




## China's Social Security system and labor protection under the Covid-19 pandemic

### EL SISTEMA DE SEGURIDAD SOCIAL Y LA PROTECCIÓN LABORAL EN CHINA BAJO LA PANDEMIA COVID-19

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#### ABSTRACT

The Covid-19 pandemic has caused great economic damages and made it challenging to identify the vulnerable groups amid this global public health crisis. It is especially true in China, where the market-oriented reform has led to the rise of “migrant workers” whose rights are poorly protected. Largely improved during the years, China's social security system are still characterized by double narrowness: narrow coverage and narrow services provided. Numerous measures adopted by the Chinese government during the fight against the Covid-19 have been limited to the enforcement of the current legal framework and marginal amelioration of existing social assistance systems. In this context, the Covid-19 pandemic has exposed the precarious conditions of a large number of Chinese workers, and called for further reform to construct a modern universal social welfare system, not only adapted to the dual labor market structure, but also adjusted to suit a new labor landscape after the Covid-19.

#### RESUMEN

La pandemia del Covid-19 ha causado grandes daños económicos y ha dificultado la identificación de los grupos vulnerables en medio de esta crisis mundial de salud pública. Esto es especialmente cierto en China, donde la reforma orientada al mercado ha dado lugar al aumento de los “trabajadores migrantes” cuyos derechos están mal protegidos. El sistema de seguridad social de China, que ha mejorado mucho a lo largo de los años, sigue caracterizándose por una doble estrechez: una cobertura reducida y una prestación de servicios limitada. Las numerosas medidas adoptadas por el gobierno chino durante la lucha contra el Covid-19 se han limitado a aplicar más estrictamente el marco jurídico actual y a mejorar marginalmente los sistemas de asistencia social existentes. En este contexto, la pandemia del Covid-19 ha puesto de manifiesto las condiciones precarias de un gran número de trabajadores chinos, y ha exigido una mayor reforma para construir un sistema de seguridad social universal y moderno, no sólo adaptado a la estructura dual del mercado laboral, sino también ajustado a un nuevo panorama laboral después del Covid-19.

#### KEYWORDS

China  
Covid-19  
Unemployment  
Migrant workers  
Social protection

#### PALABRAS CLAVE

China  
Covid-19  
Desempleo  
Trabajadores migrantes  
Protección social

## SUMMARY

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### 1. INTRODUCTION

While much of the rest of the world is facing the worst of the virus, China has largely gotten Covid-19 under control. The celebration of Two Sessions<sup>1</sup> between May 21 and 22 marks the start of the post-crisis recovery. After two-month delay because of the Covid-19 pandemic, all the eyes are on the government's plan to revive the economy. Surprisingly, Beijing, for the first time in history, did not set specific GDP growth target for 2020, which implies big uncertainties and unpredictable factors that the country is facing. Such uncertainty, if demonstrated in the form of social instability, would greatly weaken the legitimacy of the ruling party. Consequently, we witness a clear focus of the government's following work on securing employment and livelihood. In the whole government working report presented by Premier Minister Li Keqiang, "employment" is mentioned 39 times and "livelihood" is repeated 21 times. Beijing thus sends a clear signal that the Covid-19 pandemic has caused significant economic and social damages, and it is urgent for the state to act to provide social protection for the population affected. This text intends to contextualize the impacts of the Covid-19 pandemic and the government's responses with its existing social security system. In the following part, I would first trace the evolution of China's welfare system by highlighting some unique features, then estimate the impacts of the Covid-19 across the population, and explain the rationale of the government's reactions constrained by the current system. The text would end with the discussions about the limits and challenges of ongoing support policies.

### 2. THE CONSTRUCTION AND REFORM OF SOCIALIST WELFARE SYSTEM IN PRC

China's socialist welfare system has undergone three steps of transformation since 1949. In the first period of time under the planned economy, the foundation was established respecting the socialist justice principle and guarantee of basic life requirements. However, urban-rural gaps in the level, extent and resources of social protection were significant. In the urban welfare system, the state was responsible for the policy and budget, and the work units were responsible for the administration

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1. Two Sessions refer to the annual sessions of the Chinese People's Political Consultative Conference (CPPCC) National Committee, the top advisory body and the National People's Congress (NPC), the country's top legislature.

of welfare relief and services. Given the full urban employment rate, almost all urban residents were entitled to welfare benefits including medical services, education, pensions, work-related injuries, and other subsidies and aids. On the contrary, in rural areas, the state only complemented the role played by collectives, which managed to run the so-called “five guarantees” system covering basic needs of specific groups<sup>2</sup>. In this case, the rural welfare pattern under a collective economic system actually emphasized mutual help and other informal support, such as family, relatives, friends, or neighbors, while official social protection provided either by the state or the collectives was far from sufficient.

