%	-1,980	1.1%	11,298
 North Korea	4,651	0.8%	8,740	+87.9%	+4,089	1.0%	11,004
 Singapore	12,191	2.1%	8,290	-32.0%	-3,901	1.0%	10,437
 Pakistan	7,746	1.3%	7,742	-0.1%	-4	0.9%	9,747
 Russia	9,714	1.6%	7,590	-21.9%	-2,124	0.9%	9,556
 Argentina	1,933	0.3%	7,167	+270.8%	+5,234	0.8%	9,023
 India	15,051	2.5%	7,062	-53.1%	-7,989	0.8%	8,891
 Cambodia	464	0.1%	5,842	+1,159.1%	+5,378	0.7%	7,355
 Venezuela	2,127	0.4%	5,527	+159.8%	+3,400	0.7%	6,958
 Philippines	7,818	1.3%	5,303	-32.2%	-2,515	0.6%	6,676
 South Africa	1,925	0.3%	4,811	+149.9%	+2,886	0.6%	6,057
 Nigeria	1,331	0.2%	4,590	+244.9%	+3,259	0.5%	5,779
 Brazil	3,010	0.5%	4,479	+48.8%	+1,469	0.5%	5,639
 Italy	5,958	1.0%	4,274	-28.3%	-1,684	0.5%	5,381
 Yemen	2,089	0.4%	3,956	+89.4%	+1,867	0.5%	4,981
 Thailand	6,409	1.1%	3,730	-41.8%	-2,679	0.4%	4,696
 Ukraine	1,437	0.2%	3,551	+147.1%	+2,114	0.4%	4,471
 New Zealand	3,656	0.6%	3,496	-4.4%	-160	0.4%	4,401
 Bangladesh	757	0.1%	3,395	+348.5%	+2,638	0.4%	4,274
 Other	83,433	14.0%	78,912	-5.4%	-4,521	9.3%	99,350
TOTAL	593,832		845,697				1,064,733

Source: Data from national census by the NBS. Direct HR forecast.

