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# Social Security Reform in China

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# Outline of the presentation

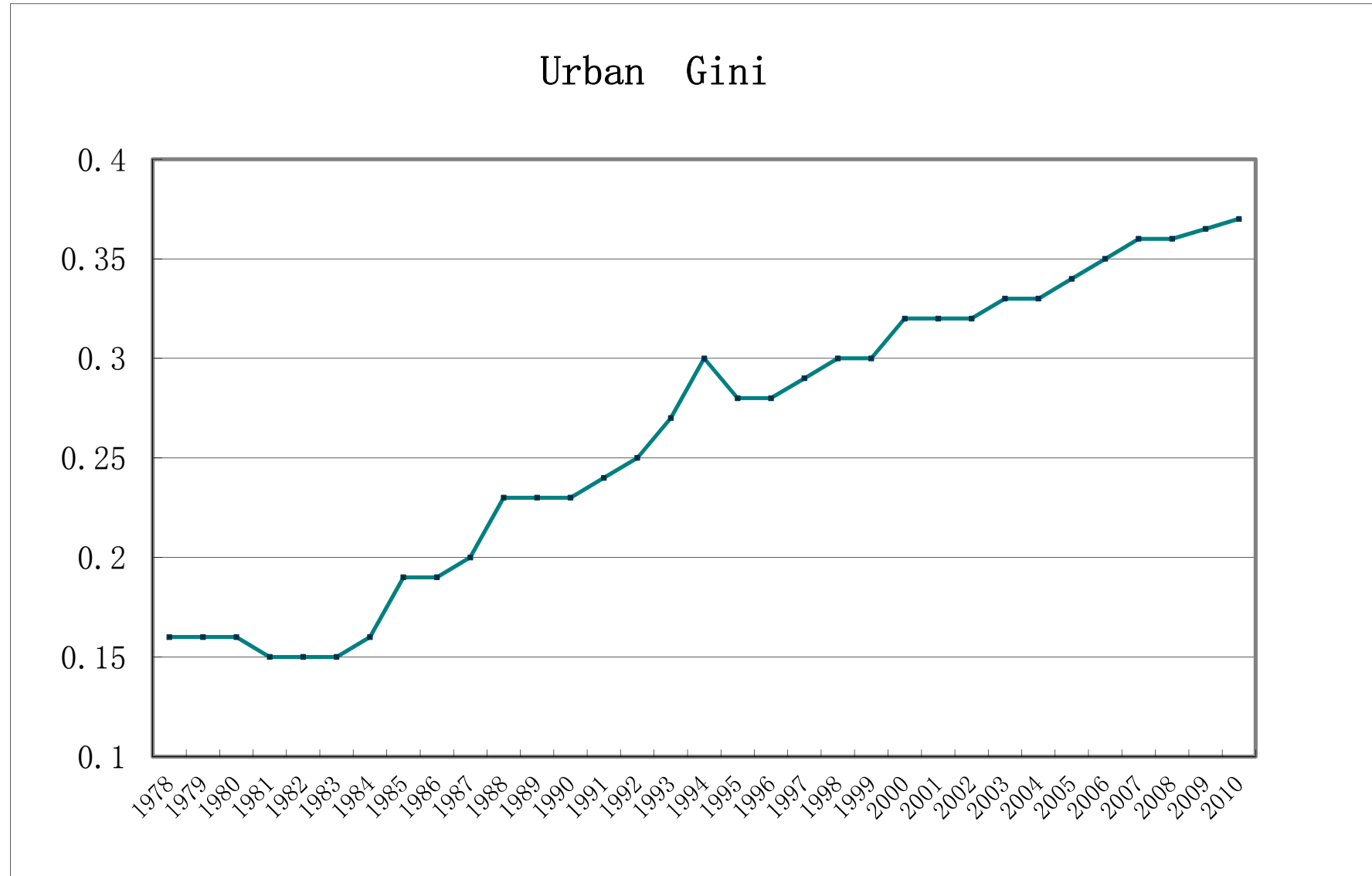
- 1. Social and economic challenges facing China
  - 2. Elements of social security in China: problems and reform
  - 3. Balance between employment and social security
  - Conclusions
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# Social and economic challenges facing China