Later, during the first two decades of the reform towards a market economy, this system began to erode, and new elements were introduced in response to the social consequences of economic reform. The rural collective social protection system collapsed quickly after 1984 when the de-collectivization of rural economies became national policy. Such reform indeed boosted farmers' enthusiasm for production, expanded their employment channels, increased their income, and improved their living conditions. In fact, according to official statistics, 216 million individuals were lifted from absolute poverty by the end of the 1990s. But once the reform dividends were exhausted, China's rural areas face a more challenging entrenched poverty problem. Moreover, the individualization of agricultural production meant that the state and the collectives withdrew from rural areas in providing already limited social protection, especially in the fields of medical care services. Rural residents have to cope with all the problems and risks solely on their own, leaving vulnerable populations in a more difficult situation.

The erosion of the urban welfare system based on work units took longer to develop. Well shielded from risks, urban workers were less risk-taking than rural farmers, and the state also adopted a dual-track reform<sup>3</sup> approach to maintain social stability during the first phase of the reform. The real collapse of the former urban welfare system occurred in the late 1990s when the reform of state-owned enterprises (SOE) drove up unemployment pressures. Thousands of small and medium SOEs were closed or privatized, while large SOEs were corporatized, leading to more than 40 million lay-offs. Their re-employment, training, and life after losing their jobs became an urgent issue. As a result, the state began to imitate foreign experiences and a social insurance system was introduced. Under the new system, the state neither takes care of everything nor backs off completely, but rather advocates welfare individual responsibility and emphasizes the welfare system's marketization principle. In other

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2. Under the “five guarantees” system, elderly people, disabled people and minors meeting the following conditions in rural areas can enjoy the “five guarantees” of food, clothing, housing, medical care and burial expenses (compulsory education for minors): Those who have no legal guardian to provide for them, or whose legal guardians are unable to provide for them; those who have no working ability; and those who have no source of income.

3. As China adopts a gradualist reform approach, China's economy as well as society in the 1980s functioned under a dual-track system, in which the command economy and the market economy coexisted, leading to incremental changes without jeopardizing the foundation of the centrally planned system. In the labor market, SOEs began to gain the liberty to employ contracted workers, while maintaining the “iron rice bowl” for their existing labor force.

words, both individuals, enterprises, and the state shall contribute to social security, while acknowledging the role of the market in social protection.

After plenty of trials and errors, it was not until 2003 that the government started to truly promote the construction of a new social protection system, first in urban areas and then extended to rural areas. The social insurance system is composed of “five social insurances and one housing fund” (see table 1), which has been established and developed rapidly. The coverage of the population by social insurances has expanded. According to the Statistical Bulletin on the Development of Human Resources and Social Security for the year 2018 (NHSA, 2019)<sup>4</sup>, by the end of 2018, 419.02 million urban employees and 523.92 million urban and rural residents participated in basic pension insurance, while only 82 million people were covered in 2002. In 2018, 316.81 million urban employees and 897.36 million urban and rural residents were enrolled in basic medical insurance, compared with 100 million in 2002. The coverage of unemployment insurance and work-related injury insurance reached 196.43 million and 238.74 million people in 2018, compared with 4.4 million and 45.75 million in 2002. Maternity insurance covered 204.34 million people in 2018, compared to 35 million in 2002 (table 1).

Although China's social protection system is developing rapidly, and the Ministry of Civil Affairs of China stated as early as in 2007 its aim to “promote the transformation of welfare model from ‘complementary’ to ‘moderately universal’ type” (SSNEWS, 2007)<sup>5</sup>, it is still a system with residual features, which provides benefits and services to those “selected”, and assists only those with special difficulties. One of the most outstanding features of China's social protection system is the close relationship between labor rights and formal employment relations, such as unemployment protection which targets principally urban workers. There is basically no unemployment protection in rural areas. This narrow and inadequate coverage of labor protection is due to another feature of China's social management strategy: the “hukou” system.

The current hukou system is a system of household registration, which does not necessarily reflect the true residency status of Chinese citizens. People characterized as rural residents are entitled to a piece of agricultural land guaranteed by the state to be used for agricultural purposes. Consequently, they are treated as auto-employed agricultural laborers to whom unemployment is irrelevant. In this context, China's land system, which has not yet been privatized, serves as the last safety net for rural residents in the country. The bottom line of China's social policy in rural areas is to provide social relief and poverty alleviation assistance in order to reach the strategic target of eliminating poverty in the countryside under current standards by 2020. Nevertheless, alongside the economic modernization, there has been a systematic labor abundance in the primary sector. A huge number of rural residents began to mobilize towards

4. NHSA: *Statistical Bulletin on the Development of Human Resources and Social Security for the year 2018*, 2019. <http://www.mohrss.gov.cn/SYrlzyhshbzb/zwgk/szrs/tjgb/201906/W020190611539807339450.pdf>.

