

► Research Brief 3

January 2021

Social Security of Platform Workers in China: findings and recommendations from two studies (2018-2019)

Key points

- The vast majority of platform workers in China exhibit characteristics of non-standard employment notably self-employment according to two surveys implemented in 2018 and 2019.
- The first survey showed that platform workers reported very low levels of participation rates in social insurance, particularly in employment injury and unemployment insurance schemes (only platform employees are covered by law in such schemes).
- Some respondents were covered by pension (41 per cent) and health insurance (65 per cent) schemes for residents, according to the second survey, but these provide substantially lower benefits compared with schemes for employees.
- This brief summarizes the findings and recommendations of the two studies. There are only a few published results of similar surveys in China.
- The paper calls for analysis and systematic review of existing survey results on the topic in support of the design of comparable survey methodologies to inform policy making.

Introduction

This research brief presents the results of two studies. The first by the Chinese Academy of Labour and Social Security (CALSS) (2019) discusses the categorization of workers in platform economy and provides some analysis of the limitations of their social security coverage. The second by the China Association of Social Security (CAoSS) (2018) presents the results of a survey regarding coverage of workers in non-standard forms of employment and the difficulties faced by those workers to access social security. The brief concludes with common findings from both studies.



Source: ILO

Social security rights of workers in platform economy, Dr Yang Yang

1. Introduction

In recent years, the development and wide application of information technology such as the Internet has spawned and promoted the vigorous development of Internet platform companies, and a large number of new jobs relying on Internet platforms have also been born. Among them, the sharing economy developed the fastest, and the number of people employed through sharing platforms has increased year by year, becoming one of the important channels for new employment in China's cities and towns. According to the "China Sharing Economy Development Report 2020", in 2019, the volume of China's sharing economy market was 3,282.8 billion yuan, an increase of 11.6% over the previous year; the number of participants in the sharing economy was 800 million, and the number of service providers was approximately 78 million. Platform companies have 6.23 million direct employees. In particular, the impact of the COVID-19 outbreak in early 2020 has forced production, service and consumption behaviors to migrate online on a larger scale. The number of platform users and transaction volume have soared, including online medical care, education and tutoring services, takeaway catering, and live broadcast economy. For example, from the outbreak of the epidemic to the end of June 2020, the number of new riders earning income on the Meituan platform exceeded 1 million, and the platform Hema Xiansheng provided shared employment for more than 10,000 people.

These new types of employment have a large number and rapid growth. However, they exhibit characteristics of non-standard employment on a large scale, and face labour protection problems including insufficient social security coverage, which have attracted great attention from the Chinese government. For example, the General Office of the State Council issued the "Guiding Opinions on Promoting Standardized and Healthy Development of Platform Economy" (Guobanfa [2019] No. 38) on August 1, 2019. Especially since the COVID-19 epidemic, the state has successively issued a number of policy documents that encourage flexible employment through multiple channels such as new business formats, all of which involve the protection of labour rights. For example, on July 28, the "Opinions on Supporting the Healthy Development of New Business Forms and New Models to Activate the Consumer Market to Promote Employment Expansion" (Fagai Gaoji

[2020] No. 1157) and the "Opinions on Supporting Multi-channel Flexible Employment" (Guobanfa [2020] No. 27), clearly stated that "we should promptly study and improve the social security policies for platform workers including those flexibly employed, actively promote the universal participation plan, and guide more platform workers to participate in insurance", and "study and formulate labour protection policies for platform workers, clarify the responsibilities of Internet platform companies in the protection of labour rights", "explore social security policies that adapt to cross-platform, flexible employment among multiple employers." At the same time, China introduced a number of policies to reduce the burden of insurance payment for flexible workers and improve the convenience of insurance payment. These policies are also applicable to platform workers who are mainly flexible workers, such as increasing the use of online platforms for services, 24 hours services, no face-to-face services, and allowing insured companies and individuals to postpone payments of contributions. Flexible workers who have real difficulties in paying basic pension insurance premiums in 2020 can voluntarily postpone their payment as required.

2. Basic characteristics of platform workers

The development of the platform economy has broken the limitations of traditional industries in terms of space, time, and production and operation methods. Therefore, it has also made working hours, working methods and working locations more flexible, which has resulted in a large number of part-time and flexible employment.

