Social Security Policies for Migrant Workers in China and Possible Future Development

Shu-rong HAN¹,*, Ye-qing HUANG² and Min ZHAO³

¹Shaanxi Normal University, Chang'an, Xi’an, Shaanxi, China.
²Tongji University, Yangpu District, Shanghai, China.
³Nanjing University of Information and Technology, Jiangning District, Nanjing, Jiangsu, China.

*Corresponding author

Keywords: Migrant Workers, Social Security, Development.

Abstract. The large scale movement of migrant workers from rural to urban areas in China started in the early 1980s. Because the current social security system is based on a household registration system, migrant workers have difficulty fitting in. There are some landmark developments in policies towards migrant workers: the change from controlling migration to protecting their rights is one of them. The policies have been changing over time and this paper will provide a descriptive account of the changes and as well as an estimate of future development.

Introduction

Migrant workers have attracted more and more attention from researchers. Here ‘migrant workers’ refers to those who come from rural China and who are still registered as rural hukou. Household registration system that was established during China’s planned economy period since 1958. This system leads to a major divide between the rural and urban population at a broader level. Therefore ‘migrant workers’ refers to people with rural household registrations who have moved to cities and towns in other areas to work. This group of people has emerged in China since the 1980s. For a long time China’s social security, which includes pensions, medicine, housing as well as many other benefits, was bounded with the urban household registration. The social security in rural areas had not been developed except basic social assistance measures, such as rural cooperation medicine, the Five Guarantee system (wubaohu) and the nature disaster relief system combined with collective economy. This social assistance system was associated with collective economy and strict mobility control. So when the collective system was dismantled in the mid-1980s, those social assistance measures were either abandoned or could not work as effectively as they used to be. This situation is exacerbated when rural people are allowed to move to cities. As migrant workers as rural residents and only urban hukou holders could access to social security in the city, they do not have equal citizenship and confront with marginalization.

Because migrant workers do not have good welfare, it became a big social issue for Chinese government. They began to think about how to expand social security to this group of people. Attitudes and social security policies towards migrant workers changed over time. From controlling the migrant worker influx into the cities, to realising the importance of them in the economy and cities’ development, the government has begun to take some measures to provide social security for migrant workers. This article will review this situation and discuss the future of social security policies for migrant workers.

Chinese Migrant Workers’ Difficulty in Enjoying the Social Security Right

The right to social security is important part of social and economic right of human right. This right is inherited in many international declarations and covenants. The Universal Declaration of Human Right, Article 22 states that:
Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural right indispensable for his dignity and the free development of his personality [1].

The International Covenant on Economic, Social and Cultural Right also confirmed everyone has the rights of social security, including social insurance [2]. Because the covenant’s provision regarding social security was too general, the Normative Content of The Right to Social Security was issued in 1952. This covenant specified the nine branches of social security [3]. All of these international declaration and covenants confirmed the right to social security as an important part of human right.

The rights to social security can be divided into four kinds: 1. The right to social insurance 2. The right to social assistance 3. The right to social welfare 4. The right to social compensation. However, it is difficult for the migrant workers in China to obtain these rights. Their social security right are not supported adequately by government adequately through laws, finance and administration.

This article will take migrant workers’ old-age insurance as example to show the difficulty for migrant workers to enjoy the right to social security. Most migrant workers are left out of any old-age insurance. At the end of 2007, there were approximately 200 million people with urban old-age insurance. In contrast, the number of migrant workers with old-age insurance was a mere 18.5 million [4], which accounts for just 9.1%. Currently we can say the insurance is still poorly administrated.

The Biggest Obstacle for Migrant Workers Enjoying Social Security Right is Household Registration System

The biggest obstacle for migrant workers enjoying socials security right is the household registration system. Registration system is bound up with welfare and other services, as it is a key way of allocating redistributing resources. Urban citizens get welfare benefits from their employment unit (danwei) such as company, and rural residents are supposed to benefit from the collective economy in their hometowns, such as land-use right. This system controls citizen’s mobility and ties the individual to a particular location, usually their birthplace. It specifically excludes migrant workers from receiving the benefits available to most urban residents. However, after the reform policy was initiated in 1978, the system increasingly contradicts the tenet of a market economy system, but the system was not abolished; it was just merely modified.

