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Non-equilibrium Analysis of Migrant Workers' Medical Insurance System under the Background of Citizenization

Hui REN^{1,2*}

1. School of Finance, Guangdong University of Foreign Studies, Guangzhou 510006, China; 2. Southern China Institute of Fortune Management Research (IFMR), Guangzhou 510006, China

Abstract The participation of migrant workers in medical insurance of urban workers is a formal institutional arrangement. However, in reality, the insurance participation rate of migrant workers is low and the medical insurance taken by the migrant workers is not sufficient, which seriously hinders the process of the citizenization of migrant workers. The main reason lies in the unbalanced supply and demand of the current system. With the continuous advancement of the citizenization process, the rural migrant workers' demand for medical insurance has changed. However, our research found that the supply of medical insurance system for migrant workers is seriously inadequate, the system and the institutional environment are disconnected, the internal contradictions of the system are increasing, and a large amount of potential profits are accumulated under the current system. Potential profit is the motive force to promote institutional innovation and promote the reform of current system to strike a balance.

Key words Citizenization, Migrant workers' medical insurance, Institutional non-equilibrium

1 Introduction

The transfer and citizenization of surplus labor force in rural areas has become a trend of economic and social development. With the development of China's market economy and the acceleration of industrialization and urbanization, the surplus agricultural labor force are transferred to cities. However, influenced and restricted by the two different systems in urban and rural areas, the farmers in the city have become the amphibious population of "the household registration in the countryside and the workers in a city". These are called "migrant workers", who have encountered institutional discrimination in the city, and do not equally enjoy the economic and social rights as the urban residents, and are living on the edge of the city for a long time. After a long period of theoretical research and practice, the academic circles and the government departments have reached a consensus on the citizenization of the agricultural transfer of population. This consensus has been affirmed by the central government. In major reports of the CCP's Eighteenth and Nineteenth Congresses, an important explanation has been made about how to "promote the citizenization of the agricultural population transfer". Policies to meet and promote the objective of citizenization of agricultural population transfer are formulated accordingly^[1].

It is difficult and expensive to see a doctor for the migrant workers in the city. Although the migrant workers' participation in medical insurance for urban workers has become a formal institutional arrangement, the situation of migrant workers' participation

in insurance is not ideal. According to the data published by the Ministry of Human Resources and Social Security (MHRS), the total number of migrant workers in China reached 286 520 000 at the end of 2017. The number of migrant workers participating in basic medical insurance in cities and towns was 62 250 000 but the insured ratio was only 21.7% (MHRS, 2018)^[2]. This means that about 80% migrant workers were unable to enjoy the same medical insurance rights as the urban workers. The lack of medical insurance for migrant workers has seriously affected the urban integration of migrant workers and hindered the process of citizenization of migrant workers.

The institutional economists generally believe that an ideal system should reach a state of institutional equilibrium, but the actual state of the system tends to deviate from the balance of the system^[3]. According to the institutional economists, the unbalanced state of the system, which is intended to be changed but not changed, is the lack of institutional supply or relative surplus. Influenced by the external environment and internal contradictions, the system will move from the initial equilibrium state to the non-equilibrium state and produce the potential profit. The potential profit is not only the reason of the imbalance of the system, but also the motive forcing to reach the new equilibrium of the system, which is the motive force of the system innovation. Under the background of citizenization, the lack of medical insurance for migrant workers mainly lies in the insufficient supply of the medical insurance system, and a large amount of potential profits are accumulated under the current system.

2 The characteristics of the supply of medical insurance system for migrant workers

The Social Insurance Law of People's Republic of China (imple-

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* Corresponding author. E-mail: gzhnn2008@sohu.com

mented in July 1, 2011) clearly stipulates that migrant workers can take part in medical insurance which is originally designed for urban workers. This has given them the right to participate in medical insurance of urban workers by law. However, influenced by the dual system of urban and rural areas during the planned economy period, the medical insurance system of migrant workers presents the following characteristics:

2.1 The system presenting a "fragmented" pattern At present, China's social medical insurance system includes the two sub-systems, one for urban workers' medical insurance, and the other for urban and rural residents' medical insurance. Migrant workers can take part in the medical insurance system for urban employees according to their occupation, and they can also participate in the medical insurance system for urban and rural residents in their place of residence. The two systems are different in operation mechanism. These differences include differences in the proportion of payment, the base of payment, the level of treatment and the management system. Moreover, there are many different forms of social medical insurance system even within the same province. In addition, the social medical insurance system in China adopts the way of territorial management. These territorial fragmentations of the social medical insurance system can be summed up as urban and rural division, regional division, segmentation of insured based on their professions. The fragmentation of institutions leads to the disconnection of the medical insurance payments and benefits between different systems and different regions resulting in the loss of medical insurance rights and interests of the migrants^[4].

