

## Migrant workers lack security as they approach retirement due to weak social insurance.

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As the first generation of rural migrant workers have begun to reach or approach retirement age, the lack of pensions or underpayment of pensions has been an increasing grievance, and a cause of strikes and labour disputes in China. The 2014 Yue Yuen shoe factory strike, which was one of the largest recent strikes in China and involved 40,000 workers, for example, was triggered by the underpayment of pension contributions by the company. Workers have also increasingly sought legal redress for social insurance problems. In 2014, 64% of labour disputes in Guangzhou's intermediate level court involved social security matters.<sup>1</sup>

As part of research into the lives of first generation and long-term migrant workers<sup>2</sup>, Globalization Monitor surveyed 651 workers about social insurance and plans for retirement<sup>3</sup>. The migrant workers were living and working in 5 cities, including Dongguan and Huizhou in Guangdong province (27%), Fuzhou in Fujian province (25%), Yangzhou in Jiangsu province (25%) and Chongqing municipality (23%). The majority of the workers were factory workers, working in car and motorbike manufacturing, electronics, shoes, garments and glasses factories; while some worked in logistics, the service sector or as construction workers.

The survey looked at social insurance coverage, workers' views of the social insurance arrangement and the challenges they had faced as well as preparations and plans for after they had retired.

### Social insurance coverage

Under China's 2011 Social Insurance Law, all employees in China, including migrant workers, should be covered by China's social insurance system. This includes five types of insurance, namely pension, medical insurance, work injury insurance, unemployment insurance and maternity insurance. There is also a housing fund. While these aspects of social insurance are mandated nationally, the exact details and administration can vary widely between different local jurisdictions. Related to this, one additional challenge for migrant workers is that many of them are unable to register for an urban pension, have difficulties transferring their insurance when they move, and can instead only register for a rural pension in their hometown which pays much less. This subsequently is an additional barrier making it difficult for migrant workers to be able to afford to stay in the city after their retirement even if they might otherwise choose to.

Despite the regulations, non-payment or under payment of workers' social insurance by their employers is a major problem, meaning that many workers are deprived of their right to a pension and other social insurance benefits. A 2018 report by one social insurance information

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<sup>1</sup> Who Will Represent China's Workers? Lawyers, Legal Aid and the Enforcement of Labor Rights. Aaron Halegua. 2016. U.S.-Asia Law Institute: New York University School of Law.

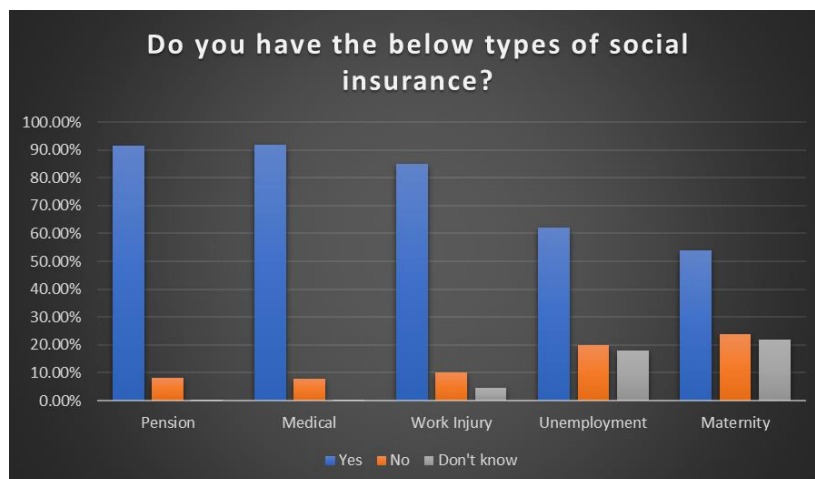
<sup>2</sup> Those who had been migrant workers for more than 15 years.

<sup>3</sup> The survey was conducted between June 2018 and early January 2019.

provider found that only 27% of companies in China paid their full share of social insurance contributions.<sup>4</sup>

A lack of full social insurance coverage was found to be a problem for many of the workers who participated in our survey. In fact, only 53.6% of the workers said that they were aware of having all five types of insurance. Medical and pension insurance had the highest rate of participation, with 91.8% and 91.4% of workers indicating that they had these types of insurance respectively. Other types of social insurance appeared to have lower rates of participation: 85.1% of workers said they were aware of having work injury insurance, 62% of having unemployment insurance and 54% of having maternity insurance. While these lower rates may represent a shortfall in coverage, it is possible that they are partially due to lack of awareness on the part of workers about whether they are covered or not. Although both employers and employees are required to each contribute to medical, pension and unemployment insurance, for maternity and work injury insurance only the employer is required to contribute. Interestingly, 18% of the workers we surveyed said that they did not know whether they had unemployment insurance and 21.9% said they did not know whether they were covered by maternity insurance.