5. SSNEWS: “Social welfare services will be transformed into ‘moderate universalism’”, 2007. <http://finance.people.com.cn/GB/6397295.html> (accessed on May 15, 2020).

**Table 1. China's social insurance and social assistance system in 2017**

Welfare system	Social policy issued (year)
<i>Social insurance system</i>	Social insurance law of PRC (2010)
Pension insurance	Basic pension insurance of urban employees (2005)
	New rural pension insurance (2009)
	Social pension insurance for urban citizens (2011)
Medical insurance	New rural cooperative medical care (2002)
	Basic medical insurance for urban employees (2005)
	Basic medical insurance for urban citizens (2007)
	Urban and rural serious illness insurance system (2012)
Work-related injury insurance	Regulations for work-related injury insurance (2003)
Maternity insurance	Regulations for urban maternity insurance (1994)
Unemployment insurance	Unemployment insurance act (1999)
Housing fund	Housing accumulation fund system (1994)
<i>Social assistance system</i>	
Minimum living security system	Regulations for minimum living security in urban areas (1999)
	Minimum living security system for rural residents (2007)
	Rural five-guarantee system (1956, 2006)
Medical assistance system	Nature disaster emergency rescue system (2004)
	Rural medical help system (2003)
	Urban medical help system (2005)
Vagrants and beggars in urban areas	Relief regulation for urban vagrants and beggars (2003)
Housing	Assistance for housing (2004)
	Social assistance for rural poor households (2003)
Education	Assistance for education (2004)

(Source: Pan, 2019, p. 19)

urban areas seeking for non-farming jobs but without full integration into cities. They constitute therefore a special social group labeled as “migrant workers” trapped between two social statuses, neither of which gives them adequate social protection.

The rise of migrant workers also highlights the pending need to construct a unified national social protection system for the working class. The fiscal reform implemented in 1993 has decentralized social expenditure, leading to a *de facto* fiscal federalism in China. Currently, the central government bears about 20% of social protection costs, while local governments at provincial, municipal, and county levels provide the lion's share of funding. As every administrative region has its own policies, the level of social protection varies greatly and cross-regional protection faces all kinds of obstacles, which to some extent exacerbates the rights and interests of migrant workers.

In the end, the reform towards a market economy since 1980s has led to changes in China's welfare system. A welfare system under the socialist planned economic system that was created in the early days of the People's Republic of China, with its

low levels of benefits and wide coverage, has been transformed into a social security system with obvious features of a complementary type, with yet limited coverage and partial protection measures. In this context, a pandemic like Covid-19 would not only expose the defaults of the current system, but also challenges the state's capacity to amend it.

### 3. COVID-19 OUTBREAK AND ITS IMPACTS ON CHINA'S ECONOMIC AND SOCIAL LIFE

Despite the controversy about the origin of the virus, China is undoubtedly the first country in the world that observed a serious expansion of Covid-19, and the first to put in place lockdown policies that limited mobility and human contact. In Wuhan, the epicenter of the outbreak, the entire city went into lockdown from January 23 until April 8, bringing the city to a standstill for 76 days. Although the Chinese government has been criticized by its own citizens for being slow to act, the emergency response afterwards has proved to be effective. Total reported cases stabilized at just over 80,000 in late February, and by May 23, when this article was edited, there were a total of 84,522 confirmed cases, of which 4,645 were deceased (IFENG NEWS, 2020)<sup>6</sup>. The effectiveness of containing Covid-19 was achieved by the sacrifice of economic activity. According to the data from the National Bureau of Statistics (NBS, 2020a)<sup>7</sup>, China's GDP contracted by 6.8 percent year-on-year during the first quarter of 2020, its first contraction since 1992 (see table 2). Among sectors, the secondary sector was the most affected, with a contraction of 9.6 percent, followed by the tertiary sector (-5.2%). At the sub-sector level, construction decreased by 17.5 percent over the same period last year. Several service industries have also suffered significant declines, including the accommodation and catering industries, wholesale and retail industries, transportation, warehousing, and postal industries (table 2).

On the expenditure side, the decline in final consumption accounted for 64.1 percent of the GDP loss, while fixed asset investment as well as net exports also dropped significantly, driving down the GDP growth rate by 1.5 and 1 percentage points, respectively. The covid-19 crisis partially paralyzed economic activity, and directly caused a significant decline in corporate cash flow, which led to a noticeable deterioration in the balance sheets of businesses, households, and governments. In the first quarter, above-scale industrial enterprises achieved a total profit of 781.45 billion yuan, a year-on-year decrease of 36.7%. Tax revenue for the public budget dropped by 16.4% over the last year, and the real growth rate of per capita disposable income has declined by 3.9% from the same period in 2019.

