

China

Exchange rate: US\$1.00 equals 8.26 yuan.

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1951.

Current laws: 1953 (regulations) and 1978, 1995, 1997, and 1999 (directives).

Type of program: Social insurance and mandatory individual account system. (Provincial and city/county social insurance agencies and employers adapt central government guidelines to local conditions.)

Note: China does not yet have national social security legislation.

Coverage

Employees in urban enterprises and urban institutions managed as enterprises and the urban self-employed. In some provinces, coverage for the urban self-employed is voluntary. (Urban enterprises comprise all state-owned enterprises, regardless of their location.)

Old-age provision in rural areas is based mainly on family support and through community and state financial support. Pilot schemes in the form of individual accounts, supported at the town and village level and subject to preferential support by the state, operate in some rural areas.

Special systems: Employees of government and communist party organizations and of cultural, educational, and scientific institutions (except for institutions financed off-budget) are covered under a government-funded, employer-administered system. Enterprise-based pension systems cover some employees (including the self-employed) in cities.

Source of Funds

Insured person

Basic pension insurance: None, or as determined by local government regulations.

Mandatory individual account: 8% of gross insured earnings. (The contribution rate is higher in some provinces.)

The minimum earnings for employee contribution and benefit purposes are equal to 60% of the local average wage for the previous year.

The maximum earnings for employee contribution and benefit purposes vary but may be as much as 300% of the local average wage of the previous year.

Self-employed person

Basic pension insurance: Total contribution rates vary among provinces, from 10% to 20% of the local average wage (or a multiple of the local average wage). Around one-quarter of the total contribution finances basic pension insurance. The total contribution also finances the mandatory individual pension account, below.

Mandatory individual pension account: Around three-quarters of the total contribution (see basic pension insurance, above).

Employer

Basic pension insurance: Total contribution rates vary among provinces. The maximum is 20% of payroll, depending on local government regulations. The total contribution also finances the mandatory individual pension account, below.

Mandatory individual account: 3% of insured payroll. The contribution is taken from the total contribution made to basic pension insurance. (In the province of Liaonin and other pilot provinces, none).

Government

Basic pension insurance: Central and local government subsidies are provided to city/council retirement pension pools as needed.

Mandatory individual account: Central and local government subsidies are provided to city/council retirement pension pools as needed.

Qualifying Conditions

Old-age pension (basic pension insurance and mandatory individual account): Age 60 (men); age 60 (professional women), age 55 (nonprofessional salaried women), or age 50 (other categories of women). The insured must have a minimum of 15 years of coverage.

Age 55 (men) or age 45 (women) with at least 15 years of coverage, if employed in arduous or unhealthy work.

Early pension: Age 50 (men) or age 45 (women) with 10 years of coverage and if totally disabled.

Disability pension

Basic pension insurance: Total incapacity for work and not eligible for early retirement. Medical experts of the Labor Ability Appraisal Committee assess the degree of disability.

Mandatory individual account: No cash benefit is provided.

Survivor pension

Basic pension insurance (central government guidelines): The deceased was in covered employment or was a pensioner.

Funeral grant: For the death of the insured or a dependent immediate family member.

Mandatory individual account (central government guidelines): The deceased was in covered employment.

Old-Age Benefits

Old-age pension

Basic pension insurance (central government guidelines): 20% of the citywide or countywide average wage of the preceding year if the enterprise is participating in a city/county retirement pension pool. (Some rural areas follow the directives of the urban scheme. Benefits vary in rural areas following the rural pilot pension scheme). (In Liaonin and other pilot provinces, an equivalent of 0.6% to 1% of the average wage is paid for each additional year of contributions after the minimum period of 15 years.)

Early pension: A pension is provided.

The minimum pension is paid with 15 years of coverage.

The maximum pension is no higher than 100% of the insured's wage before retirement.

Mandatory individual account (central government guidelines): The monthly benefit is equal to 1/120 of total employer and employee contributions plus interest (transition arrangements are provided by local governments for workers whose employment began before the introduction of mandatory individual accounts and ended after). Benefits paid beyond 120 months are paid out of a reserve fund from balances of employer contributions to individual accounts closed on the death of the individual account holder (see mandatory individual accounts under survivor benefits, below).

