

# Social Insurance Coverage in Urban China

John Giles  
Dewen Wang

# Overview

- Social insurance schemes in Urban China
- Trends in social insurance coverage
- Regional variation
- Micro evidence of social insurance coverage
- Understanding patterns from different data sources
- Issues involved in expanding coverage
- Conclusion

# Motivation

- Policy goals
  - **Extending social insurance coverage** is an important current policy priority of the Chinese government
  - **A full coverage goal** is set to provide basic social security to cover all people by 2020
- But, challenges remain when extending social insurance schemes to informal sectors and informal employees....
- Document patterns in social insurance coverage, and as the work progresses, and aim to explain both provision and take up of insurance

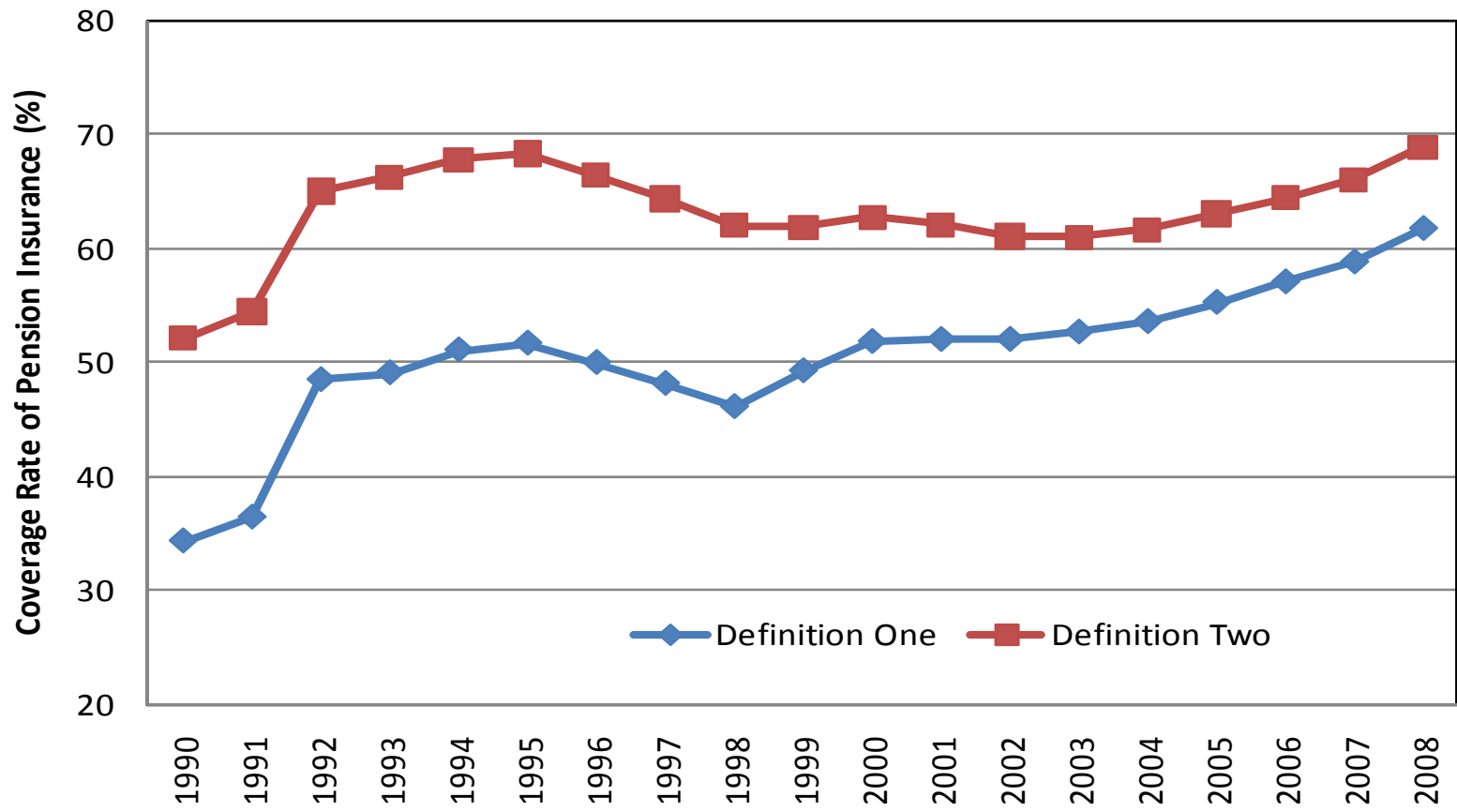
# Social Insurance Schemes in Urban China

<b>Schemes</b>	<b>Employer Contribution</b>	<b>Employee Contribution</b>
Pension insurance	<= 20 percent of payroll	<=8 percent of monthly wage
Unemployment insurance	2 percent of payroll	1 percent of monthly wage
Medical insurance	6 percent of payroll	2 percent of monthly wage
Work injury insurance	Average about 1 percent of payroll	No employee contribution
Maternity insurance	Not more than 1 percent of payroll	No employee contribution
Total	30 percent of payroll	13 percent of monthly wage