6. IFENG NEWS: "National epidemic situation in real time", 2020. <https://news.ifeng.com/c/special/7tPIDSzDgVk> (accessed on May 23, 2020).

7. NBS: "Preliminary accounting data for GDP in the first quarter of 2020", 2020a. [http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417\\_1739602.html](http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417_1739602.html) (accessed on May 16, 2020).

**Table 2: Preliminary accounting data for GDP in the first quarter of 2020**

	Absolute value (billion yuan)	Year-on-year growth rate
GDP	20650	-6.8
Primary sector	1019	-3.2
Secondary sector	7364	-9.6
Tertiary sector	12268	-5.2
Agriculture, forestry, animal husbandry and fishery	1071	-2.8
Manufacturing	5385	-10.2
Construction	938	-17.5
Wholesale and retail trade	1875	-17.8
Transportation, warehousing and postal services	787	-14.0
Accommodation and catering	282	-35.3
Financial industry	2135	6.0
Real estate	1527	-6.1
Information transmission, software, and information technology services	893	13.2
Leasing and business services	714	-9.4
Other services	3966	-1.8

(Source: NBS, 2020a)

All these economic indicators should have led to a rise in the unemployment rate. Nevertheless, in March 2020 China's registered urban unemployment rate was only 3.66%, even better than last year, while the surveyed urban unemployment rate was 5.9%, an increase of a mere 0.7 percentage point compared with last year. Therefore, we witnessed a bizarre low unemployment rate in China during the pandemic crisis, which could be explained by a systematic underestimation of the unemployment rate.

Currently, there are two official indicators relevant to unemployment: registered and surveyed one. The first refers to the number of registered urban unemployed persons as percentage of the sum of the total number of urban employees and the registered urban unemployed persons, while the second is obtained through sample surveys. Due to the longstanding urban-rural dual employment policy, migrant workers with rural "hukou" status cannot be registered as unemployed, making therefore the registered unemployment rate an extremely narrow indicator, which has consistently hovered around 4% for 20 years regardless of macroeconomic fluctuations. In this context, the Chinese government began to publish the surveyed unemployment rate in 2018 and use it to define major policies and goals. As the survey is based on the population that has lived in urban areas for more than six months during the reference year, including part of migrant workers, and uses statistical standards recommended by the International Labor Organization (ILO), this new indicator better reflects the real situation.

However, the surveyed unemployment rate may still underestimate the real problem of unemployment under the current circumstances. According to recent data, rural migrant workers account for about one-third of the urban employed population, most of whom have returned to villages to celebrate the Spring Festival, which coincides with the outbreak of Covid-19. If we assume that these returned migrant workers have not yet returned to cities in March, then the latest survey base is different from that at the end of 2019 when the resident population structure was relatively normal. Second, the existing survey used looser employment definitions and statistical calibers, and it is likely that a considerable number of underemployed, vulnerable, and unstable “quasi-unemployed people” were classified as employed rather than unemployed. The China Unemployment Rate Survey defines the employed population as “people who have worked for at least one hour in the course of a reference week in order to obtain remuneration or business income, including those who are on duty but not working, such as on vacations or on temporary work stoppage” (NBS, 2018)<sup>8</sup>. This standard follows the basic recommendations of the ILO but would risk misclassifying the so-called “flexible employees” facing great uncertainty under Covid-19 as fully employed. According to the data available, at the end of February, there were 122.51 million migrant workers leaving villages for cities, 50 million fewer than the 174.25 million recorded in December last year (CHINANEWS, 2020)<sup>9</sup>. If we assume that this reduction was due to the slow economic recovery in urban areas and that they are unlikely to get new job offers in the short term, then the *de facto* unemployment number in March would reach 70 million, leading to an unemployment rate of more than 20%, which is roughly the same as other estimates based on sectoral observations and prospects. (Liang *et al.*, 2020)<sup>10</sup>.

The discrepancy between the registered, surveyed, and *de facto* unemployment rates implies that only a small portion of the workers affected by the Covid-19 outbreak have benefited from the current unemployment insurance mechanism. According to communication from the Ministry of Human Resources and Social Security, at the end of March 2020, among more than 9 million registered unemployed, only 2.3 million were qualified to receive a total 9.3 billion yuan from unemployment insurance funds (MOHRSS, 2020a)<sup>11</sup>. The unemployment insurance benefit rate is only 25% based on the registered unemployment rate, and could be as low as 3.3% if we adopt the *de facto* unemployment rate. The payment standard varies across regions, but there is a basic principle that the insurance payment should be lower than the local minimum wage standard and higher than the local minimum living security standard of urban

8. NBS: “The statistic method for surveyed unemployment rate is scientific”, 2018. [http://www.stats.gov.cn/tjsj/sjjd/201804/t20180418\\_1594627.html](http://www.stats.gov.cn/tjsj/sjjd/201804/t20180418_1594627.html) (accessed on May 17, 2020).

