

# **Impact of Urban Old-age Insurance Program on Rural Migrant Workers**

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# Research Questions

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With a gender perspective:

- What kind of old-age insurance programs for rural migrant workers are existing?
- What impacts of the institutional arrangements of the programs on male and female workers?
- What the rural migrant workers, especially female workers need for participating in the old-age insurance and what the obstacles they face?.
- What should be done to improve social insurance policies for rural migrant workers?

# Approach

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- ❑ Literature review: focusing on reports of policy studies issued by the WB、OECD、ILO、EU、AusAID and MoHRSS.
- ❑ Field work: in 2009, interviews were undertaken on social insurance institutions in 7 cities and on 30 firms, communities and employment agencies in the cities; a sample survey was conducted in 3 cities and collected 702 valid questionnaires. In Jan. 2010, a follow-up fieldwork was carried out in Yangtze delta area。
- ❑ Four sets of sample survey data collected during period of 2002-2006; household data from the 5<sup>th</sup> national census in 2000, and rural household survey data from the Ministry of Agriculture, China.
- ❑ Statistical analyses and case studies.

# Coverage of Social Insurance Programs

Programs and participants	2005 (10 thou.	2006 (10 thou.	2007 (10 thou.	2008 (10 thou.	2008 population	2008 coverage (%)	2010 Goal (%)
Public servants	1071.0	1109.6	1128.6	1155.5	1155.5	100.0	—
Employees in public undertakings	2591.4	2705.1	2741.8	2790.5	2790.5	100.0	—
Old-age insurance for urban workers	13120.4	14130.9	15183.2	16587.5	26264	63.2	—
Participated rural migrant workers	—	1417	1846	2416	22542	10.7	—
Rural old-age insurance (old-type)	5442	5373.7	5171.5	5595.1	56867.6	9.8	—
Medical insurance for urban workers	13782.9	15731.8	18020.0	19995.6	26264	76.1	—
Participated rural migrant workers	—	2367	3131	4266	22542	18.9	—
Rural cooperative medical insurance	17900	41000	72600	81517.6	89061	91.5	80***
Unemployment insurance	10647.7	11186.6	11644.6	12399.8	26264	47.2	—
Participated rural migrant workers	—	—	1150	1549	22542	6.9	—
Work injury insurance	8478.0	10268.5	12173.3	13787.2	26264	52.5	—
Participated rural migrant workers	—	2537	3980	4942	22542	21.9	—
Maternity insurance	5408.5	6458.9	7775.3	9254.1	26264	35.2	—

