

The Existing Problems and Solutions of the Combination of the Outside Staffs' Comprehensive Insurance and the Urban Employees' Social Insurance in Shanghai

Rongzeng Lin

Graduate student in school

School of Management

Shanghai University of Engineering Science

Shanghai, China

Abstract

This thesis mainly analyses the development process and the current situation of the reform of the social security system about the outside staffs. By analyzing the residue of wages of the outside staffs that are in low income level to judge whether they have the capacity to pay the money for their social insurances and using the Cobb-Douglas production function to analyze the enterprises' paying capacity. By the above analysis, we draw the conclusion that a part of the outside low-income groups don't have the paying capacity and a portion of the enterprises bear a lot of money for the unified policy. In order for the better implement of the unified policy, the thesis points out the potential problems of the unified policy and puts forward corresponding advice.

Key Words: The outside staffs; Urban employees' social insurance; The outside staffs' comprehensive insurance; Unified.

1. Introduction

After 20 years' development, the social insurance system in Shanghai has been divided into 5 types that is town employees' social insurance, rural pension insurance, small town pension insurance, the outside staffs' comprehensive insurance and the urban pension insurance. The social insurance system of Shanghai has been covered with all kinds of people. But we can't ignore the fact that the paying level and the enjoying treatment level of different kinds of people are different. The 5 kinds of social insurance system are independent of one another and are lack of cohesive mechanisms, which cause the fragments of the social insurance system in Shanghai, block the free flow of human resources, lead to the barriers of vocation or industry and the members of society are divided into several fixed groups. With the balancing development of urban and rural areas and social insurance system, the small town pension insurance and the outside staffs' comprehensive insurance were combined into the urban pension insurance in 2011 and Shanghai began to integrate social insurance system. This thesis mainly analyses potential problems of the unified policy and puts forward corresponding advice.

2. The Development Process and Current Situation of Shanghai the Outside Staffs' Comprehensive Insurance

In order for the outside staffs' legitimate rights, Shanghai carried out a comprehensive insurance system which just contained the subsidy for old man, hospitalization coverage for severe ills and three dangers for industrial injury. The comprehensive insurance system was carried out in 2002 and the number of insured people had been increased from 77 ten thousand in 2003 to 404 ten thousand in 2010. The comprehensive insurance system which eases the loss for the outside staffs in insurance, ensures the rights for the outside staffs and b is exploratory, brings a lot of tangible benefits and convenience for them and makes up the fracture of the social insurance system between urban and rural areas is an exploring system. The system has been improved constantly, especially in 2009, a policy that the outside staffs who held residence permit of Shanghai could participate in the urban pension insurance, the foreign people who worked in Shanghai could participate in the small urban pension insurance and the people whose domicile were not in Shanghai but they were working here and were under the age of 45 had the qualification to participate in the small town pension insurance. However, the level of the regulation was lower; as a result, some employers didn't carry out it strictly. With the implement of Social Insurance Law in 2012, Shanghai issued supporting policies to reform the social insurance system.

The reform mainly focused on safeguarding the outside staffs' legitimate rights and put forward that the outside staffs' comprehensive insurance should be combined into the urban pension insurance gradually.

In June, 2011, the government of Shanghai issued some documents gradually, such as the Inform about Outside Staffs participating in the urban Pension Insurance. What's more, the human resources and social security bureau also issued supporting policies. All of these policies regulated the specific standards about that measure.

The outside staffs' comprehensive insurance mainly involves the employees who have urban and rural residential registrations while their domiciles are not in Shanghai. Urban employees in other provinces can participate in urban employees' social insurance. Rural employees in other provinces base pay is set a 5-year transition period. That is the individual payment base in 2011 occupies 40% of the last year's the whole employees' average wages. In the following 3 years, they are 45%, 50% and 55%. From 2015, the individual payment base is determined by the employee's average wages of last year. The 300% of the last year's average wages that beyond the whole city's employees' average wages of last year are not included in the payment base. The 60% of the last year's average wages that below the whole city's employees' average wages are determined by 60% of the whole city's employees' average wages of last year. After the combination, the payment base and paying ratio are showed as the table1.

