

Social Security System in China

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Reforming the social security system in China

- Urban, Enterprise-based Social Security System
 - Urban SOE based
 - Excluded rural village and township enterprise workers
 - Excluded peasants
- New Social Security System
 - All labourers
 - Rural peasants

Reforming the social security system in China

- 1978- SOE reform and Open Door Policy.
- SOE Reform – low productivity of SOE could not cover benefits to workers; reform led to labour relation dominated by management; weakened role of trade union; adopted capitalist mode of accumulation.
- Different forms of capital investment emerged – diverse labour and benefits standards; costs shifted to government and individual workers.

Reforming the social security system in China

- Recomposition of the working class:
 - Massive laid off and (forced to) retire SOE workers
 - Informalised workers
 - New migrant working class
- Recomposition of rural labour
 - Non-agricultural income from remittance became major source
 - Landless peasants – by force or voluntary

Types of Social Security

- Old age insurance
- Work injury insurance
- Medical insurance
- Unemployment insurance
- Maternity benefits insurance

Legislative Changes

- 1951 PRC Social Security Regulation 《中华人民共和国劳动保险条例（草案）》
- 1986 State Council issued Temporary Regulation on Labour Contract in State Owned Enterprises 《国营企业实行劳动合同制暂行规定》 affirmed the provisions of social insurance under the labour contract system in SOEs.
- 1989 Regulation of Ministry of Labour about the Administration of Labour in Private Enterprises – affirmed the provision of social security in POEs but with no detailed implementation methods

- 1993 CCP in 3rd Plenary of 14th Meeting affirmed the establishment of personal and central account under the social security fund
- 1999 State Council Temporary Regulation on Payment of Social Insurance Premiums 《社会保险费征缴暂行条例》 - labourers in all forms of enterprises in towns and cities should participate in social security system.
- 1999 State Council Unemployment Ordinance
- 2003 State Council issued Work Injury Insurance Ordinance 工傷保險條例
- 2005 State Council issued Decision about Improving the Old Age Insurance System of Staff and Workers 《国务院关于完善企业职工基本养老保险制度的决定》
set premiums of self employed and irregular workers.

2008 Social Security Law (Draft)

Local regulations

- 1987 Shenzhen city – migrant workers can participate in old age insurance after 15 years of accumulative payment of premiums.
- 1996 Shenzhen City passed the reform plan on old age insurance 《深圳市基本养老保险制度深化改革方案》
- 1998 Guangdong Province Old Age Insurance Ordinance 广东省社会养老保险条例
- 2000 Guangdong province passed the implementation methods; 2001 passed the payment methods 广东省社会保险费征缴办法
- 1993 Guangdong Province Work Injury Insurance Regulation 广东省社会工傷保險條例
- 2002 Guangdong Province Unemployment Insurance Ordinance

Local Regulations

- 2002 Temporary Implementation Methods on Comprehensive Social Security of Migrant Workers in Shanghai City
 - insurance for work injury insurance, hospitalisation allowance, old age allowance; distinguished three types of migrant workers for different payments (regular, with no regular or no employing units [12.5%] employees of non-Shanghai construction companies [7.5%]).

Local Regulations

- 2003 Chengdu City Temporary Implementation Methods on Comprehensive Social Security of Workers with Non-city and township Residence – work injury insurance, hospitalisation allowance, old age subsidy.

Social Security Conditions of Migrant Workers in Guangdong province

- Non-subscription, under-subscription – subject to employers' practices and local government's implementation
- *“depends whether the employer subscribe for you or not”*
- Transference of social insurance accounts only up to county level within Guangdong province. No practice of inter-provincial transference
- Local government fear capital flight and shouldering high welfare costs for migrant workers (24 million MW in GD in 2007)
- Employers' strong resistance (extra 28-30% of salary per worker)

Social Security Conditions of Migrant Workers in Guangdong province

- Work injury insurance
 - uneven and under-subscription;
 - Lax penalty on OSH violations, persistent high rate of work injury and occupational disease contraction;
 - tedious legal procedures to claim compensation (workers have to prove labour relation); led to high dispute rate and abuse of the system by the employers; MW left with little relief resources during the arbitration and civil litigation procedure.
 - low compensation level; compensation items not necessarily all covered depending on judicial ruling; increasing civil litigation for tort compensation.

Social Security Conditions of Migrant Workers in Guangdong province

- Old age insurance
 - uneven and under-subscription;
 - Minimum of 15 years of subscription in GD before entitlement after 60; under 15 years – claim back premiums in personal account, no benefits; above 15 years – receive monthly old age allowance of 20% of local average salary.
 - Employer 20%, employee 8% of monthly salary
 - Baseline wage for subscription and premium – average salary of local town/city 60% - 300%. Too high for migrant workers.
 - No practice of inter-regional transference of personal account; *“who knows whether you can enjoy the benefits”*

Social Security Conditions of Migrant Workers in Guangdong province

- Medical insurance – uncommon, no regulation for implementation, *“cannot afford to be sick”*. No treatment or Return to place of origin for medical treatment.
- Unemployment insurance
 - Employer 2%, worker 1%. After 1 yr, receive 1month allowance of 80% of minimum wage (2002).
 - Provincial regulations exist. Cover mainly local workers. Uncommon for MW; led to high mobility and lack of choice over employment once MW lost the job.
- Maternity benefits insurance – uncommon, no regulation for implementation. Abortion or return to place of origin for delivery.