In order to fully understand the employment status and insurance participation status of platform workers, discover the difficulties and problems in their participation and analyze the reasons, the research team of the Chinese Academy of Labour and Social Security (CALSS) launched a survey "Social insurance of platform workers" from July to November 2019. The research team adopted two investigation methods:

First, a questionnaire survey. The research team entrusted a questionnaire survey company (wenjuanxing) to conduct a questionnaire survey for platform workers. A total of 2,148 questionnaires were issued and 2,026 valid questionnaires were returned. The distribution targets included five types of platform workers: platform enterprise employees, employees of third-party agencies dispatched to carry out platform work (such as online car-hailing drivers, couriers, etc.), platform-based individual store owners, platform-based individual store staff, and

other platform workers (such as WeChat public account operators, webcasters, etc.).



Source: ILO

Second, site visits. The research team carried out field research in Chengdu and Hangzhou, the two cities that have policies promoting insurance participation of workers in new employment forms. They also visited Meituan and SF Express to conduct targeted investigations.

The results of the questionnaire survey show that platform workers have distinctive characteristics of high flexibility and high mobility. More than half of the platform workers investigated worked on the current platform for less than one year, and more than 60% worked part-time. According to the latest data disclosed recently by Meituan, more than half of riders work less than 4 hours a day, and 35% of riders have other sources of work.

3. The types of employment and insurance participation of platform workers

From the perspective of employment relationship between platform workers and platform companies, platform workers can be roughly divided into four types. In consideration of factors such as improving efficiency and saving costs, platform companies use multiple employment types at the same time. Our questionnaire surveys and field investigations found that many platform workers have not established labour relations or have undefined labour relations, and most of them are not covered by the social insurance.

(1) Platform company employees who have signed a labour contract with the platform company

There are labour relations between such employees and platform companies, which belong to the traditional standard employment category, such as employees of JD.com and SF Express that adopt direct and self-operated models. In comparison, the employment stability of platform enterprise employees is higher, with better labour protection, but they account for a very small proportion of platform workers. According to the "China Sharing Economy¹ Development Report 2020", in 2019, there were approximately 6.23 million direct employees of platform companies, accounting for approximately 8% of the 78 million sharing economy workers.

(2) Platform workers who have established labour relations or labour service relations with a third-party agency who undertakes part of the business of the platform company or rely on the platform to operate

Such workers use the information shared by the platform to provide services. They need to accept the unified requirements formulated by the platform in terms of working methods and service standards, but they have not signed labour contracts with the platform companies. They established labour relations or labour service relations with a third-party agency that undertakes part of the business of the platform company (mostly offline business) or a third-party agency operating on the platform (mostly online business), and the third-party partner performs labour management. These include online ride-hailing drivers/couriers, e-commerce employees, etc. The employment relationships of such workers are the most complicated and diverse due to unestablished or undefined labour relations, so their participation in insurance is relatively poor.

(3) Platform-based workers in crowdsourcing employment

Such workers register on one or more platforms as individuals, rely on the market information provided by the platform to provide services and obtain labour compensation (the platform extracts a corresponding proportion from the information service fee). Most of them are part-time, such as crowdsourced food delivery riders /couriers, etc. Their work flexibility is relatively highest, and they are not restricted by the labour management of platform companies or third-party partners. But at the same time their social security rights protection status is relatively the worst.

¹ The term sharing economy in China designates the entirety of platform economy.

(4) Workers relying on the platform for entrepreneurship and the self-employed

Such workers use the information resources gathered by the platform to carry out sales or provide services and obtain operating income or labour compensation, thereby realizing entrepreneurship or becoming freelancers, and their relationship with the platform is only a cooperative business relationship. Those include Taobao personal stores, some webcasters/self-media, etc. The survey found that the social insurance status of platform entrepreneurs and self-employed persons is second only to platform enterprise employees, but more (nearly half) are participating in the urban employee social insurance system as flexible employees.



Source: ILO

4. Analysis of the reasons for insufficient social security coverage of platform workers

(1) Social insurance policy factors lead to lack of protection or insufficient protection

First, there are policy and regulatory gaps in work-related injury insurance and unemployment insurance. These two social insurances have extremely limited legal coverage for flexible employees, whilst most of the platform employees are flexible employees, so they cannot participate in these social insurances without the support of employers.