The policies governing migrant workers have changed much from 1949 to now. From controlling migrant workers influx into the cities, to realising the importance of them in the development of economy and urbanization, the central government has begun to take some measures to provide them with social security. In the period 1949-1957, about 30 million rural labourers swarmed into cities to find employment, and the government made little attempt to control them. The new heavy industries were being built up and there was a need of workers[5]. In order to monitor the changes in population distribution, for the sake of economy development, and social stability, the Chinese government established the home registration system in 1958 by issuing Regulations on Household Registration in the People’s Republic of China[6]. This system divided the population into two main groups: rural residents and urban residents. In 1962, the Ministry of Public Security further strengthened its control of migration. In 1975, the constitutional provisional guaranteeing that citizens could migrate freely was abolished. These kinds of measures helped in consolidating the newly founded regime, assisted achieving social stability, and restricting mass migration. In all, it increased the government power to penetrate citizens’ social lives, and it strengthened the overall management of the population. With the introduction of post-Mao1978 economic reforms, there was more domestic and foreign investment, and these firms demanded a vast number of low-paid, unskilled workers to make labor-intensive goods for export[7]. As the economy grew rapidly, migrant workers to fill these jobs became a mass phenomenon, the so-called as mingongchao (“migrant worker tide”). Throughout 1980s and 1990s, the number of migrant workers was about 10 million to 20 million[8]. This tide caused problems in transportation, public security, management
and pressure on infrastructure. As a result, in February 1991 the State Council framed Urgent Notice of Strict Control of Migrant Workers Outflow and Notice to Discourage Migrant Workers Going to Guangdong Blindly[9].

As the free market developed, the policies on household registration gradually loosed. In 1984, the State Council allows farmers migrant to towns. In 1992, the Ministry of Public Security implemented the lanyinhukou (blue stamped hukou) policy, to enable a tiny percentage of people who satisfy certain criteria (usually having particular skills or money to invest in the cities) to obtain an urban hukou. In 1997, the State Council loosened the urban hukou control. In 1998, the State Council made the hukou for family member problems easier to solve, including couples in different cities, babies’ parents could choose either parent to register hukou. Also, people who are able to invest in a city, run a business and buy a house were allowed to transfer their rural hukou to an urban one. These policies are all trying to loosen hukou’s strictures. Given the almost complete localization of hukou management in cities, however, the implementation of these “good intentions” did not work well as expected or were kind of distorted when they conflicted with local government interests. Migrant workers always need buy certificates to work in a city and providing these has became a lucrative business for local governments[10]. Overall though, the household system has become looser and the thrust of central government policy is toward easing the burdens on migrant workers, the household registration system still an obstacle for migrant workers to work in cities as well as join the old-age insurance schemes.

Another obstacle for migrant worker participation in the old-age insurance is the old-age insurance policy itself. In 1991 the State council established the guidelines of old-age insurance reform Decision on Enterprise Old-Age Insurance Institution Reform[11], the old-age insurance system needs the state or government revenue, enterprises and individual workers share the financing responsibility. This is called the three pillars[12]. From 1996, China’s urban social insurance scheme needs the state or government revenue, enterprises and individual workers share the financing responsibility. This is called the three pillars[12]. From 1996, China’s urban social insurance scheme has required contributions from both the employer and the employee. It has characteristics such as lifetime span for individual members. It needs long term contributions and a long time accumulation of funds. It also needs effective management to maintain and increase the value of the savings. Appropriate technology is also needed to guarantee the safety of the funds as well as the database of contributors and management information. The 1991 guidelines stipulated that provincial and municipal governments could set their own contribution rates. As a consequence there are over 2000 parallel local pools of funds (the local old-age insurance fund) consisting of employee and employer contributions. In practice, methods of pooling vary greatly from place-to-place. This situation of separate local pools called the fragmentation, which makes the transfer of individual old-age insurance account from place to place very complicated and difficult. Considering the high mobility of migrant workers between jobs and places, it is even harder for them to join and stay part of any of these schemes. The number of migrant workers (92million) had already overtaken the number of urban workers (87 million) by the end of 2002. Other difficulties also prevent them participating.

Except the household registration system, there are at least two obstacles for migrant workers access the old-age insurance. The first is the existing system requires migrant workers to contribute from 4% to 8% of their wages for at least 15 years before they can draw any benefit. The second is most pools permit migrant workers to withdraw their individual contribution when they move to elsewhere, but social part, which enterprises invested for them, is left in the local pool. For most of the migrant workers, it is very difficult for them to leave their hometown and work in big city over 15 years, let alone in the same city. Considering these negative factors, the motivation for migrant workers to join an old-age insurance scheme is weak.

The Legacy of the Hukou System and Its Impact on Social Security System

During 1949-1957, about 30 million rural labours swarmed into cities to find employment, and the government made little attempt to stem the influx. This is because heavy industries were labour
intensive and there was a need for a lot of workers. In order to monitor the changes in population distribution, serve economy development, and social stability, the Chinese government established household registration system in 1958; symbolized by issuing the household registration regulation of People’s Republic of China. Since this regulation was carried out, the household registration divided the whole population into two groups: rural population and urban population. In 1962, the ministry of public security strengthened the control of migration. The constitution cancelled the provision since 1975 that citizen can migrate freely. These kinds of measures played a role in consolidating the new founded regime, social stability, and restricting migration. In all, the household registration system gave the government power to penetrate citizens’ social life, to strengthen the management of government on population. All of these effects also served the strategy of economic development which focused on heavy industry.

