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Improving social protection for internal migrant workers in China

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Abstract

China's internal migrant population - rural migrant workers in particular - faces challenges in transferring their social security rights when they move from one province to another. The reasons of such challenges are various and include the following. First, the low pooling level of social security funds explains to a large extent the difficulties for migrant workers to transfer their social security rights and benefits. Second, the capacity of the social insurance administration agencies would need to be strengthened to enable them to transfer large amount of records and benefits between provinces. Third, existing household registration restrictions prevent migrant workers from joining the social security schemes for non-salaried urban and rural residents at the place of employment. Lastly, the fragmentation of social security information systems in the different regions further constrains the transfer of rights and benefits. The findings of a field research in Jiangxi Province conducted for this report confirmed the above-mentioned limitations.

The report further argues that the social security coordination mechanism used among EU Member States could be a useful reference for China. It suggests to: 1) enhance the centralized management of social security funds at the national level; 2) eliminate household registration restrictions to allow migrant workers to register in the social security schemes for urban and rural residents at the place of employment; 3) upgrade the social security information system; and, 4) improve the efficiency of the transfer of social security records and benefits between provinces.

About the author

Zhang Yinghua is an associate researcher of Chinese Academy of Social Sciences and an expert in social security studies.

List of abbreviations

BMCI-RUR	Basic Medical Care Insurance for Urban and Rural Residents
BMCI-UE	Basic Medical Care Insurance for Urban Employees
BPI-RUR	Basic Pension Insurance for Urban and Rural Residents
BPI-UE	Basic Pension Insurance for Urban Employees
EII	Employment Injury Insurance Scheme
EU	European Union
MI	Maternity Insurance Scheme
MoHRSS	Ministry of Human Resources and Social Security
NBS	National Bureau of Statistics
NCMS	New Rural Cooperative Medical Service
UI	Unemployment Insurance Scheme

1. Introduction

Migration can be internal when migrants move within one country or international when they cross borders. In 2015, the number of internal migrants was around 3 times the one of international migrants worldwide (IOM, 2017). This report focuses on the social protection of internal migrant workers in China. To simplify the terminology, in this report the term "migration" will refer to internal migration only, the term "migrant population" will refer to internal migrant population only, while the term "migrant workers" will refer to internal migrant workers.

China has a very large internal migrant population. Since the 1980s, it has continuously increased, with migration flows going mainly from rural to urban areas, and from the central and western regions to the eastern region. According to the National Bureau of Statistics (NBS), in 2017 China's internal migrant population was of 286.5 million, accounting for 20.6 per cent of the country's total population, out of which an estimated 172 million were outbound rural migrant workers, accounting for 22.1 per cent of the country's employed population. The increase in the numbers of internal migrants has not only accelerated China's urbanization, it has also brought large quantities of labour to destination regions, providing them with important human resources for their economic development.

The social protection of migrant workers in China is affected by the following three systemic features: i) a distinction between the social security schemes established for urban employees, and those established for urban and rural residents; ii) an administration of social insurance funds taking place at the local level; and iii) the fact that urban and rural residents can only join the residents' schemes in the regions where their households are registered. Because of these three features, migrants face difficulties in transferring their social security rights when they move between occupations and regions. In recent years, China adopted a few measures to improve the social protection of the migrant population, including the Interim Measures on Transferring Records of the Basic Pension Insurance for Urban Employees which was adopted in 2009. But the large size of the country, the importance of the migrant population, the complexity of the social security schemes and the regional differences in terms of economic development, all make the building of a social security system fully supportive of labour mobility a complex process which requires time.

Ensuring the right to social protection of the migrant population is important for several reasons. First improving social protection and establishing social protection floors for migrant workers is in line with both the Chinese government's goals on social equity, social inclusion and poverty reduction and the ILO's rights-based approach to social protection, at the heart of which stands the principle of equality of treatment. In addition, as China is still at a key phase of its urbanization and industrialization processes, unhampered labour mobility is an important factor of its economic and social development, particularly in the context of a fast ageing population. Finally, improving the social protection of migrant workers contributes to the realization of decent work for women and men and promotes a more integrated labour market.

The purpose of this report is to analyse the problems related to the social protection of migrant workers in China, especially rural migrant workers, and formulate policy suggestions. The starting point of the analysis is centred on the principle of universal and rights-based social protection as anchored in the relevant international labour standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102), the Social Protection Floors Recommendation, 2012 (No. 202) and the Equality of Treatment (Social Security) Convention, 1962 (No.118). This report is conducted under the framework of the "EU-China Dialogue on Migration and Mobility Support Project". It will contribute to the realization of the Sustainable Development Goals (SDGs), in particular:

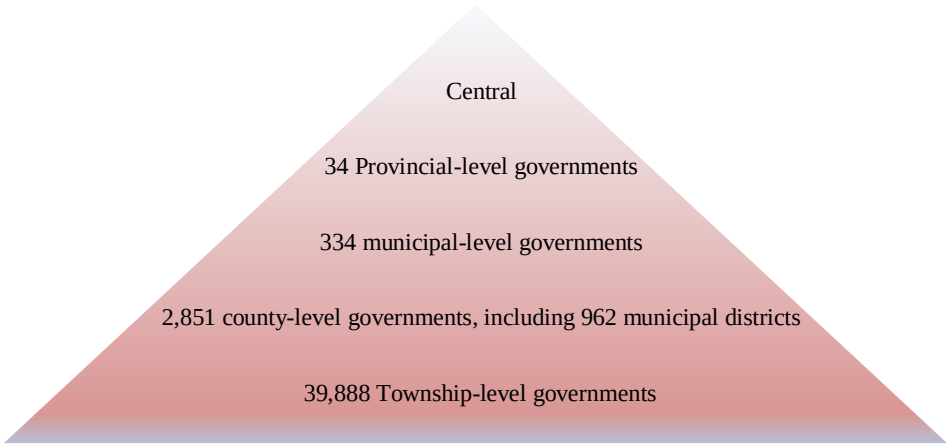
- SDG 1.3: "Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable";
- SDG 8.8: "Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment"; and
- SDG 10.4: "Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality".