## Diversification of Rural Migrants as A Group/ Apparent Deviation of Reality from the Willingness of Participation

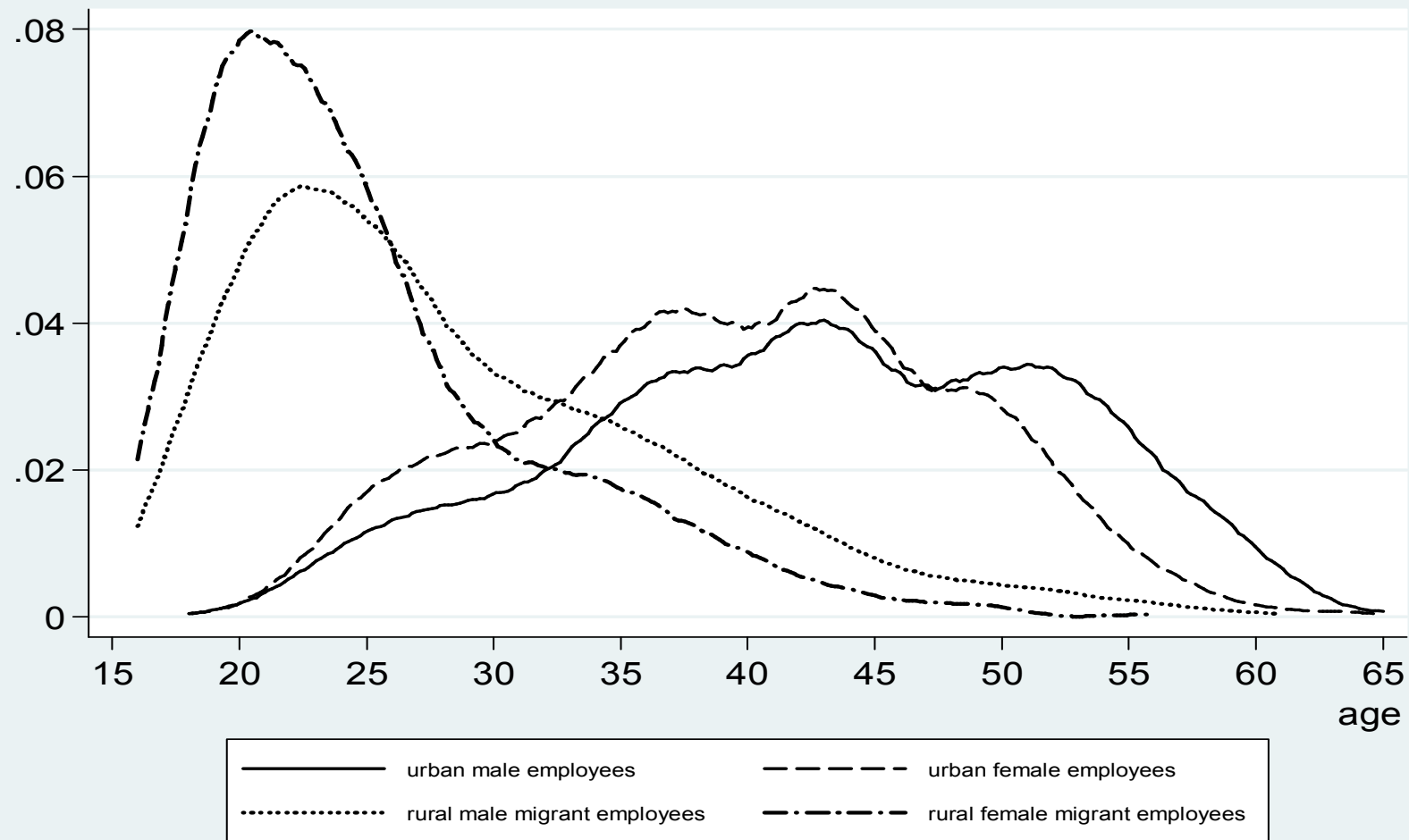
		2006			2009		
		Total	Male	Female	Total	Male	Female
Number of Observations		1247	561	686	702	233	469
Proportion of each group (%)	Ages 16-30	67.31	61.18	72.30	85.84	83.55	86.85
	High school or equivalent	26.08	26.74	25.55	45.49	40.63	47.61
	Junior college or above	2.97	2.85	3.07	18.46	26.34	14.78
	Management staff	17.36	17.53	17.15	15.13	20.36	12.44
	Workers	58.39	56.55	60.65	69.44	69.68	69.35
Average monthly wage (yuan)	Management staff	1271	1385	1179	1549	1814	1296
	Workers	954	1077	846	1057	1186	986
	Total of the sample	975	1076	893	1146	1338	1044
Percentage of those willing to participate in old-age insurance		— <sup>3</sup>	—	—	89.98	91.28	89.39
Percentage of those actually participated in old-age insurance		21.29	15.16	26.23	56.84	57.27	56.50

## Pension Benefits are Linked with Formal Employment Status, Wage Level and Length of Contribution Period of the Insured

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- Under the same system, the differences in the working period alone without taking into account wage difference will make it difficult for the vast majority of rural migrant workers to acquire equal pension benefits with urban workers and for women to acquire equal pension benefits with men.