Foreign Nationals living in China, by provinces

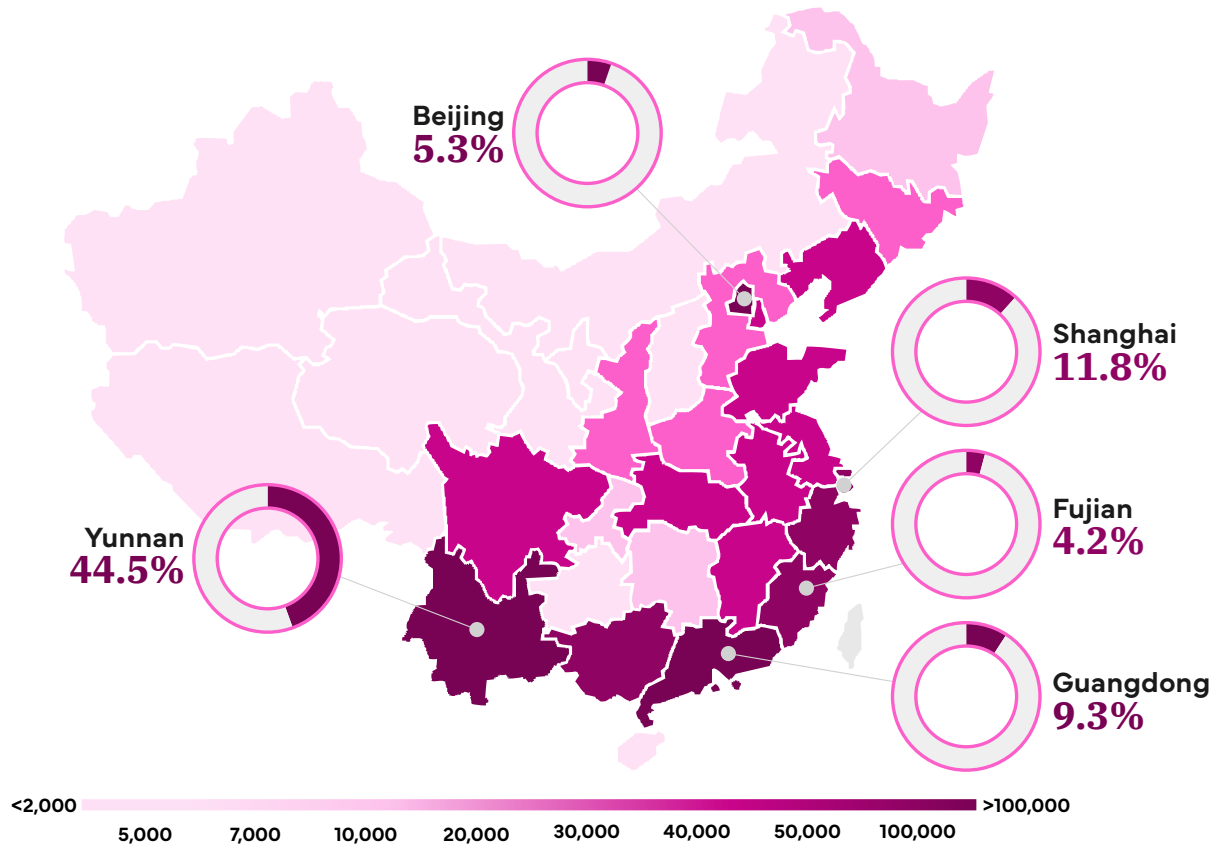


Figure 2. Foreign Nationals Living in China. Distribution by provinces.

Source: Data from national census by the NBS. Foreign nationals do not include Hong Kong, Macau and Taiwan immigrants. The 2010 census included non-Chinese nationals for the first time. The 2020 census was conducted between November and December of 2020 and, to navigate the challenges posed by COVID-19, allowed for digital data collection methods; it was also the first time citizens' ID numbers were gathered.

As of 2020, **75%** of all foreign nationals are concentrated in five provinces: Yunnan, Shanghai, Guangdong, Beijing, and Fujian.

Yunnan holds the largest share, with 376,689 foreign nationals, benefiting from its vicinity to Myanmar, Vietnam, and Laos, and the influx of factory workers and, to a lesser extent, the cross-border marriages these countries provide (see Figure 2).



The number of European and American talents coming to Beijing has decreased, while the number of applications from Eastern Europe and Africa has increased. The number of European and American talents applying to work in China has been decreasing in recent years, with the proportion dropping from **16%** in 2019 to **12%** in 2023; while African foreign talents have a strong desire to work in China, rising from **26%** to **31%**; Eastern Europe (including Russia) has become a new increase point for foreigners to work in China, rising from **11%** to **16%**.”

Capital International Development Report (2024)

