

Case Study: China

Seminar on Social Security in Times of Crisis:
Impact, Challenges and Responses

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I. Background

- Population (1.328 billion) and labour force (800 million)
- High GDP growth over the past 30 years (9.8%)
- Rapid extension of social security coverage (> 16% annually 2004-2008)
- Urban registered unemployment rate 4.2% as of end 2008 (8.86 million)
- Massive flow of surplus rural migrant workers (140 m out of 225m in urban areas)

II. Impacts of the crisis

- Affected mainly the real economy
- Layoffs in export-oriented economy
(20 million RMWs + 3 million urban jobs)
- Newly created urban jobs dropped sharply in December
- Social Security System challenged by:
 - Less covered members
 - Difficulties in collection of contributions
 - Issues in fund investment

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III. Chinese Responses

- A stimulus package including:
 - Government spending programmes (and tax concession policies)
 - Industrial restructuring and rejuvenation programmes
 - Technological innovations
 - Improving social security system

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1) Boost Domestic Demand for Job Creation

2 year CNY 4,000 billion programme with focus on:

- Livelihoods (subsidized housing, etc)
- Well-being of rural people
- Railway, irrigation works and other infrastructure projects
- Environmental protection
- Post-earthquake reconstruction

(A total of 20 million jobs to be generated)

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2) Mitigate burdens of the Enterprises

- Deferred or lowered SS contributions
- Subsidies for SS contributions and job posts
- On-job training incentives
- Equal-footing consultation for compensation

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3) Active Labour Market Policies

- CNY42 billion Package in 2009
to offer employment support via tax concession, microfinance, post subsidies, skill training, free employment services, etc
- College graduate internship programme
(3 million 2009-2010)
- Job assistance to vulnerable groups
(1 million in 2009)
- “Spring Breeze” campaign for rural migrant workers
(8 million in 2009)

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4) Special training programmes for 4 groups

(15 million in 2009)

- Skill upgrading and job transfer training
(for workers in difficulty-ridden enterprise)
- Tailored training for returned RMWs
- 3-6 month training for unemployed
- 6-12 month pre-employment training for new entrants into labour market

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5) Improving social security system

- Extension of coverage
 - New Rural Pension Scheme to be piloted in 2009
 - 3-Year CNY 850 billion package to:
 - cover > 90% population for basic medical insurance;
 - introduce essential medicines system;
 - improve primary health care facilities;
 - provide equitable access to basic public health services;
 - conduct pilot reforms of public hospitals
- Enhanced legislation (social insurance law, portability, fund supv.)
- Upgrading pension pooling
- Increasing government input
 - 10% increase of basic pension benefit;
 - ceiling of medical insurance reimbursement to be raised.

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IV. Policy effects and future works

In the 1st quarter of 2009

- GDP grew by 6.1%
- Total retail sales of consumer goods increased by 15.9%
- New employment rose by 2.58 million

The way forward

- Enhanced coordination + incorporation of social protection in strategic plans
- Crisis in Chinese 危机 means “risks” and “opportunities”
- Goal: A social security system for the whole population by 2020

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