

China

Exchange rate: US\$1.00 equals 6.94 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 the province, 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 operate in some rural areas and are supported at the town and village level with preferential support by the state.

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 calculation purposes are equal to 60% of the local average wage for the previous year.

The maximum earnings for contribution calculation 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 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.

Government

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

Mandatory individual account: Central and local government subsidies are made to the individual accounts of insured persons through local 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 at least 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 at least 10 years of coverage and if assessed as totally disabled; age 55 (men) or age 45 (women) with at least 8 to 10 years of continuous coverage, if employed in arduous or unhealthy work.

The minimum pension is paid with at least 15 years of coverage.

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 at least 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 compensation (mandatory individual account): Paid if the insured has less than 15 years of contributions to the mandatory individual account.

In several provinces, insured persons who have reached retirement age with less than 15 years of contributions are allowed to make a lump-sum payment or continue to make contributions to qualify for monthly pension benefits.

In some areas, such as Beijing, a residence-based monthly welfare pension is granted to both urban and rural residents who have reached retirement age but are not covered under a pension program.

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 equal to the mean value of the average local wage of the preceding year before retirement and the average individual monthly wage for contribution calculation purposes.

Early pension: A pension is paid based on the average provincial wage in the previous year, the average individual monthly wage for contribution calculation purposes, and the number of years of contributions.

The minimum pension is equal to between 40% and 60% of the local average provincial wage during the previous year.

Mandatory individual account (central government guidelines): The monthly benefit is equal to 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 from a local pooling fund.

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 (disability, central government guidelines): The pension is equal to 40% of the insured's monthly wage.

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

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

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 of the average local wage in the previous year is paid to the spouse, children, parents, and grandparents. For the death of an immediate family member who was dependent on the insured, from 33% to 50% of the monthly average local or enterprise wage in the previous year is paid, 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 paid to the deceased's legal heir. If the insured died before the normal retirement age, the balance of any employer contributions made to the deceased's individual account before January 1, 2006, is transferred to a local pooling fund.

Administrative Organization

Ministry of Human Resources 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 local pooling 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 pilot rural cooperative medicare); and 2007 (pilot non-salaried urban resident medical insurance).

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 organizations.

A rural cooperative medicare program provides basic coverage to all farmers.

The pilot non-salaried urban resident medical insurance program is being gradually extended from 88 cities in 2007 to 229 cities in 2008 (nationwide implementation is expected by 2010).

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 calculation purposes are equal to 60% of the local average wage for the previous year.

The maximum earnings for contribution calculation 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 20 yuan a year to the program's pooling fund, which is matched by a local and central government contribution of around 40 yuan (varies by province).

Persons insured under the non-salaried urban resident medical insurance program contribute between 150 yuan and 300 yuan a year (adults) and between 50 yuan and 100 yuan a year (children).

Employer: Around 6% of total payroll for medical benefits (local government may adjust contribution rates according to local factors). The employer contribution is split between the insured's individual account (30%) and the social insurance fund (70%). Nonparticipating enterprises pay directly for the cost of benefits.) Up to 1% of total payroll for maternity benefits (set 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 80% of the premiums of the rural cooperative medicare program (less in well-off provinces). Central and local governments finance an average of between 36% and 56% of the non-salaried urban resident medical insurance 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 paid by the employer for up to 6 months each year; thereafter, 40% to 60% is paid by the employer until the employee recovers or is assessed as permanently disabled.

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 a 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 and the non-salaried urban resident medical insurance program, covered persons are reimbursed annually for medical costs up to a maximum that varies according to the province.

Dependents' Medical Benefits

Medical benefits for dependents (central government guidelines): No benefits are provided. The individual account must not be used to pay for dependents' medical benefits.

Administrative Organization

Ministry of Human Resources 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 Human Resources 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 and the pilot non-salaried urban resident medical insurance program.

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 (work 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, 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: 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 is 1% of total payroll.

Employer-liability: The total cost for employers not participating in the social insurance program.

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

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

100% of the insured's wage is paid by the employer for up to 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: 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 of wages plus a pension equal to 85% of the previous wage (2nd degree); a lump sum equal to 20 months of wages plus a pension equal to 80% of the previous wage (3rd degree); or a lump sum equal to 18 months of wages plus a pension equal to 75% of the previous wage (4th degree).

The pension ceases when the insured becomes entitled to 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 of wages (5th degree) or 14 months of wages (6th degree). If the employer cannot offer the insured an appropriate job, a monthly benefit is paid equal to 70% (5th degree) or 60% (6th degree) of the insured's wage before the disability began.

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 of wages (7th degree), 10 months of wages (8th degree), 8 months of wages (9th degree), or 6 months of 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 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: The surviving spouse receives 40% of the deceased's last monthly wage; 30% is paid to each dependent other than the surviving spouse.

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 Human Resources 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, 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 paid for up to 1 year with less than 5 years of coverage, for up to 1.5 years with 5 or more but less than 10 years of coverage, or for up to 2 years with 10 or more years of coverage.

Administrative Organization

Ministry of Human Resources 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

Regulatory Framework

A tax-financed, means-tested minimum guarantee system provides benefits to urban families whose per capita income is below a minimum level.

A similar program has been implemented in some rural areas.

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