Foreign Nationals living in Shanghai, 2005 - 2024

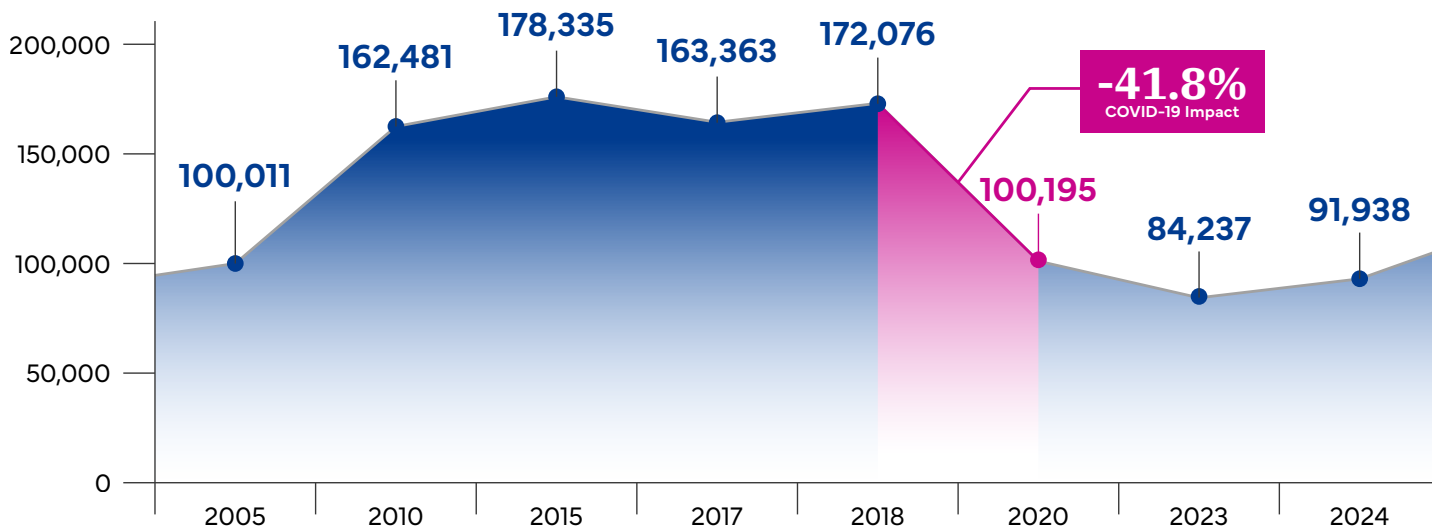


Figure 3. Foreign Nationals Living in Shanghai, 2005 - 2024.

Source: 2005-2018 Shanghai Bureau of Statistics. 2020, 7th National census by the NBS. 2023-2024 Direct HR estimates. Forecast based on historical trends, projections, and insights from interviews with embassies, consulates, chambers of commerce, schools, visa agencies, and relocation companies. The analysis includes a multiplier considering: (a) China's perceived attractiveness, (b) alternative country options, (c) motivation for leaving one's home country (e.g., geopolitical tensions, economic crisis, climate change), and (d) ease of settling (community presence of same nationality).

In Shanghai, the number of foreign nationals reached its peak in 2015, with approximately 178,335 residents. However, soon after, there was a sharp decline of **-41.8%** between 2018 and 2020, as the foreign resident population dropped from 172,076 to 100,195. This substantial reduction is attributed to the impact of COVID-19, which led to many foreign countries evacuating their citizens, many large MNCs offering chartered flights to evacuate their foreign staff and families back home, and foreign students leaving China as their schools and universities were closed. After reaching a low of 84,237 in 2023, the foreign population showed a slight recovery in 2024, increasing to 91,938 (see Figure 3).

“The total number of foreigners in China has been increasing in recent years, but the number of blue-eyed, yellow-haired “foreigners” in the traditional sense of the Chinese has decreased significantly.”

Dr. Wang Wen

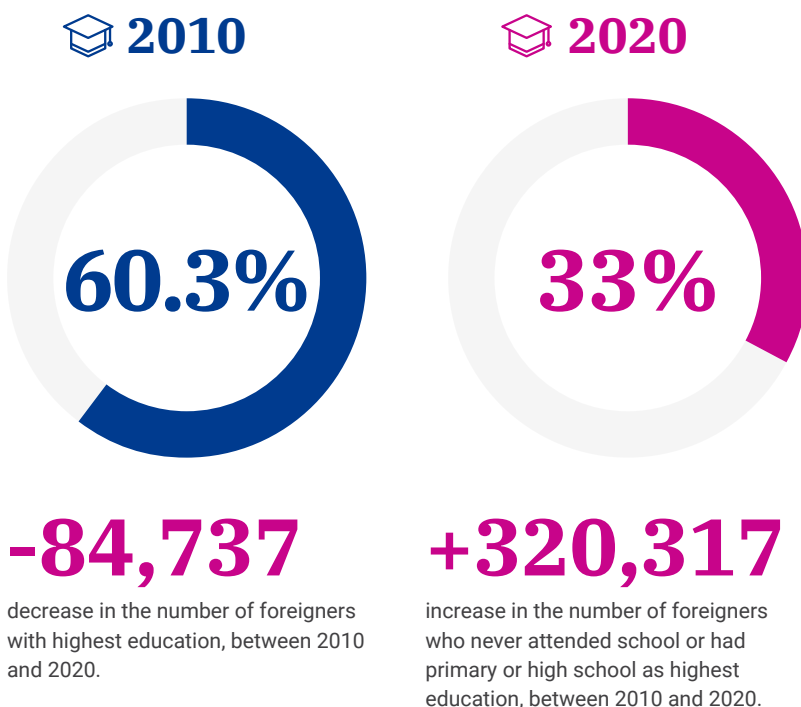
Executive Dean of Chongyang Institute for Financial Studies at Renmin University of China