1.1 Defining the concepts

For the purposes of this report, some concepts that referred to in this report are defined as follows:

Migrant population. All references to the migrant population refer to the internal migrant population and to persons whose place of residence is different from their household registration (or place of permanent residence） and who have been away from their registered permanent residence for six months or longer. Are excluded from that definition those whose place of residence is different from the place of their registered permanent residence and have been away from their registered permanent residence for six months or longer, but who remain in the same municipal district. The municipal district is the fourth-level administrative division from top to bottom. There are 962 municipal districts in total.

Figure 1: China's five levels of administrative division



Rural migrant workers refer to workers whose registered permanent residence is in rural areas but who work in non-agricultural industries or who have been employed away from their registered permanent residences for six months or longer. The definition of rural migrant workers includes "local rural migrant workers" and "outbound rural migrant workers".

Local rural migrant workers refer to rural migrant workers who work in the township where their registered permanent residence is located.

Outbound rural migrant workers refer to rural migrant workers who have been employed in a place other than the township where their registered permanent residence is located.

A "pooling region" of social security funds refers to the fact that China's basic old-age pension insurance fund is managed by local governments at regional level. Usually an administrative jurisdiction, such as a city or prefecture, is the pooling region (or pooling unit) of each social insurance fund. For example, if the fund is managed at provincial level, it is called "provincial-level pooling"; if the fund is managed at municipal level, it is called "municipal-level pooling".

1.2 Focus of the report

Rural migrant workers are the focus group of this report. Rural migrant workers make up the majority of the migrant population in China and the social security challenges they face tend to represent those faced by other migrant groups.

The focus theme of this report is the portability of old-age pension benefits under the employees' scheme. The portability of pension benefits is more complicated than other social insurance benefits. It involves the transfer of social security rights, the transfer of larger amounts, and the aggregation of the acquired rights.

The portability challenges of other social security schemes is less complicated, and tend to be related to the inconsistency between the place of social security registration and the place where the contingency takes place. This report will briefly analyse the portability of these other social security schemes.

1.3 The structure of social insurance schemes in China

There are five social insurance schemes for employees and two social security schemes for urban and rural residents in China, as summarized in Table 1 and Table 2. The five employment-related social insurances are contributory schemes. The two social security schemes for non-salaried residents include a contributory and a non-contributory component, but are mostly tax-funded. Both the contribution rate and benefits level under the employment-related schemes are much higher than those under the schemes for urban and rural residents. Participation in the employment-related social insurance schemes is compulsory for all

employees but voluntary for the self-employed, part-time employees[1], and people in atypical employment such as casual or temporary work. However, unlike employees for whom the employer pays the majority of social security contributions, the self-employed, part-timers and people in atypical employment need to pay the whole cost of social security contributions, as there is no contribution from the employer. Since many rural migrant workers work in the informal economy or are undeclared, the proportion of migrant workers signing a labour contract is low and so is the rate of social protection coverage by employees' schemes.

In 2016, 35.1 per cent of rural migrant workers had signed a labour contract with their employers (National Bureau of Statistics, 2017). Informally employed rural migrant workers can still join employment-related social insurance schemes on voluntary basis, but most of them choose to register under a resident's scheme as the cost of the latter is much lower. Other reasons for the low participation rate of rural migrant workers in employment-related social security schemes include the difficulty in transferring social security rights between regions and the vesting requirements of these schemes.

Table 1: Five employment-related social insurance schemes in China (with data at the end of 2017)

Social Insurance Schemes	No. of participants (millions)	Percentage of the urban working population	No. of rural migrant worker participants (millions)	Percentage of rural migrant workers
BPI-UE	292.68	69	62.02	22
BMCI-UE	222.88	52	62.25	22
UI	187.84	44	48.97	17
EII	227.24	54	78.07	27
MI	193.00	45	n.a.	n.a.

Source: National Bureau of Statistics. 2017. The 2017 Statistical Bulletin on National Economic and Social Development; Ministry of Human Resources and Social Security. 2017. The 2017 Statistical Bulletin on Human Resources and Social Security Development.

Table 2: Two social security schemes for urban and rural residents (with data at the end of 2017)

Social Security Schemes	Number of participants（in millions）
BPI-RUR	512.55, including159.98 beneficiaries.
BMCI-RUR	873.59

Source: National Bureau of Statistics. 2017. The 2017 Statistical Bulletin on National Economic and Social Development.

[1] The Labour Contract Law defines part-time employment as working hours below 4 hours per day and 24 hours per week.

2. Migrant workers' main destinations

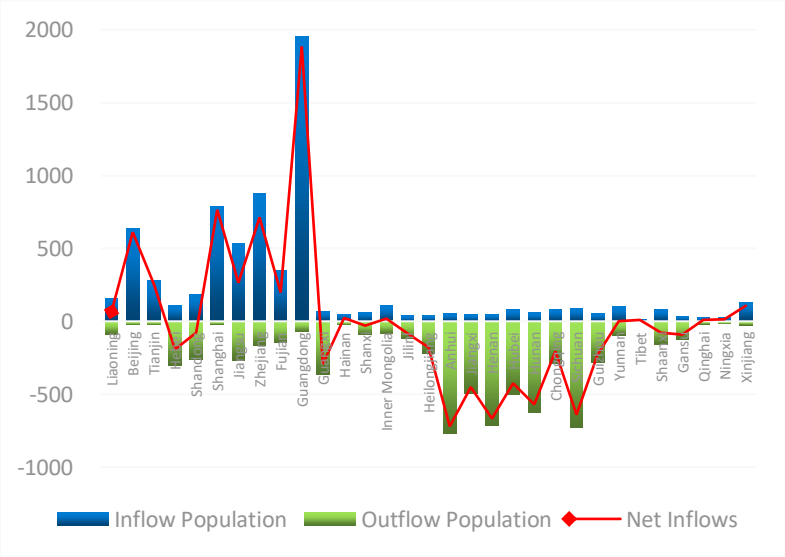
Since the start of China's reforms and opening up policy in the late 1970s, the country's urban areas and industrial sectors have undergone rapid development. Large amounts of surplus rural labour who were no longer needed for agricultural activities went to the cities for employment, particularly to the coastal cities in the south-east, which have experienced the fastest economic growth.