(Liaonin and other pilot provinces are considering adopting a different method of calculating monthly benefits on the basis of person's retirement age, the average life expectancy for the urban population, and the interest rate.)

The minimum pension is set by provincial and city/county governments according to local standards of living.

Lump-sum settlement: A lump sum equal to the balance of the insured's total contributions plus interest is paid with less than 15 years of contributions to the mandatory individual account.

Permanent Disability Benefits

Basic pension insurance (central government guidelines): 40% of the average local wage in the previous year.

The minimum pension is set by provincial and city/county governments according to local standards of living.

Mandatory individual account (central government guidelines): No cash benefit is provided. (Local governments' regulations may vary.)

Survivor Benefits

Survivor pension

Basic pension insurance (central government guidelines): A lump sum of between 6 and 12 months of the insured's last monthly wage, according to the number of surviving dependents. Eligible survivors include the spouse, children, and parents.

Funeral grant: For the death of the insured, a lump sum equal to 2 months' average local wage in the previous year, payable to the spouse, children, parents, and grandparents. For the death of a dependent immediate family member, from 1/3 to 1/2 of the monthly average local or enterprise wage in the previous year, depending on the age of the deceased.

Mandatory individual account (central government guidelines): A lump sum equal to the balance of the insured's contributions only plus interest, payable to the insured's legal heir.

Administrative Organization

Ministry of Labor and Social Security, Department of Pensions, provides general guidance and ensures that local regulations follow central government guidelines.

Provincial or city/county social insurance agencies administer their respective retirement pension pools and individual accounts.

Mandatory individual account funds are deposited in state-owned banks.

Sickness and Maternity

Regulatory Framework

First law: 1951.

Current laws: 1953 (directive); 1978 (directives for permanent employees); 1986 (directives for contract workers); 1988 and 1994 (directives for women employees); and 1998, 1999, 2000, and 2002 (medical insurance directives).

Type of program (urban medical insurance program):

Social insurance (local level) and mandatory individual accounts system.

Note: China does not yet have national social security legislation.

Coverage

The urban medical insurance program covers all employees in the urban area (working in government organizations, enterprises, social groups, and nonprofit bodies).

The maternity insurance program covers all employees in urban enterprises.

Urban enterprises comprise all state-owned enterprises, regardless of their location.

Source of Funds

Insured person: Around 2% of gross wages for medical benefits only (local government may adjust contribution rates according to local factors). The contribution is paid into the insured's individual account. (Individual employees do not contribute to maternity insurance.)

The minimum earnings for employee contribution and benefit purposes are equal to 60% of the local average wage in the previous year.

The maximum earnings for employee contribution and benefit purposes are equal to 300% of the local average wage in the previous year.

Self-employed person: Not applicable.

Employer: Around 6% of total payroll for medical benefits (local government may adjust contribution rates according to local factors). The employer contribution is split 30/70 between the insured's individual account and the social insurance fund, respectively. (Nonparticipating enterprises pay directly for the cost of benefits.) A maximum of 1% of total payroll for maternity benefits (to be decided by local government).

Government: Central and local governments provide tax concessions and subsidies for administrative costs and finance complementary medical insurance schemes for civil servants.

Local governments and employers adapt central government guidelines on contribution rates to local conditions.

Qualifying Conditions

Sickness, maternity, and medical benefits: There is no minimum qualifying period.

Sickness and Maternity Benefits

Sickness benefit (central government guidelines for permanent workers): According to length of service, 60% to 100% of the insured's last monthly wage is payable by the employer for up to 6 months each year; thereafter, 40% to 60% is payable by the employer until recovery or the determination of permanent disability.

Contract workers receive the same benefits as permanent workers.