2.2 The overall financing and planning staying at the municipal level The level of overall financing and planning is a key indicator of the socialization of medical insurance. In accordance with the principle of territorial management, the staff and workers should participate in the basic medical insurance in one area, and the local (municipal) government raises, uses and manages the basic medical insurance funds, the government also carries out unified policies concerning treatment standards and social management^[5]. In the meantime, the central government has also given a great autonomy to the overall financing and planning rights to the local governments, which leads to a huge difference in the social medical insurance system and its management. Moreover, in recent years, many governments have consolidated the medical insurance systems to certain degree. Different levels of the consolidation have exacerbated the existence of a variety of social medical insurance system in the same provinces. These variations have not only created the inequity of social security, aggravated the local public finance, widened the gap between the pay and treatment levels in different regions, and it also leads to the disconnection of the medical insurance transfer payment and benefit with the difficulties, which impede the free flow of labor across the country.

2.3 The dual-system (urban and rural divisions) characteristics The medical insurance system for urban workers is designed at the expense of urban and rural division. The main con-

sideration was on the workers with urban domicile. They had fixed residence in town, with stable income and less mobility, which was more suitable for regional management. In accordance with the overall financing and planning, at present, according to the social insurance law, migrant workers are supposed to have the same coverage of medical insurance as urban workers. However, as far as the standard of payment, the years of payment and the transfer of medical insurance premium or benefit are concerned, the migrant workers are unsuitable for the medical insurance system designed for urban workers because of the strong mobility of migrant workers and their unstable income. The system has obvious dual characteristics of urban and rural division, and discriminates against migrant workers.

3 The changes in the demand of medical insurance from migrant workers in the context of citizenization

With the advancement of the citizenization process, the demand from migrant workers for equally enjoying the social and economic rights as urban residents is increasing. The demands for medical insurance have also changed greatly.

3.1 Migrant workers' awareness of equality in participating in medical insurance for urban workers It is the core of the citizenization of the migrant workers that workers from the rural areas enjoy the social and economic rights of the urban citizens equally. With the development of the citizenization process, the awareness of equality of migrant workers is increasing. Especially for the migrant workers who have settled in the cities and have stable income, they are perceived as the "elite" class of migrant workers. They have strong desire and willingness of becoming real citizens in the cities. They are no longer dependent on the land of the countryside to survive. In addition to obtaining the identity of the citizens, they want to be treated fairly and realize their self value^[6]. This includes the equal right of participating in the social insurance system, such as medical insurance for urban workers, and enjoying the same rights and benefits as the urban workers. They have a strong demonstration effect and will arouse the equality consciousness of other migrant workers. In addition, the new young generation of migrant workers account for 49.7% of the total number of migrant workers in the country, which is gradually becoming the main body of migrant workers^[7]. Most of them have not been engaged in agricultural production, and even a lot of them have grown up in the city. They are better educated and vocationally trained compared with the traditional migrant workers, and they are more willing to stay in the city. At present, they are not likely to become formal citizens, but looking forward to a long-term and stable urban life. Their desire for equal participation in medical insurance as urban workers will continue to increase over time.

3.2 The expected demand for an equal urban medical insurance is enhanced On surface, migrant workers are workers engaging various professions in the cities and are supposed to be guaranteed to enjoy equal medical security as urban workers.

However, this guarantee is not only a kind of immediate guarantee for the current life but also a kind of expected guarantee for their future life. This is because, for migrant workers, the real integration of urban life is actually the delivery of their present and future life to cities. Therefore, they need to be integrated into the social security system of the city, especially in medical care, pension and other benefits. Thus, they have the same and stable future expectations as urban workers. For urban workers, however, the employment is relatively stable, often when they take part in the work, the demand for social insurance, including medical insurance, is strong, and the corresponding payment years are long, so it is unlikely to break the insurance terms. In contrast, the migrant workers have strong mobility and the employment and income are not stable. As a result, the interruption of the insurance payment often occurs. Consequently, the cumulative years of the payment are relatively short. When they reach the retirement age, they may not satisfy the minimum requirement about the cumulative years of payment. This means that the medical insurance premiums will continue to be paid even though they become old and weak. If they are unable to continue to pay the premiums, it is difficult for them to enjoy equal medical insurance benefits. Therefore, the migrant workers are more likely to be able to make up for the unpaid premiums at the time when they are capable. Only in this way can they get a medical insurance guarantee in the future, as their counterparts as that of the urban workers, so that they can truly integrate and take root in urban life.