Table 1 : the two conditions of the combination

Categories of Insurance	urban insurance(1)		urban insurance(2)	
	enterprises	individual	enterprises	individual
endowment insurance	22%	8%	22%	8%
medical insurance	12%	2%	6%	1%
unemployment insurance	2%	1%	---	---
employment injury insurance	0.5%	---	0.5%	---
maternity insurance	0.5%	---	---	---
payment ratio	37%	11%	28.5%	9%
housing fund	7%	7%	---	---
disabled security fund	1.60%	---	1.6%	---
payment base	account for 100% of the social average wages		account for 40%, 45%, 50%,55% and 60% of the social average wages	
payment object	people who hold urban censuses		people who hold outside rural censuses	

Data sources: obtained from the files published by the government

3. The Analysis of the bearing capacity of the enterprise and the individual to the combination policy

The greatest change brought by the combination to the enterprise and the individual is the change of the payment object and the payment amount. Before the combination, the enterprises take out of 60% last year's social average wages to pay for the social insurance fees and the payment ratio is 12.5%. The number of the payment base of the construction enterprises of other parts of the country is 7.5% and there is no need for the individual to pay for any fee. However, after the combination, to pay the social insurance fee for the staffs that hold outside rural censuses, the enterprises need to pay 28.5% insurance fees according to the payment base regulated in the transitional period, the enterprises need to pay 28.5% insurance fees, as a result, and the payment ratio has been improved from 12.5% to 37.5%. To pay the social insurance fee for the staffs that hold urban censuses, taking the last year's social average wages as payment base, the enterprises need to pay 37% insurance fees while the individuals need to pay 11% insurance fees. It is apparent that the combination has increased the burden of the enterprises and the individuals. Can the enterprises and the individuals bear it?

3.1 The analysis of the outside staffs' paying capacity

From the pattern of financing, the payment method has been transferred from the only enterprises paying the fee to the combination of the enterprises and the individuals, and the individuals need to bear 9% payment ratio. From enjoying the pension benefits, the one-off pension has been replaced by the combination of the social pooling with the personal account. The benefits of the outside staffs have been safeguarded from the aspect of system; however, it need time to confirm whether the outside staffs can bear the 9% payment ratio.

According to the investigation report on the rural migrant workers in 2012, the average wages of them is 2290 Yuan while the town employees' wages is 4692 Yuan, the average wages of the outside staffs just accounts for 50% of the town employees'.

What's more, the characters of the outside staffs, such as high mobility and capability in shielding against risks, determine that they prefer to save money rather than consume. The consumption spending of the outside staffs mainly focus on the food, rent, and traffic communication and so on. Their abilities to actual consumption are very low. According to the Engel's coefficient, the living standard of the outside staffs' stays between food and clothing and a comfortable level of living(Lu kangqiang, 2010) .

After looking up the statistical yearbook of Shanghai and the corresponding materials, the precise information of the income and consumption level of the outside staffs working in Shanghai still can't be obtained. At the same time, there is a big income and consumption difference existing among the staffs of the different industries. So, whether there is remaining money if all the wages of the outside staffs are used to pay for the alimony payment, basic allowances and social insurance fees. By the above assumption, we can judge whether the outside staffs have the capacity to establish their personal accounts. By regarding the individual earnings and the social average wages as the base, to calculate the paying capacity of them. This thesis will regard the condition of income and consumption as an entry point to calculate the paying capacity of the outside staffs .¹

Individual earnings \geq alimony payment + basic living cost of the rural migrant workers living in the city + social insurance fees

Alimony payment=per consumer expenditure of the nationwide rural residents average burden coefficient of a labor force.

Basic living cost of the rural migrant workers=disposable income of the rural migrant workers \times consumption tendency=(wages – alimony payment) \times consumption tendency

Social insurance fee= wage payment rate

According to the authoritative data, the number of the consumption tendency is confined between 0.45 and 0.65(Yan chijun, 2007).

According to the statistical yearbook of 2012, the per consumer expenditure of rural residents is 5221.13 Yuan and the dependency coefficient of a labor force is 1.4. So we can know the alimony payment of a rural migrant worker is 174 Yuan. (5221.13 \times 0.4 \div 12) . According to the regulations of the town employees' pension insurance, the minimum level of payment base is determined to be 60% of the social average wages. In 2012, the 60% of the employees' average wages of Shanghai is 2815 Yuan. The rural migrant workers whose wages are beyond 2800 Yuan have the same paying capacity with the town employees.