May 9, 2023

Foreign Talent Profile

Educational Level

The general trend indicates a shift from foreign professionals with **higher education levels** (college, undergraduate, master's, or PhD) to a larger influx of foreign workers with **lower education levels** (never attended school, primary school, junior high school, or high school), likely to fulfill specific roles in labor-intensive sectors, such as manufacturing and agriculture. Between 2010 and 2020, the percentage of foreign professionals with higher education dropped by **27.3 p.p.**, from **60.3%** to **33%** (see Figure 4).



In 2017, **73,200** South Koreans were studying in China. But the tides have shifted dramatically since then, dipping to a mere **16,968** by 2023. A **77%** decline.”

Esther Song
Associate Professor at the University of Bergen
May 9, 2023

Figure 4. Highest Education Level of Foreign Nationals: college, undergraduate, master's, or PhD.
Source: Data from national census by the NBS.

Foreign Nationals living in China, by Age and Gender 2010 vs 2020

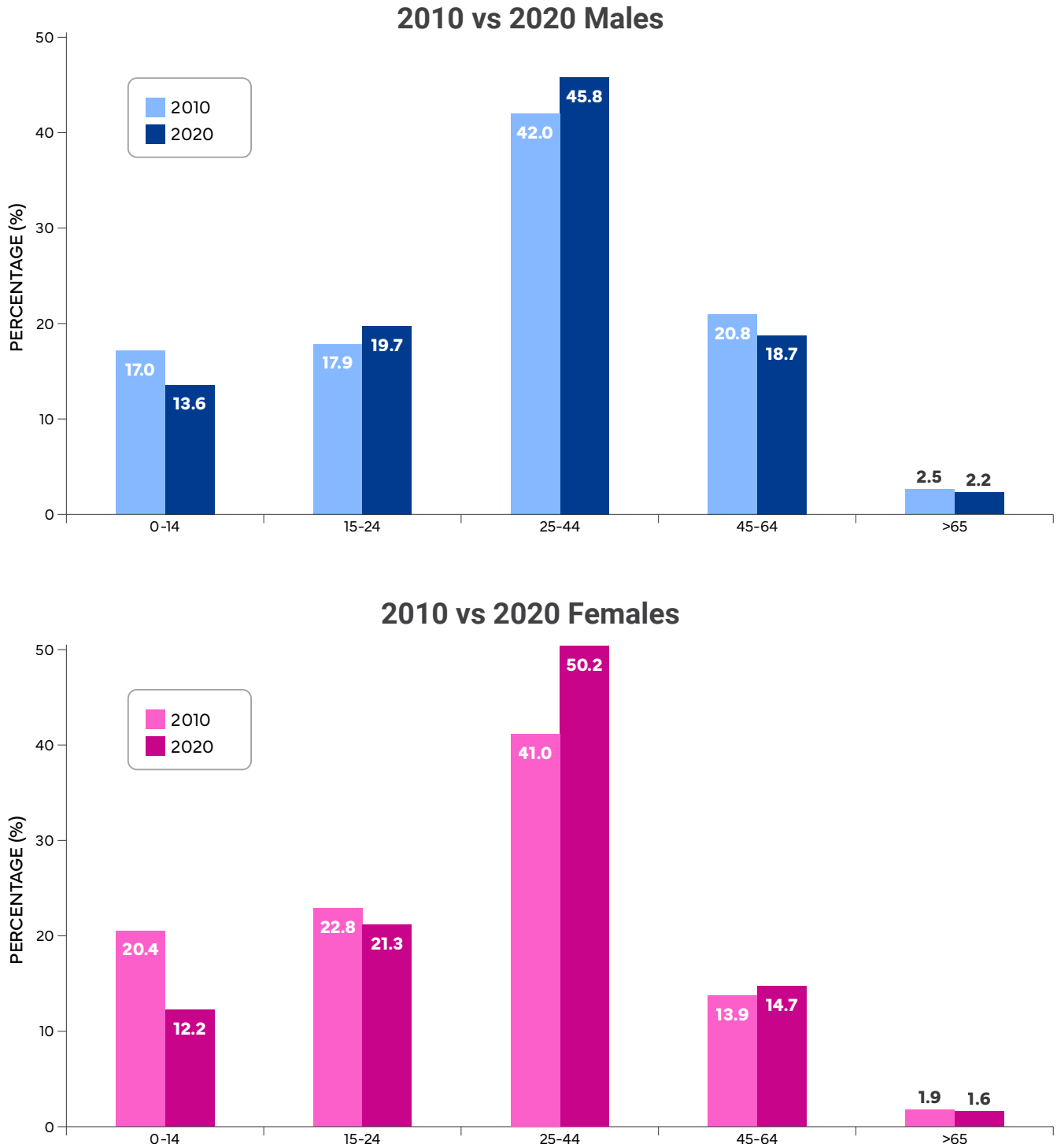


Figure 5. Foreign Nationals living in China, by Age and Gender 2010 vs 2020.
Source: Data from national census by the NBS.

