



## Access to social insurance in urban China: A comparative study of rural–urban and urban–urban migrants in Beijing



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### A B S T R A C T

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Since 1958 the *hukou* (household registration) system has assigned Chinese citizens either a rural or urban status. Some studies argue that the rural-to-urban migrants in China who do not have urban *hukou* are not entitled to urban social insurance schemes, due to institutional discrimination, which applies differing treatment to urban and rural *hukou* (*chengxiang fenge*). Although rural–urban migrants participate less in the social insurance system than their counterparts with urban *hukou*, a closer examination of recent policy developments shows that migrants actually do have the legal right to access the system. This implies that discrimination between rural and urban workers has been declining, and distinctions based on household registration status are less able to explain China's current urban transition. This paper provides a new way of examining Chinese migrants' social insurance participation, by adopting a framework that includes both rural-to-urban migrants and urban-to-urban migrants, which are an important, but less studied, migrant group. Among our key findings are that urban migrants are more likely to sign a labour contract than rural migrants; urban migrants have higher participation rates in social insurance than rural migrants; having a labour contract has a greater impact than *hukou* status in determining whether Beijing's floating population accesses social insurance; and urban migrants who have signed a labour contract have higher participation rates in social insurance than either rural migrants or urban migrants without a labour contract.

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### Introduction

As a result of globalisation there has been sizeable growth in the informal urban labour market throughout the developing world – a process which some have termed 'informalization' (Kumar & Li, 2007). Sitting alongside this informalization, the restructuring of the world economy has resulted in the rapid growth of a marginalised subaltern class in urban and peri-urban areas. As a consequence, public policies to promote social inclusion, including increased levels of social protection, are now regarded as a priority (Cheung, 2013). Within this suite of policies, expansion of labour contracts and employment agreements is seen as a major avenue to promote social protection (Kumar & Li, 2007). However, there is little empirical evidence on the effectiveness of labour market contracts or, indeed, other policies in promoting social inclusion

and, in particular, how the efficacy of such policies differs across marginalised groups.

This paper examines this issue in the context of social inclusion of migrants in China's urban labour market. According to one report, rural-to-urban migrants (hereafter 'rural migrants') from agricultural to non-agricultural sectors contributed 16% of China's GDP growth between 1985 and 2005 (Xinhua News Agency, 2006). In 2011, there were approximately 160 million rural migrants in the urban areas of China, constituting 44% of the urban labour force (National Bureau of Statistics of China, 2012). The influx of rural migrants into Chinese cities, combined with the decline in state-sector employment, has also contributed to the informalization of the Chinese urban labour market (Park & Cai, 2011). Since 1958 the *hukou* (household registration) system has assigned Chinese citizens either a rural or urban *hukou* status. The socioeconomic disparities between rural and urban *hukou* holders have traditionally been reflected in inequalities in labour market outcomes between rural migrants and urban locals.

Another traditional point of difference between migrants and urban locals in the Chinese urban labour market is participation rates in social insurance schemes. Existing studies have focused on

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the extent to which rural migrants can access social insurance (see e.g. Li, 2008; Nielsen, Nyland, Smyth, Zhang, & Zhu, 2005; Song & Appleton, 2008). The existing literature, however, gives scant attention to urban-to-urban migrants (hereafter 'urban migrants'), who are becoming an increasingly important segment in Chinese urban areas. Urban migrants hold an urban *hukou* in towns or cities other than that in which they reside. Most prior studies of the urban floating population do not clearly specify them as a subgroup of migrants in cities. Studying urban migrants is important because, along with rural migrants, they are very active in the labour market especially in large cities. Moreover, they are quite distinct from rural migrants in terms of several socioeconomic indicators. One study suggests that in terms of indicators such as intra-group income inequality and poverty, they generally perform better than rural migrants, but worse than urban locals (Guo & Cheng, 2010). Urban migrants are also likely to have higher levels of human capital than rural migrants, which might impact on access to social insurance.

Extant studies of migrant access to social insurance have hypothesised that rural migrants have lower, or even no, access to social insurance because of their rural *hukou* status. Thus inequalities in access to social insurance result from the rural–urban divide (*chengxiang fenge*) (Fan, 2004, 2008; Fu & Ren, 2010; Hussain, 2003a; Knight & Li, 1996; Knight & Song, 1999; Wang, 2005; Wu & Treiman, 2004; Yang & Cai, 2003). Wong, Li, and Song (2007: 35) state that 'migrant workers are largely excluded from social security and medical benefits in the urban cities because they are not official residents of those cities...[and] migrant workers who work in the same units (as local workers) are not entitled to unemployment benefits'.

