

Country Summary-Tripartite round table on pension trends and reforms

China (Workers)

Achievement of the ILO principles

1. Progressive realization of universal coverage. Yes, although the coverage quality for some vulnerable groups such as informal workers should be improved.

2. Social solidarity and collective financing. Both schemes for workers and residents are financed collectively, but the matched subsidy for individual contributions in residents' scheme did not provide sufficient incentives for higher levels of contribution.

3. Right to adequate and predictable benefits. For workers' scheme: Since 2005, nominal pension benefit for the workers' scheme has been raised on a yearly basis. The increase rate was 10% during 2005-2015, 6.5% in 2016, 5.5% in 2017 and 5% in 2018 and 2019. For residents' scheme: huge regional differences exist, benefit level is highly depending on the fiscal statement of the local government.

4. Overall and primary responsibility of the State. Pension fund is not only financed by contributions from employers and workers, but also from government subsidies. According to Article 13 of Social Insurance Law, when the basic endowment insurance funds are insufficient for payment, the government shall provide subsidies. According to the Social Insurance Law, the government is responsible for the administration management of social security institutions.

5. Non-discrimination, gender equality and responsiveness to special needs. Yes. For people in poverty, seriously disabled, or living in remote areas, contributions for residents' scheme are provided totally or partially by local governments.

6. Financial, fiscal and economic sustainability. Pooling level of workers' pension funds are at provincial level rather than national level. There are big differences between different provinces in China. For provinces in eastern China, pension funds are sustainable, but for western provinces, pension funds are not. So the Chinese government decided to establish central adjustment fund since 2018. Every province has to contribute to this fund, contribution rate will start from 3%, based on their average wage and workers should be covered in each province.

7. Transparent management and administration. Yes, for instance many local administration branches use wechat public accounts and hotlines to provide more convenience and transparency.

8. Involvement of social partners and consultations with other stakeholders. According to article 9 of Social Insurance Law, trade unions protect the legitimate rights and interests of employees in accordance with the law, have the right to participate in the study of major social

insurance issues, participate in the social insurance supervision committee, and supervise issues related to employees' social insurance rights.

9. Periodic review of pensions to match the evolution of the cost of living and level of earnings. For formal workers, yes. Please use the answer to principle 3 above for reference.

Overall Assessment of China's Pension System

1. Coverage. If we consider both schemes for workers and residents, China has achieved full coverage, although coverage quality for some informal groups still needs to be improved (for instance, a lot of migrant workers are covered by residents' scheme).

2. Adequacy. Benefit for workers scheme is relatively adequate, and has been raised on a yearly basis. Benefit level of residents' scheme depends on the financial situation of local governments.

3. Sustainability. Huge differences exist in different regions, pension funds are more sustainable in eastern provinces than in western provinces. In order to raise the pooling level of pension funds in China, Central Adjustment Fund was founded.

4. Multi-pillar. Currently, pension benefit from the first pillar is still the main source of retirement income for workers. With the downsizing first pillar (by decreasing the contribution rate of employers, in order to save more rooms for other pillars) and increasing coverage rate of Enterprise Annuity and Private Pensions, China is going to construct a multi-pillar pension system.

What could be done to strengthen the pension system?

1. Cover more informal workers in workers' scheme. More effective measures should be taken to inspect employers to apply relevant rules and regulations for pension. Portability should be more convenient and should guarantee sufficient fairness, including portability within the workers' scheme and between workers' and residents' schemes.

2. Make pension adjustments more predictable. Benefit of workers' scheme has been adjusted and raised on a yearly basis currently. But the adjustments are usually announced based on administrative orders, which did not provide enough predictability.

3. Improve the sustainability of system. In order to solve the transition cost issue back in the 1990s, more state owned capital has been transferred from state owned enterprises to social security funds, the regulation of transfers need to be further improved.

4. Overall consideration of multi-pillar system. The boundaries and responsibilities of different pillars should be clear.