3.3 The demand for the same level of transfer of medical insurance premium and benefit is increasing At present, the urban workers' medical insurance system has a low level of overall financing and planning, and there are certain differences in the content of the policies. The migrant workers are facing the problem of the transfer of medical insurance premium and benefit when they move across the overall planning area. They hope that the rights and interests of medical insurance can be equally transferred and fully protected in the process of transfer, with no losses. When they go to other places to settle or clear their fund accounts, they can fully protect their rights and interests and ensure the smooth settlement of medical treatment from one place to other. In addition, some migrant workers participate in the medical insurance of urban and rural residents in the place of household registration or employment. Although medical insurances for the residents and urban workers are two different operating mechanisms, the former is a system of low payment, low treatment, no cumulative payment years requirement, and the payment is paid annually; the latter is a system with high payment, high treatment, and accumulative years requirement of payment. But for the migrant workers, they want to be able to choose freely between the two systems according to their own economic ability. The demand for unifying the rights and interests of medical insurance under the two systems is increasing. They especially hope that the payment year of the medical insurance of urban and rural residents can be connected with the year limit requirements of the medical insurance

for urban workers, and that the unification with the medical insurance of the urban workers is smooth^[8].

3.4 Increased demand for equally connecting land security rights and urban workers' medical insurance rights and interests For a long time, land is the material guarantee for the survival of the farmers. The connotation of land security is very rich, covering the invisible guarantee of medical care and pension for farmers. However, with the employment in the city, some migrant workers have stable non-agricultural income and domicile in the cities or towns. The citizenization will be attractive for them. It has become a focus issue whether to give up the farmers' rights for land. On July 30, 2015, the office of the State Council issued the *Instruction on How to Accelerate the Transformation of Agricultural Development*. The instruction clearly pointed out that the voluntary withdrawal of farmers' contracted land may be carried out. The farmers who had stable non-agricultural employment income and lived in urban areas for a long time could voluntarily withdraw from the land carrying rights. There are two kinds of exit ways with compensation. One is the permanent withdrawal of land contract rights; the other is the long-term withdrawal of the rights related to land contracts. However, no matter which kind of withdrawal migrant workers prefer, when migrant workers want to withdraw from the land, their land value can be fully compensated. The rights and interests attached to the land can be protected, with equal conversion and no benefit losses. This includes the rights and interests of medical insurance, which they want to be attached to. Their rights and interests of medical insurance on land can be equally transformed into the medical insurance rights and interests of urban workers, so as to enhance their medical insurance in urban life in the future.

4 Analysis on the shortage of supplying medical insurance system for migrant workers

Under the background of citizenization, the supply of migrant workers' medical insurance system does not match the demand, and the imbalance between supply and demand appears, which is manifested by insufficient supply of the system.

4.1 The high threshold of premium makes purchasing insurance unaffordable for a large number of migrant workers

The medical insurance premium and treatment level for urban workers is relatively high compared with that for urban and rural residents, because the medical insurance system is different between urban workers and urban and rural residents. At present, the medical insurance premium of urban workers is paid both by the employers and workers, although the payment rate varies in different places. Generally speaking, in the situation where employers makes contributions towards workers' medical insurance, they are paying 8% of the total wages of the workers, and the workers themselves are paying 2% of the salary. However, the wage level of migrant workers in cities and towns is generally low. If the same payment standard is adopted, the payment burden for the migrant workers becomes relatively heavier. According to the

government regulations, the employers can treat migrant workers as short-term employees and buy the basic medical insurance for them. But an employee needs to pay 4% of the previous year's monthly average salary of all city workers as the insurance premium. The monthly average salary of Guangzhou in 2017 was 7 425 yuan. According to the government regulations, the minimum payment base for medical insurance in 2018 is $7\,425 \times 60\% = 4\,455$ yuan. As a result, the migrant workers would have to pay $7\,425 \times 4\% = 297$ yuan per month^[9].