Table 2 : the number of the residue of wages when the number of consumption tendency is 0.45 (unit: Yuan)

monthly wages	alimony	basic allowances	take the individual wages as payment base		take the employees' average wages as payment base	
			social insurance charges	residue	social insurance charges	residue
1450	174	574.2	130.5	571.3	422.28	279.52
1500	174	596.7	135	594.3	422.28	307.02
1620	174	650.7	145.8	649.5	422.28	373.02
1700	174	686.7	153	686.3	422.28	417.02
1800	174	731.7	162	732.3	422.28	472.02
1900	174	776.7	171	778.3	422.28	527.02
2000	174	821.7	180	824.3	422.28	582.02
2100	174	866.7	189	870.3	422.28	637.02
2200	174	911.7	198	916.3	422.28	692.02
2300	174	956.7	207	962.3	422.28	747.02
2400	174	1001.7	216	1008.3	422.28	802.02
2500	174	1046.7	225	1054.3	422.28	857.02
2600	174	1091.7	234	1100.3	422.28	912.02
2700	174	1136.7	243	1146.3	422.28	967.02

¹ According to the material of the sixth census of Shanghai, among the permanent population, the number of the permanent population from other provinces is 8977000 whose account is 39.00%. 79.4% of them are belonging to agricultural class. So it is reasonable to choose the rural migrant workers to substitute the outside staffs.

From table 2, we can draw that the residues of wages of different payment bases are 571.3 Yuan and 279.52 Yuan when the minimum wage is 1450 Yuan. In theory, the outside staffs can bear 9% of the social insurance fees when the consumption tendency is 0.45. The table 2 also shows that the distance among different residues of wages is smaller when the level of wages is higher. We can draw a conclusion that the action of taking the employees' average wages as the payment base has a great influence on the outside low-income groups. The alimony is considered from the lowest level in the above calculation. The large cost of the building houses and marriage of the rural migrant workers when they come back home. If all of the factors are taken into consideration, the rest of the wages almost is zero. So it is not practicable to take the employees' average wages as the payment base of the social insurance.

3.2 The Analysis of the Enterprises' Paying Capacity

The outside staffs who take the rural migrant workers as main part mainly spread in the field of manufacture and construction. According to the bulletin of the economic and social development of Shanghai, the gross output of the manufacturing fields of electronic information products, automobile making, petrochemical industry, fine chemical, high-end steel, complete set of equipment and biomedical is 20970.49 hundred million Yuan, which accounts for 66.5% of the gross industrial output value(the data from the statistical bulletin of the economic and social development of Shanghai in 2012). So, take the Shanghai's enterprises as example and analyze the paying capacity of the enterprises.

According to the financial condition of Shanghai's industries, about 78.6% of the factory price is the part of the value transference of the product and about 21.4% is the part of newly-increased value , which means that if the price of the product is 100 Yuan, the value transference of the product is 78. 6 Yuan and the part of the newly-increased value is 21.4 Yuan. In order to calculate the contribution rate of labor and capital in newly-increased value, Cobb-Douglas Function is needed to do regression computation.

Cobb-Douglas Function:

Q is output. L is the input of labor. K is the input of capital. α is the elasticity of output and the input of labor. β is the elasticity of output and the input of capital. Assume the returns to scale doesn't change, so $\alpha+\beta=1$.

Convert the above function into logarithmic transformation : $\text{Ln}Q=\text{Ln}A+\alpha\text{Ln}L+(1-\alpha)\text{Ln}k$

By using the data of the employees' wages in table 3, the expenditure of capital and the gross output, the contribution rates of labor and capital can be calculated respectively.

Table 3 : the wages, expenditure of capital and investment rate (unit: billion, %)

year	gross pay	aggregate investment	gross output	investment rate
1990	146.78	227.08	781.66	29.1%
1991	172.84	258.30	893.77	28.9%
1992	217.21	357.38	1114.32	32.1%
1993	279.33	653.91	1519.23	43.0%
1994	357.89	1123.29	1990.86	56.4%
1995	440.75	1601.79	2499.43	64.1%
1996	492.70	1952.05	2957.55	66.0%
1997	510.10	1977.59	3438.79	57.5%
1998	510.35	1964.83	3801.09	51.7%
1999	583.54	1856.72	4188.73	44.3%
2000	614.53	1869.67	4771.17	39.2%
2001	678.29	1994.73	5210.12	38.3%
2002	733.31	2187.06	5741.03	38.1%
2003	803.84	2452.11	6694.23	36.6%
2004	837.39	3084.66	8072.83	38.2%
2005	1146.97	3542.55	9247.66	38.3%
2006	1475.93	3925.09	10572.4	37.1%
2007	1802.17	4458.61	12494.01	35.7%
2008	2184.20	4829.45	14069.87	34.3%
2009	2594.20	5273.33	15046.45	35.0%
2010	3018.55	5 317.67	17165.98	31.0%
2011	4505.57	5 067.09	19195.69	26.4%