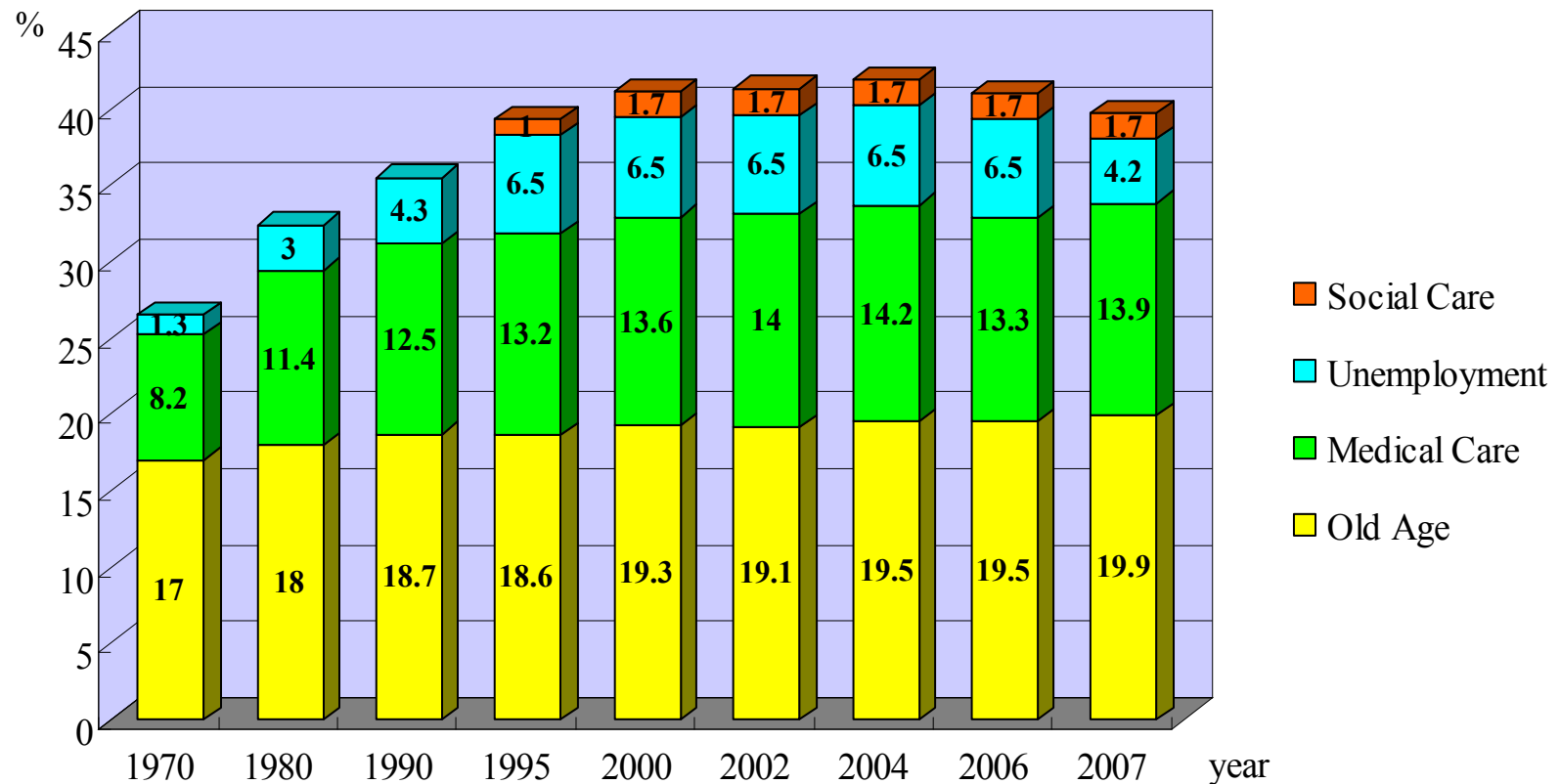
## Among Formal Employees Aged 16-65 in 2006: Rural Migrant Workers, Female Workers in Particular, Withdrew Earlier from Urban Labor Market