In 2017, the minimum wage of workers in Guangzhou was 1 895 yuan, and the wage level of migrant workers is slightly higher than that of the minimum wage. According to the above calculation, for migrant workers taking part in the medical insurance, their contribution towards the payment of medical insurance account for 2% – 15.67% of migrant workers' wage income (If personal wage income is the base of payment, the minimum proportion of insurance premium paid by individuals to personal wage income is 2%. If the average monthly wage of urban workers in the previous year is the base of payment, the maximum proportion of insurance premium paid by individuals to personal wage income is 15.67%, that is $297/1\,895 = 15.67\%$). If the premium for pension insurance and unemployment insurance are all added, the burden of the migrant workers to participate in the social security of cities is very heavy. Because of the high threshold of the payment standard, some migrant workers cannot afford the medical insurance of urban workers, which actually deprives them of the equal rights of medical insurance for urban workers.

4.2 The length of payment for insurance is long which varies across regions, and migrant workers have no expectations for future health care According to the current medical insurance regulations, the minimum payment period of medical insurance is 30 years for males and 25 years for females, of which the effective payment period must not be less than 10 years^[10]. When these two are satisfied, if the insured person has not reached the legal retirement age, he/she still has to pay the insurance premiums until the retirement. If the insured person reaches the legal retirement age, he/she can stop paying the premium payment and start to enjoy the basic medical insurance benefit. But in the situation where the insured persons retire, but do not fulfill the minimum payment period requirement, the policy differs significantly across regions. Some local governments allow the insured persons to pay once for all to make up the premium gap, and some local governments, however stipulate that it is necessary for the insured to continue paying until they reach the minimum qualifying years. But these policies tend to apply to those who will receive pension insurance at the same time in the same city.

Taking Shenzhen as an example, according to the provisions of the *Social Medical Insurance Policy of Shenzhen*, from 2012 for those who receive the benefits of pension insurance on a monthly basis in Shenzhen city and have paid in the actual payment of medical insurance for 10 years, and fulfilled the cumulative contribution period requirement of 15 years, can stop the payment and

continue to enjoy the basic medical insurance treatment. For the coming retirees, if the actual payment years of medical insurance increase by 1 year, the cumulative contribution years is increased by 2 years accordingly. Until 2017 the requirement for the actual payment period was increased to 15 years, and the cumulative contribution period was also increased to 25 years. If the insured cannot fulfill the payment period requirement at the age of retirement, he must continue to pay for the remaining period. From this point of view, the local protection in Shenzhen is very obvious. This is actually a kind of biased treatment for the retirees of the local household registration in Shenzhen.

This is because in order to pay for and benefit from the medical insurance, it is difficult for migrant workers to meet the specified requirement of payment years, they are not allowed to make one off payment to make up the missing years but only allowed to pay on a regular basis. It brings a heavy burden to them after retirement. It will make them fall into the dilemma of "paying or not paying". In addition, to avoid the expensive living cost in Shenzhen, most of the migrant workers often choose to live in the small towns near their original homes. But the medical insurance systems in their hometowns and Shenzhen are quite different. As a result, there are many problems in transferring medical insurance premium and receiving benefits as well as the payment ratio for claims. All of these factors make it difficult for migrant workers to have a stable expectation for the future medical security in the city.

4.3 Medical insurance contributions and benefits can not be transferred and connected equally, resulting in leakage of medical insurance rights and interests At present, the transfer and connection of medical insurance system for urban workers in different areas are not equal. As mentioned earlier, China's urban workers' medical insurance is provided at the city and county level but the system is not uniformed. In particular, there are some differences in terms of the base of payment, the proportion of the insurance premiums paid by employees, the proportion and the scope of reimbursement, which brings many difficulties to transfer medical insurance premium and benefit with equal values in different places. For example, as far as the proportion of contribution towards the insurance premiums is concerned, in Guangzhou city, employers and employees pay for 8% and 2% respectively^[9]. While in Shanghai, the employers pay 11%, among which 9% is for the basic medical insurance fee and 2% for the local additional medical care payment. The proportion of premium contribution made by a worker is 2%^[11]. If a migrant worker moves from Shanghai to Guangzhou to work, in the transfer of medical insurance premium, the 2% of local additional medical insurance premiums paid by the employers can not be transferred. As a result, some of the worker's benefits are lost.

Due to different medical insurance systems in different places, the process of transfer and connection is time consuming and complicate. Hence the migrant workers moving between different places often have to choose to give up the insurance. Once the medical insurance payment is interrupted, the migrant worker

is suffering from the loss of rights and benefits of insurance. If the migrant workers fail to transfer and renew the insurance more than 3 months, the continuous payment period and medical treatment needs to be recalculated. The amount of the insurance benefit will be reduced. In addition, in the transfer of medical insurance premium, only 60% of the overall fund on the account can be transferred out, 40% of the funds will be intercepted by the previous insurers. It is obvious that when transferring the insurance policies, the more premium migrant workers paid before, the more fund will be intercepted.