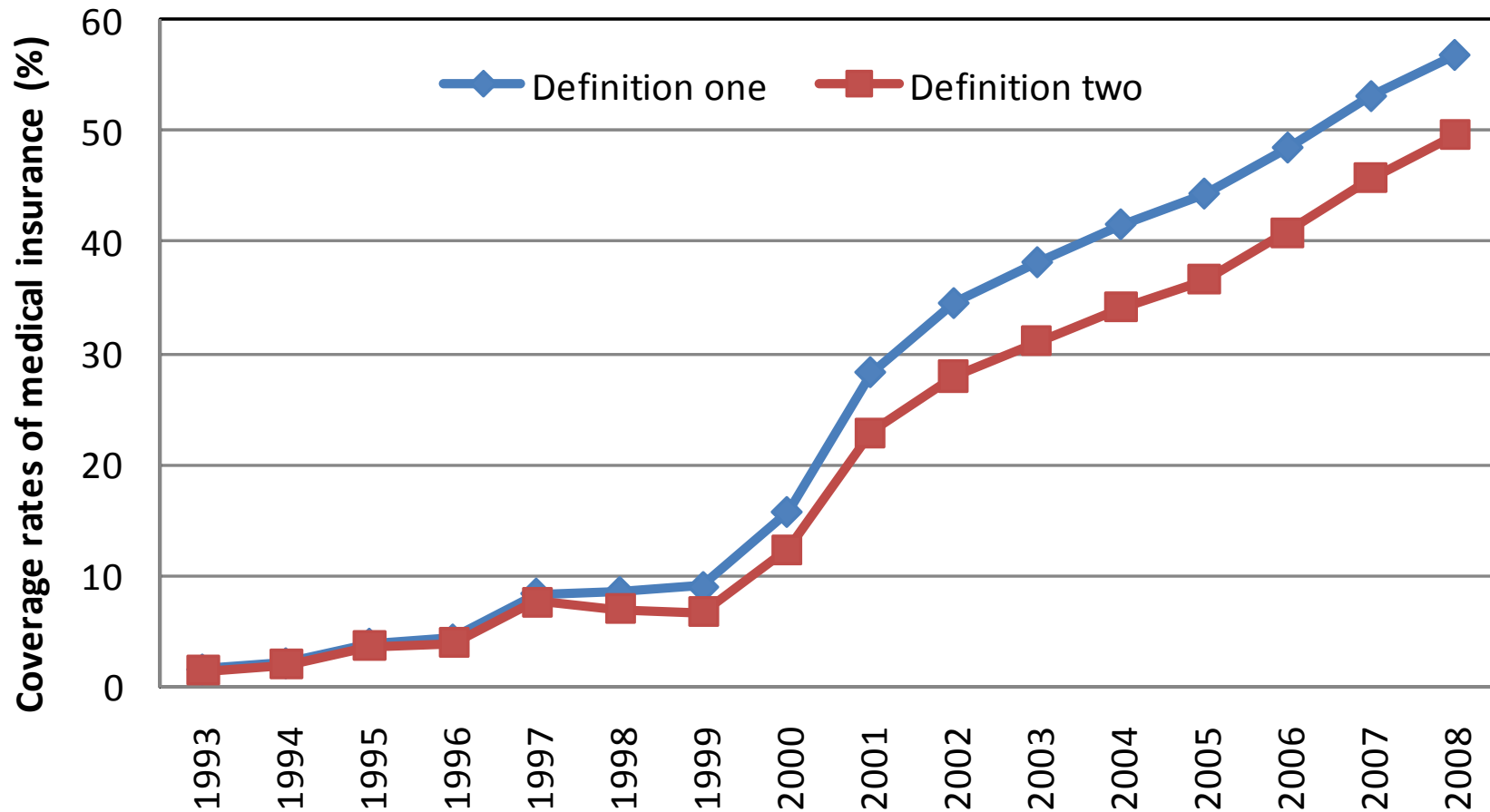
# Recipients of Social Insurance Schemes

Registration/Workers	Pension	Unemployment insurance	Medical Insurance
Urban enterprises			
SOEs	M	M	M
Collective	M	M	M
Foreign and SAR funded enterprises	M	M	M
Private enterprises	M	M	M
Other enterprises	M	M	M
Public institutions	M/PAGO	M	M
Government agencies	PAGO		M
Social organizations	PAGO		M
Private non-enterprise units	V		V
Self-employed	V		V
Flexible urban employment workers	V		V
Rural migrant workers	V	O	V