Second, although basic pension insurance and medical insurance have achieved full coverage institutionally, there is a problem of insufficient protection in practice. This is prominently reflected in the fact that some areas still have household registration restrictions on voluntary participation in local urban employee basic pension insurance and medical insurance as flexible employees. It

is mainly in places where labour tends to migrate, such as Beijing and Shanghai.

(2) The companies' failure to participate in insurance in accordance with the law has impaired social security rights of platform workers

This is mainly concentrated in some cases where labour relations have been established, de facto labour relations exist, or labour relations should be established in accordance with the law, but enterprises evade their employer's responsibilities and fail to pay social insurance contributions in full as required.

(3) Some platform workers have low willingness to participate in social insurance

Our questionnaire survey results show that due to factors such as low income, lack of understanding or misunderstanding of social security policies, more emphasis on short-term benefits and insufficient awareness of long-term benefits and professional risks, some platform workers have low willingness to participate in social insurance, and they have a higher tolerance of substandard employment behaviors such as underpayment and non-payment of social security contributions.

5. Proposed policy measures

(1) Regulate labour relations in accordance with the law to safeguard the social security rights and interests of platform workers

First, for workers with labour relations or de facto labour relations, enterprises should perform their responsibility of participating in social insurance in accordance with the "Social Insurance Law" and other relevant regulations. Second, for those incompliant companies and those deliberately avoiding employers' responsibilities, the government should further strengthen inspection and law enforcement. Third, for workers who are difficult to establish standard labour relations, platform companies should be guided to actively perform social responsibility.

(2) Explore the establishment of an occupational injury protection system that adapts to the characteristics of platform workers

Compared with traditional industrial enterprises, workers of platform enterprises have a higher risk of occupational injury, especially in some food delivery and express delivery industries. Due to the nature of the industry and the salary system, the incidence of traffic accidents is high. Therefore,

there is an urgent demand for occupational injury protection for a large number of platform workers without labour relations or undefined labour relations, but there is a regulatory gap. It is recommended to explore the establishment of a government-led social insurance model of occupational injury protection system by referring to the existing work injury insurance system, and start the pilot as soon as possible.

(3) Explore policies that conditionally relax restrictions on the place of household registration

The main reason for the household restriction is that the large differences in social insurance benefits in various regions can easily lead to moral hazard. Insured persons have a strong motivation to concentrate in places with relatively high social insurance benefits to participate in the insurance. However, from a fairness and long-term perspective, it is recommended that regions currently with household registration restrictions for insurance participation can explore and introduce some targeted policies to relax entry thresholds, especially for migrant workers who have long-term employment and stable residence. For example, in Hangzhou, it is suggested to allow flexible employees to participate in the basic pension insurance and medical insurance for urban employees in the place of employment to enable them to share the fruits of economic and social development.

(4) Improve awareness of platform workers for insurance participation and improve their insurance participation experience

It is needed to strengthen advocacy to widely promote social security policies in a simple, clear and popular way, and increase platform workers' awareness for social security policies and their own social security rights. It may require enhanced use of information technology to improve social security administrative capabilities, adaptation to the high mobility of platform workers, and provision of more convenient and efficient services.

Social protection for workers in new forms of employment in China: Evidence from a survey, Dr Hua Ying

1. Introduction

For a better understanding of the status quo of social protection for people in new forms of employment², the China Association of Social Security (CAoSS) collaborated with the ILO on a study to map the social protection gaps of these people to provide baseline information for the follow-up research and seminars on this topic.

In August and September 2018, the CAoSS research team launched a survey in three representative Chinese cities, i.e. Beijing, Hangzhou and Chengdu. The focus group of this survey is the workforce mobilized through digital platforms (Eleme, Meituan for food delivery, DiDi for ride-hailing driving, etc.). The analysis relies on both quantitative data collected through questionnaires, and qualitative data collected through in-depth interviews. The whole population is difficult to be identified, so we applied convenience sampling by searching for respondents through placing orders via apps. The questionnaire items were presented on paper and distributed to 350 persons, and 322 valid responses were returned. Meanwhile, we conducted semi-structured interviews with selected respondents. Interview questions centred around working conditions, occupational risks, concerns in their daily work and awareness of social insurance and labour protection. The following section will present some main findings.

