

# Social Insurance in China: Current and Future State

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# Social insurance in China

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- **A relatively new concept**
  - **Not a completely new system**
  - **Socialist ‘from-cradle-to-grave’ welfare system**
  - **Reforms and massive layoffs of state workers dismantled the old system**
  - **The 2008 Labour Contract Law began to establish the legal framework**

# The 2011 Social Insurance Law

- **The first national social insurance legal framework**

- 1) Enroll all employees in five social insurance programmes + housing provident fund
- 2) Contribution bases and rates vary across cities/provinces
- 3) The biggest system in the world

**Table 1 National Enrolment in, and Contribution to, Social Insurance, 2014**

	Pension insurance	Medical insurance	Work-related injury insurance	Unemployment insurance	Maternity insurance	Housing provident fund
Enrolment (million)	842	597	206	170	170	119
Received contribution (billion RMB)	3,983					1,296

Source: Ministry of Housing and Urban-Rural Development, 2015; Zhang et al., 2015.

Notes: 1. The pension insurance scheme includes the Basic Pension Insurance for Urban and Rural Residents for non-employees, which merged the New Rural Social Pension Insurance and Urban Resident Social Pension Insurance in 2014;  
2. The average exchange rate in December 2014: 1 AUD = 5 RMB.

# It's complicated...(and unequal)

- **Pension insurance (superannuation)**

- 1) Different schemes and benefit levels

Scheme	Monthly pension payment	Replacement rate
Non-employee pension	70 RMB	5-10%
Enterprise employee pension	2050 RMB	45-60%
Public sector employee pension	4000 RMB +	90-100%

- 2) A source of socioeconomic inequality

## Public sector employees

- 5% of the retired population used 30% of social insurance funds as pension

- 3) Similar situations in the medical insurance programme

- Regressive redistribution

# Recent developments

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- **Rural-urban migrants**
    - Better access to social insurance (if they have a labour contract)
  - **Rural residents and urban non-employees**
    - Covered by the non-employee pension and medical insurance
  - **Public sector employees**
    - Before Jan 2015: did not need to contribute to social insurance
    - After Jan 2015: need to contribute; but salaries are increased to offset
  - From 2016, allow 30% of the pension fund (600 billion RMB) to invest in share market

# The future

- Sustainability is the biggest problem

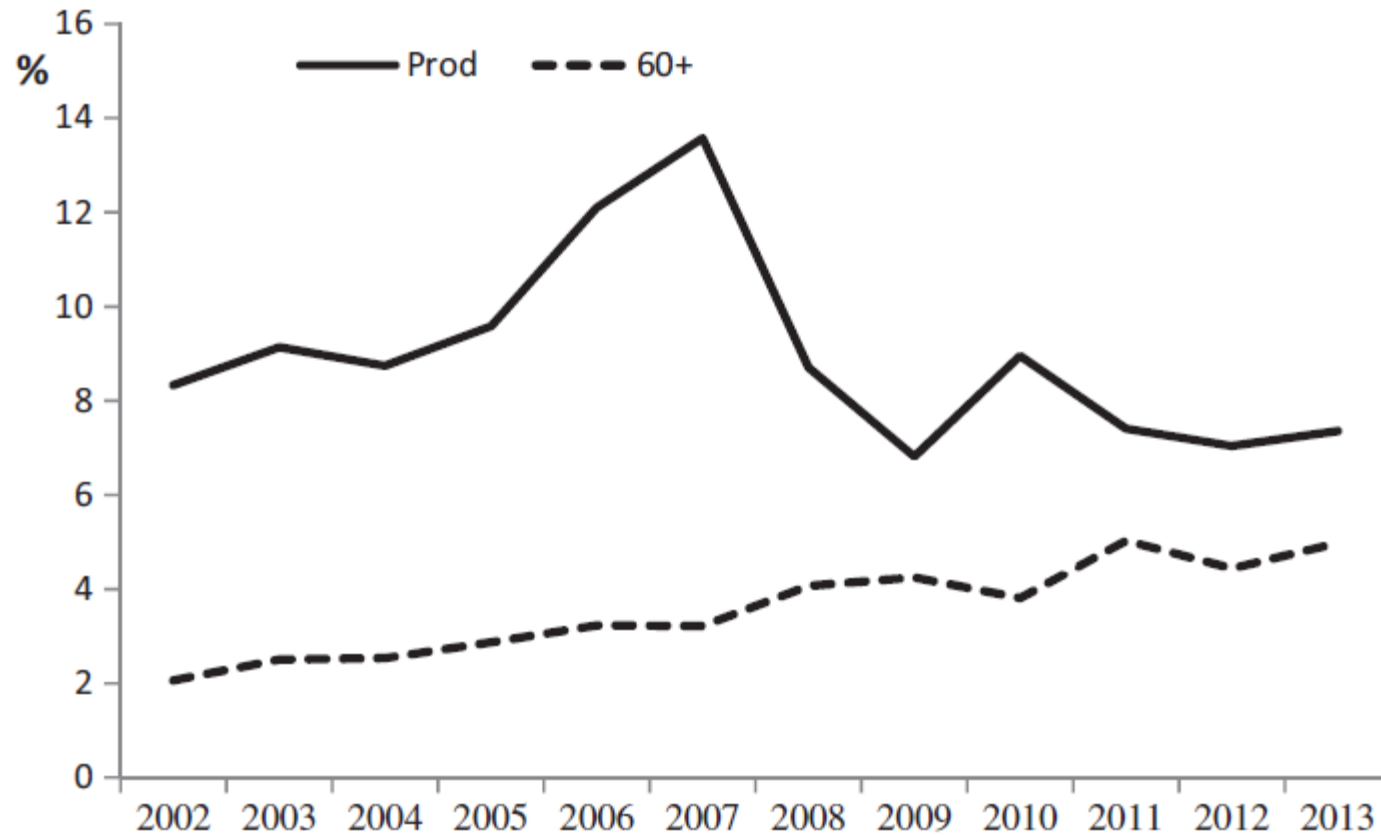
**In 2014, 22 out of 31 provinces had pension funds in deficit**

**Annual national surplus of pension insurance fund (billion RMB)**



# The future

## Growth of productivity and ageing



Source: Cai & Du, 2015

**Thank you**