However, if access to social insurance is regarded as a legal entitlement, rather than a purchased commodity, it is inaccurate to describe rural migrants as a group that is still excluded from the urban social security system, simply due to the rural–urban divide (Zhang, Gao & Hou, 2007). For example, as early as 1999 the municipal government in Beijing (a popular destination for migrants) enacted the *Temporary Regulations on Contractual Migrant Workers' Participation in Pension and Unemployment Insurance Schemes* (Beijing Bureau of Labour, 1999). By the mid-2000s Beijing enacted policies to allow rural migrants to participate in all five major social insurance schemes, encompassing pension, health, industrial injury, unemployment and maternity insurance schemes. In other areas that absorb large numbers of migrant workers, such as Guangdong and Shanghai, similar policies were also put in place that have meant workers have been entitled to social insurance since the late 1990s (People's Government of Shanghai Municipality, 2002; Standing Committee of the People's Congress of Guangdong Province, 2004). These policies clearly stated that all employers should sign labour contracts with migrant workers, assist them to access social security by registering them at a local labour bureau and contribute to their social insurance accounts accordingly. On retirement, rural migrant workers are entitled to the same pension benefits as urban workers, provided that they have contributed to their account for at least 10–15 years (Zhu, 2002).<sup>1</sup> While a nationally unified system for migrant workers does not exist, some models of basic social security for migrant workers have been established (Wang, 2008). In addition, several recent initiatives to provide medical insurance and even housing security programs to migrants have commenced (Mou et al., 2009; Watson, 2009; Zhu & Lin, 2011).

We extend the literature on migrant access to social insurance in China in several ways. Our first contribution is to extend the

literature to compare rural and urban migrants. This study begins to fill one of the gaps in our understanding of how urban and rural migrants compare in terms of an important socioeconomic dimension. Our second contribution is to propose, and test, an alternative framework in which we compare rural and urban migrant access to social insurance in terms of whether the individual has signed a labour contract rather than his or her *hukou* status *per se*. In an attempt to reduce informalization and promote social inclusion in the labour market, the Chinese government has sought to expand labour contracts to all employees in the formal sector. Regardless of the terms of the contract, any identifiable employment relationship should be recognised and provided equal treatment. If properly implemented, this will lead to an integrated social security system for all people working in cities through enforcing employer based social insurance (Kumar & Li, 2007). While recognising that rural *hukou* status continues to be a lingering source of discrimination for rural migrants despite the legal entitlement, we suggest rural *hukou* status has declined in importance as a source of discrimination. At the same time, we suggest that whether or not migrants have signed a labour contract is the more important determinant of access to social insurance.

Policies to promote social inclusion will likely differ in effectiveness across groups with different background characteristics (Cheung, 2013). Our third contribution is to the literature on the efficacy of policies to promote social inclusion. Specifically, investigating the relationship between *hukou* status, labour contracts and social insurance allows us to explore the efficacy of 'formalization of informality' (Olmedo & Murray, 2002: 422) across marginalised groups – in this case rural and urban migrants. There are competing theories about which groups will benefit most from policies to promote social inclusion. Need fulfilment theory suggests that a group or groups with lower social inclusion will benefit more from policies to promote social inclusion because such a group is more marginalised and therefore provides the highest marginal return to such policies (Cheung, 2013). A competing theory is strength-building theory, which states that policies to promote social inclusion are most effective when they activate and capitalise on people's strengths. The strength-building theory suggests that policies to promote social inclusion will most benefit those groups who are better placed to take advantage of the policies (Cheung, 2013).

Empirical support for need fulfilment theory has been mixed. Most support has come from programs specifically targeted at particular marginalised groups, such as the aged, poor or less educated (Cheung, 2013). Empirical support for strength-building theory has primarily been in the community engagement and health fields (Barnes & Morris, 2008; Bryans, Cornish, & McIntosh, 2009; van Empelen et al., 2003; Nelson, Pancer, Hayward, & Peters, 2005). We extend this literature to examine policies to promote social inclusion in the labour market. We find support for strength-building theory.

The rest of the paper is set out as follows. The next two sections discuss the declining importance of *hukou* and the increasing role for labour contracts as a means to predict who will receive social insurance in the Chinese urban labour market. Section 4 discusses the data and Section 5 presents the results. Specifically, we test four hypotheses. The first is that urban migrants will be more likely to sign a labour contract than rural migrants. The second is that urban migrants will be more likely to participate in social insurance than rural migrants. The third is that having a labour contract will have a greater impact than *hukou* status on participation in social insurance. The fourth is that urban migrants with a labour contract will be more likely to participate in social insurance than rural migrants or urban migrants without a labour contract. Foreshadowing the main findings, we find support for each of these hypotheses. The

<sup>1</sup> This said, typically older migrant workers do not work for that long in cities and, thus, they usually do not receive such benefits due to the policy design.

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