Purpose for Coming to Mainland China 2010 vs 2020

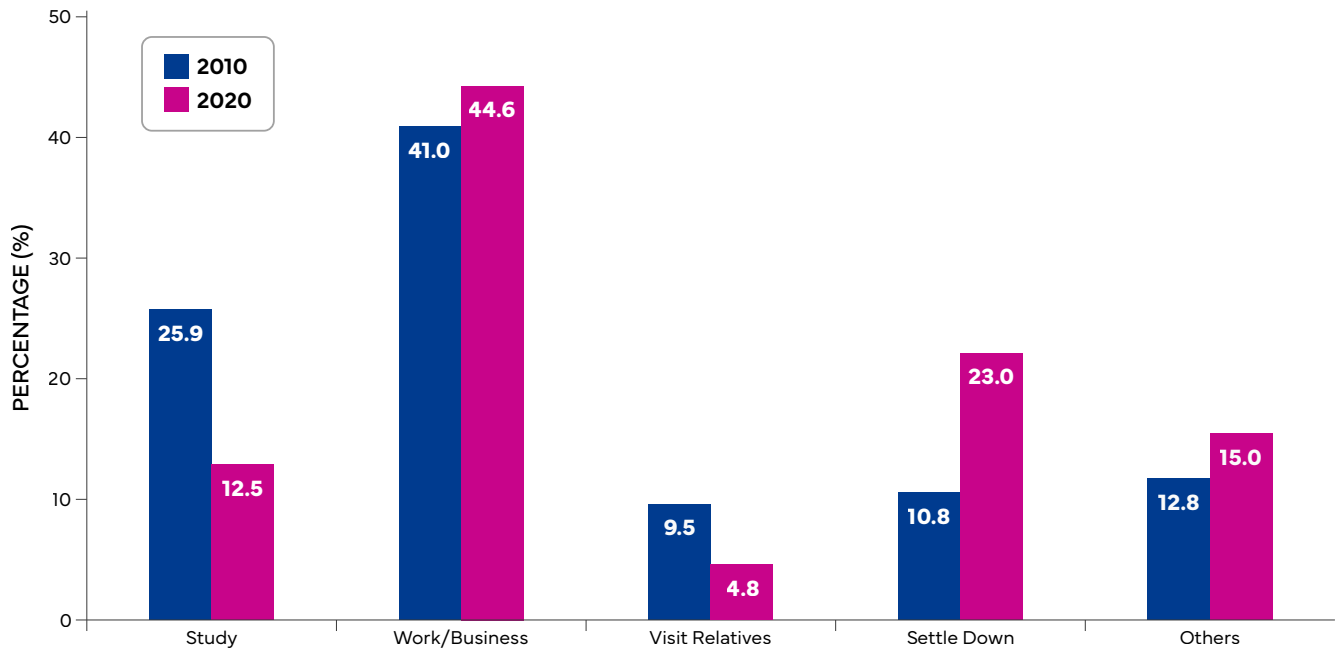


Figure 6. Purpose for Coming to Mainland China. Foreign nationals living in China.
Source: Data from national census by the NBS and Chinese Ministry of Education.

172,571 Foreign Students in
2019

89,751 Foreign Students in
2020

114,112 Foreign Students in
2022

Age and Purpose for Coming to China



Work-Driven Migration Among Young Professionals

The 25-44 age group shows an increase in its share of the foreign national population, rising from **41.6%** in 2010 to **48.1%** in 2020. This indicates a shift towards a younger, working-age foreign population. Simultaneously, the percentage of foreign nationals coming to China for Work/Business increased from **41.0%** in 2010 to **44.6%** in 2020. This correlation indicates a workforce-focused migration trend, with many foreigners in their prime working years moving to China for work. Based on the analysis of the country of origin and which provinces foreign nationals settle, this increase comes from workers with lower education levels.



Slight Increase in Female Young Workers

The female 25 - 44 age group shows an increase in its share of the foreign national population, from **41.0%** in 2010 to **50.2%** in 2020, which is most likely related to hand manufacturing factories being more open to recruiting female workers instead of male workers.



Decline in Family and Student Migration

The simultaneous decrease in the younger age brackets (0-14 and 15-24) and in the study category suggests that fewer families are relocating with young children and fewer students are pursuing education in China (see Figures 5 and 6).



Executive Compensation and Talent Requirements