- *Widening income inequality.*
  - *Large scale poverty.*
  - *Increasing labor mobility.*
  - *Declining consumption propensity.*
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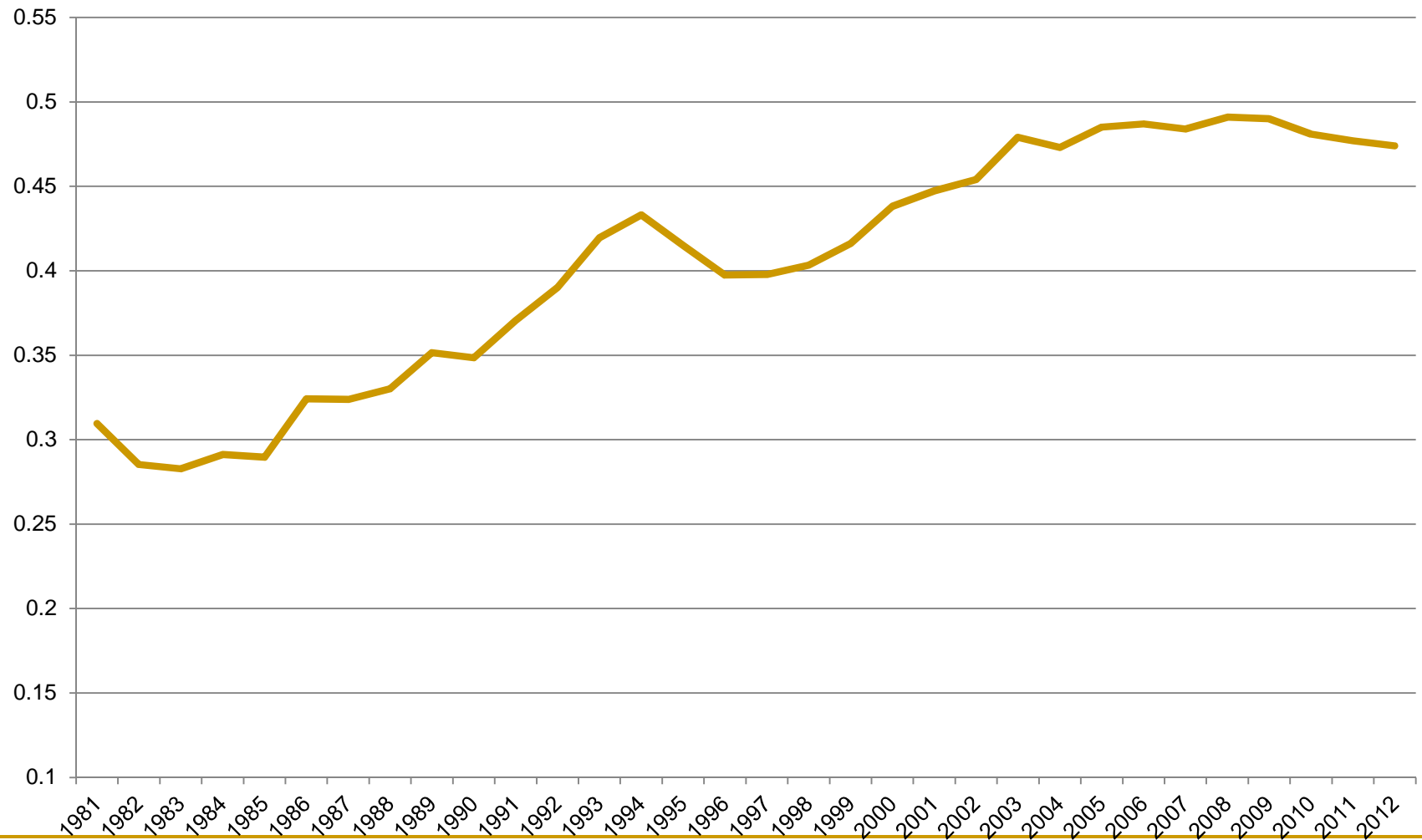
# *Widening income inequality*



## Rural Gini



## Changes in Gini coefficients in China as a whole, 1981-2012



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## *Large scale poverty*

- Under the new poverty line in 2011 (2300 yuan=1.7USD/person/day):
    - Rural poor population: 130 million
    - Rural poverty rate: 15%
  - *Plus*
    - Urban poor population: 25 million
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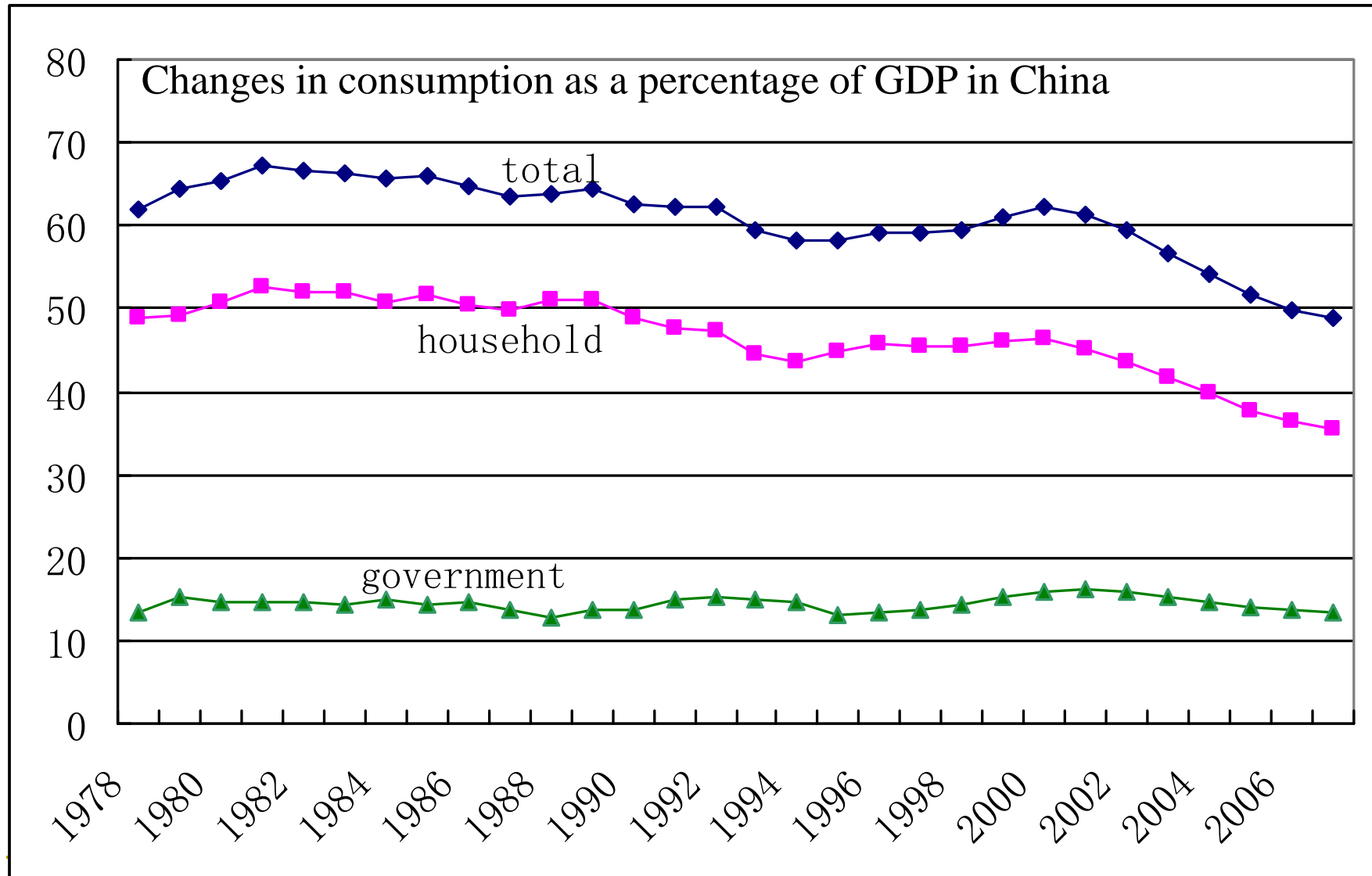
## *Increasing labor mobility*