It should also be noted that the percentage of workers that we surveyed who said that they had insurance was much higher than that reported by official statistics only a few years earlier. In 2014, official statistics reported that only 16.7% of migrant workers had a pension, 26.2% were covered by work injury insurance, 17.6% by health insurance, 10.5% by unemployment insurance and 7.8% by maternity insurance<sup>5</sup>. While this might be due to a genuine increase in the number of workers covered in this time, with significant variation in coverage and implementation across different regions in China and across different industries, it is difficult to fully evaluate. Nevertheless, the fact that slightly under half of the workers we surveyed were not fully covered by all five types of insurance still represents a very significant shortfall and indicates widespread violation of the law.



<sup>4</sup> Caixin View: China's Dilemma --- Lower Tax or Bigger Pension Hole. Caixin. November 20<sup>th</sup> 2018. <https://www.caixinglobal.com/2018-11-20/caixin-view-chinas-dilemma-lower-tax-burden-or-bigger-pension-hole-101349428.html>

<sup>5</sup> See: Who Will Represent China's Workers?

The social insurance coverage rate for female employees has often been found to lag behind the coverage rate for male employees, something which has been attributed to uneven job opportunities and to the number of women workers in the informal sector where workers have less access to social insurance benefits (Liu and Sun 2015). Amongst the workers we surveyed the rate of social insurance coverage was also lower amongst female workers than male workers. Only 44.3% of all female workers said that they had all five types of social insurance (compared with 60.9% of all male workers).

Although the Chinese government has recently appeared to be looking to take steps to make it more difficult for employers to evade social insurance contributions, such as requiring local governments to transfer responsibility for collection social insurance contributions to the tax authorities from January 2019, it has also reduced employer contributions at the expense of workers. From May 2019 employer contributions to pensions were reduced from 20 to 16%. The Ministry of Finance has also indicated that it will further reduce employer contributions to unemployment and work injury insurance sometime in the future. With the aim of reducing the burden to the employer, local governments are being required to integrate maternity and medical insurance into one fund by the end of 2019.

### **Social insurance arrangements and workers' views**

Several of the workers that we spoke to complained about their lack of social insurance and 74 of them explicitly expressed dissatisfaction with the arrangements.

One 51 year old construction worker in Chongqing who did not have insurance said that this was one of the things that he was most dissatisfied with about his current life situation, and remarked that “Everybody should be able to have a pension, shouldn't they?” A 43 year old sales worker who also did not have any social insurance due to frequently moving for work echoed a similar sentiment, “If there is any reform it should be so that everybody should be able to buy social insurance, if they haven't had enough time they should be able to do so in one lump sum”. Meanwhile, a 53 year old construction worker in Fuzhou who also lacked a pension reflected on how he felt powerless to do anything about the situation, “I am unhappy about it but there is nothing I can do. There are national regulations and I can't do anything about it...I will continue to work after I retire to save money”.

Amongst those who now had social insurance, some workers reflected on their difficulties in first obtaining it. Another 48 year old female glasses factory worker complained that, “I have worked at this factory for a very long time and when I joined the factory I couldn't get social insurance straight away. Moreover, when the factory did start to first buy the insurance it was on a lottery basis. Those who were drawn would have social insurance. It was not until 2008 that the management bought social insurance for employees when they were hired.”.

The increased use of dispatch labour, outsourcing and subcontracting in China is one factor has also made it easier for enterprises to avoid responsibilities for social insurance, leaving it to dispatch agencies instead which have sometimes failed to provide insurance to workers. Indeed, some of the car factory workers that we surveyed in Chongqing reported unfair treatment related to social insurance stemming from their status as dispatch workers. As one worker explained, “the previous dispatch company deducted money but never gave us the social insurance we had paid for. It wasn't until we went on strike and petitioned the government that social insurance was successfully bought for everyone” As far as these workers were aware, they still only had pension and medical insurance.

Although there has been an increase in the number of protests by workers over none payment and under payment of social insurance, reflecting an awareness of its benefits and the injustice of the situation, a lack of awareness of the benefits of social insurance has also made some workers reluctant to participate even when they might have had the opportunity to. One 51 year old Dongguan garment worker reflected that, “I didn’t understand social insurance very well in the past and so I didn’t want to buy it. Now I have learned that there are people in the factory who can collect more than 800 every month upon retiring, which isn’t bad. It’s a pity that I didn’t buy social insurance”.

On the other hand, amongst those who expect to receive a pension upon retirement, there was some degree of skepticism about whether it would be sufficient for them to be able to support themselves into their old age. In the words of a 48 year male glasses factory worker in Dongguan “I am not hopeful that this pension will be able to support my old age, it is still necessary to save some money.”

### **Fifteen years of contributions**

Workers and their employers in China generally need to have contributed to pension insurance for a minimum of 15 years before they can receive a pension. One problem facing millions of first generation migrant workers as they approach retirement age is that even amongst those who have social insurance, it was already too late for them to be able to accrue the fifteen years of contributions required for them to receive a pension by the time they reach retirement age when they first began making contributions.