2.1 The flows of migrant workers[2]

Migrant workers in China move mainly from underdeveloped to developed regions. In 2010, the number of migrants moving across provinces was 85.876 million according to the Sixth Population Census. The top five destination provinces were Guangdong, Zhejiang, Shanghai, Beijing and Jiangsu, with a total of 56.72 million incoming migrants, 66 per cent of the national total for that year. The top five migrant outflow provinces were Anhui, Sichuan, Henan, Hunan and Hubei, accounting for 47 per cent of the outgoing migrant population.

The five top destination provinces are the most economically developed regions, with a gross domestic product (GDP) per capita exceeding 88,000 Yuan Renminbi (CNY) (about US$12,700) in 2016. This was twice the level of the top five source provinces, which had an average GDP per capita of CNY44,150 (about US$6,300). This wealth gap has spurred labour flows from provinces with lower-income, large-population and medium-sized economies to higher-income and economically advanced provinces.

Figure 2: Migrant population inflows and outflows in different provinces, 2010 (unit: 10,000 people)



Source: The Sixth Population Census of the People's Republic of China (2010) and the author's calculations.

[2] The data sources are statistical data from the Sixth Population Census (2010) and the author's calculations.

Table 3: Top five provinces for inter-provincial inflows and outflows, 2010 (millions)

Region	Total inflows	Top five source regions			Region	Total outflows	Top five destinations		
		Region	No.	%			Region	No.	%
The whole country	85.87	Anhui Sichuan Henan Hunan Hubei	56.72	66	The whole country	85.87	Beijing Shanghai Jiangsu Zhejiang Guangdong	40.27	47
Beijing	7.04	Hebei Henan Anhui Shandong Heilongjiang	3.97	56	Anhui	9.62	Shanghai Jiangsu Zhejiang Guangdong Beijing	8.34	87
Shanghai	6.00	Anhui Jiangsu Henan Sichuan Jiangxi	8.98	67	Henan	8.63	Guangdong Zhejiang Jiangsu Beijing Shanghai	5.77	67
Jiangsu	5.05	Anhui Henan Sichuan Shandong Hubei	7.38	68	Hunan	7.23	Zhejiang Guangdong Fujian Shanghai Jiangsu	6.02	83
Zhejiang	7.78	Anhui Jiangxi Guizhou Sichuan Henan	11.82	66	Hubei	5.89	Guangdong Zhejiang Shanghai Jiangsu Fujian	4.38	74
Guangdong	14.97	Hunan Guangxi Sichuan Hubei Jiangxi	21.50	70	Sichuan	8.91	Guangdong Zhejiang Fujian Jiangsu Shanghai	5.94	67

Source: The Sixth Population Census of the People's Republic of China (2010) and the author's calculations.

Figure 3: Top five migrants' destinations and source regions

Top five destinations



Top five source regions



Source: The Sixth Population Census of the People's Republic of China (2010) and the author's calculations.

The search for work and business opportunities are the main factors spurring inter-provincial migration. In 2010, 64.13 million people migrated to other provinces for work or business, accounting for 75 per cent of the country's total inter-provincial migrant population. In the context of China's household registration system, most migrants who leave their province for these reasons do not transfer their household registration to the destination region. Yet, according to current regulations, the enrolment in social security schemes for urban and rural residents is only possible in the place of household registration. As a result, migrants who have not transferred their household registration cannot join the social security schemes for urban and rural residents in the destination regions.

In 2010, a total of 12.3 million people (14 per cent of China's inter-provincial migrant population) migrate to accompany their family members. Most of them can obtain local household registration after a certain period of time, enabling them to participate in social security schemes for urban and rural residents in the destination regions. In addition in that same year, about 9.45 million people migrate for educational purposes, for visits and reunion with family or relatives, for relocation, or for other reasons, accounting for 11 per cent of China's inter-provincial migrant population. Most of them do not have local household registration nor are they employed locally. Therefore they are unable to join a social security scheme for employees or for residents in the destination regions.

Table 4: Population migrating to other provinces for different reasons, 2010 (millions)

Reason	Number
Work & business	64.13
Job transfer	2.13
Accompanying family members	7.97
Marriage	2.20
Education	3.78
Visiting or reunion with family or relatives	2.80
Relocation	0.74
Other	2.13
Total	**85.88**

Source: The Sixth Population Census of the People's Republic of China (2010) and the author's calculations.

2.2 Rural migrant workers[3]

The migration flows of China's rural workers can be divided into three periods. The first phase occurred over the 1980s when a part of the rural labour force left the agricultural sector for jobs in local enterprises. During this period, there was limited inter-provincial migration. The second period spanned from the early 1990s to the beginning of the 21st century, when the number of rural migrant workers increased from about 20 million to more than 100 million,

[3] Data sources are NBS 2017 and the author's calculations.

with many flocking to the eastern coastal areas. The third period goes from the start of the 21st century to 2013, when the growth in the number of rural migrant workers slowed down. Notably, the growth in the number of outbound rural migrant workers was lower than that of local rural migrant workers. There is a clear trend showing that the first generation of rural migrant workers, that is, those who left their hometowns in the 1990s, subsequently returned to their place of household registration.

In 2017, there were 171.85 million outbound rural migrant workers across the country, accounting for 60 per cent of the total number of rural migrant workers (including outbound and local). Among the outbound rural migrant workers, 76.75 million have migrated to other provinces. The percentage of inter-provincial migrants from the central region was the highest, accounting for 61.3 per cent of the migrant population from the central region. The proportion of inter-provincial migrants from the eastern region was the lowest, accounting for 17.5 per cent of the migrant population from the eastern region. Since the inter-provincial migrant population mostly flows from the central and western regions to the eastern region, the portability of social security benefits is a more outstanding challenge facing the migrant population from the central and western regions.