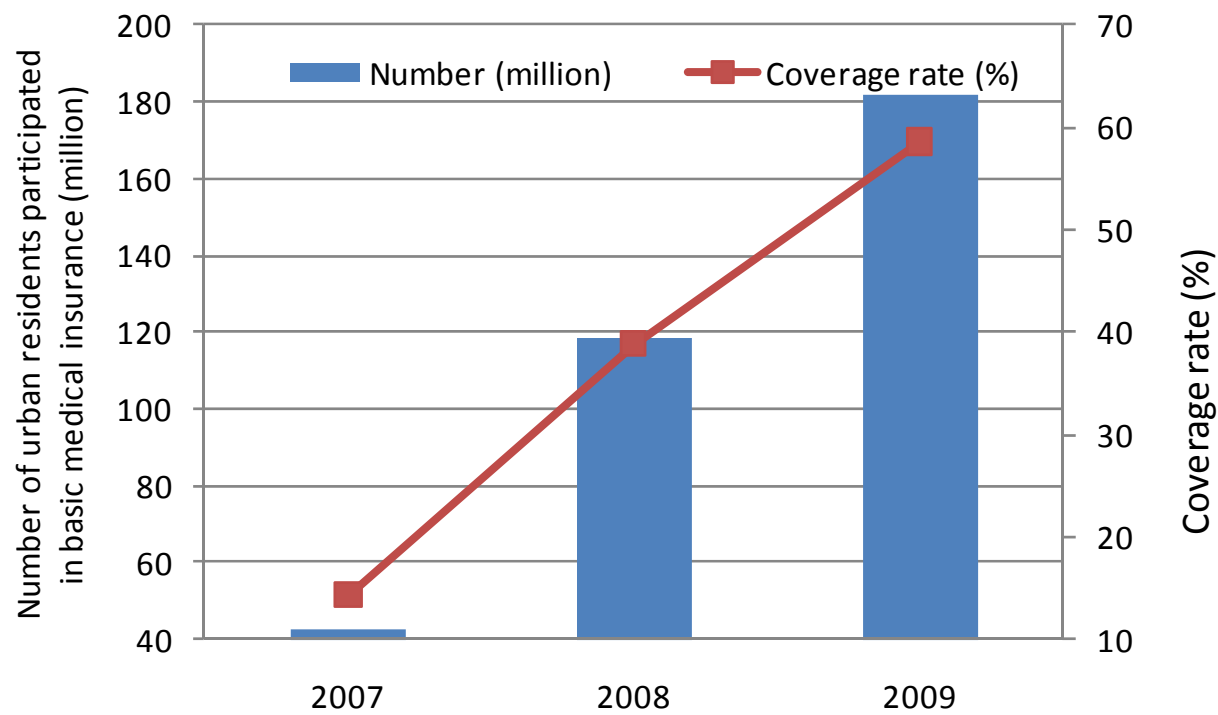
# Pension Insurance Coverage



# Medical Insurance Coverage



# Urban Resident Basic Medical Insurance Scheme





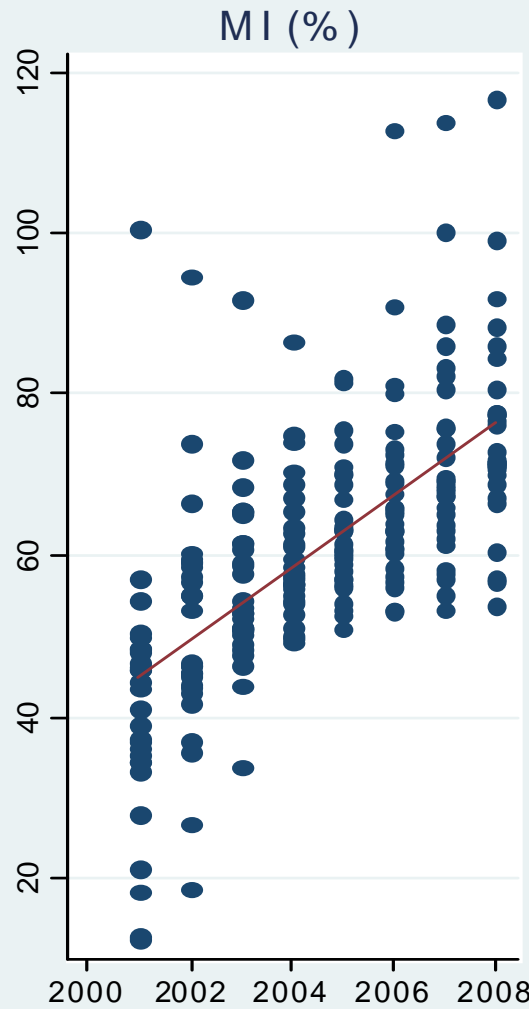
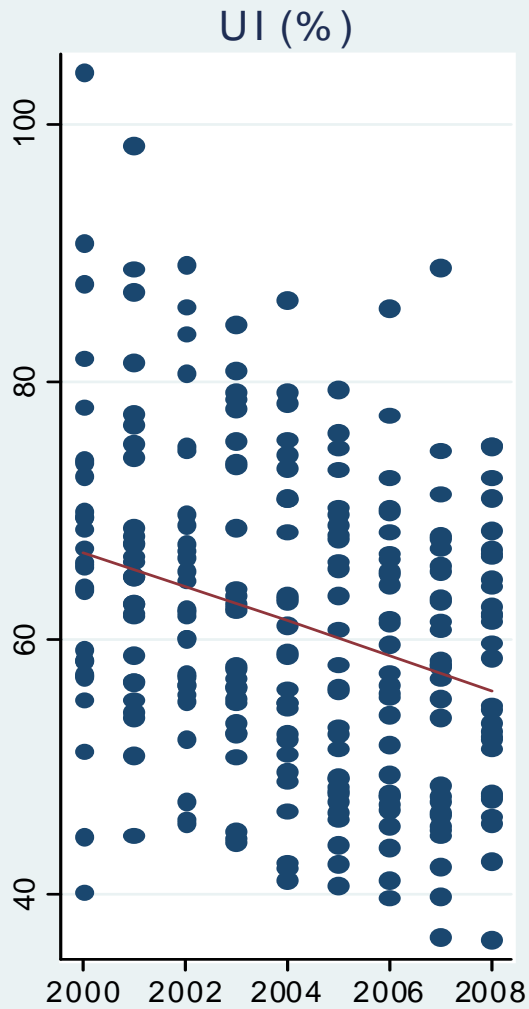
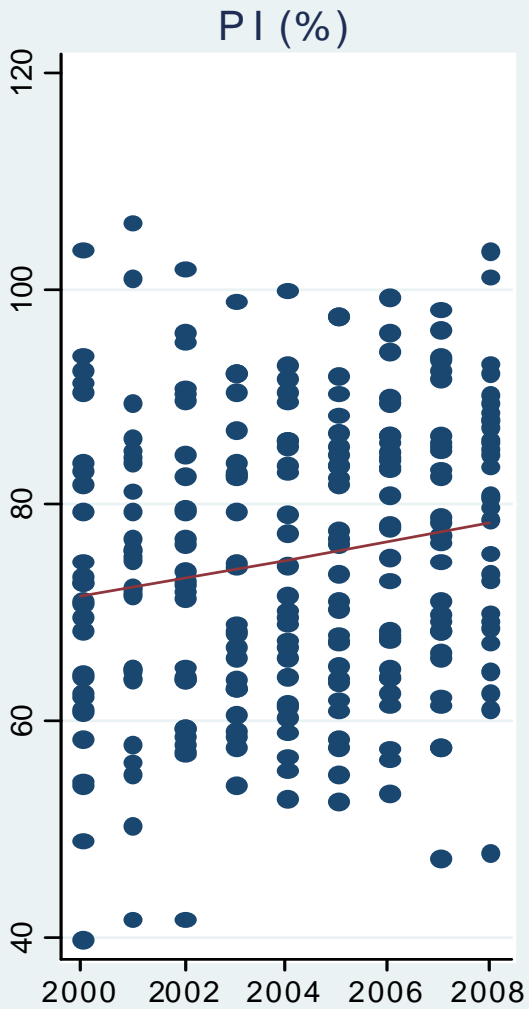
# Rural Migrant Workers in Urban Social Insurance Schemes (%)

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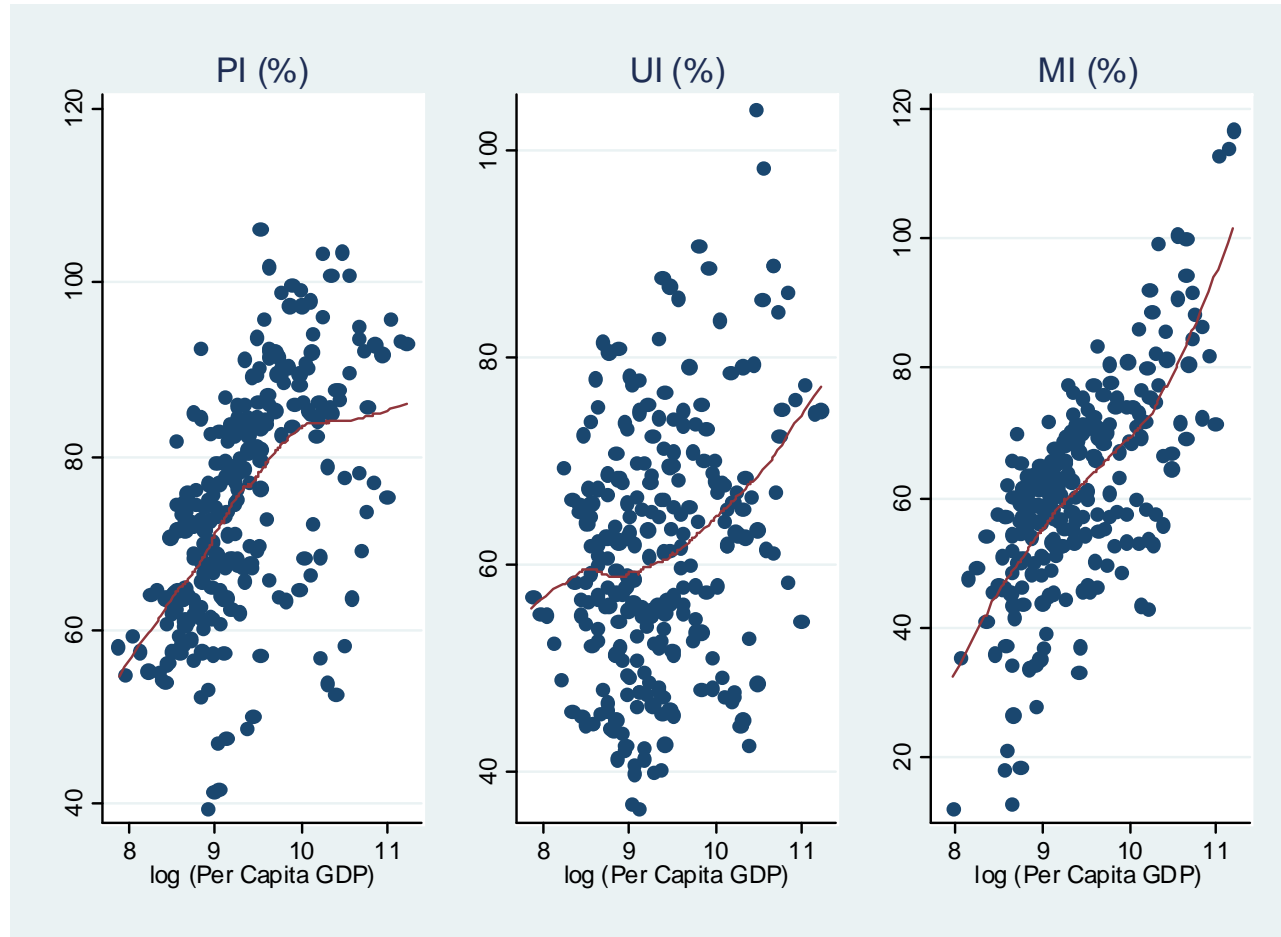
Year	Pension Insurance	Medical insurance	Unemployment Insurance
2006	15.0	25.0	
2007	17.6	29.8	11.0
2008	18.0	31.8	11.6
2009	18.7	30.6	11.6