This means that even though the retirement age in China is currently 60 for men and 50 for female blue-collar workers (although there are plans to gradually raise the age of retirement for both men and women), due to a lack of a pension or not having been able to contribute for long enough, many workers feel the need to continue to work into their retirement in order to be more financially secure in their older age. This was true of workers we surveyed, with many of those who had already reached the official retirement age continuing to work to support themselves or to continue to contribute to their social insurance so as to accumulate 15 years of contributions. In total, 29.3% of workers who participated in our survey said that they were still working or planned to continue to work once they reached retirement age, this rose to as much as 38.2% for workers aged 40 and above<sup>6</sup>.

One shoe factory worker who had already reached the retirement age but still had not contributed enough to the social insurance explained how she wanted to return home earlier, “it is not good to stay [here] too long. Mainly I have only stayed here so that I can buy enough insurance, otherwise I would have gone home earlier.”

Having to work past the retirement age has also sometimes meant that workers have faced additional discrimination in the workplace. At one garment factory in Dongguan, for instance, workers who had reached retirement age were made to sign shorter contracts with fewer protections. “Previously we signed the contract for 3 years. When we are 50 years old we are considered rehired personnel, like zero hours workers, and we can only sign one year contracts,” reflected one worker. “Other wages have not changed but the length of the contract is different.”

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<sup>6</sup> 372 of the workers were aged 40 or above.

## Retirement Plans

When asked about their plans for retiring, almost 60% of the workers who had not already retired or returned to their place of origin<sup>7</sup> said that they planned to return to the countryside after they retired.

When reflecting on their reasons for this workers comments included:

- “If I remain in the city, how can I live? I don’t have a room or money.”
- “If I don’t work then I must go back to the rural area. Staying in the city is too expensive. Besides, I think I will be more at ease if I go back to the countryside.”
- If I retire, I will not be able to continue to work, I will go home, and look after grandchildren or rest at home....I am just in the city temporarily and I will go back to the rural area. The city’s houses are too expensive, and if I stay I don’t have money to spend.
- “Retirement is to allow people to rest. There is no need to work again”.
- “I will return to the countryside, being away from it is just temporary. In the end I will return home. My house in my hometown is well built and so I will return to live there in my old age and at that time I will grow vegetables to eat.”
- “I still like my home, I don’t feel at home until I am there”

A 60 year old migrant worker who had already retired and returned home to live in a town not far from his village in Chongqing discussed his situation. “With years working away from home, our village house collapsed. We did not want to go back to farm the land, so we bought a house in the town” He said that he had not encountered any difficulties since returning home and receives a pension of about 2000 Yuan per month after having bought rural pension insurance. He would not work again “because I am old now and my body doesn’t work so well. I also suffer from long-term pain in my legs, which are deformed now. I have had surgery and now my legs are paralysed.”

Another former construction worker who had retired early due to a work injury described how he was happy to be back in the countryside: “I can grow vegetables, grow food and raise a few cows”. He was not able to receive any pension, however, and was relying on his wife who was still working away from home to send money back to support him. His son and daughter-in-law were working as migrant workers too.

Not all of the workers were keen to return home, however, and some had potentially become more settled in the city. “I will stay in the city as we have bought a house in the city. I borrowed some money to buy a house so that my children can go to good schools,” one 43 year old worker explained. However, she also felt very unprepared for retirement. Without social insurance, she said that she would have to continue to work into her retirement in order to have money for old age.

In considering their retirement, the well-being of family members was another important concern for many of the workers. 79.4% expected to have to take care of other family members

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<sup>7</sup> Despite previously having been long distance migrant workers, some of the workers from Yangzhou and Chongqing had already returned to live close to home following their loss of their original village land due to industrial expansion. As compensation for their loss of land, they had been provided with resettlement housing and jobs (often through dispatch agencies) in factories in the new industrial area.

of different generations upon retiring, ranging from parents and in-laws to grandchildren. Many of the workers were also faced the challenge of saving money to buy a home. One 40 year old electronics factory work in Chongqing commented that, “the greatest difficulty is being unable to buy a home...I wish that everybody could apply for a public house and use it for a long time. This would alleviate the pressure of buying a house.” Another worker, from a motorcycle factory in Chongqing, said that after he retires he planned to go home, “I might buy a small house in a small town or carry out some small business. I will decide about this within a few years”. However he also commented that it was difficult to buy a house, “house prices have risen everywhere, and the need to buy a house of your own is very stressful”.

### Summary

As Chinese migrant workers approach retirement age, a lack of adequate social insurance and especially a lack of a pension is a significant and increasing concern for many workers who worry about how they will support themselves in their old age. While some workers do not have a pension at all, as employers fail to make contributions in accordance with the law, others have to work beyond the official retirement age in order to have been contributing long enough to qualify. Those that work far from home, move from place to place or whose jobs are more temporary, a stable pension is even more difficult to secure. Although many look forward to returning home to the countryside, higher costs and inadequate protections are challenges for those who might otherwise establish roots in the city. Even amongst those who plan to return home, many continue to worry about the financial difficulties they or their families might face in their old age.