## High Contribution Rates to Urban Social Insurance Programs in a Studied City (Jan. 2009 – Dec.2010)

Insurance		Employer contribution (%)	Employee contribution (%)	Total of contribution rate (%)
Basic old-age insurance		20	8	28
Medical insurance	Basic scheme	8	2	11
	Supplement	1	0	
Unemployment insurance		2	1	3
Work injury insurance		0.5	0	0.5
Maternity insurance		1	0	1
Total		32.5	11	43.5

## In Comparison with Germany: Contributions to social insurance (% of gross wage)



## The floor level of contribution base to the old-age insurance for migrant workers in the sample cities in 2008 (yuan/month/person)

<b>Studied cities</b>	<b>2007 Urban average wage</b>	<b>2008 Contribution base (floor level)</b>	<b>Average wage of male migrant workers</b>	<b>Average wage of female migrant workers</b>
Suzhou	2617	1369	1253	1137
Dalian	2353	1412	1050	891
Shenzhen	3233	Special economic zone: 1000 yuan Non-special economic zone: 900 yuan	1553	1125

## Ability to Pay: High Contribution Rate May Lead Part of Migrant Workers to Poverty Today

	2002	2006	2009
Monthly expenditures (yuan)	509	516	677
Monthly earnings (yuan)	883	1019	1209
Expenditures/ Earnings	0.62	0.51	0.52
Proportion of groups at different saving levels in the sample (%) :			
Expenditures/Earnings $\geq 60\%$	56	37	35
Expenditures/Earnings $\geq 70\%$	36	23	20

## The Wage Replacement Ratio (pension/social average wage) Estimated as Per Actual Service Years of Migrant Workers: Possibility to Fall in Old-age Poverty

Contribution average wage * 100%	wage/ social	Gender of Employees	Shanghai (%)	Chongqing (%)	Suzhou and Dalian (%)
60%		Male	4.99	8.98	25.70
60%		Female	2.25	4.68	14.57
100%		Male	8.32	14.97	34.51
100%		Female	3.75	7.80	19.28
300%		Male	24.95	44.92	78.52
300%		Female	11.24	23.41	42.84

## **A Large Part of Informal Workers of the Rural Migrants Consist of the Urban Working Poor**

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- The vast majority of the migrant workers in informal employment earn much less than those in formal employment, and the earnings of the female migrant workers are at the bottom partly due to their greater household responsibilities.
- The badly needed social insurance programs are work injury and medical insurance.
- The social policies of the municipalities still have a lack of inclusion: case 1, public health provision; case 2, exclusion of informal workers from urban social insurance programs.

## Policy Tradeoffs Should be Included in the Design of Old-age Insurance System for Migrant Workers

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- The employees' contribution rate shall be designed at a level that enables fund accumulation to meet their basic needs when they retire but does not force them to cut current consumption of daily necessities.
- The employers' contribution rate shall be designed at a level that meets basic old-age insurance budgets but does not weaken corporate development capability or stifle job creation, while taking into account the overall tax and social insurance burden of enterprises.

# Policy Options:

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- ❑ Lower the premium rate for both employers (up to 12%) and employees (4%-8%).
- ❑ To set up public pension funds with fiscal resources, set a price index-linked minimum pension and guarantee the aged of low-income groups receive an amount of pension no less than the poverty line.
- ❑ To reduce the tax rates on those small and medium-sized enterprises that is identified to make contribution continuously to the old-age insurance for migrant workers.