Number of rural out-migrant workers :

- 1989: 30 million
  - 1993: 62 million
  - 2001: 78 million
  - 2002: 94 million
  - 2003: 110 million
  - 2004: 120 million
  - 2006: 132 million
  - 2012: 230 million (estimate)
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## *Declining consumption propensity*



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- Elements of Social Security System in China: Problems and Reform

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# Three basic principles

- *A. Completed coverage.*
  - *B. Portability.*
  - *C. Sustainability.*
  - *D. Equity?*
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## SP programs in urban and rural China

	urban	rural
Pension	<p>Basic pension scheme for workers in firms</p> <p>Urban resident pension for people having never employed</p>	<p>New pension program</p> <p>Protection of five-guarantee households</p>
Health care	<p>Medical insurance for enterprise workers</p> <p>Public medical program for civil servants</p> <p>Medical insurance for on-job injury</p> <p>Medical subsidies for the poor</p> <p>Medical program for non-employees.</p>	<p>New cooperative medical insurance</p> <p>Medical subsidies for the poor</p>

## SP programs in urban and rural China

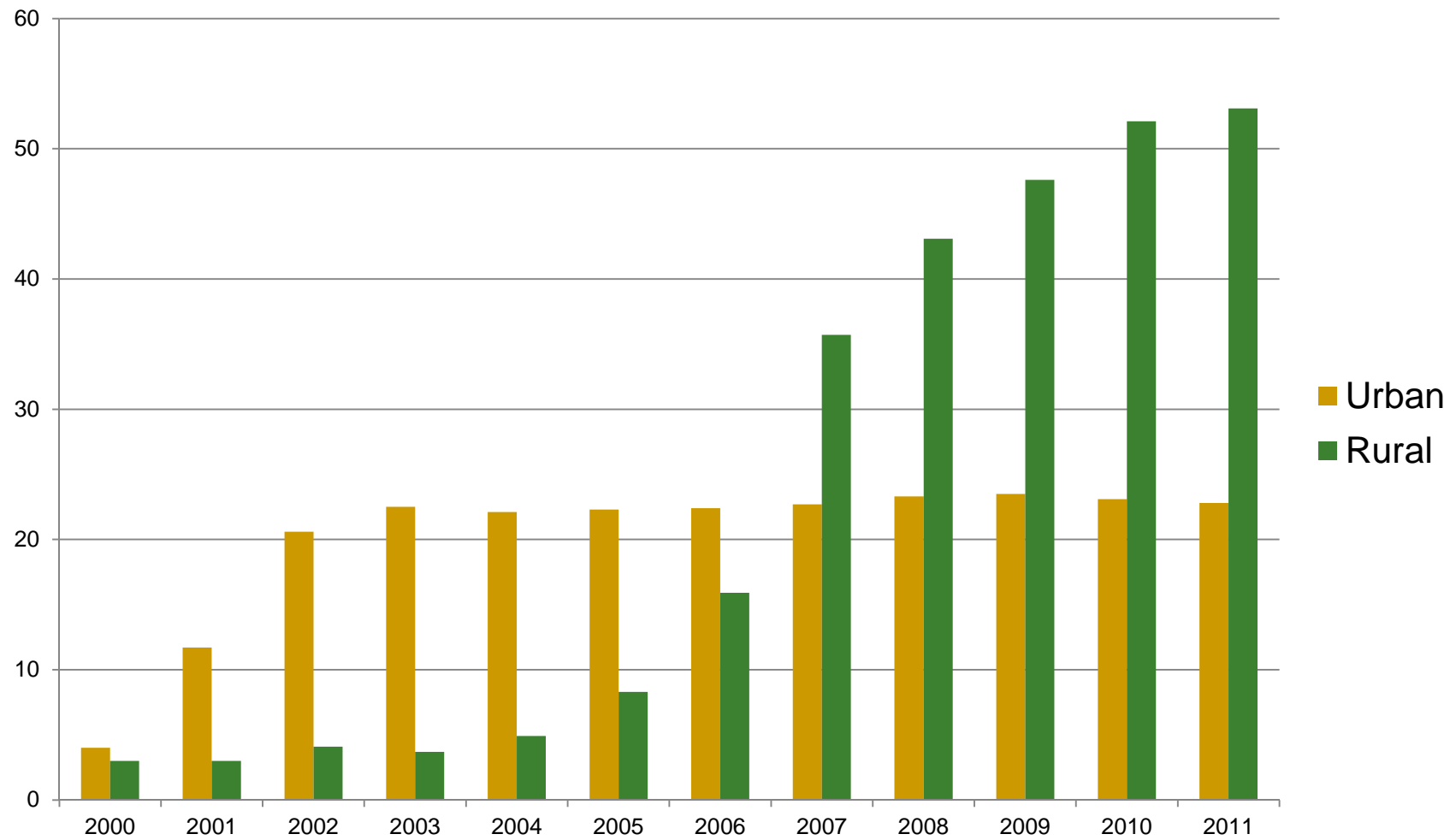
	urban	rural
Income allowance	Minimum Income Standard Guarantee	MISG, but lower level compared to urban
Housing	Housing subsidies (housing accumulated funds) Low-rent housing Low-price housing	No
Unemployment benefit	Unemployment benefit	No
Relief	Relief programs for the extremely poor	Relief for the extremely poor, for disaster sufferers

