China: Towards a Social Protection Floor

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Agenda

1. Social security in China until late 1990s
2. Rapid expansion since 2000
3. Current and forthcoming challenges
China’s SP until late 1990s’

• Opening reform in late 1980’s:
  ➢ major SOE restructuration
  ➢ dismantling of the State health care system, the “iron bowl”, more restriction on rural/urban migration, etc.

need to extend/build social security to better protect workers (mid-90s’: current urban employees system was established with 5 guarantees)
Social Security & SPF in China 10 YEARS AGO

880 million rural residents in 2000

"3 Nos" (sanwu) program (no income, no working ability, no relatives’ support)

Civil servants

Urban employees

Rural residents (67%) Urban residents (33%)

Level of benefits
Social Security & SPF in China TODAY

- Rural residents (53%)
- Urban residents (47%)
- Civil servants
- Urban employees
- Farmers
- Non-covered by labour contract law

Level of benefits
Agenda

1. Social security in China until late 1990s
2. Rapid expansion since 2000
3. Still some gaps
4. Forthcoming challenges
5. Conclusions
How to explain such a rapid progress?

10 years of programs piloting

1999, urban *dibao* (minimum income guarantee scheme + medical, education and housing assistance)

2003, National Cooperation Rural Medical Scheme (NCRMS)

2007, rural *dibao*

2007, Universal health coverage to all urban residents

2009, Rural pension scheme (for all farmers over 60 years old)

2009, National Health Care Reform (US$ 125 billion: access and quality)
Social Security & SPF in China: Schemes

MIGRANT WORKERS
140 million

Dibao, Social pension & NRCMS

Dibao & Universal HC

Civil Servants Fund

5 contingencies under UES

Rural residents (53%)

Urban residents (47%)

Level of benefits
In 2010, the Social Insurance Law was finally adopted

Grounded on the principles of the SPF

Major Points:
- National pooling of basic pension funds
- Expansion of rural coverage
- Interprovincial portability of pension rights and medical insurance
- Attention to special groups (migrant workers)
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Current and forthcoming challenges

Today, Social security is one of the priority of the 12th Five Year Plan.

Why is it recently given so much importance?

1. Widening income disparities:
   - Emerging urban poverty (2007: 22 million urban residents on \textit{dibao})
   - Inequalities urban/rural residents
   - Disparities Western/Eastern provinces
Challenges

2. Ageing population: by 2050, one quarter of the population will be over 65 years old.

Source: World Population Prospects
Challenges

3. Need to shift to a domestic demand-driven economic model:

- To alleviate the dependence on international conjuncture,

- To develop the services sector.
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1. Social security in China until late 1990s
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4. Conclusions: still some gaps, pressures
SP development in China, still at the first step of the SPF

- Almost universal population coverage, but at a low level of benefits

<table>
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<tr>
<th>Monthly national averages, 2010 (CNY)</th>
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<tr>
<td>Mini. wage</td>
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<td>960</td>
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100 CNY = 14 USD in 2010

- Migrant workers excluded

- Low quality of health care and education in rural areas
Some reforms are needed, far beyond the scope of social security

- Reform of the *hukou* system and improvement of working conditions to protect migrant workers
- Tax reform to ensure sustainability of the SPF programs
- Entire economic model jeopardized by the rapid population ageing
Thank you!