China’s Social Security System and its Reform

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Quiz

- Who was the first Emperor in Chinese history?
- Which dynasty is the most ancient one in Chinese history?
- How many ethnic groups are there in China? Which one has the largest population?
- In China, each lunar year is associated with one of 12 zodiac animals, and 2012 is the Year of ______.
- The Great Wall was first built in ______.
- Chopsticks made in _____ would turn black if they came into contact with poisoned food.
Quiz

- What kind of financing pattern is now for the China’s Social Security System?
- How to pay the medical expense when a Chinese urban citizen gets illness?
- How much is the unemployment rate now in the urban area in China according to the Official report?
- What does the empty account by pension system in China mean?
- Could you make a comparison between the your and Chinese Social Security System?
Reference

Part 0.
Basic Knowledge
Administrative divisions

- Administrative divisions:
  - 23 provinces (sheng)
  - 5 autonomous regions (zizhiqu)
  - 4 municipalities (shi)
- provinces: Anhui, Fujian, Gansu, Guangdong, Guizhou, Hainan, Hebei, Heilongjiang, Henan, Hubei, Hunan, Jiangsu, Jiangxi, Jilin, Liaoning, Qinghai, Shaanxi, Shandong, Shanxi, Sichuan, Taiwan, Yunnan, Zhejiang
- autonomous regions: Guangxi, Nei Mongol, Ningxia, Xinjiang, Xizang (Tibet)
- municipalities: Beijing, Chongqing, Shanghai, Tianjin
- special administrative regions of Hong Kong and Macau
Administrative divisions
People

• Population: 1,306,313,812

• Age structure:
  • 0-14 years: 21.4% (male 148,134,928/female 131,045,415)
  • 15-64 years: 71% (male 477,182,072/female 450,664,933)
  • 65 years and over: 7.6% (male 47,400,282/female 51,886,182)

• Population growth rate: 0.58%
• Birth rate: 13.14 births/1,000 population
• Death rate: 6.94 deaths/1,000 population
• Net migration rate: -0.4 migrant(s)/1,000 population
People

- **Nationality:** Chinese
- **Ethnic groups:** Han Chinese 91.9%, Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean, and other nationalities 8.1%
- **Religions:**
  - Daoist (Taoist), Buddhist, Muslim 1%-2%, Christian 3%-4%
  - note: officially atheist (2002 est.)
- **Languages:** Standard Chinese or Mandarin (Putonghua, based on the Beijing dialect), Yue (Cantonese), Wu (Shanghaiese), Minbei (Fuzhou), Minnan (Hokkien-Taiwanese), Xiang, Gan, Hakka dialects, minority languages (see Ethnic groups entry)
- **Total land area**: 9.6 million sq. km
- **Total sea area**: 4.73 million sq. km
- **Rank 3rd** in the world, roughly equal with the United States
- **Terrain descending from west to east**

![Topographic map of China](image)

- Area: 43%
- Population: 94%
- GDP: 96%
Mountains: 33%
Plateaus: 26%
Basins: 19%
Plains: 12%
Hills: 10%

Reserves of many natural resources of China are ranked among the largest in the world. Due to a large population the per capita average share of natural resources are relatively low.

**Land resources**
- Cultivated Land: 13%
- Forests: 20%
- Water area in land: 2%
- Grassland: 42%
- Others: 23%

**Mineral resources:**
- Total value of proven mineral resources: rank 3rd in the world
- Per capita: less than ½ of the world average

**Water resources:**
- Per capita: ¼ of the world average
- Almost half of 670 cities in China are facing the problem of water shortage
Basic knowledge

Financing, coverage, benefits
PAYG    PAYE
Generation contract
Replacement rate, Individual Retirement Account
Social contribution
Three –pillars-model
Social dumping, Ageing society
Beveredge and Bismarck Model, Empty personal account problem
Content

- Overview of China’s social security system
- Factors, process, institutional arrangements of the China’s social security system reform
- Progress and recent problems of the China’s social security system reform
Part I.

Overview of China’s Social Security System
China’s social security system began in the early 1950s.

Regulations on Labor Insurance of the People’s Republic of China was promulgated in 1951, which was applicable to all public and private enterprises covering pension insurance benefit, disability benefit, survivor’s allowance, sickness benefit, medical care benefit, work injury insurance allowance, occupational disease benefit and maternity insurance benefit.

The governmental insurance scheme for governmental agencies and non profit institutions like civil servant, students etc.,
### Traditional Social Insurance System

#### Urban Area

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Financing</th>
<th>Eligibility / Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Insurance Scheme (GIS)</td>
<td>Governmental financial agencies at all levels</td>
<td>Working staff members of non-profit institutions, students and retirees</td>
</tr>
<tr>
<td>Labor Insurance Scheme (LIS)</td>
<td>Enterprise welfare fund</td>
<td>Working staff members of state-owned and collective owned enterprises, and their spouses, retirees</td>
</tr>
</tbody>
</table>

#### Rural Area

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Financing</th>
<th>Eligibility / Beneficiaries</th>
</tr>
</thead>
<tbody>
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<td>Rural Cooperative medical scheme (RCMS)</td>
<td>Collective investment, joint investment by collectives and individuals, and individual investment</td>
<td>90% Peasants joined voluntarily</td>
</tr>
</tbody>
</table>
The Achievement and Defects of HCS in Central-Planned Economic System

1. The Establishment of elementary Health Insurance System in both Rural and Urban Areas with relative low-cost and broad-coverage (80-85% in mid 1970s)

2. The Establishment of elementary Health care delivery system with balanced distribution and reasonable objectives (non-profit, prevention before treatment)

3. Dominating Role of Government and reasonable Priority of Health Policy on public health and epidemic prevention service e.g. extermination of smallpox in 1960, 10 years earlier than its in the whole world;

4. The increase of income brought by economic growth to full improvement of living conditions and tremendous uplifting of health level.
Achievements

- Dramatic Uplifting of Health Level of Chinese Citizens
  
  - 2% of Total medical resources of the world Securing the Health of 22% of the world population
  
  - The infant fatality rate
    200‰ 1949 -- 33.2‰ 2004
  
  - the incidence of acute epidemics
    20,000/100,000 early 1950s ---- 194.8/100,000 late 1990s
  
  - life expectancy
    35 years 1949-------- 68 years 1981