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# Minimum Living Standard Guarantee

- *Current situation and problems*
  - One of the problems is different standard and coverage between urban and rural areas and among different provinces.
  - The program has another problem excluding some population groups such as migrant households and college graduates.
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# Number of recipients of MLSG



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*For the urban program :*

- *Whether rural-urban migrants should be covered or not?*
  - *Differences in protection level across cities should be only based on living costs rather than financial ability of government?*
  - *For the rural program:*
    - *The standard is too low; big differences in coverage and protection level across regions.*
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- (1) The central government sets up the protection level for cities and counties, with considerations of living standard. The level should be adjusted with changes in consumer prices, household income growth, minimum wage, and unemployment benefit.
  - (2) In underdeveloped areas, the protection level should be raised to cover all the poor households.
  - (3) Rural migrants and college graduates should be covered.
  - (4) It is crucial for the central government to take more financial responsibility by transferring more funds to less developed areas.
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## Pension system

- 1. All the Chinese will be covered institutionally by the systems by the end of 2012.
  - 2. Actually majority of migrant workers are not covered.
  - 3. Pension needs to increase its portability.
  - 4. There are large differences in payment to different pensioners.
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Table: Percentage of rural-migrant workers participating in CPS (%), 2011

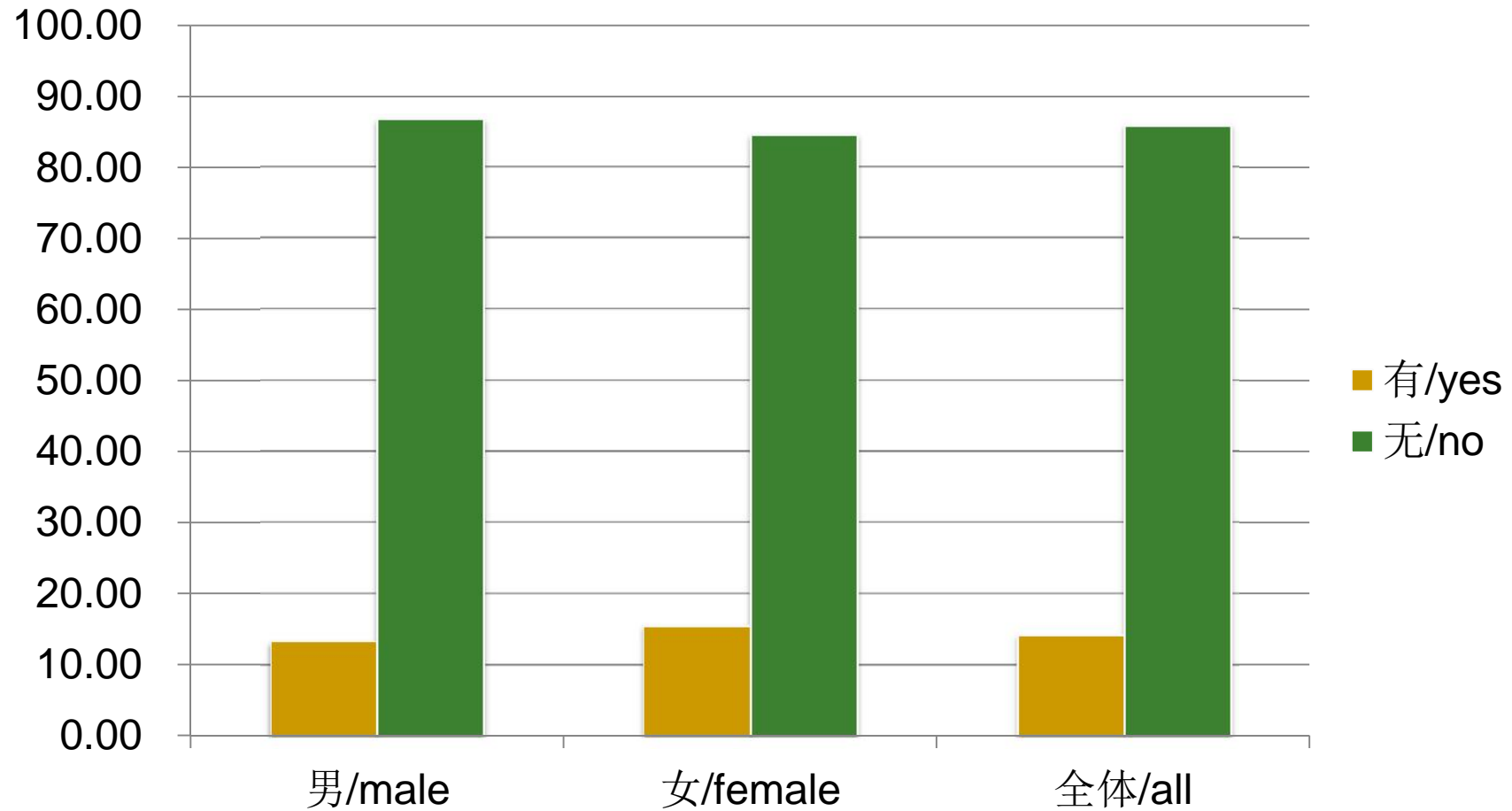
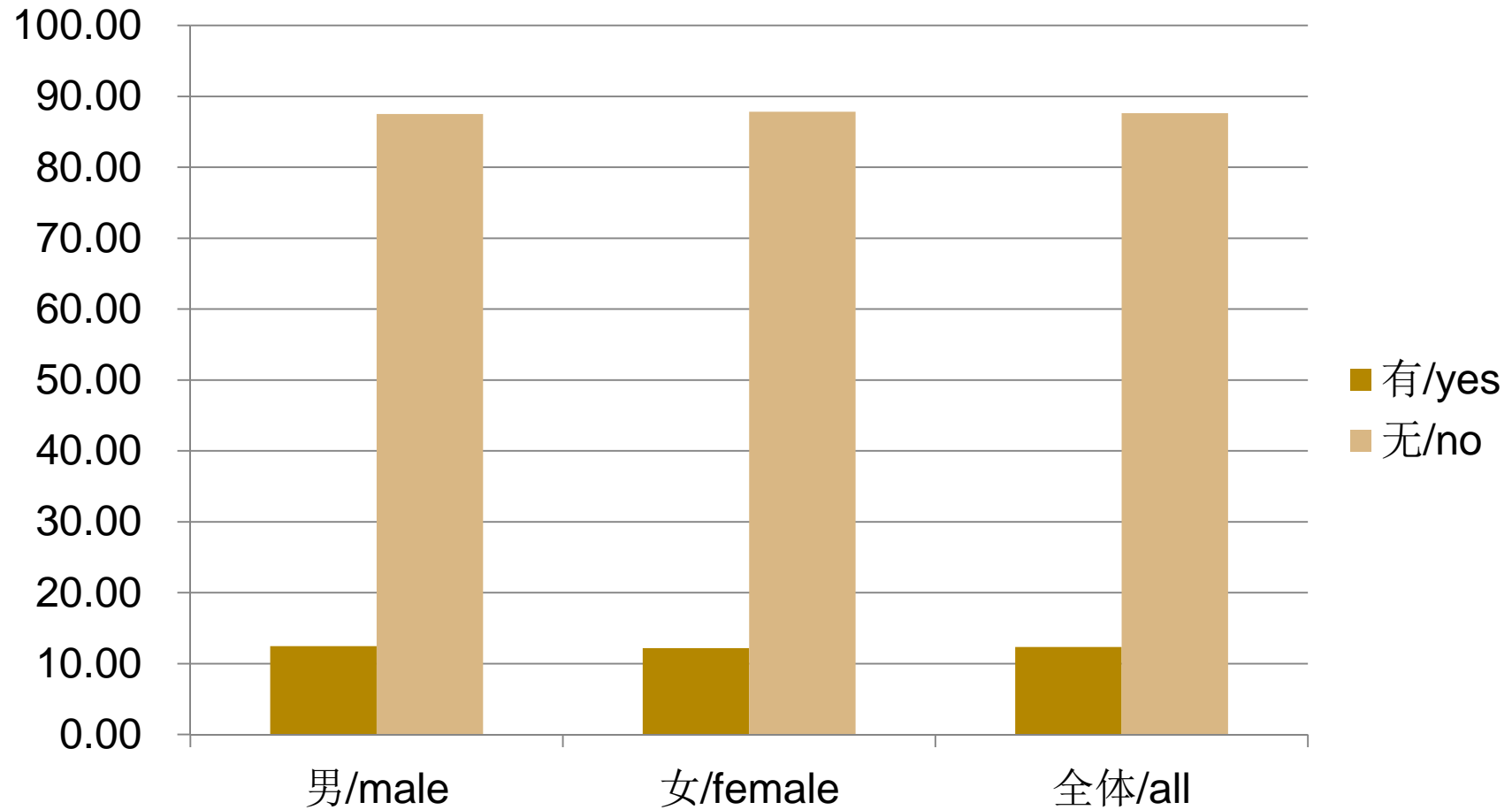


Table 1a: Percentage of rural-migrant workers participating in NRPS (%), 2011



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# Basic medical care

- Current situation and problems
  - *The problems with the current medical care system are incomplete coverage of medical insurance, low contribution by government to funding, high self-payment of individuals for medical services and unbalanced regional allocation of medical resources.*
  - *A more serious problem with NRCMI is its low reimbursement ratio, which is about 60% in most rural areas.*
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- *Debates and policy options*

- *The debates in provision of basic medical care are focused on two topics in China. (a) Who should be financial contributors, governments, enterprises, or individuals? (b) Should market mechanism be introduced in medical service delivery?*

- *For the rural migrant workers, what kinds of medical insurance are proper to them?*

- *National integrated medical care system.*

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Table: Percentage of rural migrant workers participating in CMS (%), 2011