4.4 Insurance rights and interests associated with land can not be equally transformed into the rights and interests of medical insurance for urban workers Land is not part of social security, but its function of supporting the elders and providing medical care of rural families can not be ignored. In the context of the citizenization, the farmers' land management rights can be withdrawn, which means that some of the migrant workers who are willing to become citizens can give up land and "join" the citizenization forever. However, abandoning the land for immediate compensation will also cause damage to the long-term interests attached to the land, such as the rights and interests of medical insurance. When the migrant workers are withdrawing from the land, the local governments should consider that this part of the rights and benefits attached to the land should be equally transformed into the medical insurance rights and benefits as the urban workers. At present, the compensation policy standard for the migrant workers to withdraw from management of their contracted land is not uniform. People only pay attention to the immediate compensation, but do not fully consider the long-term rights and benefits attached to the land. This problem restricts the process of the citizenization of the migrant workers to a certain extent.

5 Analysis of the external profit of the medical insurance system for migrant workers

As aforementioned, in the context of the citizenization, migrant workers' demands for medical insurance have changed, the supply and demand of the medical insurance system of migrant workers are not balanced, the system reform is lagging behind, and a large amount of potential external profits appear. It may be proposed as follows.

5.1 Reducing the proportion of payment for insurance premium and extending the coverage of the system to enable more migrant workers to get equal medical insurance right, to promote the citizenization of migrant workers Since the threshold of the medical insurance system for urban workers is high, most of the migrant workers are blocked out of the system. Subsequently, the migrant workers can not enjoy the same medical insurance rights and interests with the urban workers, which has increased the difficulty of their urban integration and hindered the process of their citizenization^[12]. Therefore, it is the external profit of migrant workers' medical insurance system innovation to enable migrant workers to get equal medical insurance

rights and interests. By reducing the proportion of fee payment, the coverage of rural migrant workers can be expanded, and the equal rights and interests of urban workers are generally obtained by migrant workers. Only in this way can the migrant workers leave the rural areas without concern and become a citizen of the city^[13].

5.2 Formulating a supplementary policy regarding accumulated payment years and actual payment years can enable migrant workers to get stable medical insurance expectations When retiring employees meet both conditions of accumulative payment years and actual payment years, they stop paying premiums and begin to enjoy medical insurance benefits. All local governments can combine the three payment policies into one. These three policies are: one-off payment on retirement, flexible payment during the period of the employment and continuous payment after retirement. The flexible choice of premium payment method helps the migrant workers achieve the requirements of the cumulative payment years and the actual payment years. For example, when the farmers' income is more stable, the migrant workers can make up for the missing premium payment. When they have reached the retirement age, they can choose whether to make a one-off payment according to their own circumstances or continue to pay the premium to fulfill the requirement of the minimum accumulative payment years. If there is a good expectation for a stable medical insurance benefits after urban workers' retirement, that will enhance their confidence in medical insurance and help them truly integrate into urban life.

5.3 Providing an equal transfer of medical insurance rights among different regions and systems On the one hand, the equal transfer of medical insurance rights and benefits in different regions effectively protects the rights and interests of migrant workers' medical insurance. It also eliminates the restriction on the movement of migrant workers imposed by the local government. It can enhance the willingness of migrant workers to participate in medical insurance, and choose suitable urban settlement and life according to their own circumstances, thus raising the likelihood of migrant workers become citizens. At the same time, it also enhances the expectations of migrant workers for medical insurance in the future, and improves their confidence in the long-term urban life. On the other hand, the equal transfer of rights and benefits generated by the two insurance systems of urban workers and residents actually provides a right of choice for the citizenization of the migrant workers whether becoming citizens or not. When the migrant workers' desires for citizenization is strong, they can transfer the rights and benefits of the resident medical insurance to the rights and benefits of the urban workers' medical insurance equally. When the migrant workers believe that they face too much pressure on urban life and wish to return to rural life, their accumulated rights and benefits of their medical insurance taken as an urban worker in a city should be transferred equally to the current and forward rights and interests of the resident medical insurance.