Maternity benefit (central government guidelines for permanent workers): The average monthly wage of the enterprise in the previous year is paid by the maternity social insurance fund for up to 90 days for the birth of a child, 42 days for a pregnancy that lasted 4 months or more (15 to 30 days for less than 4 months), or 42 days for 4 months or more of gestation before an abortion.

Contract workers receive the same benefits as permanent workers.

Workers' Medical Benefits

Medical benefits (central government guidelines for permanent workers): Covered workers receive medical benefits at a chosen accredited hospital or clinic on a fee-for-service basis.

Cost sharing: The individual account is used to finance medical benefits only, up to a maximum equal to 10% of the

local average annual wage. The social insurance fund reimburses the cost of the medical benefit from 10% up to 400% of the local average annual wage, according to the schedule. Medical treatment in high-grade hospitals results in lower percentage reimbursements, and vice versa. Reimbursement for payments beyond 400% of the local average annual wage must be covered by private insurance or public supplementary schemes.

Contract workers receive the same benefits as permanent workers.

Dependents' Medical Benefits

Medical benefits for dependents (central government guidelines for permanent workers): The same benefits as the insured.

Dependents include a grandfather, father, and husband aged 60 or older or disabled; a grandmother, mother, or wife not in paid employment; children younger than age 16; grandchildren younger than age 16 whose father is dead or disabled and whose mother is not in paid employment.

The individual account must not be used to pay for dependents' medical benefits.

Administrative Organization

Ministry of Labor and Social Security, Department of Medical Care Insurance, provides general guidance to local governments' medical insurance programs and ensures that local regulations follow central government guidelines.

Ministry of Labor and Social Security, Department of Medical Care Insurance, supervises the provision of benefits by nonparticipating enterprises.

Local government social insurance agencies and participating enterprises administer medical benefits insurance with the social insurance funds.

Local government social insurance agencies contract with accredited clinics and hospitals for the provision of medical benefits.

Ministry of Public Health provides general guidance to medical care providers.

Individual state-run enterprises administer cash benefit programs.

Local government social insurance agencies manage individual medical savings accounts.

Work Injury

Regulatory Framework

First law: 1951.

Current laws: 1953 (directive), 1978 (permanent employees directive), 1986 (contract workers directive), 1996 (directive), 2003 (employment injury directive), and 2004 (rural migrants directive).

Type of program: Local government-administered social insurance system. (Employer-liability scheme for nonparticipating enterprises.)

Local governments and employers adapt central government guidelines to local conditions.

Note: China does not yet have national social security legislation.

Coverage

Employees in all enterprises in China; self-employed persons and their employees.

Special systems: Employees of government and communist party organizations; employees of cultural, educational, and scientific institutions (except for institutions financed off-budget); and university students are covered under government-funded and employer-administered programs.

Source of Funds

Insured person: None.

Self-employed person: Contributes as an employer on behalf of employees.

Employer

Social insurance: Contributions vary according to three categories of industry and the assessed degree of risk. The average contribution rate in provinces is 1% of total payroll.

Employer-liability: Total cost for employers not participating in social insurance.

Government: Central and local government subsidies to guarantee reserve funds as needed.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

Temporary disability benefit (central government guidelines): 100% of the insured's wage for a maximum of 12 months is paid by the employer; may be extended for another 12 months. Payment is subject to approval by the municipal labor capability appraising committee. The employer provides necessary nursing care. The benefit is suspended on the award of the permanent disability pension.

Permanent Disability Benefits

Permanent disability pension (central government guidelines): The pension is awarded according to 10 degrees of assessed disability.

For total disability (degrees 1–4), a lump sum equal to 24 months of the previous wage plus a monthly pension equal to 90% of the previous wage (1st degree); a lump sum equal to 22 months' wages plus a pension equal to 85% of the previous

wage (2nd degree); a lump sum equal to 20 months' wages plus a pension equal to 80% of the previous wage (3rd degree); or a lump sum equal to 18 months' wages plus a pension equal to 75% of the previous wage (4th degree).

The pension ceases on the award of the old-age pension. If the old-age pension is less than the permanent disability pension, the employment injury fund pays the difference.