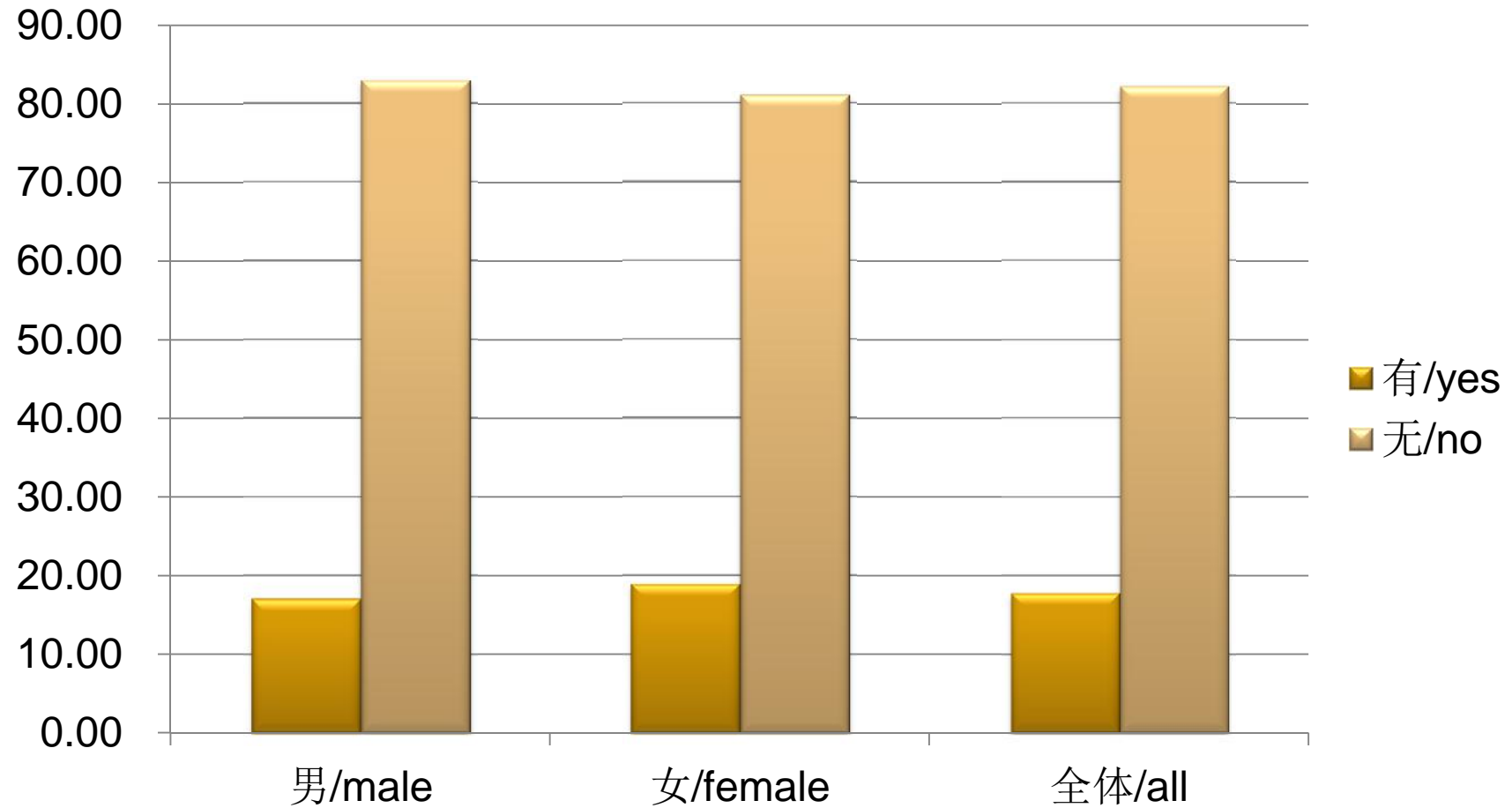
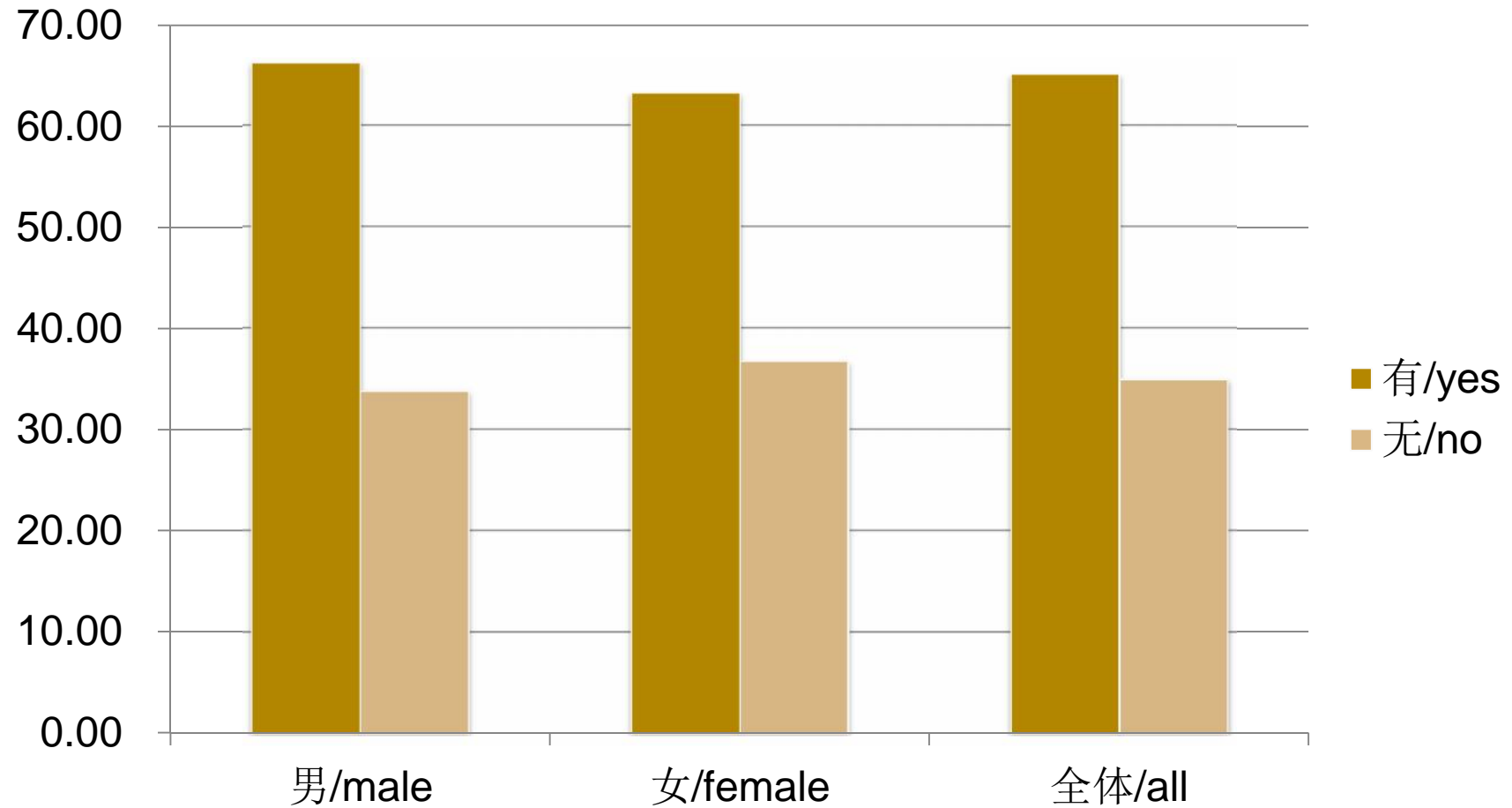