In 2017, a total of 137.1 million rural migrant workers lived in urban areas, equivalent to 32 per cent of the urban employed population. These migrants represent an important source of labour for labour-intensive industries such as manufacturing, construction, transportation, accommodation and services. Labour mobility in these sectors is very high.

Table 5: Numbers and destinations of outbound rural migrant workers, 2017

Regions	Number of rural migrant workers (in millions)			Percentage (%)		
	Total	Inter-provincial	Intra-provincial	Total	Inter-provincial	Intra-provincial
Total	171.85	76.75	95.10	100.0	44.7	55.3
Eastern region	47.14	8.26	38.88	100.0	17.5	82.5
Central region	63.92	39.18	24.74	100.0	61.3	38.7
Western region	54.70	27.87	26.83	100.0	51.0	49.0
North-eastern region	6.09	1.44	4.65	100.0	23.6	76.4

Source: NBS 2017 and the author's calculations.

Note: The eastern region covers ten provinces (cities): Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Hainan. The central region covers six provinces: Shanxi, Anhui, Jiangxi, Henan, Hubei and Hunan. The western region covers 12 provinces (autonomous regions): Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang. The north-eastern region covers three provinces: Liaoning, Jilin, Heilongjiang.

3. Social protection of migrant workers

In 2017, the number of rural migrant workers employed in the manufacturing and construction sectors accounted for 48.8 per cent of all rural migrant workers. Another 36.4 per cent were employed in wholesale and retail, warehousing and transportation, accommodation and catering, and residential services sectors. These are all labour-intensive sectors with high labour mobility. According to the NBS, rural migrant workers work in cities on average for 10 months in a year. Every year around the Spring Festival, many rural migrant workers change their jobs.

In 2017, rural migrant worker participation in the BPI-UE was 22 per cent; it was also 22 per cent in the BMCI-UE; 17 per cent in the UI, and 27 per cent in the EII. The enrolment rate of rural migrant workers in social security schemes for employees is much lower than the one of urban employees (see Table 5). There are three main reasons for the low migrant worker participation rate. First, many rural migrant workers work in the informal economy or undeclared and do not sign labour contract with employers. According to a NBS survey in 2016, only 35.1 per cent of rural migrant workers signed labour contracts (National Bureau of Statistics, 2017). Second, a culture of social protection is still to be developed among rural migrant workers. Many are not well informed and tend to prefer a higher take-home pay. Third, the procedures of transferring social security benefits are complicated and time consuming.

The EII coverage for the migrant population is higher than the coverage of other social security schemes for this group due to the fact that rural migrant workers are mainly employed in the manufacturing and construction industries. In these industries, rural migrant workers are over-represented in high-risk jobs. The probability of employment injury is therefore relatively high and so is the compensation for such injury, which explains why employers are more willing to participate in the EII.

Table 6: Coverage of rural migrant workers by social security schemes for urban employees, 2017

	Number of urban employees covered (millions)	% of urban employees covered	Number of rural migrant workers covered (millions)	% of rural migrant workers covered
BPI-UE	292.68	69	62.02	22
BMCI-UE	222.89	52	62.25	22
UI	187.84	44	48.97	17
EII	227.24	54	78.07	27
MI	193.00	45	-	-

Source: Ministry of Human Resources and Social Security, “Statistical Bulletin on the Development of Human Resources and Social Security in 2017”.

4. Main obstacles to migrant workers' participation in social security schemes

4.1 Transfer of social security records

Combined together, China's main social security schemes (BPI-UE, BMCI-UE, UI, EII, MI, BPI-RUR and BMCI-RUR) have an aggregate enrolment[4] of more than 2.5 billion at the end of 2017 (see Introduction for specific numbers). However, fewer than 200,000 people work for the social insurance administration services nationwide. As a result the staff faces a heavy workload and difficulties in meeting the demands for transfer of social security records of the migrant population.

Furthermore, the social security information management systems of the different regions are not fully integrated yet. The social security registration information systems are developed by local governments, without a standardized format. In less developed regions, the online transfer of social security records is not possible. Although official regulations require that the transfer of social security records should be completed within 45 working days, in practice it often takes longer to process transfers. Every year, tens of millions of migrants apply for the transfer of social security records, creating a huge workload for social insurance administration service providers in both source and destination regions.

The transfers between different pooling regions depend to a large extent on the administrative capacity of the social insurance agencies. In practice, the administration conducted by a number of local governments still depends on manual recordings and paper transfers. When there are large numbers of migrants or during peak migration times (such as after the Spring Festival period when migrant workers change jobs), transfers tend to take more time.

Among all the workers registered in the BPI-UE scheme in China, 80 per cent pay their contributions while 20 per cent do not pay at all (Zheng Bingwen, 2016). This is partly due to a lack of timely de-registration in the source region. In some cases, migrant workers might hold more than one social security account in different regions at same time but only pay contributions in the destination region.

4.2 Practical difficulties facing rural migrant workers

According to the "*Regulations on Unemployment Insurance*" adopted in 1999, a rural migrant worker whose labour contract is not renewed upon expiration or whose contract is terminated before expiration, should be compensated with lump-sum benefits by the unemployment insurance fund, equivalent to two months of unemployment benefits. According to the Regulations, participants who contributed to unemployment insurance for one to five full years are eligible to receive the unemployment benefit for up to 12 months; contributions for five to

[4] One worker has access to BPI-UE, BMCI-UE, UI, EII and MI, which means 5 enrolments.

ten full years give the right to benefits for up to 18 months and ten full years of contribution up to 24 months. However, when a rural migrant worker receives lump sum benefits, the contribution period is "zeroed" after each job change. As a result, many migrant workers lose their eligibility to receive unemployment benefits for longer periods.

