

## China

Exchange rate: US\$1.00 equals 8.02 yuan.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1951.

**Current laws:** 1953 (regulations) and 1978, 1995, 1997, 1999, and 2005 (directives).

**Type of program:** Social insurance and mandatory individual account system.

Note: China does not yet have national social security legislation. Provincial and city/county social insurance agencies and employers adapt central government guidelines to local conditions.

#### 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.) According to region, special arrangements are made for former farmers who migrate to work in urban areas.

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.

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

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

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

##### Self-employed person

**Basic pension insurance:** Around 12% of the local average wage.

**Mandatory individual pension account:** Around 8% of the local average wage.

##### Employer

**Basic pension insurance:** The maximum contribution is 20% of payroll, depending on local government regulations. Contribution rates vary among provinces.

**Mandatory individual account:** None. (Employer contributions to individual accounts on behalf of employees ceased on December 31, 2005.)

##### 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 (central government guidelines):** Age 60 (men); age 60 (professional women), age 55 (non-professional 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 (basic pension insurance): Age 50 (men) or age 45 (women) with 10 years of coverage and if totally disabled.

**Mandatory individual account (central government guidelines):** 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.

**Lump-sum settlement (mandatory individual account):** Paid if the insured has less than 15 years of contributions to the mandatory individual account.

##### Disability pension

**Basic pension insurance (central government guidelines):** Assessed with a total incapacity for work and not eligible for the early old-age pension. Medical experts of the Labor Ability Appraisal Committee assess the degree of disability.

**Mandatory individual account (central government guidelines):** No cash benefit is provided.

## Survivor pension

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

Eligible survivors include the spouse, children, and parents.

*Funeral grant:* Paid for the death of the insured or an immediate family member who was dependent on the insured.

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

The eligible survivor is the deceased's legal heir.

## Old-Age Benefits

### Old-age pension

*Basic pension insurance (central government guidelines):* The pension is calculated on the basis of the mean value of the average local wage of the preceding year before retirement and the average individual monthly wage for contribution purposes.

Early pension: A pension is provided.

The minimum pension is paid with 15 years of coverage and is equal to 1% of the calculated mean value for each year of coverage.

*Mandatory individual account (central government guidelines):* The monthly benefit is calculated on the basis of the balance in the insured's individual account divided by the actuarial month.

The actuarial month is determined by the insured's retirement age, the average life expectancy for the urban population, and the interest rate (transitional arrangements are provided by local governments for workers who began employment before the introduction of mandatory individual accounts in 1997 and who retired on or after January 1, 2006). After the monthly benefits from the mandatory individual account are exhausted, benefits are paid out of a reserve fund. The reserve fund constitutes balances of employer contributions made before January 1, 2006, to individual accounts that were subsequently closed as the result of the death of the individual account holder (see mandatory individual account under survivor benefits, below).

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

*Lump-sum settlement (mandatory individual account):* A lump sum is paid equal to the balance of the insured's total contributions plus interest.

### Permanent Disability Benefits

**Basic pension insurance (central government guidelines):** The pension is equal to 40% of the insured's monthly wage. (Local governments' regulations may vary.)

The minimum pension is set by provincial and city/county governments according to the local standard 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 deceased's last monthly wage, according to the number of surviving dependents.

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

*Mandatory individual account (central government guidelines):* A lump sum equal to the balance of the deceased's contributions, plus interest, is payable to the deceased's legal heir. (If the insured died before the normal retirement age, the balance of any employer contributions made before January 1, 2006, to the deceased's individual account is transferred to a reserve fund.)

## 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.

Provincial labor and social security authorities are responsible for regulatory funds to which locally pooled funds in the jurisdiction must pay a percentage of their revenue.

## Sickness and Maternity

### Regulatory Framework

**First law:** 1951.

**Current laws:** 1953; 1978 (permanent employees); 1986 (contract workers); 1988 and 1994 (women employees); 1998, 1999, 2000, and 2002 (medical insurance); and 2006 (rural cooperative medicare).

**Type of program:** Social insurance and mandatory individual account system.

Note: China does not yet have national social security legislation. The social insurance program applies to urban areas.

### Coverage

The maternity insurance program covers all employees in urban enterprises. (Urban enterprises comprise all state-owned enterprises, regardless of their location.)

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

A rural cooperative medicare program covers certain farmers (coverage is being gradually extended).

### 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. (Employees do not contribute for maternity benefits.)

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

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

**Self-employed person:** Not applicable. (Farmers covered by the rural cooperative medicare program contribute a flat-rate 10 yuan to the program's pooling fund.)

**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 systems for civil servants. Central and local governments finance most of the cost of the rural cooperative medicare program.

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 termination 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 for 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 at least 4 months (15 to 30 days for less than 4 months), or 42 days for at least 4 months of gestation before an abortion.

### Workers' Medical Benefits

**Medical benefits (central government guidelines):** 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 medical benefits from 10% 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 systems.

Under the rural cooperative medicare program, farmers are reimbursed annually for medical costs up to a maximum that varies according to the region.

### Dependents' Medical Benefits

**Medical benefits (central government guidelines):** No benefits are provided. 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.

County-level public health authorities administer the rural cooperative medicare pooling fund.

## Work Injury

### Regulatory Framework

**First law:** 1951.

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

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

Note: China does not yet have national social security legislation. Local governments and employers adapt central government guidelines to local conditions.

### Coverage

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

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 special government-funded, employer-administered systems.

### 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:** The 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 is paid by the employer for a maximum of 12 months; may be extended for another 12 months.

Medical experts of the municipal Labor Ability Appraisal Committee assess the degree of disability. The benefit is suspended on the award of the permanent disability pension.

The employer provides necessary nursing care.

## Permanent Disability Benefits

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

Medical experts of the municipal Labor Ability Appraisal Committee assess the degree of disability.

For a total disability (degrees 1–4), a lump sum is paid 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 work injury fund pays the difference.

To receive a pension for an assessed total disability, the insured and the former employer must contribute to the basic medical insurance system.

For a moderate permanent disability (degrees 5–6), a lump sum is paid 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 pensioners assessed with a 5th or 6th degree disability. 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 work 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 is paid 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 con-

tract expires or the insured voluntarily ceases the employment relationship with the employer, the insured receives a lump-sum work 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. Medical benefits include treatment, surgery, nursing, medicine, appliances, transportation, and hospitalization.

### **Survivor Benefits**

**Survivor pension (central government guidelines):** The spouse receives 40% of the deceased's last monthly wage; 30% is paid to each other dependent.

Widow(er)'s and orphan's supplements: Each receives 10% of the deceased's last monthly wage.

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

The maximum total survivor pension is equal to 100% of the deceased's last monthly wage.

**Death allowance:** A lump sum is paid equal to between 48 months and 60 months of the local average wage.

**Funeral grant:** A lump sum is paid 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**

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#### **Regulatory Framework**

**First and current laws:** 1986, 1993, and 1999.

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

Note: China does not yet have national social security legislation. Local governments and employers adapt central government guidelines to local conditions.

#### **Coverage**

All employees of urban enterprises and institutions.

#### **Source of Funds**

**Insured person:** 1% of gross earnings.

**Self-employed person:** Not applicable.

**Employer:** 2% of payroll.

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

#### **Qualifying Conditions**

**Unemployment benefit:** Must have at least 1 year in covered employment; be involuntarily employed; not be receiving old-age benefits; be registered at, and regularly reporting to, a local employment-service agency; and be actively seeking employment. The claim to the 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 contributions.

#### **Family Allowances**

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##### **Regulatory Framework**

A tax-financed, means-tested minimum guarantee system provides 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.