Table: Percentage of rural-urban migrants participating in NRCMS (%), 2011





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# Housing security

- *Current situation and problems*
  - *High housing prices drives the poor and low-income households out of housing market and rules out their any possibility to improve housing condition.*
  - *Housing condition of rural-urban migrants is very poor*
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## *Current three solutions*

- *(a) Jingji shiyong fang, JSF, (Price-subsidized housing) ;*
  - *(b) Lianzu fang, LZF, (Rent- subsidized public housing) ;*
  - *(c) Zhufang xianjin butie, ZXB (Housing cash-subsidy) .*
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# Unemployment insurance and employment assistance

- Current situation and problems
  - *The major problem of the current unemployment insurance system covers only workers in urban formal sector.*
  - *Majority of workers in informal sectors such as rural migrant workers and workers in small private firms are uncovered by the current unemployment insurance system.*
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- *Debates and policy options*

- *Whether migrant workers and workers in informal sector should be covered by unemployment insurance? If yes, they should be covered by the current system or an alternative system which is more suitable for them?*
  - *Unemployed graduates should be covered by unemployment insurance. If yes, who should be main financial contributors to the insurance?*
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- *It is important to provide unemployment insurance for rural migrant workers.*
  - *It is also important to provide unemployment insurance for college graduates.*
  - *The governments should provide more opportunities for migrant workers to get access to skill or professional training.*
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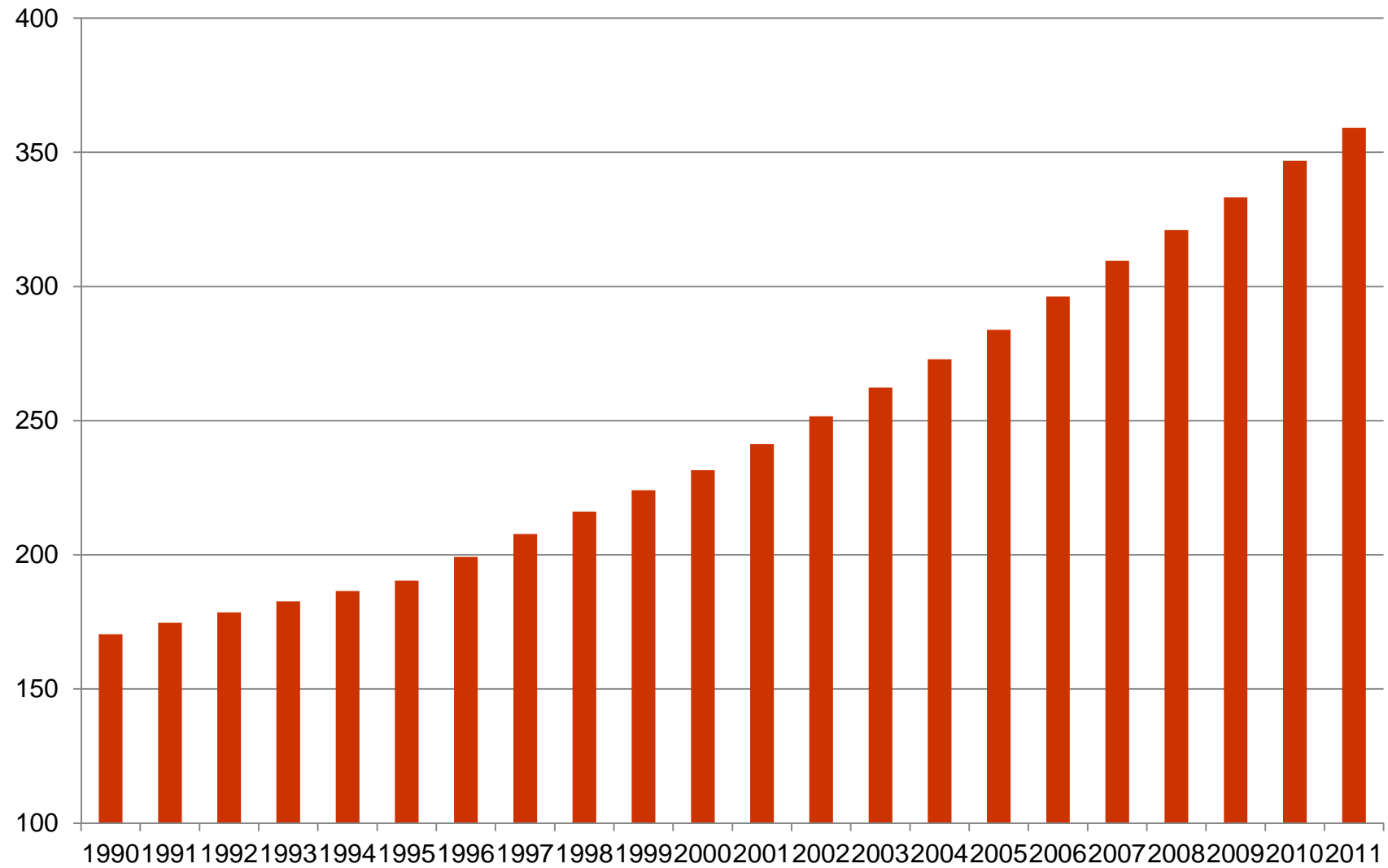
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### 3. Balance between employment and social protection