Reduction in Compensation and Benefits

As of 2024, common benefits for foreign executive candidates in a Director, VGM or GM role at foreign firms in manufacturing SMEs (with up to 150-200 employees) in China have declined. This has led to total compensation packages that are, on average, **25%** lower than they were a decade ago. This figure does not account for a potential further reduction in net salaries for foreigners if the current favorable tax treatment of allowances (e.g., housing, schooling allowances) ends as planned in December 2027.

Key benefits, such as housing allowances, school fees, medical insurance, and flight reimbursements have been either removed or capped (see Table 2).

2014 Foreign Executive Total Compensation







RMB 2+ million

2024 Foreign Executive Total Compensation

RMB 1.5-2 million

Table 2. Foreign Executive Compensation Changes.

Common benefits for an Executive (GM, MD) candidate for a foreign firm in China.







2014 Total Compensation RMB 2+ million	2024 Total Compensation RMB 1.5-2 million
 Annual gross base salary: RMB 1-1.3 million	 Annual gross base salary: RMB 0.8-1 million.
 Bonus, commission: based on target, KPI, between 0-6 months	 Bonus, commission: based on target, KPI, between 0-6 months
 Transportation: Company car and driver.	 Transportation: Company car.
 Housing allowance: Up to RMB 20K per month.	 Capped total allowances: Up to RMB 30K per month.
 Schooling: Up to RMB 350K per year per child (for a maximum of 3 children).	
 Medical insurance: International coverage for the candidate, spouse, and kids, up to RMB 30K per month.	
 Home flights: Two return flights per year for the whole family (business or economy class).	
 Restaurant allowance: Up to RMB 10K per month.	