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# Regional Coverage Variation-by Scheme



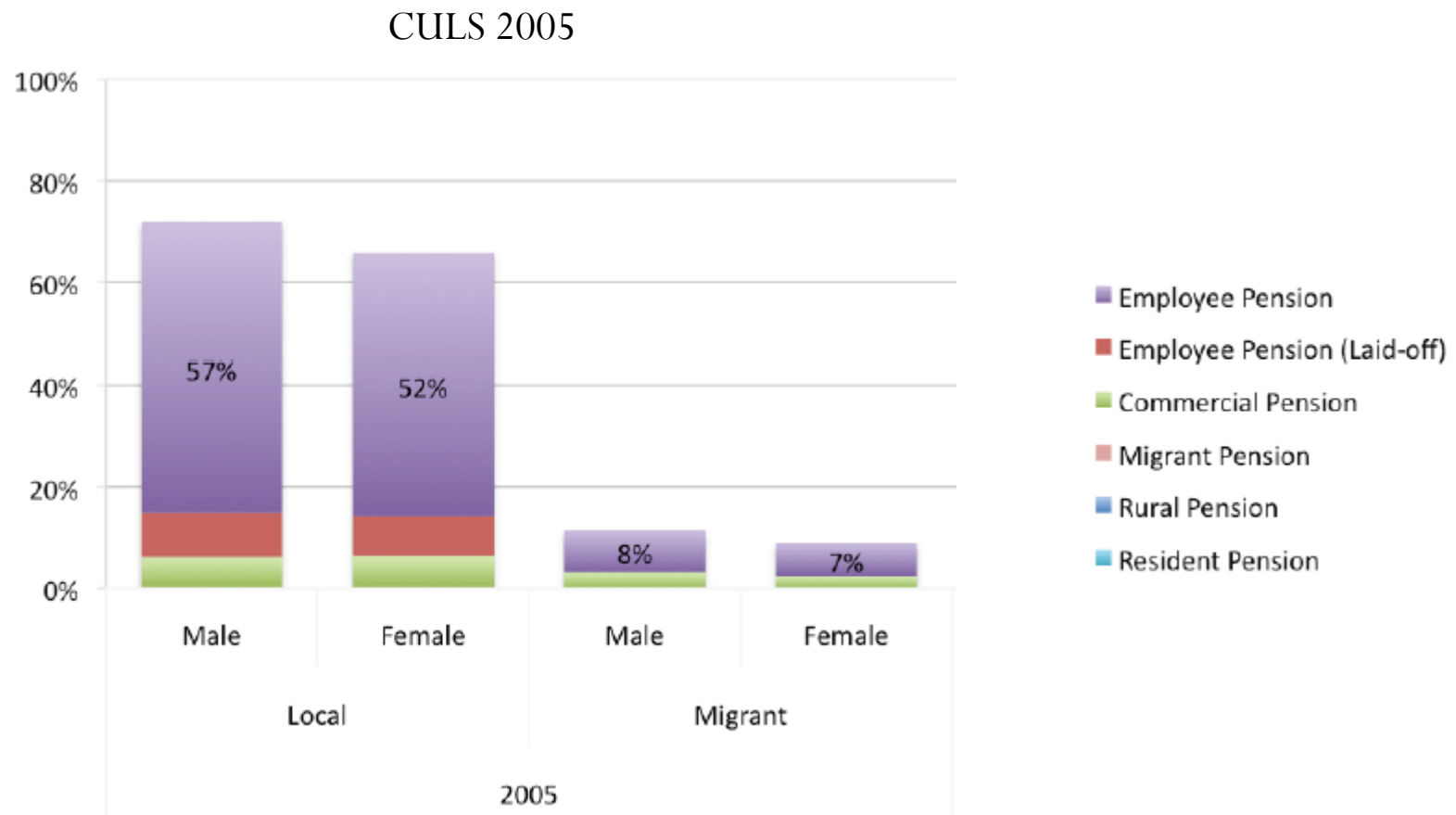
# Regional Coverage Variation-by Per Capita GDP in Logarithm Form



