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Good Practices in Social Security

Good practice in operation since: 2011

Flexible contribution in high risk sectors helps expand coverage of work-related injury insurance

A case of the Ministry of Human Resources and Social Security

Ministry of Human Resources and Social Security
China

Summary

Working towards the government's commitment to realize universal social security coverage by 2020, the Chinese social security authority has achieved an increase of over 100 million participants under the work injury insurance scheme since the Work Injury Insurance Regulations came into force in 2004 (revised in 2011).

In addition to the major factors of removal of legal barriers to extension, incorporation of extension targets in national development plans, special coverage extension campaigns, contribution rate subsidies for vulnerable groups, and integrated collection of social insurance contributions, other valuable means to extend coverage are the introduction of flexible contributions for high risk sectors and linkage of work injury affiliation to the issue of business licenses and work safety permits, etc. As a result, the scheme boasted 181.72 million participants (including 68.57 million farmer-turned domestic migrant workers) by mid-2012, compared to only 45.75 million in 2003.

CRITERIA 1

What was the issue/problem/challenge addressed by your good practice?

Coverage was mainly confined to urban enterprise employees and the procedures for determining a work injury as well as the adjudication and dispute procedures were too complicated; death compensation remained low and inadequate attention was given to rehabilitation and prevention.

In addition, work-related injury insurance contributions were based on the total payroll of the employment unit. However, in some high risk sectors, especially the construction companies and small mines where work injuries happen frequently, it is hard for companies to pay work-related injury insurance contributions on the basis of the total payroll because of the high level of mobility of employees and the special means of remuneration (especially in the construction and mining industries, where payment is by construction units or output of coal instead of by the day or hour). These problems stopped many companies from joining the work-related injury insurance scheme.

CRITERIA 2

What were the main objectives and the expected outcomes?

The major objectives were to extend coverage and build up a modern work injury insurance system which combines compensation with rehabilitation and prevention. The expected outcomes included ensuring more people are covered by insurance against occupational risks, simplifying procedures and improving benefit adequacy.

CRITERIA 3

What is the innovative approach/strategy followed to achieve the objectives?

I. *Removal of legal barriers to the extension of coverage*

The newly revised Regulations on Work Injury Insurance entered into force as of January 2011. Major revisions include the extension of the scope of coverage to public institutions, social groups, non-profit grass-root organizations, foundations, law firms and accounting firms; simplification of work injury determination, adjudication and dispute procedures; and an increase in the lump-sum compensation for death and work injuries (up to 20 times the national average urban resident's disposal income in the previous year instead of 5 to 6 years of the local average wage income); and inclusion of prevention costs as a new item of expenditure. The Social Insurance Law, which was promulgated in 2010 and came into force in July 2011, provided a strong legal base for an integrated collection of all social insurance contributions.

II. *Incorporation of extension targets in national development plans*

A mandatory target for extending work injury coverage was included in the 2005 national economic and social development plan as well as the five-year plans for 2006-2010 and 2011-2015. The latter sets a binding target for work injury insurance schemes to cover 210 million people by the end of 2015.

III. *Special coverage extension campaigns*

Campaigns such as the "Peace and Safety Programme" for domestic migrant workers and the recent one for staff of public institutions have been organized so as to raise public awareness and boost a quick coverage expansion.

IV. *Contribution rate subsidies for vulnerable groups*

In January 2011, the State Council allocated a total of 5.6 billion Chinese Yuan (CNY) as a central government subsidy to extend coverage before end 2011 to about 3.3 million so-called "old-work-injured people". These people remained excluded because the injury happened before the scheme was initiated, their enterprises had been closed down or had gone bankrupt or had not yet participated in the scheme.

V. *Flexible mode of contributions for high risk trades*

Floating and differential contribution rates have been implemented and vary according to three categories of industry and the assessed degree of risk. Construction companies and small coal mines which find it difficult to pay contributions based on the overall payroll (due to a highly mobile personnel, etc.) can opt to make contributions on the total cost of the project, output or wage ratio based on the value of each ton of coal. Local governments set the contributory proportion and contributory rate according to the actual status of local industrial structures and employment.

VI. *Integrated collection of social insurance contributions supported by enhanced ICT network and a social security card system.*

Contributions to five social insurance programmes (pension, health care, work injury, unemployment and maternity) are now being collected in an integrated way by one agency, through the support of a modern ICT network and a multi-functional social security card system (for paying contributions and claiming benefit, etc.).

VII. *Linkage of work injury affiliation to the issue of business license and safety permit*

The newly enacted Regulations on Safety Production License obliges all enterprises to participate in the work injury insurance scheme as one of the prerequisites to obtain or renew their license (safety permit). Many local social security authorities have also tied up affiliation to the insurance schemes with the issuance or renewal of business licenses.

CRITERIA 4

Have the resources and inputs been used in an optimal way to achieve the set objectives and the expected outcomes? Please specify what internal or external evaluations of the practice have taken place and what impact/results have been identified/achieved so far.

The new more flexible approach to calculating contributions as well as linking affiliation to obtaining or renewing safety permits and licenses has impelled more enterprises to join the work injury insurance schemes.

Many provinces (or equal level municipalities) such as Beijing have realized universal coverage of work injury insurance after extending the scope of coverage to all civil servants as well as staff of publicly-funded institutions and social groups. A total of 3.12 million excluded “old-work-injured workers” from the state-owned enterprises nationwide were brought under coverage by the end of 2011. The pilots on prevention and rehabilitation have achieved substantial progress.

The number of people covered under the scheme grew from 45.75 million at the end of 2003 to 181.72 million by the middle of 2012. By the end of 2011, 98 per cent of cities (or equal level prefectures) had achieved municipal pooling of work injury insurance funds; fund revenues had reached CNY45.1, an increase of 58.2 per cent over 2010 while fund expenditures totaled CNY28.3 billion, an increase of 47.3 per cent; work injury beneficiaries amounted to 1.62 million, an increase of 10.2 per cent and work injury assessments were processed for 1.2 million workers.

CRITERIA 5

What lessons have been learned? To what extent would your good practice be appropriate for replication by other social security institutions?

Introducing floating and differential contribution rates based on sectors and prior performance as well as dovetailed methods for calculating the contribution rate can encourage more enterprises and employees to contribute. In implementing this new approach, the following factors may also decide its success:

- A dynamic real-name registration system should be adopted. The companies should report any changes in employment information to the social insurance agencies promptly.
- Work-related injury insurance benefits should be verified and calculated using a certain proportion of the average monthly income of local employees in the referencing regions, and the salary of the person in question should be taken into consideration.
- Track and adjust industrial policies promptly and adopt fluctuating contribution rates for specific companies.

What are the particular good practices relevant to other countries?

The concept

For those countries where the social insurance system is established on the basis of contribution payment and the total payroll is used as the main income basis to calculate work-related injury contributions, other flexible ways of calculating contributions may be considered for those industries and companies that have difficulty with the traditional calculation method. A flexible way of contributing helps more employees to join work-related injury insurance schemes.

Adopt measures that fit local conditions

This flexible approach of contribution calculation may be found helpful in other developing countries which have a similar industrial structure as China.

The approach

This alternative way of calculating contributions can be extremely useful for some special groups of employees with a high level of mobility in high risk sectors. Linking applications for safety permits and business licenses with affiliation to the work injury schemes ensures wider coverage, particularly in industries that are high risk.