9. CHINANEWS: “Employment in the first quarter is overall stable and the scale of employment continues to expand”, 2020. <https://m.chinanews.com/wap/detail/zw/sh/2020/04-18/9160851.shtml> (accessed on May 16, 2020).

10. Liang, Z.H.; Zhang, C. and Su Y.: “How high is the unemployment rate in China?”, 2020. <https://finance.jrj.com.cn/2020/04/26095329376263.shtml> (accessed on May 17, 2020).

11. MOHRSS: “We have faith in keeping jobs”, 2020a. [http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/bu-neiyaowen/202005/t20200522\\_369404.html](http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/bu-neiyaowen/202005/t20200522_369404.html) (accessed on May 23, 2020).



residents (MOHRSS, 1999)<sup>12</sup>. In this context, even though the insurance compensation is small, it could be extremely important for jobless families, and the low benefit rate is a serious concern.

This low benefit rate is attributed primarily to the rigid regulations on the claiming rights to unemployment insurance. According to the Unemployment Insurance Act (MOHRSS, 1999)<sup>13</sup>, in order to be able to claim unemployment insurance, one has to satisfy four conditions: (1) the employer and (or) employee have participated in unemployment insurance for more than one year; (2) The employment was not interrupted by the individual's own will; (3) the claimant has completed unemployment registration; (4) the claimant is actively searching for jobs, willing to accept vocational training and job introductions. Out of these four conditions, unemployment registration and sufficient insurance premium payment are the two conditions that really matter. The outbreak of Covid-19 complicates the registration procedure, as the quarantine measures limit the possibility of conducting the registration by physical presence. In response, the government has promoted the digitalization of unemployment registration and insurance claims, hoping to identify and locate all qualified unemployed workers (MOHRSS, 2020b)<sup>14</sup>. However, the registration itself is not sufficient as the claiming right is directly linked with the preexistence of a formal labor contract which, according to Labor Contract Law promulgated in 2007, obliges the employer to pay its due amount in the social security fund for all its workers. Unfortunately, this requirement contradicts the flexible labor market characterized by high informal employment.

From the late 1990s to the early 2000s, informal employment was formally advocated by the government as a strategic arrangement to solve the problem of laid-off workers from state-owned enterprises<sup>15</sup>. Nowadays, the main body of "flexible employment" is the rural-urban migrant group. One of the unintended consequences of the Labor Contract Law of 2007 which set higher protection standards is that it has pushed many workers into non-standard employment, including the controversial labor dispatch practice. The scale of "flexible employment" can be estimated from two sources. The first is the statistics on the "informal employment". In 2018, at least 125 million urban workers could be categorized as informal workers, accounting for almost one third of total urban workers. This number corresponds with the statement made by Prime Minister Li Keqiang in his government working report on May 22 of 2020, acknowledging that there exist "hundreds of millions of flexible employees in China"

12. MOHRSS: *Unemployment Insurance Act*, 1999. [http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/flfg/xzfg/201604/t20160412\\_237907.html](http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/flfg/xzfg/201604/t20160412_237907.html) (accessed on May 15, 2020).

13. MOHRSS: *Unemployment Insurance Act*, 1999. [http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/flfg/xzfg/201604/t20160412\\_237907.html](http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/flfg/xzfg/201604/t20160412_237907.html) (accessed on May 15, 2020).

14. MOHRSS: "Ministry of Human Resources and Social Affairs announces online application platform for unemployment insurance", 2020b. [http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/buneyaowen/202002/t20200212\\_359633.html](http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/buneyaowen/202002/t20200212_359633.html) (accessed on May 15, 2020).

15. Flexible employment first appeared in the "Tenth Five-Year Plan for National Economic and Social Development" in 2001. It was proposed to change ideas and adopt a variety of flexible employment forms such as part-time employment.