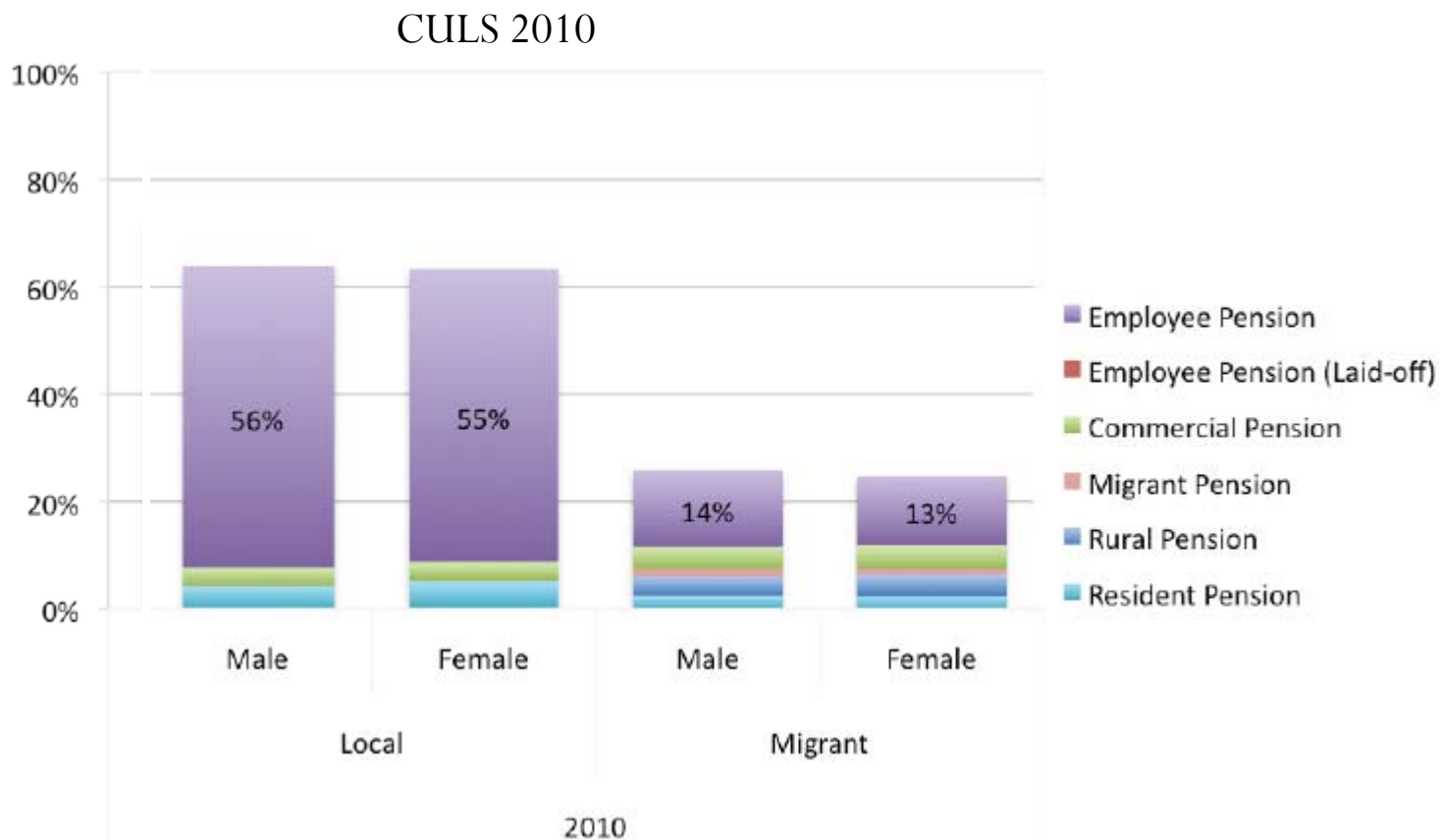
# Micro Evidence

- Who is currently excluded?
- How does participation vary by age, gender, educational attainment and migrant status?
  - Gender differences are not obvious among those employed in firms.
  - As one might expect, there is less gap between migrants and urban residents at higher levels of educational attainment.
  - Not surprisingly follows patterns of informal employment.

# In 2005 Low Participation in Pension Programs by Migrants Populations and Gender Differences



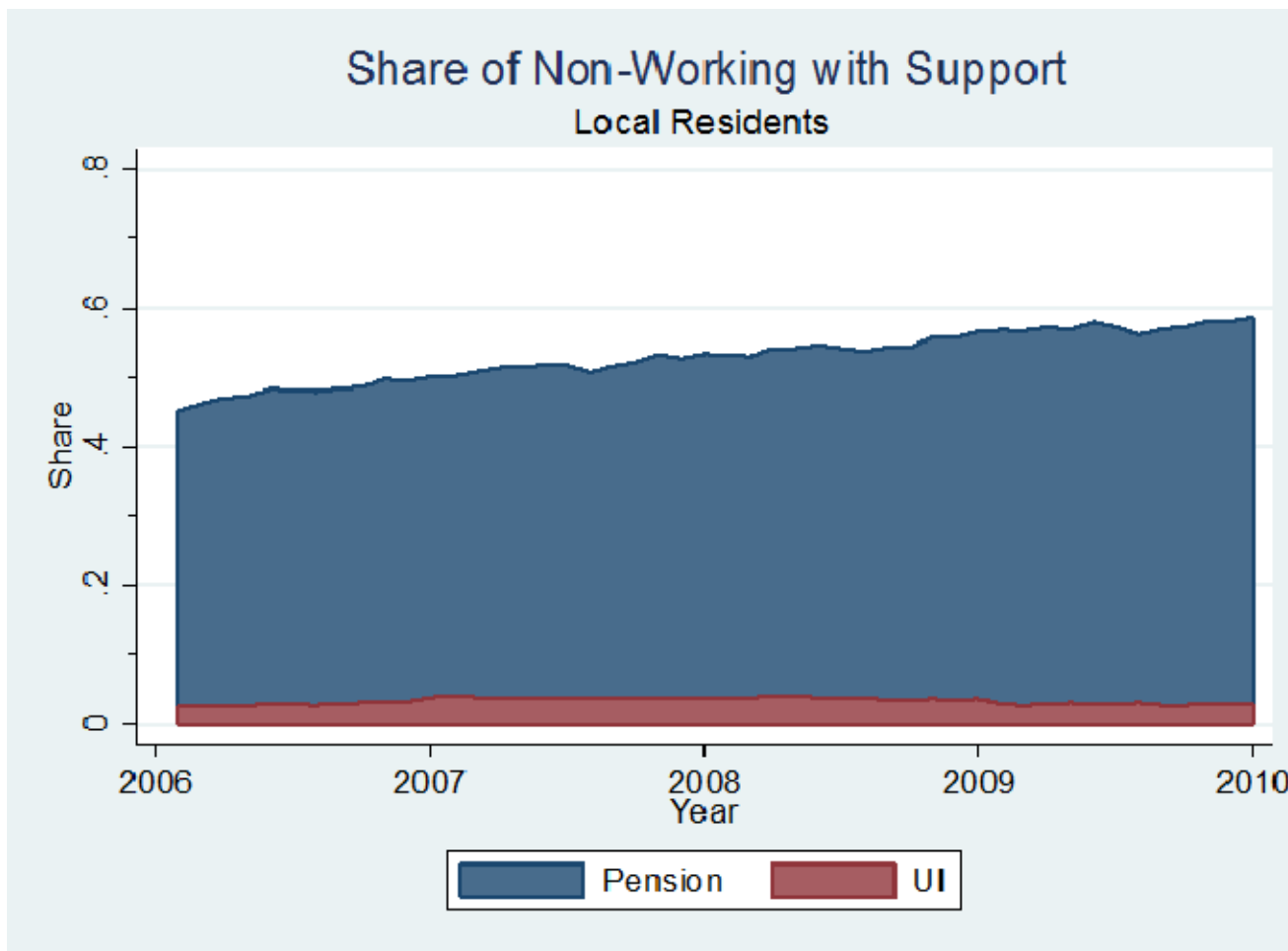
# Expanded Participation by Migrants as of 2010, but Gap is Still Significant



