UNEMPLOYMENT INSURANCE IN CHINA

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Executive Summary

1. Unemployment insurance is an important component of social safety net in urban China. There were 152 million enrolees to unemployment insurance and over two million people had benefited from this scheme in 2012.

2. Unemployment insurance was initiated in the 1980’s to complement the state-owned enterprise (SOE) reform to provide basic benefits for laid-off workers in SOEs.

3. After 1999, all unban workers including SOE workers, employees in public service units and workers in private enterprises have been covered by unemployment insurance, with funds managed usually by county or city level governments.

4. Benefits, which could be valid for as long as 104 weeks, can account up to about 20% of average wage. Employers contribute two percent of their total payroll while employees contribute one percent of their wages.

5. Contribution to unemployment insurance reached RMB113 billion in 2012. The accumulative surpluses of unemployed insurance fund amounted to RMB292.9 billion in 2012. The average amount of benefits reached RMB8,887 per person per year in 2012.

6. Unlike those of many developed countries, the benefit level of unemployment insurance is not earnings-related and effective for a relatively longer period in China. China is still not ready to connect unemployment insurance with active labor market policies.

7. To provide better unemployment insurance issues to be addressed include limited coverage of the program, low benefit level, fragmentarily managed unemployment insurance plans, huge surpluses as well as possible crowding out of other social programs.