- (1) Employment-priority policy is very important, since employment is the most important component of SP.
  - (2) Employment growth has significant impact of poverty reduction.
  - (3) China's experience is that employment promotion is precondition for social security reform.
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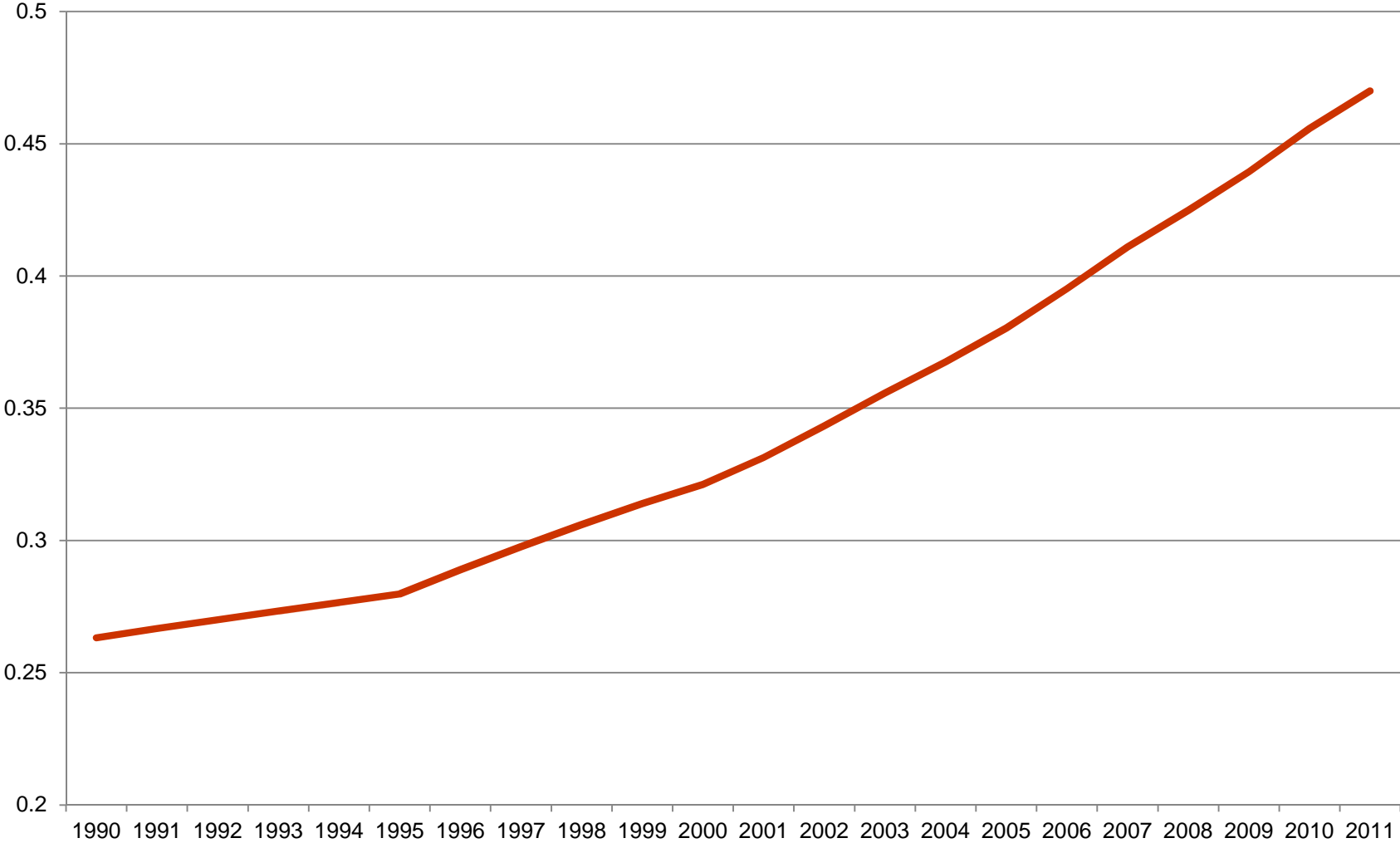
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- (4) It should be realized that some components of social protection are pro-employment, such public housing program, training program and unemployment benefits.
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## Employment in urban China (million)





# Urban employment as a proportion of national



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# Conclusions

- *China is facing a number of social and economic challenges like widening income inequality, large-scale poverty, high unemployment pressure, increasing labour mobility, declining consumption propensity and rising social conflicts and unrests.*
  - *The importance and necessity of a new system of social security with wider coverage, more efficiency and sustainability have been. There was a significant progress in social protection in China in the last decade.*
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- *One of the major problems of the current system is its lack of fairness. China should provide more equitable social security for all the people regardless of rural or urban hukou holders, employees in formal or informal sector.*
  - *One solution is to have a completed coverage of social protection for all the Chinese residents at the first stage and then to reduce differentials in SP, while maintaining its employment-priority policy.*
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■ Thanks

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