Executive's Profile: Clients' candidate budgets for a foreign national with at least 15+ years of working experience (5-7 in China) in a Director, VGM or GM level for a manufacturing SME with up to 150-200 people in China.

Source: Direct HR analysis.

Shift in Foreign Executive Profile Requirements

Table 3. Executive Profile Changes.
Candidate Requirements.

	2014	2024
Age	50 years or older.	 35-45 years.
Language	Fluent in English. Basic Mandarin preferred.	 Fluent in English. Advanced Mandarin preferred.
Education	Bachelor's degree in Engineering-related field.	 Bachelor's degree in Engineering-related field, plus an MBA .
Experience	<ul style="list-style-type: none"> • 10+ years as General or Manufacturing Manager in European SME. • Company size of 50-300 staff in China. 	 <ul style="list-style-type: none"> • 10+ years in senior leadership focused on sales and business development in competitive markets. • Essential experience in China market and Chinese social media. • Selling within China and APAC market expansion experience.
Personality	Strong leadership and change management skills.	 Entrepreneurial mindset focused on growth and expansion .
Motivation	Long-term resident in China (10 years).	 <ul style="list-style-type: none"> • Focus on aggressive growth. • Willingness to travel extensively.

Executive's Profile: Clients' candidate budgets for a foreign national with at least 15+ years of working experience (5-7 in China) in a Director, VGM or GM level for a manufacturing SME with up to 150-200 people in China.

Source: Direct HR analysis.



The ideal age for foreign executives has shifted from 50+ years in 2014 to 35-45 years in 2024. This reflects a **preference for younger executives**, who are perceived as being more dynamic leaders, with a more aggressive approach to growth and market expansion.



Language proficiency expectations have risen, with **advanced Mandarin** evolving from “nice to have”, to “preferred” or “strongly preferred” as of now. We expect this trend to continue, and a good working knowledge of Mandarin to become an essential requirement in the future. This reflects the need for foreign executives to integrate more seamlessly into the local business culture, driven by increased local decision-making, increased local competition, and the maturation of local customers and how they want to be reached.



Educational requirements have intensified; while a bachelor's degree was previously sufficient, an **MBA** is now preferred in addition to a bachelor's degree in engineering or another technical field.



Experience requirements have become more market-focused. Executives are now expected to have **sales and business development experience** in competitive markets, have a strong understanding of Chinese social media, know how to appeal to a new generation of Chinese customers and effectively lead and manage younger Chinese employees.



Personality and motivation changes: There is a new emphasis on an **entrepreneurial mindset** and a **focus on aggressive growth**. Executives are expected to be willing to travel extensively and actively pursue market expansion, while dealing with scrutiny from Western headquarters, which have seen China's revenue shares decline in recent years, indicating a shift toward a more flexible, proactive executive in China.

In essence, these changes reflect a strategic evolution where foreign executives in 2024 are seen as high-value assets capable of driving expansion in China, albeit at a more streamlined cost and with expectations for greater cultural integration and adaptability. Foreigners find themselves increasingly forced to argue why they should be preferred over a local alternative, and this often leads to reduced salary demands.

Strategic Considerations in Choosing Foreign vs. Local Executives for the Chinese Market

When deepening their presence in China, foreign companies face a critical strategic decision: whether to appoint foreign or local executives to lead operations in this complex market.

In our experience, most Western decision-makers at headquarters (HQ) determine the nationality of their new China manager based on the following three criteria:



Language Compatibility

The decision often depends on how proficient the HQ team or company owner is in English. If daily communication in English is challenging, HQ tends to prefer a manager who speaks the same language as the decision-makers.



Cost Considerations

Salary expectations for foreign candidates can be significantly influenced by school fees, which typically range between 200,000 and 350,000 RMB per child per year. This is a major factor driving up compensation packages for expatriates.



