

7.3 Social Insurance

Social insurance is a mandatory, non-profit social security system established by law in China. It is administered by the labour and social security departments.

There are five types of social insurance in China: old-age, medical, unemployment, work-related injury and child-bearing. Among these, the premiums for old-age, medical and unemployment insurance are jointly contributed by the enterprise and the individual, whereas work-related injury and child-bearing insurance premiums are the sole responsibility of the enterprise.

7.3.1 Social Insurance Responsibility

All enterprises must register with the local social insurance institution, participate in social insurance schemes and pay social insurance premiums on a monthly basis. The portion of premium payable by individual workers will be withheld and deducted from their salary and paid to the relevant authorities by the enterprises.

If any changes in the social insurance registration details occur, due amendment must be made to update the record. In the event an enterprise ceases to be responsible for paying social insurance premiums because it has been dissolved, terminated, merged or gone bankrupt, it should promptly cancel its social insurance registration.

7.3.2 Reporting and Payment of Social Insurance

An enterprise must submit its social insurance report, detailed report on social insurance premiums withheld and deducted from its employees, and other relevant information to the local social insurance institution before the 5th day of each month. The institution concerned will check and approve the report within two days. Upon receipt of the approved report, the enterprise should make full payment of social insurance through its bank or by cheque or cash within three days.

7.3.3 Social Insurance Premiums

- (a) Basic old-age insurance: In general, the contribution of the enterprise will not exceed 20% (including the portion entered under the individual's account) of its total payroll. The actual percentage is determined by the provincial government and may vary from place to place. The contribution of the employee to old-age insurance premium may eventually reach 8% of his salary, which is his average monthly salary during the previous year. This amount is also used as the base for calculation of social insurance premiums payable by both the enterprise and the employee.
- (b) Basic medical insurance: This is jointly contributed by the enterprise and the employee. In general, the premium paid by the enterprise equals to about 6% of its total payroll, while the employee contributes 2% of his salary.
- (c) Unemployment insurance: The enterprise contributes a certain percentage of its total payroll (the percentage varies from place to place, e.g. 2% in Guangzhou), while individual workers contribute about 1% of their salary (e.g. 1% in Guangzhou).
- (d) Work-related injury insurance: Premiums vary with the type of risk, type of injury and frequency of occurrence of the occupational disease concerned. Actual premium rates are set by labour departments.
- (e) Child-bearing insurance: Premiums are based on a certain percentage of an enterprise's total payroll (e.g. 0.7% in Guangzhou).