# Special Arrangements for Informal Workers

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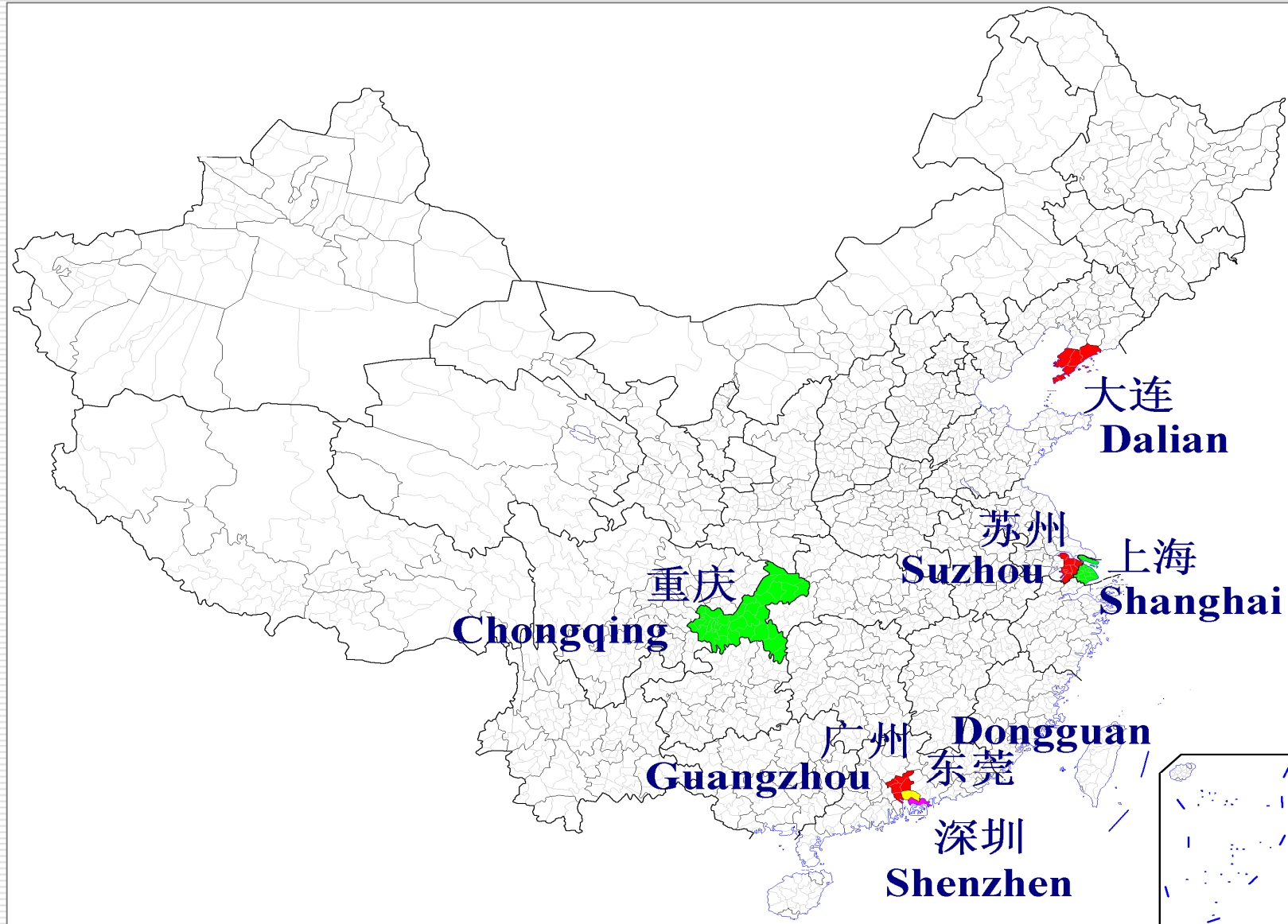
- The old-age security issues concerning the migrant labor exiting from the formal sector and the informal workers can be settled now only by relying more on social assistance rather than social insurance. The future social old-age insurance system for rural residents and urban residents outside of formal sector will hopefully help remove the obstacles standing in the way of the informal workers to participate in old-age insurance schemes.

# Issues to be Further Studied

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- To identify the basic level of the old-age social insurance;
- To exempt the low-wage workers from setting up individual accounts;
- To allow higher-wage earners to sign out their individual accounts to the commercial insurance companies.