Due to their high mobility, migrant workers who have enrolled in the urban employees' pension scheme tend to take a short-term view and terminate their participation in order to obtain the lump sum in cash from their individual accounts. At the time of contract termination, if they have contributed to the BPI-UE for less than 15 years, they lose the eligibility to receive a pension on a monthly basis; if they have contributed for less than a certain number of years (25 years for men and 20 years for women, or 30 years for men and 25 years for women in some regions), they lose the eligibility to be exempted from paying contributions for employees' medical care insurance scheme after retirement[5]. Due to the portability difficulties and the consequent challenges in reaching the qualifying conditions, many migrant workers choose to suspend or terminate their affiliation to social security schemes.

Migrant workers may lose a significant percentage of their social security benefits if they transfer their account from the urban employees' pension scheme to the residents' pension scheme. According to current policy, migrant workers can only transfer the funds in their individual account (including the accumulated interest), but not the funds in the social pooling account that is contributed by their employers.

4.3 Constraints due to household registration

In the mid-1980s, the restrictions on rural population movements and household registration in cities were relaxed. What followed was an acceleration of the urbanization process with an increase of the percentage of permanent residents (persons living in the same region for at least six months) in urban areas from 23.01 per cent in 1984 to 28.51 per cent in 1994. In 1995, the Government adopted a policy encouraging the development of small towns, which attracted more rural dwellers, thereby increasing the percentage of permanent residents in urban areas to 58.52 per cent in 2017. However, not all those who moved to urban areas are registered locally. In fact, in 2017, the registered urban population was 42.35 per cent, 16 points lower than the percentage of permanent residents in urban areas.

The migrant population can only join the pension and medical care residents' schemes of the regions where their households are registered. This does not help their social inclusion in the cities and urban areas where they work, neither does it facilitate labour mobility.

[5] Under the BMCI-UE, retirees are entitled to receive medical care benefits without making contribution into the scheme.

4.4 Challenges due to low pooling level

According to the 2009 policy of the Ministry of Human Resources and Social Security (MoHRSS), when migrant workers participating in the urban employees' pension scheme move across pooling regions, their individual contribution and related interests should be transferred in full to the destination regions. But only 60 per cent of the employer's contribution is transferred[6]. The destination region where the contributions have been paid for the last ten full years is designated as the place where the migrant will receive his/her monthly pension payments after retirement. When a migrant worker has not paid contributions for ten full years in a particular region, then the region where his/her household is registered will be designated as the region of pension payment.

All social insurance funds in China are administered by local governments, except the BPI-UE and the BMCI-UE funds of certain provinces, which are administered by the provincial governments. Most social insurance funds are administered by the municipal government. The BPI-RUR and the BMCI-RUR funds are administered by the county (district) government. There are 334 municipal governments and 2,851 county (district) governments in China. The administrative jurisdiction of a specific fund is the pooling region of that fund. As a result the administration of social insurance funds is highly fragmented.

The following story provides an example:

Mr X from a rural registered household in Tonghe County, Heilongjiang Province starts a new job in Liaoning Province and enrolled in the local BPI-UE there. Five years later, he went to work in Beijing and joined that city's BPI-UE. Two scenarios are possible for calculating his pension on retirement:

Scenario A:

If contributions were paid for ten full years in Beijing, Mr X is entitled to receive retirement benefits in that city and a pension at the level defined by the pension policy in Beijing. When Mr X moved from Tonghe to Beijing, only a part of the employer's contribution was transferred to Beijing, but his full pension is to be paid by the Beijing government and the financial gap to be filled by the pension fund of that city.

Scenario B:

If Mr X has not paid contributions for ten full years in Beijing or in any other region where he has worked, his pension would be paid in the place where he registered his household, in this case, Tonghe County. There would also be two scenarios for calculating his pension on retirement:

[6] Employers contribute 20 per cent of employees' wages into social pooling funds. When moving from one region to another, 12 per cent of this 20 per cent can be transferred to the new pooling region, which means around 40 per cent of the contribution from the employer is kept in the old pooling region.

Scenario B1: If he enrolled in the BPI-UE in Tonghe County, he is entitled to the BPI-UE pension benefit after retirement, if he has contributed for no less than 15 years.

S**cenario B2:** If Mr X enrolled in the BPI-RUR in Tonghe County, his individual contribution to the BPI-UE (and interests) is transferred to the BPI-RUR individual account in Tonghe County, and he would be entitled to receive a lifelong pension according to benefit standard of the BPI-RUR in Tonghe County.

In scenario B1 (similar to scenario A), the pooling region (destination region) that pays the pension benefits only receives part of the employer's contribution from the previous pooling regions (source regions) but it bears the responsibility of a lifelong pension payment, thus suffering an economic loss. In contrast, the source regions benefit from this policy as only 60 per cent of the employer's contribution has to be transferred from the source region, the remaining 40 per cent and the interests generated representing a net profit.

In reality, scenario B2 rarely occurs. The pension benefits from the BPI-RUR are far lower than the ones of the BPI-UE, so migrants have no financial interest in transferring from an employee to a resident scheme. In most cases, migrants choose to suspend or withdraw from the scheme in the source region. When migrant workers suspend their participation, their pension account in that region is "frozen". When they withdraw from the scheme, they can take out the total amount of their individual account but lose the remaining pension rights in the source region.

Once a region is designated as responsible for disbursing the pension benefits, it can only receive parts of the accumulated funds from the source regions but it has to pay lifelong pension benefits in full to the migrant worker. This obviously puts the pooling region responsible for pension payments at disadvantage.

4.5 Portability difficulties due to fragmented information systems

Basic pension insurance: The MoHRSS has developed a national "Information System for Transferring Basic Pension Insurance Records", which allows the transfer of documentation between source and destination regions. In practice, however, local social security information systems manage different data and formats, creating obstacles in connecting with the national information system. Moreover, some local governments in less developed regions lack sufficient resources to establish or update their information system and have to record the transfers manually on paper.