During that period of time, this system was positive to economic development. But since 1978, the situation began to change after the reform was carried out. With the gradual establishment of a market economy, the household registration was also put on the list of reforms. Because the dual household registration system stems the free flow of labour, this is against market economy development, which needs the free flow of labour. With the introduction of economic reforms, there is more domestic and foreign investment, and these firms demanded a vast number of low-paid, unskilled workers to make labor-intensive goods for export. With the fast development of economy in southeast coastal cities, the migrant workers came in a large scale, and this was called a ‘migrant workers tide’. This tide caused discomfort in transportation, public security, management and pressure on infrastructure. Then the State Council framed Urgent Notice of Strict Control of Migrant Workers Outflow in 1989 and Notice to Discourage Migrant Workers Going to Guangdong Blindly in February 1991. Throughout the 1980s and 1990s, the number of migrant workers was about 10,000,000 to 20,000,000. During this period of time, migrant workers began to become valuable for China in industry. They usually did the work that the urban workers did not want to do. But because the long existing hukou system and bounded social welfare, the migrant workers did not have social security. The migration also was discouraged considering the pressure it put on cities, which was mentioned above.

The Changes and Development of Social Security in Transitional Period

As mentioned earlier, the household registration system played main role in setting up the barrier for migrant workers to participating urban social security system. It is natural expected that various reforms measures in the household registration system.

The policies on household registration gradually loosened. Below are the three kinds of policies changes related to migrant workers: First kind is the hukou system policies. In 1984, the State Council allowed farmers to migrate to towns. In 1992, the Ministry of Public Security carried out the lanyinhukou (blue stamped hukou), which enable a tiny percentage of people who satisfy certain criteria (usually have some skills or invest in cities) to have urban hukou. In 1997, the State Council loosened the towns’ hukou control. In 1998, the State Council issued the family member hukou to easier to solve the problems, including couples in different cities; babies’ parents could choose either parent to register hukou. Also people who can invest in a city, run a business and buy a house in city were allowed to transfer their hukou into cities. In 2000 the Central Committee of the Communist Party and State Council issued a policy that people who live in small county towns, who have legal residence, occupation and source of income, could transfer their hukou to urban hukou. These policies are all trying to loosen the strict control of hukou system so that it is beneficial to migrant workers. But in the implementation of local government, given the almost complete localization of hukou management in cities, these ‘good intentions’ get implemented did not work well as expected or there was some kind of distortion when local government interests were involved. Migrant workers always need to buy a certificate to work in the city, which is a lucrative business for local government.

The second kind of policy changes were about ameliorating the employment and according benefits. In 2003, the State Council issued a policy to improve the education of migrant workers’
children. In 2004, four policies were carried out to improve the work environment of migrant workers, medical care, and their children’s education.

The third kind of policies is about insurance. In 1991, the State Council framed *The Decision about Enterprises Old-age Insurance Institution Reform*, which gave the authority of concrete policies to local governments including provincial governments, autonomous governments and municipal governments directly under the Central Government. This policy stipulated that state owned enterprises workers’ old-age insurance could refer to the ‘Decision’, while the foreign owned enterprises, private enterprises and self-employed individuals are encouraged to gradually build up an old-age insurance system. The State Council framed *Notice about Deepening Enterprises workers Old-age insurance Institution Reform*, which was a supplement to the previous policy. In 1997, the same kind of policy was issued by the State Council to enlarge the coverage of old-age insurance, and also emphasised on a unified system of workers in enterprises.

*The Notice about Related Issues of Improving the Basic Old-age Insurance for Urban Workers’ Policy* was issued in 2001 and it specified concrete regulations for participation and included the migrant workers in the old-age insurance system. *The Notice about Improving the Basic Old-age Insurance for Urban Workers’ System* issued in emphasized the importance of participation of other non-state-owned enterprises workers and specified the regulation and payment proportion. Also in 2005, another notice was issued to enlarge the coverage, especially the workers in non-state-owned enterprises, private individuals as well as flexible workers. In 2006, *several Views on Settlement of the issue of Migrant Workers* was framed; guidelines of migrant workers’ social security and exploration of proper old-age insurance system were encouraged. In 2006, the Labour and Social Security Ministry issued a policy to facilitate the implementation of the previous policy *Several Views on Settlement of the issue of Migrant Workers* issued by the State Council. The two policies issued in 2006 are very important, since that time migrant workers’ importance was officially put forward. The attitude toward migrant workers became explicit and their great value in economic and social development was emphasized. The central government took a clear-cut attitude to take care of the interests of this specific group, whose interests had been ignored for a comparative long period of time.