5.4 The transfer of land security rights into medical insurance rights and interests of urban workers will help migrant workers become urban citizens

In the process of citizenization, migrant workers can withdraw from the rural land, but at the time of obtaining money compensation, migrant workers also hope that the rights and interests attached to the land should not be damaged and that they could be transferred into the relevant rights and interests of the medical insurance for urban workers on an equal basis. From the view of the rights and interests attached to the land (including medical security), the compensation for the migrant workers to get out of the land at present gives them the immediate economic benefit only, and the future medical security rights and interests from the land are damaged in the withdrawal process of land management. If a part of the money compensation is converted to the insurance premiums paid for the medical insurance by the migrant workers as the urban workers, it is actually a medical care guarantee. Equal rights and interests can be transformed into the rights and interests of medical insurance for urban workers. This will help migrant workers to go from farming and speed up the process of citizenization as urban workers.

6 Cost-benefit analysis of stakeholders in the medical insurance system for migrant workers

In the process of promoting the citizenization of migrant workers, the internal contradictions among the stakeholders of the medical insurance system of migrant workers are increasing, and the net income of the system main body is not maximized. That is, the system decision makers (the central government and the local government) and the system acceptors (migrant workers and enterprises) are both dissatisfied with the system to a certain extent. They are not balanced, and non-equilibrium state of the system constitutes the internal motive force of institutional innovation.

6.1 Migrant workers' participation in medical insurance for urban workers is faced with a greater risk cost and opportunity cost

Risk cost refers to the additional losses caused by accidents when people engage in an activity. In the process of migrant workers' employment, the rights and interests of migrant workers are not all transferred with them when they leave their previous jobs and work in a new place. They are exposed to the risk of loss of rights and interests. Opportunity cost refers to other interests that need to be abandoned when certain interests are obtained. The migrant workers choose to participate in the medical insurance of urban workers in the employment place, and obtain the same medical insurance rights and interests as the urban workers, but the corresponding opportunity cost is relatively large. There are two main aspects. Firstly, if they previously participated in resident medical insurance but later took the medical insurance of urban workers, the immediate rights and interests of residents' medical insurance can not be transferred to them. Some rights and interests of the insurance will be lost. Secondly, the immediate and expected rights and interests of the medical insurance attached to the land can not be transformed into the rights and interests of the

urban workers' medical insurance, and the corresponding losses occur. As the migrant may face with the losses of some rights and interests, the enthusiasm of migrant workers to participate the medical insurance for urban workers may not be strong.

6.2 Enterprises providing insurances for migrant workers are faced with high production costs

At present, the medical insurance premiums paid by the enterprises go into the special account by the government co-ordination management. Due to the discrepancy of various local policies, the premium contribution bases of most areas account for 60% to 300% of the monthly average salary of the local workers in the previous year resulting the insurance premium ranging between 8% – 11% of the base (These data is based on the provincial and municipal urban workers' medical insurance methods). Most of the migrant workers work for small and medium-sized enterprises (SMEs) which are mainly engaging in labor-intensive businesses. The production efficiencies of these SMEs are not high. The social insurance payment burdens they are facing thus become quite heavy for them. This situation is exacerbated by many local governments' mandate that enterprises have to pay all kinds of insurance for their employees. These include endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund. These bundled insurance payments further increase the social insurance burden of enterprises. It is estimated that they account for 40% to 50% of the total wage bills at present^[14]. In order to reduce the cost, some enterprises do not sign the labor contracts with the migrant workers to avoid the payment of the insurance.

6.3 The central government is paying high cost to coordinate the system

At present, the coordinating financing and planning of urban staff medical insurance is at a lower government level and the fragmentation of the insurance system is quite serious. The central government has to constantly patch up the policy, coordinate and optimize the system, and take necessary measures to ensure the smooth operation of the system. As a result, higher costs are involved. There are two specific aspects to pay attention to in this regard. Firstly, there are many patches in the system, and the cost of re-designing the system is high. For example, on December 19, 2017, the office of the Ministry of Finance and the office of the Ministry of Human Resources issued the *Regulation of Direct Settlement of Hospitalization Expenses for the Local People Household-registered in One Province and Hospitalized in Other Provinces*, which is a system "patch" in order to realize direct settlement of medical treatment expenses incurred in a non-household-registered localities under the fragmented insurance system. Secondly, the operating cost of the system is high. For instance, the central government must carry out a large amount of money input, to build the system operation platform and provide the corresponding staff and equipment, so that the system of various requirements in different places can run smoothly.

6.4 Local governments are facing high management costs of the system

The inflow and outflow of migrant workers in differ-

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