2. Characteristics of survey respondents

The respondents were aged 18 to 57, with an average age of 32, most of whom were young adults. The average population per household was 4.24, indicating that most of them were from the medium-sized household and thus had families to support. A large share of the respondents (74 per cent) had a rural household registration record and thus were rural to urban migrant workers. Almost 90 per cent of the respondents were male, who were mostly involved in physical labour, suggesting that many platform

² "New forms of employment" (新型就业) is a term used in the 13th Five-year plan of the Ministry of Human Resources and Social Security and a few other government policy documents. It is a loose concept referring to jobs such as platform work or crowd work by virtue of information technology and the Internet. It emerged with the rapid development of the digital economy and can be understood as falling under the broad concept of "non-standard employment", which describes a range of contractual arrangements including temporary employment, part-time and on-call work, multi-party employment relationship, disguised employment/dependent self-employment that deviate from the "standard employment relationship", understood as work that is full time, indefinite, as well as part of a subordinate relationship between an employee and an employer. Most workers on digital platforms fall into this category. For more details, see: ILO (International Labour Office). 2016. Non-standard employment around the world: Understanding challenges, shaping prospects (Geneva). http://www.ilo.org/global/publications/books/WCMS_534326/lang--en/index.htm

jobs exist at the bottom of the labour market. The threshold to entry is usually low, and many workers have no bargaining power.

More than 70 per cent of the respondents did not sign any labour contract, and only 16 per cent entered into a formal or a standard labour contract, indicating that many platform workers were in a state of having no formal employer and thus could not be included in the employer-sponsored mandatory social insurance scheme under existing laws. In many cases, platform workers were positioned as self-employed³, thus labour protection mechanism (such as social insurance) based upon employment contracts and clearly delineated labour relations were easily disrupted.

3. Outstanding problems faced by the respondents

Respondents identified the following priority concerns:

- Disadvantageous and unregulated working conditions, no holidays, long working hours.
- Volatile and meager earnings. The flexibility of work tasks and the uncertainty of the remuneration led to lower earnings and income insecurity. Except for a very small number of people who had fixed-term employment contracts, most of the workers were exposed to volatile earnings which largely depend on their intensity of labour and length of working hours.
- Poor occupational safety. Prone to occupational accidents and diseases. Insecurities and the absence of safety nets.
- The lack of social insurance coverage and occupation-related benefits. Most of the respondents had incomplete social insurance coverage; to make things more complicated, some coverage was obtained from schemes for non-employee urban and rural residents which provide lower levels of benefits. Many respondents said they had no clear understanding of and poorly informed about social insurance policies. Some mentioned that the required contribution was unaffordable.
- Work environment overly demanding and highly competitive. Since job opportunities and work tasks are

organized through open-ended digital platforms, whether workers can obtain assignments and earn income depends largely on whether they can stand out from the competition and get a good record in the rating system. Further, some platforms encourage workers to work overtime through offering incentives. As one deliveryman explained: "We are worried about being poorly rated by clients. Poor ratings lead to lost earnings or even a user account closure.... I get additional benefits from the platform by completing 40 orders in one day, so I often work more than 10 hours a day."

- Some respondents also expressed their displeasure with the lack of dignity and respect in the workplace and vulnerability to demanding clients.

4. Social protection coverage gaps: with occupational accidents being the prominent risk

Our survey confirms that the social protection of workers in new forms of employment is seriously inadequate, underpinning the necessity of making this group of people the main target in extending social security coverage.

According to our survey, platform workers reported very low levels of participation rate (ca.20 per cent) in the basic old-age insurance, health insurance, unemployment insurance and employment injury insurance schemes for employees. Some respondents were covered by the pension (41 per cent) and health insurance (65 per cent) schemes for non-employee residents, which provided substantially lower benefits compared with schemes for employees. Only 2 per cent of those surveyed had access to enterprise pensions and other occupation-related benefits.