# What Actual Support is Received by Those who are Out of Work?

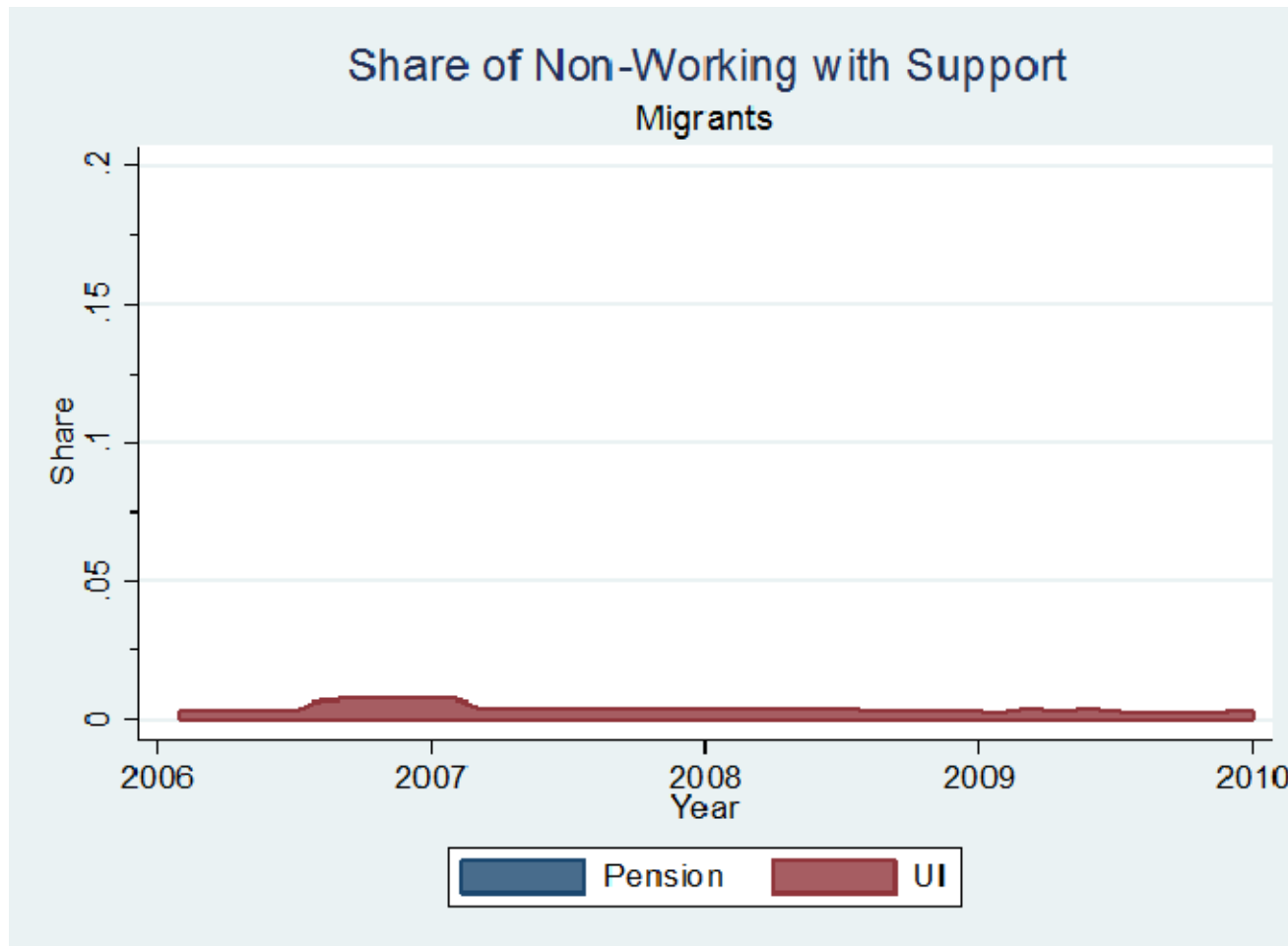
- We do not separate those who are unemployed from out of the labor force.
- Working age population, age 16-60, includes many women who have retired as early as 50 and are collecting pensions.
- UI receipt is more important for men, as women tend to exit from the labor force at a younger age.

# Social Insurance Support Received Among Locals Out of Work

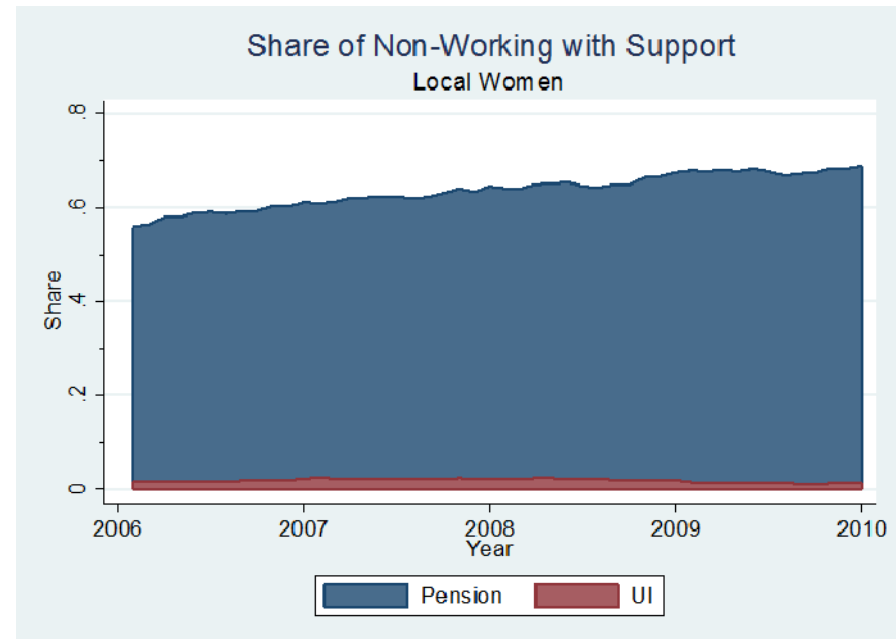
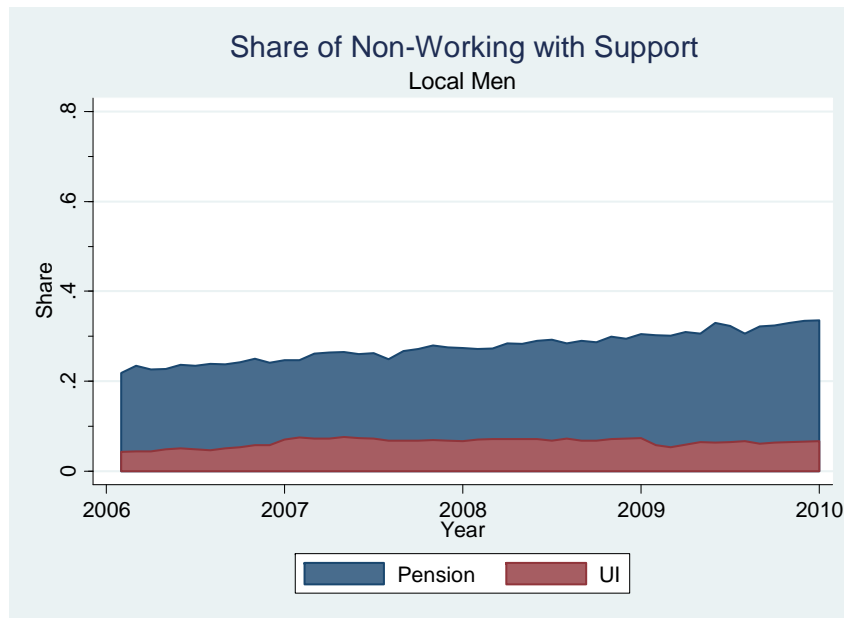




