

## China

Exchange rate: US\$1.00 = 6.78 yuan.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1951.

**Current laws:** 1953 (regulations); 1978, 1995, 1997, 1999, and 2005 (directives); and 2009 (guideline on rural pilot pension).

Note: The country's first national law on social insurance was adopted in October 2010 and will be implemented in July 2011. The new law mainly unifies existing social security schemes.

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

#### 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.) Special arrangements in certain provinces are made for former farmers who migrate to work in urban areas.

Pilot rural pension schemes are gradually being rolled out in the form of social assistance and individual accounts (by September 2010, in 508 counties and Beijing, Shanghai, Tianjian and Chogqing).

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 used to calculate contributions are 60% of the local average wage for the previous year.

The maximum earnings used to calculate contributions vary but may be as much as 300% of the local average wage for the previous year.

**Rural pilot pension:** None.

##### Self-employed person

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

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

**Rural pilot pension:** None.

##### 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.

**Rural pilot pension:** An annual contribution of 100 yuan to 500 yuan is paid to an individual rural pension account.

##### Government

**Basic pension insurance:** Central and local government provide subsidies as needed.

**Mandatory individual account:** Central and local government provide subsidies as needed to the individual accounts of insured persons.

**Rural pilot pension:** A tax-financed contribution of 55 yuan per month per insured person. The central government pays the total cost of the scheme in the central and western regions; the partial cost of the scheme in the eastern region.

#### 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 with a total disability; 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.

*Rural pilot pension:* Age 60 (men and women) and not entitled to the urban basic pension.

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 an 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.

An eligible survivor is the deceased's legal heir.

## Old-Age Benefits

### Old-age pension

*Basic pension insurance (central government guidelines):* The pension is based on the average local wage in the year before retirement and the average individual monthly wage used to calculate contributions.

Early pension: The pension is based on the average provincial wage in the previous year, the average individual monthly wage used to calculate contributions, and the number of years of contributions.

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

*Mandatory individual account (central government guidelines):* The monthly benefit is 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 of the balance of the insured's total contributions plus interest.

*Rural pilot pension:* A monthly social assistance pension of 55 yuan plus a monthly individual account benefit (total savings divided by 139) is paid.

## Permanent Disability Benefits

**Basic pension insurance (disability, central government guidelines):** The pension is 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 6 to 12 months of the deceased's last monthly wage is paid, according to the number of surviving dependents.

*Funeral grant:* For the death of the insured, a lump sum of 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, 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 of 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 supervision.

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 (special reserve funds) to which local pooling funds in the jurisdiction must pay a percentage of their revenue.

### **Sickness and Maternity**

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#### **Regulatory Framework**

**First law:** 1951.

**Current laws:** 1953; 1978 (permanent employees); 1986 (contract workers); 1988 and 1994 (female employees); 1998, 1999, 2000, and 2002 (medical insurance and pilot rural cooperative medicare); and 2007 (pilot non-salaried urban resident medical insurance).

Note: The country's first national law on social insurance was adopted in October 2010 and will be implemented in July 2011. The new law mainly unifies existing social security schemes.

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

#### **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 non-salaried urban resident medical insurance program covers all employees in urban areas.

#### **Source of Funds**

**Insured person:** About 2% of gross wages for medical benefits only (contribution rates may vary by local government) is paid to the insured's individual medical savings account.

The minimum earnings used to calculate contributions are 60% of the local average wage in the previous year.

The maximum earnings used to calculate contributions are 300% of the local average wage in 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 combined local and central government contribution of around 80 yuan (varies by province).

Persons insured under the non-salaried urban resident medical insurance program contribute 200 yuan to 300 yuan a year (adults) and about 100 yuan a year (children).

**Employer:** About 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 60% 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):** The employer pays 60% to 100% (according to length of service) of the insured's last monthly wage for up to 6 months each year; thereafter, the employer pays 40% to 60% until the employee recovers or is assessed with a permanent disability.

Contract workers receive the same benefits as permanent workers.

**Maternity benefit (central government guidelines for permanent workers):** The maternity social insurance fund pays the average monthly wage of the enterprise for the previous year for up to 90 days for the birth of a child, 42 days for a pregnancy that lasted at least 4 months, or 15 to 30 days for less than 4 months.

#### **Workers' Medical Benefits**

Covered workers receive medical benefits at a chosen accredited hospital or clinic on a fee-for-service basis.

Cost sharing: The individual account finances medical benefits only, up to 10% of the local average annual wage. The social insurance fund reimburses the cost of medical benefits from 10% to 600% of the local average annual wage, according to a schedule. Reimbursement for payments beyond 600% 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 by province.

## Dependents' Medical Benefits

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 to provide 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).

Note: The country's first national law on social insurance was adopted in October 2010 and will be implemented in July 2011. The new law mainly unifies existing social security schemes.

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

### 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 for 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 governments provide subsidies to pooling funds as needed.

## Qualifying Conditions

**Work injury benefits:** There is no minimum qualifying period.

## Temporary Disability Benefits

The employer pays 100% of the insured's wage for up to 12 months; may be extended for an additional 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.

For a total disability (degrees 1-4), a lump sum is paid of 24 months of the previous wage plus a monthly pension of 90% of the previous wage (1st degree); a lump sum of 22 months of wages plus a pension of 85% of the previous wage (2nd degree); a lump sum of 20 months of wages plus a pension of 80% of the previous wage (3rd degree); or a lump sum of 18 months of wages plus a pension of 75% of the previous wage (4th degree).

The pension ceases when the insured becomes entitled to an 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 of 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 of 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 of 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 the local minimum wage.

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

### **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 additional 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 100% of the deceased's last monthly wage.

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

**Funeral grant:** A lump sum of 6 months of the local average wage is paid.

### **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**

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### **Regulatory Framework**

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

Note: The country's first national law on social insurance was adopted in October 2010 and will be implemented in July 2011. The new law mainly unifies existing social security schemes.

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

### **Coverage**

All employees of urban enterprises and institutions.

Exclusions: Self-employed persons.

### **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 of covered employment; be involuntarily unemployed; 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 for 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.

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## ***Family Allowances***

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### ***Regulatory Framework***

A tax-financed, means-tested minimum guarantee system administered by the local Bureau of Civil Affairs provides benefits to both urban and rural families nationwide whose per capita income is below a minimum level.

The country's first national law on social insurance was adopted in October 2010 and will be implemented in July 2011. The new law mainly unifies existing social security schemes.