Basic medical care insurance (including maternity insurance): When migrant workers are registered in the social security agency of the source region and work in a destination region, they must advance the payment of their medical expenses and claim a refund later from the region where they registered. In 2017, the MoHRSS launched an initiative for the direct settlement of medical expenses incurred outside the pooling region, which enables eligible migrants to obtain an instant refund after receiving medical services at designated hospitals.

By the end of September 2018, there were 13,995 designated hospitals, and direct refunds were provided to 1.063 million people (cases). Since the system was only established in 2017, the number of hospitals integrated into the system and the number of persons benefitting from it are still modest. Time is needed for the national direct settlement system to further develop.

Unemployment insurance: The minimum contribution period for unemployment insurance is one year and a contribution of ten years bestows the right to receive the unemployment benefit for a maximum of 24 months. If migrant workers in the source region have contributed for less than one year, they can keep their eligibility to unemployment benefits if they join the scheme in the destination region. The records are transferred through the information system of the two regions, and the contribution periods generated in both regions can be aggregated. However, the transfer of information under the unemployment insurance encounters the same problems as the transfer of records for basic pension insurance. Furthermore, if a worker finds a job outside the registration region, the claim should be terminated. But due to the challenges in sharing information between different regions, in reality it may occur that a worker receives unemployment benefit in the source region when he/she has been re-employed in the destination region.

Employment injury insurance: When injured at work, the insured worker must undergo an assessment in the registration region following which he/she may receive employment injury benefits if the conditions are met. Migrants who work outside their registration region may be unable to return on time to undergo the assessment. They are usually examined and receive medical treatment at designated hospitals in the region where they work, then return to their registration region with the assessment results and apply for employment injury benefits within a specified period of time. However, the administration agencies in the registration regions are not always able to exercise on-site checks or verify the eligibility of the injuries for insurance benefits, leading to many lawsuits. Factors contributing to this situation include the difficulties in sharing information between the assessment agencies of different pooling regions and the lack of consistent assessment standards.

5. Portability: Case study and international practices

Portability of rights and entitlement is a concern particularly for source regions that are less developed and for people in specialized occupations who are highly mobile due to the nature of their work. Migrants from the central and western regions are most likely to encounter social security portability problems.

In the central and western regions, 63 per cent of migrants from rural areas move across provinces compared with 52 per cent from urban areas, according to National Health Commission data. In contrast, in the eastern region, only 25 per cent of migrants from both rural and urban areas leave their province. Nationally, the percentages are 39 per cent of migrants from urban areas and 44.3 per cent of migrants from rural areas (National Health and Family Planning Commission, 2017).

This section analyses the social protection portability challenges facing migrant workers from Jiangxi Province and will review the social protection coordination policies and modus operandi adopted by the EU. The EU has considerable experience in promoting labour mobility and social security coordination between its Member States and this could be a useful reference for China in addressing the constraints related to the portability of social security benefits.

5.1 Case study: Jiangxi Province

The Jiangxi Province is located in central South China and borders Zhejiang and Fujian Provinces in the east and Guangdong Province in the south. Zhejiang, Fujian and Guangdong Provinces are part of the developed eastern coastal region of China with a strong labour market. These 3 provinces attract a large number of workers from Jiangxi, which has become an important source province. At the end of 2017, there were 8.78 million rural migrant workers from Jiangxi Province, accounting for around one third of the province's total working population. Around 22 per cent of the province's working population were inter-provincial migrant workers (Jiangxi Provincial Bureau of Statistics Bureau, 2017).

The most popular provinces for migrants from Jiangxi are Guangdong, Zhejiang, Fujian, Shanghai and Jiangsu. Together, these provinces host 5.1 million migrants from Jiangxi, accounting for 88 per cent of Jiangxi's inter-provincial migrant population. Jiangxi's social insurance administration agencies have close contacts with their counterparts in Guangdong and Zhejiang, and the variations and differences between these provinces in terms of social security, policies, working procedures and information systems all affect the portability of social security records of Jiangxi's migrant population.

Table 7: Inter-provincial flows of migrants from Jiangxi Province, 2010

Destination	Number	Destination	Number
Guangdong	1 871 182	Guizhou	22 008
Zhejiang	1 529 896	Hebei	20 274
Fujian	948 654	Henan	19 261
Shanghai	487 192	Shaanxi	17 769
Jiangsu	264 814	Chongqing	15 784
Beijing	141 197	Inner Mongolia	14 863
Hunan	71 968	Liaoning	13 284
Hubei	57 905	Shanxi	11 886
Anhui	39 952	Xinjang	9 863
Guangxi	39 719	Gansu	7 144
Yunnan	36 306	Heilongjiang	7 041
Tianjin	33 762	Jilin	5 034
Sichuan	32 048	Qinghai	3 564
Shandong	31 113	Ningxia	3 399
Hainan	29 470	Tibet	1 043

Source: NBS. The Sixth Population Census of the People's Republic of China (2010)

Figure 4: Major destinations of migrant population flows from Jiangxi Province



Transfer of social security records: Employment outside the province is the main reason for the transfer of social security records out of Jiangxi, while return to hometown for retirement is the main factor behind the transfers into Jiangxi's social security schemes. From 2010 to September 2018, Jiangxi had processed 169,971 transfers of basic pension insurance records out of the province, with an average of CNY16,700 for each case. Over the same period, there were 353,434 transfers into the province for a total amount of CNY6.28 billion, with an average of CNY17,800 for each person.

Table 8: Transfers of BPI-UE registration and records to and from Jiangxi, 2010 – Sep. 2018

Year	Number of transfers of registration and records				Amount of funds transferred (CNY million)	
	Inbound	Rural migrant workers	Outbound	Rural migrant workers	Inbound	Outbound
2010	10 534	3 972	6 640	1 066	94.957	80.763
2011	17 151	4 250	12 136	1 337	132.223	51.396
2012	29 775	7 722	15 007	861	375.389	192.908
2013	35 718	7 880	18 190	1 466	496.602	271.198
2014	48 826	10 096	19 501	1 725	661.183	285.299
2015	47 378	8 628	22 207	4 274	877.634	412.747
2016	53 057	9 060	25 166	3 445	1 117.548	481.368
2017	56 800	11 387	25 259	2 694	1 175.882	450.454
First 3 quarters of 2018	54 195	9 735	25 865	2 510	1 351.445	613.463
Total	**353 434**	**72 730**	**169 971**	**19 378**	**6 282.862**	**2 839.590**

Source: Jiangxi Provincial Social Insurance Administration Centre.