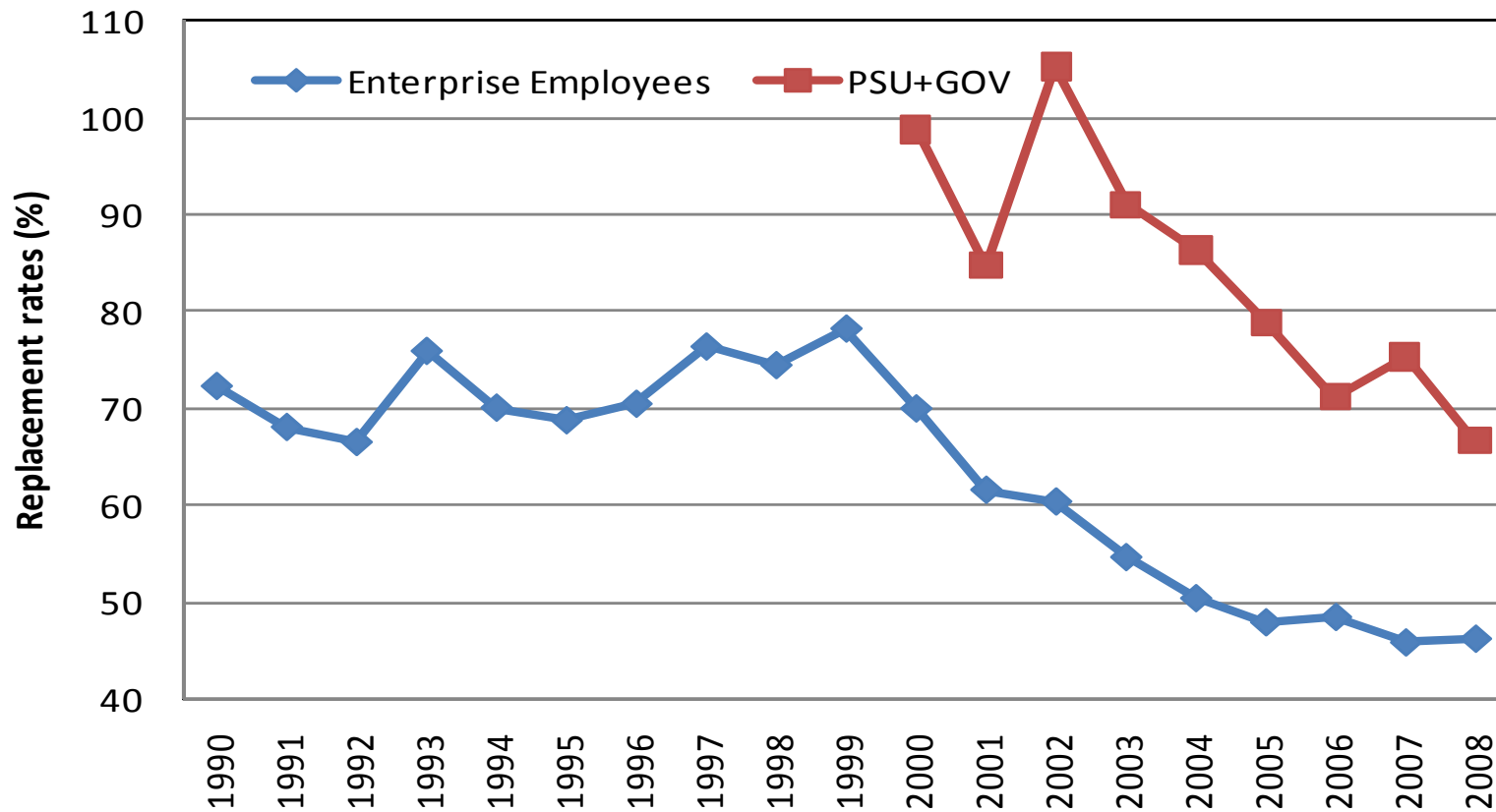
# Social Insurance Received by Out of Work Migrants



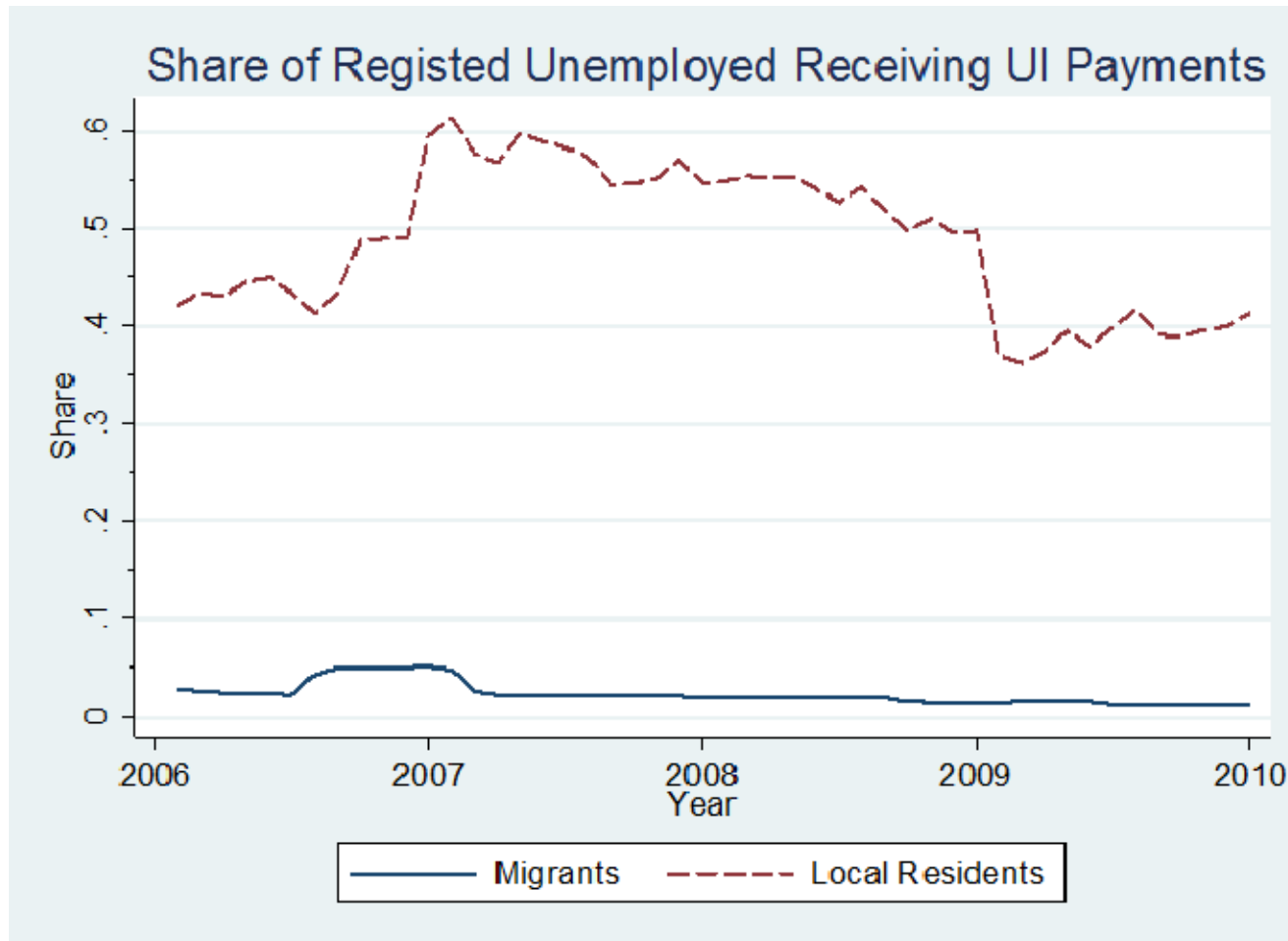
# Early Retirement of Urban Women Allows for Much More Pension Support of Women Out of Work