(LI Keqiang, 2020)<sup>16</sup>. The second reference is the labor contract signing rate. According to Migrant Workers Monitoring Investigation Reports, the proportion of labor contracts signed by “migrant workers” has decreased year by year, reaching only 35.1% in 2016<sup>17</sup> (NBS, 2017)<sup>18</sup>. The lack of a standard employment relationship between migrant workers and their employers suggests a low coverage of unemployment insurance of these workers. At the end of 2017, only 17% of migrant workers have participated in the unemployment insurance (MOHRSS, 2018)<sup>19</sup>. Taking into account the sectoral distribution of migrant workers, over 85% of them were concentrated in the sectors that were severely impacted by the Covid-19 outbreak (NBS, 2020b)<sup>20</sup>, making them the most vulnerable worker group facing the risk of job loss without subsequent adequate protection.

#### 4. REVIEW OF MEASURES AND INITIATIVES TO FIGHT AGAINST COVID-19

Facing the Covid-19 outbreak, the Politburo of the Chinese Communist Party conducted three meetings in one month between March 17 and April 17 to comprehensively readjust the traditional macro policy from one centered on “six stabilities” to one emphasizing “six priorities”: ensuring security in jobs, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments. The shift from “six stabilities” to “six priorities” implies that the policy measures in China will primarily focus on livelihood assistance. Contrary to the traditional policy logic, which advocates trickle-down effects of general economic growth in terms of creating employment and increasing household income, the Chinese government seems to be adopting an inverse approach trying first to tackle the livelihood difficulties of the vulnerable population, hoping to subsequently sustain a reasonable economic growth.

Protecting basic living needs in present-day China is a synonym for securing employment. Unlike an inclusive social security system, which does not only include social security programs linked to standard employment relationships, but also a universal assistance package whose funds are not limited to regular contributory payments, China's social security system is strongly tied to standard employment relationships, making it difficult to benefit flexibly employed migrant workers concentrated in the secondary labor market. As far as reality is concerned, employment is indeed the

16. LI, Keqiang: “Government working report”, 2020. <http://www.gov.cn/zhuanti/2020lhzfgzbg/index.htm> (accessed on May 23, 2020).

17. This is the final year that we can find data on labor contract signing practice among migrant workers.

18. NBS: *Migrant Workers Monitoring Investigation Reports of the Year 2016, 2017*. [http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428\\_1489334.html](http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html) (accessed on May 18, 2020).

19. MOHRSS: *Statistical Bulletin on Human Resources and Social Security Development 2017, 2018*. <http://www.mohrss.gov.cn/SYrlzyhshbzb/zwgk/szrs/tjgb/201805/W020180521567611022649.pdf>.

20. NBS: *Migrant Workers Monitoring Investigation Reports of the Year 2019, 2020b*. [http://www.stats.gov.cn/tjsj/zxfb/202004/t20200430\\_1742724.html](http://www.stats.gov.cn/tjsj/zxfb/202004/t20200430_1742724.html) (accessed on May 18, 2020).

greatest livelihood and guarantee for workers at the lower levels in the dual labor market. This is the rationale for putting employment security at the utmost priority. Under this logic, the government has issued numerous measures to stabilize employment.

By far, most of China's measures are of a contributory nature, primarily in spending adjustment measures. According to the International Labor Organization, between February 12 and March 7, out of the 16 measures implemented in China, 60% are of contributory nature, while the majority of non-contributory measures are program adjustments to extend coverage. Only one new program has been introduced to provide special allowance and grants to poor or vulnerable populations (ILO, 2020)<sup>21</sup>. This contrasts with the trend observed throughout the world, where 74.4% of measures are of a non-contributory nature by the introduction of new programs and benefits. The update of the comprehensive list of measures adopted until May 29 (Dezan Shira & Associates, 2020)<sup>22</sup> also highlights the fact that pro-business measures outnumber those strengthening labor rights (figure 1).