Due to a lack of data, it is not possible to analyse the age groups of the migrant population for whom outbound and inbound transfers have been made. However, the data in Table 7 show that inbound transfers are 2.1 times larger than the outbound transfers, with the number of people returning to Jiangxi in recent years being greater than those leaving the province. When returning home, migrants transfer their social security registration back to Jiangxi and claim their pension benefits if eligibility conditions are met. The table also shows that the average amount of inbound transfer is higher than that of outbound transfer, indicating that those returning are older and have participated in the basic pension insurance scheme for a longer period.

Transfer of social security records: The large number of skilled workers moving to more developed provinces not only contributes to these provinces' economic development but also fuels their social security schemes. When migrant workers return to their less economically developed hometowns, only part of their social security contributions paid in destination regions are transferred back (see section 4.4). This is a key challenge for the Jiangxi Province, as large number of migrant workers return home to retire.

Out of Jiangxi Province's 11 municipalities, only five have been integrated into the national System for Transferring Basic Pension Insurance Registration and Records, largely because of a shortage of financial resources for information system development. Administration agencies in municipalities not connected to the national system have to process the transfers manually, which implies a higher workload for staff often leading to transfer delays.

5.2 Social security coordination between EU Member States

Since the 1950s, the European Council has adopted a series of regulations on social security coordination. In 2004, Regulation (EC) No 883/2004 of the European Parliament and the Council on the coordination of social security systems was adopted, replacing former Regulation (EEC) No 1408/71. Its Implementing Regulation (EC) No 987/2009 was adopted in 2009 to replace former Regulation (EEC) No 574/72. The provisions on coordination of social security establish common principles to protect EU workers from losing some of their social security rights when they work or reside in other EU Member States. These principles are (ILO, 2010):

- **The applicable legislation principle** refers to the principle that each eligible person should be covered by one social security system and should not contribute to more than one system at the same time for the same coverage. Economically active people are subject to the legislation of the Member State in which they work and non-active people are subject to the legislation of the Member State of their residence.
- **Equality of treatment** refers to the principle that non-nationals registered in the national social security system of one Member State will enjoy the same benefits and be subject to same obligations as the nationals of this Member State.

- **Aggregation of the insurance, residence or work periods** refers to the principle according to which entitlement accumulated in one Member State will be recognized when calculating benefit entitlements in another Member State.
- **Export of benefits** refers to the principle that the benefits foreseen under the legislation of a Member State will not be subject to any reduction on account of the fact that the beneficiary resides in another Member State.
- **Good administration** refers to the principle according to which the social security institutions of all Member States should cooperate with each other and exchange relevant data. This principle was introduced in Regulation (EC) No 883/2004, which helps to ensure that data are freely and efficiently exchanged between Member States' institutions.

According to EU regulations, the pension entitlements accumulated in any Member State will be recognized by other Member States. When an EU national who has worked in several Member States is eligible to claim pension benefits in one Member State, the social security institutions of all the Member States in which the retiree has worked will determine the entitlements in their respective countries and transfer the corresponding funds (European Commission).

According to the provisions on the coordination of social security systems, in every Member State where an EU national has been insured, his/her social security record will be preserved until the conditions for entitlement to benefits have been met under national law. When an EU national moves to another Member State, his/her contributions will not be immediately transferred to the next country of employment. When the worker reaches the legal age for their pension, each Member State where he/she have been insured will contribute to the payment of their old-age pension on a pro-rata basis (European Commission, 2011). When the competent institution of a Member State where the worker has been insured calculates the proportion to be paid, it will first calculate a theoretical amount and subsequently an actual amount on a pro-rata basis.

Article 52 (b) 2 of the Regulation (EC) No 883/2004[7] states:

> （i） the theoretical amount of the benefit is equal to the benefit which the person concerned could claim if all the periods of insurance and/or of residence which have been completed under the legislations of the other Member States had been completed under the legislation it applies on the date of the award of the benefit.
>
> （ii） the competent institution shall then establish the actual amount of the pro rata benefit by applying to the theoretical amount the ratio between the duration of the periods completed before materialisation of the risk under the legislation it applies and

[7] Regulation (EC) No 883/2004 of The European Parliament and of the Council of 29 April 2004 on the coordination of social security systems, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A02004R0883-20140101 . Accessed on 10 December 2018.

the total duration of the periods completed before materialisation of the risk under the legislations of all the Member States concerned.

The total amount of pension benefit corresponds to the sum of the contribution of each of the countries according to the following formula:

$$\frac{T_1}{\sum_{i=1,2\ldots,n} T_i} \times B_1 + \frac{T_2}{\sum_{i=1,2\ldots,n} T_i} \times B_2 \ldots\ldots + \frac{T_n}{\sum_{i=1,2\ldots,n} T_i} \times B_n$$

Therein, T refers to the calculated duration of the pension due in Member State i, $\sum_{i=1,2\ldots,n} T_i$ refers to the sum of the duration of the pension due in all Member States where the person is eligible to receive a pension, and B_i refers to the theoretical pension from State i.

The principles of EU social security coordination might provide interesting insights to help solve some of the issues related to the social protection of migrants in China, in particular the need to ensure that they do not lose their accumulated rights to benefits by leaving their source region. For example, pension benefits could be calculated and paid by all the corresponding pooling regions based on the duration of their contribution periods. The pro-rata calculation method used in the EU context might provide a useful reference for the Chinese context.