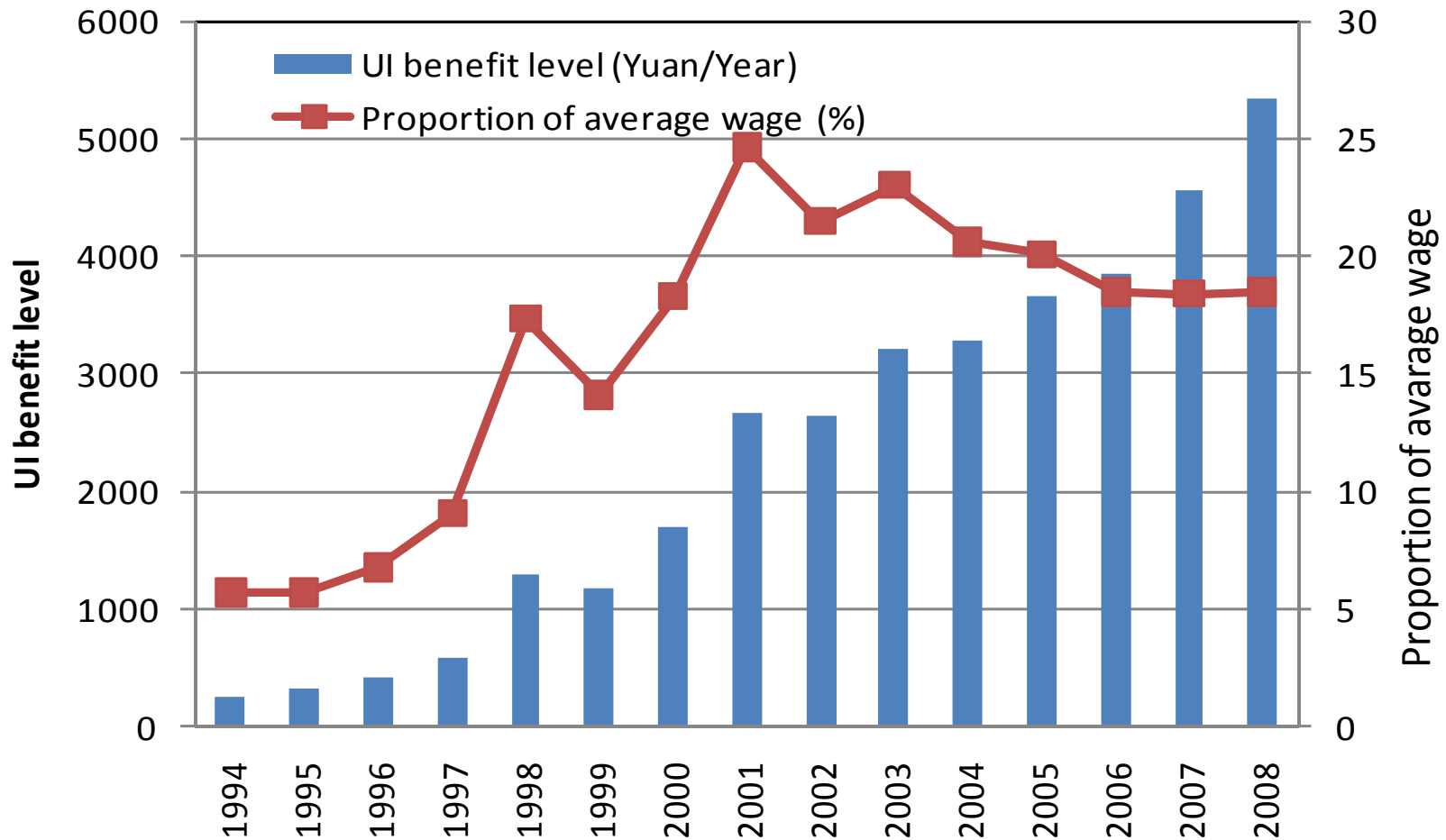
# Declining Replacement Rates of Pension Benefits in Urban China



## Over the Crisis Period, Some Decline in Share of Urban Residents Registered as Unemployed Who Receive Benefits



# UI Benefits Have Kept Rising, But the Replacement of Average Wage Has Declined



# Roadmap toward A Full Coverage

- Institutional reform
  - Scaling-up urban resident medical insurance scheme to cover all urban residents
  - Piloting and rolling out urban resident pension scheme to cover all urban residents
  - Reforming urban employee pension scheme and encouraging rural migrants' participation
  - Extending UI to rural migrant workers
- Pooling and integration of MIS and service delivery
- Implementation and enforcement of labor contract law and labor promotion law
- Supporting reform measures
  - Hukou reform, fiscal system reform and statistical reform

# Conclusions

- Considerable Progress in Raising Coverage Rates for Pensions and Health Insurance for the Urban Population
- Support Actually Received by Migrants Out of Work is Still Quite Low.
- To Expand further Social Insurance Coverage in Urban Areas:
  - We need to understand voluntary take-up decision of self-employed and those in small scale enterprises
  - Understand compliance among employers and employees alike

# Approach to China-India Comparison

- Start with mapping out the similarities and differences in arrangements for social protection programs for public and formal sector employees in China and India
- Highlight differences and similarities in approaches to covering “informal sector” and “informal workers”
- Describe and compare patterns of participations by different groups of workers, and patterns of benefit receipt.