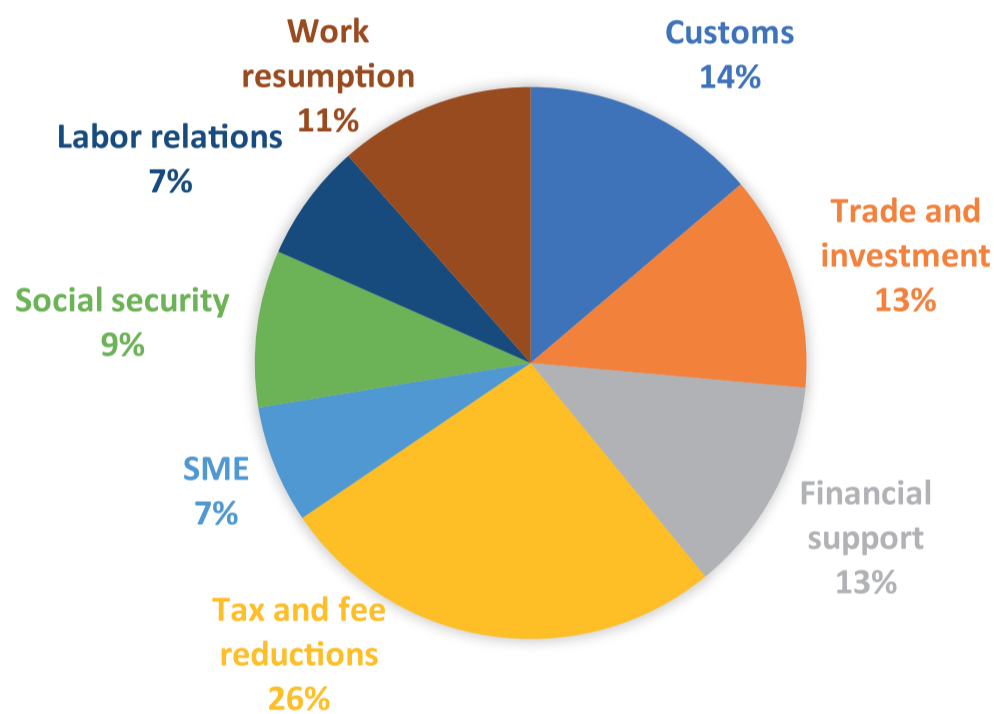


Figure 1: China's support policies under Covid-19.  
(Source: Dezan Shira & Associates, 2020)

More precisely, among 87 measures adopted at national level<sup>23</sup>, 10 measures are about de-escalation process and work resumption, 27% intend to promote and sustain trade and investment, 39% benefit business owners through financial support and tax and fee reductions. In addition, SMEs can enjoy six non-financial support measures. In the area of social security, besides the promotion of online services to ensure social

21. ILO: "Social protection responses to Covid-19 crisis around the world", 2020. <https://www.social-protection.org/gimi/ShowWiki.action?id=3417> (accessed on May 15, 2020).

22. Dezan Shira & Associates: "China's Support Policies for Businesses Under COVID-19: A Comprehensive List", 2020. <https://www.china-briefing.com/news/china-covid-19-policy-tracker-benefiting-business-enterprises-comprehensive-updated-list/> (accessed on May 29, 2020).

23. We do not include measures decided and adopted at local level, nor other industry specific policies.

insurance claims, the majority of the payment adjustment is made through provisional reduction and exemption of social security contributions made by employers. Only 6 of 87 measures directly protect labor rights by denying claims to terminate employment contracts if it is possible for the parties to continue to perform under the contract. Actually, according to the clarification made by China's Supreme People's Court (Supreme People's Court, 2020)<sup>24</sup>, while the Covid-19 is recognized as force majeure, courts should not support claims for contract termination due to "difficulty" in performance and shall mediate and encourage performance of the contract by the parties involved. In other words, if the parties are able to perform by revising the contract, they should negotiate an amendment, rather than terminating it.

The policy tracker of the Chinese government's response since the Covid-19 outbreak demonstrates an unchanged belief in welfare trickle-down effects. This involves stabilizing employment by supporting businesses and ensuring people's livelihoods through employment. By far, all measures concerning vulnerable populations are confined to the enforcement of the current legal framework and marginal amelioration of existing social assistance systems. However, due to China's dual labor market structure and complementary social welfare system, these measures may have less effect than the government anticipated.

## 5. LIMITS AND CHALLENGES OF CURRENT SUPPORT POLICIES

It is undeniable that supporting business activities, especially SMEs, is a must, not only because the lockdown policy has directly endangered the livelihood of small business owners, but also because SMEs are the largest employment creators in China. However, pro-business measures alone may not be enough to improve the situation of workers located in the secondary labor market.

The majority of SMEs, faced with uncertain economic prospects and poor international trade circumstances, would prefer conservative and risk-averse options. More importantly, there is unequal power and a blurred and loose relationship between the enterprise and its non-standard, informal employees. These flexible workers were not properly protected by official labor laws during the epidemic period and often powerless in the "negotiations" with their employers. In fact, flexible and precarious employment itself implies a transfer of risk from the state and the employer to the labor side, which is one of the characteristics of a "risky society". The flexible arrangement of employment conceals the related risks when market conditions are better, and even seems to bring more "freedom" and income for the working class. Nevertheless, once market conditions deteriorate, risks accumulate on the weaker side. The majority of the so-called flexible employees do not have fixed labor contracts with the enterprise, and their "jobs" are dispensable and their income is tied only to actual performance.

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24. Supreme People's Court: "Guidance on the Proper Handling of Civil Cases Involving the Novel Coronavirus Outbreak in Accordance with the Law (No.1)", 2020. <http://www.court.gov.cn/zixun-xiangqing-226241.html> (accessed on May 29, 2020).