Reactions to Past Experiences

A negative experience with the previous manager often shifts hiring preferences. If the last manager was a foreigner and it led to a negative outcome, HQ may prefer hiring a Chinese candidate for better local adaptability, trust in local networks, and market understanding. Conversely, if the previous manager was Chinese and the experience was negative, HQ may lean toward hiring a foreigner to foster closer communication, increase trust and familiarity, and enhance transparency.

While these factors matter, they should not be HQ's primary criteria for selecting the ideal candidate. The decision is complex, influenced by market maturity, regulations, customer base, and costs. The following analysis compares foreign and local leadership in China, outlining their pros and cons based on company goals and the market's unique demands. The aim is to help companies align their executive talent strategy with broader objectives.

Hiring a Foreign or Chinese Executive?

Foreign Executive



Chinese Executive

Recommended for companies in the market entry stage. Foreign executives are seen as valuable for establishing trust with headquarters and ensuring stability in the initial phases of market penetration. Their international perspective and networks can help navigate the complexities of entering a new market, especially for companies with a global outlook.



Strategic Fit for Market Stage

Preferred in a mature market context, where deep local relationships and understanding of competitive dynamics are crucial. Their familiarity with established market players and local regulations can be advantageous in navigating a more competitive and stable market landscape.

Ideal for industries with international regulatory complexity. They bring expertise in global compliance and international standards, making them suitable for sectors where navigating global regulations is critical (e.g., finance, pharmaceuticals).



Industry and Regulatory Complexity

Better suited for local regulatory complexity. They have strong relationships with local authorities and a deep understanding of China's regulatory landscape, which enables smoother operations and compliance within the country.

Effective in serving an international customer base and executing strategies that span across Asia or other global regions. Foreign executives add value to roles that require dealing with global clients, where international credibility and experience are assets.



Customer Base and Strategy

Optimal for a local customer base and strategies focused on China. They understand local customer needs and expectations, which is essential for companies aiming to deepen their presence and relationships within China.

Provides international alignment, especially helpful when headquarters and main stakeholders are outside of China and need a bridge to understand the Chinese market in familiar terms. This is particularly important when HQ requires frequent communication in English or another language foreign to Chinese executives.



Cultural and Communication Alignment

Offers local cultural insight and a smoother fit within the Chinese business ecosystem, especially in communication with local clients, suppliers, and competitors. Their presence minimizes cultural misunderstandings and aligns more closely with local business practices.

Typically provides high employment duration, with an average tenure of 5-8 years, which is seen as beneficial for companies needing long-term stability in leadership.



Stability and Employment Duration

Expected to have medium employment duration (3-5 years). While slightly shorter than that of foreign executives, this tenure can still provide adequate stability while enabling flexibility in leadership for changing market conditions.

Comes with a premium cost due to higher salary expectations and additional expatriate benefits (e.g., housing, school fees, flights). This can result in a 25-40% premium over hiring a local Chinese executive when looking at the total compensation package. We have observed a notable decrease in foreigners' salary expectations since the summer of 2023, which significantly narrows the gap between foreign and local managers. The main cost driver remains education fee, putting foreign candidates with more than 1 child at school age at a disadvantage.



Cost Considerations

Generally less expensive, with fewer allowances required, making this option financially appealing for cost-conscious organizations.

HELLO CHINA OR GOODBYE CHINA?

2024 - 2025 FOREIGNERS IN CHINA UPDATE

These different elements underscore the importance of aligning the executive hire with the company's strategic objectives and market stage.

Foreign Executives are advantageous for companies entering or expanding in international markets, where global expertise, and communication with HQ are critical. They suit roles that require frequent contact with international stakeholders and a strategic vision that spans beyond China.

Chinese Executives are more suitable for companies focused on the local market or in mature stages within China. Their cultural and regulatory knowledge makes them a better fit for roles that require integration within the Chinese business ecosystem and strong local connections.





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– GM ASIA



WERFEN

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– DIRECTOR



BAUMANN

Direct HR quickly recommended candidates that met our requirements. 90% of candidates introduced by Direct HR qualified for the second round interview with our company line manager. We are very satisfied with their service.

– GM APAC