In the case of total disability, the insured and the former employer must contribute to the basic medical insurance scheme.

For a moderate permanent disability (degrees 5–6), a lump sum equal to 16 months' wages (5th degree) or 14 months' wages (6th degree). If the employer cannot offer the insured an appropriate job, a monthly benefit is paid equal to 70% of the insured's wage before the onset of disability (5th degree) or 60% of the insured's wage (6th degree).

Employers pay social insurance contributions for 5th and 6th degree pensioners. If the permanent disability pension is less than the local minimum wage, the employer pays the difference. If the insured voluntarily ceases the employment relationship with the employer, the insured receives a lump-sum employment injury medical treatment subsidy and a disability employment subsidy. Provincial governments set the subsidy rates.

For a minor permanent disability (degrees 7–10), a lump sum equal to 12 months' wages (7th degree), 10 months' wages (8th degree), 8 months' wages (9th degree), or 6 months' wages (10th degree). If the labor contract expires or the insured voluntarily ceases the employment relationship with the employer, the insured receives a lump-sum employment injury medical treatment subsidy and a disability employment subsidy. Provincial governments set the subsidy rates.

For all degrees of disability, employers are required to pay higher lump-sum compensation if the injured worker was employed illegally.

The minimum pension is equal to the local minimum wage.

Workers' Medical Benefits

Benefits are provided by accredited hospitals and clinics for nonemergency cases and any medical services for emergencies. Medical benefits include treatment, surgery, nursing, medicine, appliances, transportation, and hospitalization.

Survivor Benefits

Survivor pension (central government guidelines): 40% of the insured's wage before death for the spouse; 30% each for other dependents.

Widow(er) and orphans' supplements: Equal to 10% of the insured's wage.

Other eligible survivors include parents, grandparents, grandchildren, brothers, and sisters.

The maximum total survivor pension is equal to the insured's wage before death.

Lump-sum death allowance: A lump sum equal to between 48 and 60 months of the local average wage.

Funeral grant: A lump sum equal to 6 months of the local average wage.

Administrative Organization

Participating enterprises: Ministry of Labor and Social Security, Department of Medical Care Insurance, provides general guidance and ensures that local regulations follow central government guidelines.

Local government social insurance agencies and participating enterprises administer programs.

Unemployment

Regulatory Framework

First and current laws: 1986 (directive), 1993 (directive), and 1999 (directive).

Type of program: Local government-administered social insurance programs.

Local governments and employers adapt central government guidelines to local conditions.

Note: China does not yet have national social security legislation.

Coverage

All employees of urban enterprises and institutions. (Urban enterprises comprise all state-owned enterprises, regardless of their location.)

Source of Funds

Insured person: 1% of gross earnings.

Self-employed person: Not applicable.

Employer: 2% of gross payroll.

Government: Provincial regulatory fund and local governments provide subsidies to unemployment funds as required.

Qualifying Conditions

Unemployment benefit: At least 1 year in covered employment; involuntarily employed; not receiving old-age benefits; registration at, and regularly reporting to, a local employment-service agency; and actively seeking employment. The claim to an unemployment benefit must be made within 60 days after the labor contract expires or is terminated. The benefit may cease or be suspended for refusing a suitable job offer.

Unemployment Benefits

The benefit amount is set by local governments at a level higher than the local public assistance benefit but lower than the local minimum wage. The benefit is payable for a maximum of 1 year with less than 5 years of coverage, for a maximum of 1.5 years with 5 or more but less than 10 years, or for a maximum of 2 years with 10 or more years of coverage.

Administrative Organization

Ministry of Labor and Social Security, Department of Unemployment, provides general guidance and ensures that local regulations follow central government guidelines.

Local government social insurance agencies pay benefits.

Local government social insurance agencies and the tax authorities collect taxes.

Family Allowances

Regulatory Framework

Beginning in 1999, a tax-financed and means-tested minimum guarantee system has provided benefits to urban families whose per capita income is below the stipulated minimum level.

A similar program has been implemented in some rural areas.

Note: China does not yet have national social security legislation.