For those with fixed salaries, their total income depends mostly on the variables, which would shrink significantly if the epidemic control policy were to continue. While it is true that it is difficult for businesses to operate in times of crisis, it is also true that businesses have relatively more options, and that workers, especially these informal, non-standard and precarious workers, are stuck in a passive and risky position.

The Chinese government also recognizes the possible low employment recovery because of the lack of entrepreneurial initiatives. In May 2020, National Development and Reform Commission announced that it would encourage the government-backed construction projects to employ more labor from regions severely affected by the Covid-19 and increase the share of labor remuneration in related investments from 10 to 15 per cent (NDRC, 2020)<sup>25</sup>. According to the budget report submitted for review at National People's Congress, the issue of special Covid-19 bonds would reach 1 trillion RMB in 2020, mainly used for the construction of infrastructure such as local public health and related expenditures for the fight against the epidemic (XINHUANET, 2020)<sup>26</sup>. Moreover, on April 21 of 2020, Premier Li Keqiang also revealed the decision to extend for the first time the coverage of the current minimum living security system to include migrant workers not covered by unemployment insurance, and other people not covered by government insurance schemes (State Council, 2020)<sup>27</sup>. Based on the limited information available, it is not difficult to see that the Chinese government intends to complement more actively the role of the market in securing the basic income of its most vulnerable population. While a minimum income for everyone is the bottom line that the state should sustain, the "stable livelihood" goes beyond income acquisition, and social security should take care of not only material needs but also non-material support.

For a long time, workers in China have been considered as a "labor force" driven by economic rationality, ignoring the fact that they have the need to balance work and life and are embedded in the family structure. They also have complex emotions such as fear and anxiety about the unknown, which influence their economic choices and actions. In this context, the impact of Covid-19 is not limited to the loss of jobs and income. The implementation of quarantine measures has caused the retreat of individuals from public space and social life to the private sphere of the family, where complex and tense emotions accumulate. Delayed opening of schools, especially for lower age groups, increases the family burden, which exacerbates the tensions within families, especially for those who are already deprived of life and social resources. As a result, the Chinese government faces a double challenge due to the dual narrowness of its social security system.

25. NDRC: "National Development and Reform Commission's response to economic and social hotspot issues", 2020. [https://www.ndrc.gov.cn/fzggw/wld/njz/lddt/202005/t20200524\\_1228779.html](https://www.ndrc.gov.cn/fzggw/wld/njz/lddt/202005/t20200524_1228779.html) (accessed on May 25, 2020).

26. XINHUANET: "China will issue 1 trillion yuan of special government bonds to fight the epidemic", 2020. [http://www.xinhuanet.com/politics/2020lh/2020-05/22/c\\_1126021120.htm](http://www.xinhuanet.com/politics/2020lh/2020-05/22/c_1126021120.htm) (accessed on May 25, 2020).

27. State Council: "Increase the support and protection for the poor and unemployed!", 2020. [http://www.gov.cn/fuwu/2020-04/21/content\\_5504923.htm](http://www.gov.cn/fuwu/2020-04/21/content_5504923.htm) (accessed on May 23, 2020).

While it is encouraging to observe all the measures taken to improve service coverage, there is much that needs to be done to amplify the narrow services provided. Even from the perspective of economic development, stabilizing expectations and family order are also fundamental. Like all other countries affected by the Covid-19, the economic recovery depends primarily on internal consumption growth. However, despite continuing per capita income growth, China's savings rates have remained at high levels, suggesting the propensity of Chinese households to save instead of consuming. The reasons for China's high savings rate cannot be denied, mostly because of the uncertainty about the future--that is, the insecurity in the face of the increasing marketization of property, education, pensions and health care. Only if the state begins to take over part of family burdens in order to create more positive expectations and personal/family stability for the future, current programs including relevant subsidies and minimum income guarantees would be effectively translated into consumer spending.

Overall, Covid-19, as a public health crisis, on the one hand has exposed the inadequacy of China's social security system and on the other has provided an opportunity to reflect on the ways in which the employment model and development model is sustainable, especially in the context of societal disparities between the rich and the poor, the low share of labor income in GDP, and structural changes in labor force size and population. While the Chinese government is still on the course to construct a universal social safety net, more or less converged to the European model, more challenges lie in the foreseeable future, as the expected acceleration of digitalization of economic and social life after the Covid-19 would require novel conceptual models and institutional settings to cope with increasing social risks in virtual spaces, such as the rural-urban educational digital divide and the erosion of labor regulations in the digital labor market (Chen *et al.*, 2020)<sup>28</sup>.

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28. Chen, B.; Liu, T.; Guo, L. and Xie, Z.: "The disembedded digital economy: Social protection for new economy employment in China", *Social Policy & Administration*, 2020.