The old-age scheme is not managed as a single integrated system but as a set of parallel local pools. The local governments manage the local fund. Each fund and according old-age policy is issued based on local economic and social development conditions. There are currently over 2000 pools across China. This situation causes difficulty for migrant workers to transfer their contributions and pension benefits. When migrant workers move from one place to another, they can only get the money they put into their old-age insurance accounts, but cannot take out the money that enterprises have put into their accounts. Also 15 years minimum investment is almost unachievable for migrant workers with high mobility and work instability. Migrant workers often move one place to another. They are unlikely to settle down at one place and contribute to their accounts more than 15 years before they can benefit from old-age insurance.

**The Possible Reasons for the Changes**

From the policies mentioned above, we can get an overview that policies concerning migrant workers have changed a lot. There are three reasons for these policy changes. The first important reason is the economy. We can find a pattern in the series of policy changes, policies are always issued to deal with temporary problems at a certain period of time. Under the planning economy, the government implemented the household registration system to control the population in order to develop the economy, especially heavy industry. That is because city infrastructure is limited and cannot sustain a large population influx from rural areas. But since the reform and opening up policy was carried out, foreign countries and domestic invested enterprises need a huge amount of cheap labour, and then the policies began to loosen the control of the population. But after it was found that the large population caused some problems or labourers were over-supplied the policies tightened a little bit, as in the policies in 1989 and 1991. But foreign and domestic enterprises are growing vigorously, so the migrant workers tide is an inevitable social
phenomenon. According to an investigation by the Chinese Social Science Academy, migrant workers contributed 32% of Beijing’s GDP and 31% of Shanghai’s GDP. These contributions to other cities amounted to between one third or a sixth of their GDP. Another report on migrant workers shows that migrant workers account for up to 30.3% in the manufacturing industry; 22.9% in the construction industry; 10.4% in social services; 6.7% in hotel and catering services and 4.6% in the wholesale and retail business. Lots of firms demand low-paid workers to make labour-intensive goods for export; this is valuable for China and it has already became a sizeable component of the Chinese economy. Migrants became an important component of the industrial workers.

Another important reason is that the awareness by migrant workers of their rights is gradually growing. Because of a bad working environment and low pay, Guangdong province experienced a lack of migrant workers. Their rights awareness is because the young migrant workers are better educated than the elder migrant workers.

Besides, along with China’s salient economic development, the society development is going accordingly. The migrant workers’ living situation and their social security is the focus of many intellectuals: their attitudes also influence the policy makers of the central government. As China emerges as a new great power, the central government emphasizes on a comprehensive development, which includes build up soft power. This demands solving the social problems including migrant workers’ social security and rights.

Future Policy Direction

Due to the reasons mentioned above, the central government is turning the policy to a direction more likely to benefit the migrant workers. In 2009, an important policy temporary measures of urban enterprises workers basic old-age insurance transfer and splicing (Finance Department 2009) was carried out. This policy set out that urban workers are allowed to transfer their old-age insurance personal account from 2010, and the sum of the transfer is 12% of their personal account. Although the amount of the transfer is limited, it provides a channel for workers to move from one place to another. This policy will encourage migrant workers to participate in old-age insurance, rather than withdraw their money from their old-age insurance account when they leave the place where they set up their personal account.

Besides this important policy, another significant policy was issued in 2009 was guidelines from State Council on launching new rural old-age insurance projects which intends to build an old-age insurance system in rural area that will include a substantial amount of fiscal subsidy alongside the peasant individual contributions.

From the policies on old-age insurance issued by the State Council in 2009, and also from the policies issued by the Ministry of Human Resource and Social Security for migrant workers in 2006, we can see an obvious policy trend of unifying the old-age insurance system. The policies first emphasized on enlarging of the urban old-age insurance, including for migrant workers. Second, policies are intending to build up a universal coverage of the rural old-age insurance system, as well as provide a channel for transfer old-age insurance accounts. These kinds of policies will ultimately over time, result in a universal old-age insurance system around the, which will gradually undermine the fragmentation of social security among different places. For the migrant workers, they will be able to choose to set up an old-age insurance personal account in city the rural areas.

Acknowledgements

This research was funded by 2016 Shaanxi Normal University China Translation Program (No.16ZHHY09), Shaanxi Soft Science Research Plan Program (2016KRM123), and 2016 Central University Research Fund of Shaanxi Normal University (No.16SZYB28).
References