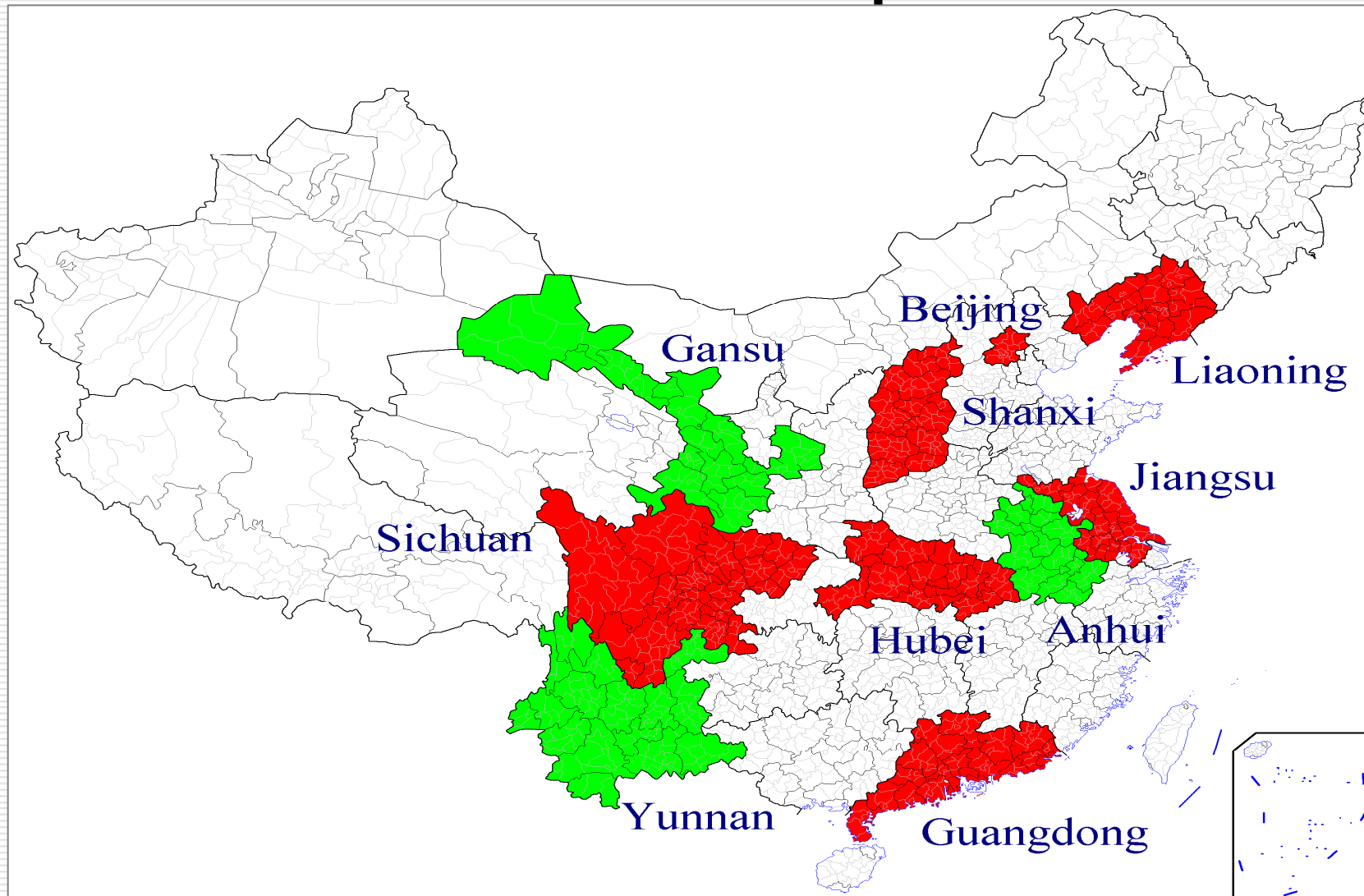
# Survey Sites of Old-age Insurance Studies on Rural Migrant Workers in 2009



# Survey Sites of Health Insurance Studies on Rural Migrant Workers in 2006



# Sites of 2006 Urban Households' Livelihood Survey included in the Sub-sample of NSB



# Sites of 2006 Rural Households' Livelihood Survey included in the Sub-sample of NSB