A majority were excluded from the existing employment injury insurance scheme. The reasons largely relate to the facts that under the legal framework employers are held responsible for securing occupational safety and health of their workers, and the current employment injury insurance is not designed for workers without identifiable employers or workers with multiple employers. Meanwhile, a large share of workers in new employment forms are working in manual labour jobs and are exposed to complex and usually unregulated working condition (long-working hours, mental stress, traffic accidents or violence). For

³ Two major reasons explain why digital platforms position workers as self-employed. First, platform companies generally consider themselves as intermediaries and matchers of demand and labour supply; they do not employ the people providing services. Second, platform work features high autonomy in terms of when, where and how task is performed. In some cases, platform workers combine this work with a main salaried employment, from which they may derive social security entitlements.

example, food delivery workers need to respond to client needs rapidly and thus suffer from higher accident rates. As one man described: “I feel stressed that the delivery time set by the platform is getting shorter and shorter. To avoid bad customer reviews and lost earnings, we have to ride fast and sometimes even violate traffic regulations.”

An analysis of the needs of workers in new forms of employment reveals that occupational accidents pose the most prominent risks. For pension and health insurance, even if this group of workers cannot be covered by the mandatory schemes for salaried employees, joining the voluntary residents’ schemes remains an option. The problem is not whether having an entitlement to benefits or not, but rather the adequacy of benefits. Besides, the access to government-funded schemes, such as social assistance and social welfare services, remains available in place of household registration of the migrant workers, if not in place of either employment or residency. In contrast, the employment injury insurance has strict legal restrictions which stipulate that the protection coverage can only be obtained through formal employment relations. Further, being excluded from employment injury insurance, this group of workers are unlikely to get proper training on occupational safety, nor the government authorities or agencies in charge of implementing employment injury insurance attach importance to their occupational safety. As a remedy, some platform companies purchased personal accident insurance for the workers. But according to our survey, workers may lose “credit points” which are relevant to their income or have their accounts on the platform blocked after making an insurance claim. In this case, workers tend to choose not to report minor accidents and get no compensation.

5. Reasons for protection coverage gaps

Major reasons for the coverage gap for workers in new forms of employment include:

(1) The underdeveloped social insurance system.

First, the current social security system de facto divides participants into two groups: employees and residents. The former refers to workers in formal employment and are covered by mandatory insurance schemes, whereas the latter refers to all populations outside of formal employment who are covered by voluntary and weakly binding schemes. In many cases, platform workers are financially dependent on platform work as their main source of income, but they have no access to legal or effective coverage as a salaried employee. Instead, they

obtain access to the pension and health insurance schemes for self-employed or for non-salaried residents, which are voluntary, and thus easily being left unprotected. Second, regionally segmented social insurance system has led to fragmented local policies and obstacles in implementation. Third, the mechanisms for implementing social insurance schemes are not well adapted to non-standard employment. Social insurance agencies allow for inadequate flexibility on registration and contribution payments required by worker to qualify for benefits. Our respondents maintained that overly complex administrative procedures hamper their insurance participation and called for simplified and streamlined registration and contribution payment process.

(2) High contribution rates and insufficient incentives.

Platform workers who receive unstable earnings find it unaffordable or are unwilling to contribute. High contribution and the lack of a mechanism for sharing contribution payments discouraged their participation. Our respondents called for social insurance subsidies provided by employers or governments, as well as reduced social insurance contribution rate.

(3) Limited access to information and education about social insurance policies.

The general public does not have a good understanding of social insurance policies, not only because of a lot of variations in China’s different regions regarding social insurance policies arising from regional segmentation, but also because proper policy dissemination is not in place. Governments need to communicate policies clearly to the public. Further, coverage policies for workers in new forms of employment are more complicated and confusing, discouraging workers in such employment from participating in social insurance.

(4) Some workers, especially those who are young and healthy, are less sensitive to risks or improperly myopic.

One of the core functions of social insurance is to prepare for future contingencies, but some people have little awareness about the necessity of joining the insurance and prefer to add insurance contributions to their incomes. Short-sightedness coupled with voluntary participation dampens participation in social insurance.

(5) The existing social insurance system cannot adapt to non-standard employment relationship.