6. Policy recommendations

As analysed in the previous sections, the following three features of the Chinese social security system have important implications for the social protection of migrant workers. First, social security funds are separately administered by local governments; second, there are household registration constraints for enrolment in the resident's social security schemes; and third, local social security information systems are not fully integrated yet. There are also other factors not directly related to the social security system that have implications for rural migrant workers, such as the low level of awareness about the benefits of social protection or the high prevalence of informal employment.

In line with the above analysis, the following recommendations are made:

1) **Integrate the BPI-UE fund into national pooling to be managed by the central Government.** This would reduce the difficulties in transferring social security rights. However, important economic and social development gaps still exist among different provinces and municipalities in China. For example, the average wage in Beijing is twice that of Liaoning; the balance of Guangdong's BPI-UE fund is CNY800 billion more than that of Heilongjiang and it accounts for 20 per cent of all BPI-UE funds nationally. Moreover, since the establishment of different social security schemes in the 1990s, the local management of funds has become a tradition that will be hard to change in the short

term. The central Government has decided to achieve provincial-level pooling of pension funds by 2020, and more time will be needed to achieve national pooling. In the meantime, portability could be improved through better coordination among the provinces and harmonization of rules between schemes.

2) **Establish a social security coordination mechanism for the migrant population**. First, the regulation requesting 60 per cent of the employer's contributions under the BPI-UE to be transferred from source to destination region should be reviewed. When a migrant worker moves from one region to another, it should be possible to preserve his/her social security rights in the source region or the last region of employment, without transferring the social security records and funds. The contribution periods in different pooling regions could be aggregated. Second, when the person is eligible for retirement, the benefits could be calculated proportionally in the different pooling regions and paid separately by all the pooling regions concerned. Third, to build a new social security coordination mechanism, it would be important to have a national social security fund settlement system in place.

   In November 2018, the MoHRSS released the draft "*Regulations on social security Administration and Service*" to solicit public opinion on this new policy. Among other issues, it outlines new methods for transferring migrants' social security rights. Under this proposed policy, the pooling region would preserve migrant workers' BPI-UE records and individual accounts, which would still accumulate interest, until they reach the age of retirement and claim the pension. The social insurance administration agencies in the pooling regions responsible for the payment of benefits would use the national system for transferring social security rights, check the contributions in different pooling regions, review and aggregate each contribution period, collect the funds from each region, and pay the pension according to policies. If this policy is adopted, the next step would be to develop more detailed implementation guidelines on the calculation of the benefits.

3) **Review the household registration restriction regarding social security**. Household registration system is a measure to control population growth in major cities, while it also leads to obstacles preventing migrant workers from joining the resident's scheme in the place of their employment. Most people head to cities with higher-paying jobs where household registration is hard to obtain. Migrants relocating to other provinces need equal access to local residents' social security schemes and the same benefits as the local population.

4) **Establish a national social security information system**. First, it is important to integrate all local social security information systems with the national Information System for Transferring Basic Pension Insurance Records. Second, the central Government has called for setting up national on-line information system for social security public service. It is important to accelerate the development of such a national social security information

system which will capture the changes in individuals' lives in real time and meet migrants' demands for accessing social security schemes and benefits in different pooling regions.

5) **Carry out more research on ways to facilitate the transition between employees' and residents' schemes.** The social security system of China relies on a dual structure of separate schemes for employees and non-salaried urban and rural residents. There are practical reasons for such a dual structure, as the two schemes are very different in nature. However, improving portability between the employees and residents schemes is very important for the removal of barriers to labour mobility. Additionally the fact that a migrant worker loses part of the employers' contributions when his rights are transferred from the BPI-UE to the BPI-RUR reduces drastically the benefits upon retirement. There is scope for more research on how to facilitate the transition between the two sets of schemes, even more now when workers are expected to increasingly change work and forms of employment during their professional lives (from self-employment to wage employment and vice versa).

Address the difficulties beyond portability and build a culture of social protection. The above-mentioned suggestions aim at improving the portability of social security benefits, which is only one of the challenges faced by migrant workers. But other issues should also be addressed such as rural migrant workers' low awareness about social protection benefits and the relatively low number of them signing labour contracts and therefore being covered by employees' schemes. It is important to build a culture of social protection and focus on educating the vulnerable groups including the rural migrant workers. Equally crucial is to improve labour law compliance and gradually formalize the informal economy. The role of the labour inspection in this regard is essential to ensure social security contributions are paid on time and in full amount.

In summary, there are strong social and economic arguments in favour of strengthening the social protection of migrant workers. Adequate social protection helps facilitate social inclusion of those who are at higher risk of poverty and social exclusion. It also facilitates labour mobility, which is important in the context of the ageing of the Chinese population. China has made major efforts in recent years to strengthen the social protection of migrant workers but given the size of the country, the regional differences and the scale of internal migration, it will take time to gradually put in place a well-functioning mechanism to ensure migrant workers are fully and adequately protected.

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Improving social protection for internal migrant workers in China

China's internal migrant population - rural migrant workers in particular - faces challenges in transferring their social security rights when they move from one province to another. The reasons of such challenges are various and include the following. First, the low pooling level of social security funds explains to a large extent the difficulties for migrant workers to transfer their social security rights and benefits. Second, the capacity of the social insurance administration agencies would need to be strengthened to enable them to transfer large amount of records and benefits between provinces. Third, existing household registration restrictions prevent migrant workers from joining the social security schemes for non-salaried urban and rural residents at the place of employment. Lastly, the fragmentation of social security information systems in the different regions further constrains the transfer of rights and benefits. The findings of a field research in Jiangxi Province conducted for this report confirmed the above-mentioned limitations. The report further argues that the social security coordination mechanism used among EU Member States could be a useful reference for China. It suggests to: 1) enhance the centralized management of social security funds at the national level; 2) eliminate household registration restrictions to allow migrant workers to register in the social security schemes for urban and rural residents at the place of employment; 3) upgrade the social security information system; and, 4) improve the efficiency of the transfer of social security records and benefits between provinces.

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