Social Security Conditions of Migrant Workers in Guangdong province

- Three tier working class in China: formal labour and informal labour, cut across by labour of urban and rural household registration.
- Migrant workers are subject to exclusion from urban social security scheme in the place of work due to the household system and low income level.
- Actual sources of social security – personal savings, affiliates and relations, next generation, land/house in place of origin.
- Access to public services affordable limited to those in the place of origin.
- Attitudes to social security: diverse level of interests; mistrust the system; lack of knowledge (lack of transparency)

Effects of the financial crisis on migrant workers

- No job security
- De-facto suspension of the Labour Contract Law
- Wider use of dispatch labour
- Massive return to the place of origin since Oct 2008
 - Factory closedown
 - Under-employment – work and overtime cut; paid minimum wage or less;
 - Arbitrary dismissal and with no economic compensation
 - Change of contract terms and waive of seniority service
 - No income and benefits back in place of origin; land and agriculture is not an income means because of transferred entitlement to the land or loss of farming skills.

Effects of the financial crisis on social security

- Collective withdrawal of old age insurance premiums in Guangdong
 - 2004 – 8.54% withdrawal rate of the total insured workers; average length of subscription: 7 years in Dongguan city in 2004
 - Escalated withdrawal of social insurance after the dismissal wave triggered by the FC

Social Security Law (Draft) 2008 -Limitations

- Wage income and labour relation based social insurance system rather than universal social protection system
 - Exclude non-waged labourers
- Not mandatory of all types of labourers and enterprises
 - ‘self-employed and non-full time workers can participate’

Social Security Law (Draft) 2008 -Limitations

- Inter-regional transference and discrepancies, Rural-urban discrepancy unresolved.
- Particularities of migrant workers not considered:
 - Length of payment, premium level, payment and entitlement methods are based on urban regular employment.
 - High mobility of migrant workers.
 - High premiums for those income lower than 60% of average salary

Social Security Law (Draft) 2008 -Limitations

- Scheme for wider (not universal) coverage for minimal standards and relief rather than universal protection scheme for re-distribution of wealth.
- Formal labour relation based and income based system, covering the wage labourers but not the non-waged and low incomer earners.
- The rural old age insurance scheme is premium based rather than universal; excluding (landless) peasants and rural labourers with low income.

Nature of Social Security System in China

- SS and Mode of National Economic Development
 - Socialist China divided labour into industrial, non-industrial; wage and un-waged, cut across by household registration system.
 - Socialist system – production and redistribution justice, but people's power to justice is 'represented' by the party.
 - Reformed SS system – what model?

- SS and labour relation – (1) single trade unionism, un-organised labour with no bargaining power over wage and benefits. (2) Labour protection over reliant on law. (3) Informalisation of labour - decreasing job security, no restriction on flexibilisation of labour.
- SS and economic development – (1) salary in GDP decreasing from 40% to 23%; (2) loss of agricultural land and illegal seizure; (3) Uneven rural-urban development, low standard public medical provision in the rural.

Obstacles in civil society mobilisation on improving SS (esp with migrant workers)

- Understanding and perspective – “law coopted concept”, “rights’ concept rather than just social development.
- Current debates: “payment” not redistribution of wealth; “coverage” not accessibility; “minimal protection” not justice.
- Core issues blurred: (1) who made the law, law made for whom? (2) monitoring – level, management, transparency.
- Problem postponed – complicated by un-reliable statistics, lack of concrete case studies

NGO positions - Principles

- Universal social protection (wage and non-wage labour)
- Re-distribution of wealth through public provisions for reasonable level of protection and living standards
- Mandatory, standardised implementation between rural and urban
- National-coordinated implementation
- Monitoring by public, transparency and accountability

- Old age insurance
 - Universal entitlement to benefits to all citizens after retirement age;
 - Eventual implementation of the same rate calculation of premiums and benefits across the country.
 - Benefits amount adjusted with reference to wage increase rate, inflation rate, balance of the SS fund and growth of GDP.
 - Low incomers (less than 60% of average salary) do not need to pay premiums but entitled to benefits after retirement.
 - Subscription <15 years – entitled to old age allowance of 30% of the average salary; subscription of 15-30 years – 35%; >30 years – 40% of average salary.
 - Premium: employer 20%, employee 8%

- Medical insurance

- All citizens receive basic public medical services.
- Public medical service provision eventually implement the same price standards and quality of service across the country.
- Development of compliant, monitoring system for protection of patients' rights.
- Premium: employer 6%, employee 2%
- Low incomers less than 60% of average salary do not pay premium

- Work injury insurance
 - To redress the problem of no treatment after injury due to admin and legal procedure.
 - Injured and diseased workers should receive treatment and subsidies to be advanced by the work injury fund despite dispute or non-subscription to work injury insurance.
 - Penalty to employers for non-subscription
 - Simplify the work injury certification and work capacity assessment process
 - Monitoring of the certification bodies

- Monitoring
 - SS Monitoring Committee under the People's Council with complaint mechanism rather than internal monitoring within the SS administration body.
 - Grassroots civil society organisations, academics, trade unions have right to monitoring.
 - Transparency and regular disclosure of SS fund to the public and individual enquiry.