Data sources: calculated from Shanghai's statistical yearbook of 2012

$$\text{Ln}Y=1.18+0.5841\text{Ln}L+0.4159\text{Ln}k$$

$$(4.7262) \quad (7.0208) \quad (4.7285)$$

$$R^2=0.7206 \quad F=23.2082 \quad P=0.0001$$

The economic meanings are as follows: when the product's value is 100 Yuan, the contribution rate of labor is 58.4% and the contribution of capital which includes cost and profit is 41.6%. We can draw a conclusion from it, among the value added of 21.4 Yuan, the cost of labor is 12.5 Yuan and the capital return is 8.9 Yuan. From the international experience, the capital cost accounts for about 40% of the capital return (Liu jun, 2004). So when the capital return is 8.9 Yuan, the capital cost is 3.6 Yuan and the corporate profit is 5.3 Yuan. The percent is just 42.4% when all the corporate profit is used to pay for the insurance. In order to expand reproduction, the necessary capital accumulations must be preceded. The average investment rate of the enterprises of Shanghai from 1990 to 2022 is 41%, which means that the 2.2 Yuan is used for capital accumulation if the profit is 5.3 Yuan. The rest of the money is 3.1yuan after the capital accumulation is removed from the profit. The part of the rest is called the enterprises' modest payment limit, which also can be called the rate of the insurance fee which number is 24.8%. After the reform of the outside staffs' comprehensive insurance, the enterprises have to pay about 28.5% or 37.5% insurance fees for the outside staffs. Although it doesn't exceed the topmost level of the insurance fees paid by the enterprises, it goes beyond the enterprises' modest payment limit. In other words, the enterprises can bear the payment amount after the combination, but it is also a big burden for them.

4. The problems existing in the action that involves the outside staffs' comprehensive insurance into the urban employees' social insurance

Involving the outside staffs' comprehensive insurance into the urban employees' social insurance is a big action for the social insurance system of Shanghai. But in the process of unification, there are some following problems:

4.1 Some rural migrants toiling at low-paying jobs are not included in the town employees' insurance system

After 5 years, the base pay is according to the employees' average wages, which is a quite burden for them. They don't have enough capacity to pay for the social security payments, as a result, they are rejected by the safety net of the social security. The burden of the enterprises is becoming more and more great due to the actions that the percent of social security payments for enterprises has increased from 12.5% to 37.5% and the wage increases guide line of the enterprise has been released by Shanghai, the average line is 12%, the topmost line is 16% while the bottommost line is 5%. The increasing of labor cost, especially for the manufacturing and construction, may lead to retiring and decreasing to hire a part of outside staffs, which also can keep some outside staffs out of the social insurance's safety net.

4.2 Indefinitely payment years lead to the damage of pension benefits

According to the current policy, the payment years will be recalculated after involving the outside staffs' comprehensive insurance into the town employees' insurance. The payment years for the outside staffs that are very mobile and old may not reach to 15years, which will lead to losing their pensions of the social mutual assistance programs according to the current social security policy. It is apparent that the pension benefits are linked with the payment years directly and the payment years that can't calculate damage the outside staffs' pension benefits greatly.

4.3 The outside staffs just enjoy three kinds of Insurance

Although the outside staffs have joined the urban employees' insurance system of Shanghai, they just pay for the endowment insurance, medical insurance and industrial injury insurance. The maternity insurance and unemployment insurance are not involved in the outside staffs' insurance. The loss of social insurance is a big loss for the outside staffs. According to the material of the sixth census, number of married population whose age are from 20 to 34 is 731970000. Among them, the number of outside permanent people whose percent is 57.7% is 422030000, which is enough to show that the great number of the outside married people. Without enjoying the maternity insurance is a heavy loss and unfair. Owing to the low quality, low labor skills, frequent mobility and high unemployment of the outside staffs, so the unemployment insurance is an important right for them.

4.4 The policy of an employee's social insurance account with other provinces is ambiguous

The most important thing that makes the outside staffs worried is that the separation of the social insurance with the census register makes that the transference of financial pooling can't be followed with the transference of social relations. What's more, the butt joint among different kinds of insurances is difficult.

² According to the materials of the economic and social development of Shanghai from 2008 to 2012, to calculate the average number of the industrial added value and the ratio of the gross output.

On the one hand, the collection between the town employees' insurance and other provinces' social insurance is ambiguous. The high fluidity and unstable work make the outside staffs have to consider the connection of social insurance between Shanghai and other provinces. On the other hand, the connection between town employees' insurance and rural endowment insurance of registered permanent residence is ambiguous. It is possible for the outside staffs to take part in the rural endowment insurance while they also join the town employees' insurance. It is a question that whether they just participate insurance. What's more, there is no specific regulation about the collection between town employees' insurance and rural endowment insurance.