Unlike standard forms of employment, in the case of new forms of employment, it is difficult to identify the

stakeholders liable for contributing to social insurance. Workers in new forms of employment are almost invariably categorized as self-employed or freelancers, and therefore are not covered to the same extent as dependent employees by social insurance programs. Usually, neither those requesting the services nor the organizing platforms recognize an employment relationship which would also entail responsibilities regarding social security. Innovative ways of designing, organizing and implementing social protection are therefore required.

In view of such facts, it is imperative to (i) improve social protection for workers in new forms of employment and make it as a priority in extending China's social security coverage; (ii) apply social insurance administrative and legislative adaptations to non-standard employment relationships; (iii) intensify efforts to recalibrate and improve the existing employment injury insurance, health insurance and pension schemes; (iv) innovate the mechanisms for implementing the social security system; and (v) raise workers' awareness of their legal rights and entitlements, establish processes for handling appeals and introduce remedy measures.

Conclusion

Although there is not yet national official data to corroborate the findings of these two studies, questionnaire surveys and field investigations have found that the vast majority of platform workers exhibit characteristics of non-standard employment, and self-employment in particular.

Platform workers who have not established labour relations or whose labour relations are not clearly defined, are not covered by the social insurance system.

Different insurance types have different coverage of platform workers. Pension insurance and medical insurance have achieved full coverage institutionally, but there is a problem of insufficient protection in practice; there are policy gaps in industrial injury insurance and unemployment insurance.

Enterprises failing to operate in accordance with laws and regulations, deliberately evading the employer's responsibility, and workers' own weak awareness of insurance participation are also the main reasons for the low participation rate.

It is recommended to further strengthen the protection of social security rights and interests of platform workers by regulating employment relations in accordance with the

law, exploring the establishment of a social insurance system suitable for flexible employment patterns, and increasing the awareness of platform workers and convenience of participating in insurance.

Finally, in order to assist evidence-based policy making, more studies are needed based on survey data. To achieve that the first step should be to conduct the analysis and systematic review of surveys already undertaken on the topic, and to develop comparable survey methodologies to compare results and inform evidence-based policy making.

Key references

Sharing Economy Research Center of State Information Center, "China Sharing Economy Development Report 2020", March 4, 2020. https://www.sohu.com/a/379131759_468661.

Mo Rong, "Concept, Status Quo and Collaborative Governance of New Employment Forms", *New Economy Weekly*, Issue 3, 2020.

Manpower sharing and new exploration of future employment in the post-epidemic era, March 20, 2020. <https://finance.ifeng.com/c/7uzo3DBj11x>.

Authors



Dr Yang Yang was graduated from the Graduate School of the Chinese Academy of Social Sciences in 2013 with a doctorate in economics. Yang Yang is currently an associate researcher at the Pension Security Research Office of the Chinese Academy of Labour and Social Security of the Ministry of Human Resources and Social Security (MOHRSS).

Yang Yang has long been engaged in theoretical and policy research in the field of social security, and has presided over or participated as a core member in more than 50 research projects, including major national science and technology projects, major projects sponsored by the Social Science Fund, and projects commissioned by ministries (MOHRSS, National Development and Reform Commission, Ministry of Finance etc.) and provincial governments. Dr Yang has published 20 academic papers in core academic journals and newspapers.

Dr Hua Ying is associate professor at the Institute of Population and Labour Economics, Chinese Academy of Social Sciences. She is a member of the China Association of Social Security's Youth Committee, and also the editor for *the Chinese Social Security Review*. She specializes in social security policy in general, specifically focusing



on the comparative social security system, health care and long-term care. She has published over 20 papers in reputed journals, with the topics of pension insurance and healthcare. She has led or participated in several research projects commissioned by government ministries and international organizations. From 2015-2016 she was a postdoctoral research fellow at the Ludwig Maximilian University of Munich, Germany. Dr Hua received her doctorate degree in 2014 from Renmin University of China.



This research brief was produced by EU-China project - Improving China's institutional capacity towards universal social protection, with the financial support of the European Union.



Its contents are the sole responsibility of authors and do not necessary reflect the views of the European Union nor those of the ILO.

Funded by the European Union

Contact details

ILO Country Office for China and Mongolia
1-10 Tayuan Diplomatic Office Building
Beijing
China

T: +86 10 6532 5091
E: frotal@ilo.org