5.The Advice to Promote the Combination between the Outside Staffs' Comprehensive Insurance and Town Employees' Insurance

The current policy of the combination between the outside staffs' comprehensive insurance and town employees' insurance is not perfect. We should make measures to deal with the existing problems and make the corresponding and reasonable methods to achieve the smooth transition. The specific measures are as follows:

5.1Optimize the payment base and extend the policy's transition deadline

According to the analysis of the paying capacity of the enterprise and the individual, the low-income groups will be rejected by the social insurance's safety net and the labor-intensive enterprises bear a lot of money to pay for the social insurance. The 5years' transition deadline in the current policy is too short. From 2015, it is suggested that the payment base of the individual should account 60% of their last year's average wages. In addition, the annual growth percent of payment base is 10% until to the year of 2020, the individual's payment base is according to their last year's average wages. These actions can ease the burden of the outside staffs to participate in the town employees' insurance. At the same time, from 2015, the outside staffs whose incomes are less than 60% of their last year's average wages can make their actual income as their payment base so that some outside low-income staffs can't be rejected by the safety net of the social insurance.

5.2Adjust measures to local conditions and strengthen the enterprises' expectation to promote the combination's process

The combination should consider the enterprises' properties, profitabilities and other differences rather than use the model of one size fits all. For the enterprises which have strong profitabilities, the government should urge them to carry out the combination and take disciplinal and compelling measures when necessary. For the labor-intensive enterprises which have weak profitabilities, the government should give them a transition period and certain of fiscal subsidies. Some incentive measures, such as to be the key project of Shanghai, should be given to the enterprises which carry out the combination actively. The schedule of combination should be made according to the different enterprises and the enterprises' expectancy should also be strengthened, which make the combination can develop with a reasonable and stable way.

5.3Lower the threshold of the census register's integration and strip the welfare policies addicted to the census register

The threshold should be settled up by the outside staffs' combination to the construction to Shanghai, which can make the staffs who come to shanghai for work see the future of their developments here. The threshold should be lowered gradually can more and more people can enjoy the fruits of the economic and social development of Shanghai. At the same time, the corresponding policies should be established and the social welfares they can enjoy should be determined by their contributions.

5.4Encourage the staffs and combine the policy of social insurance with the policy of the census register and the policy of the talents

The staffs participating in the outside staffs' comprehensive insurance should be guided and the combination of the policy of social insurance with the policy of the census register and the policy of the talents should be made full use. For the staffs, they can't see the short-term benefit, instead, their current income may decrease owing to the combination, which may weaken the staffs' positivity for the combination. To deal with the phenomenon, on the one hand, we should strengthen the propaganda and prohibit the enterprises from cutting short the staffs' wages in disguised form. In addition, we can make full use of the policy of census registers and talents to give some privileges to the staffs that are willing to participate in the town employees' insurance. The privileges include the education of their children, employment opportunities and so on. By carrying out the measures, the positivities can be mobilized.

5.5 Eliminate the worries and improve the trans-provincial the employees' social insurance accounts

The trans-provincial the employees' social insurance accounts should be improved as soon as possible, which can eliminate the staffs' worries. The current system of the trans-provincial the employees' social insurance accounts is not perfect, however, the coordinated social insurance fees paid by the staffs can be trans-provincial accounted is an important premise for the combination of the town employees' insurance with the outside staffs' comprehensive insurance. It is also a big anxiety for the employees who intend to go back home to work in the future. Considering the slow process of the nationwide trans-provincial social insurance fees, Shanghai should negotiate with other provinces actively, resolve the problems of the transference and recalculation of the social insurance fees as soon as possible, construct a perfect information system of transference and recalculation of the social insurance fees, work out a careful and suitable as well as efficient plan for the transference and recalculation of the social insurance fees so that the anxieties of the staffs can be eliminated, which can promote the process of the combination.

6. Conclusion

The combination between the outside staffs' comprehensive insurance and the town employees' insurance guarantees the rights of outside staffs and outskirts' employers' to participate in the social insurance unfairly, makes sure that the staffs in the same city can enjoy equal treatments under a system even though they have different statuses, realizes that the same social insurance benefits between the outside staffs and the local staffs from the aspect of system. But we can't ignore the fact that this work has extensive scope, a lot of people and the difference among payment base and Patten of financing. By taking reasonable measures, the social insurance system of Shanghai can be improved gradually.

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