

IMPLICATIONS FOR INDIA OF WORKER SATISFACTION WITH SOCIAL INSURANCE IN CHINA'S MARKET SOCIALIST ECONOMY

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Abstract

This paper draws on a unique survey of urban employees in Jiangsu that was designed to assist analysis of workers' satisfaction with the urban social insurance scheme in China. While most previous perception research has focused on the attitudes of workers currently or formerly employed in the public sector, this paper sheds light on whether workers in the urban *non-state* sector are satisfied with the level of social insurance coverage and whether their perceptions compare favourably with workers in the state-owned sector. Thus, the study aims to provide a more comprehensive picture of how China's urban workers perceive social insurance reforms. The second part of the paper discusses the globalisation and social protection debate in India and draws implications for the Indian experience from both our perception research and China's experience with urban social insurance reform more generally.

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IMPLICATIONS FOR INDIA OF WORKER SATISFACTION WITH SOCIAL INSURANCE IN CHINA'S MARKET SOCIALIST ECONOMY

INTRODUCTION

Until the commencement of market reform in the 1980s China maintained a comprehensive, enterprise-based social protection regime for workers employed in collectively-owned (COEs) and state-owned enterprises (SOEs). This welfare system was known as 'cradle to grave socialism' or the 'iron rice bowl' and was made possible by the fact that the Communist Party drew its primary support from the urban working class and hence was willing to have the peasantry cross-subsidise this section of China's population (Kwong 2003, p. 188). Under this regime, public sector workers received free pension insurance and health services, paid sickness leave, maternity benefits, food and funeral subsidies and insurance for injury, death or disability. In addition, enterprises provided a range of other free services including housing and cultural and recreational facilities such as libraries, schools, barbershops and bathhouses (Ishihara, 1993). In the 1980s cracks in the iron rice bowl began to emerge as it became clear that comprehensive social welfare coverage for employees in the public sector was incompatible with a form of development in which the Chinese proletariat had to become mobile, was rendered vulnerable to domestic and global market volatility, and was no longer regarded as the "ruler of society".

One pressing problem that emerged with the turn to the market was the fact that with cradle to grave socialism, benefits were restricted to those working in SOEs and COEs and did not extend to workers employed in the urban non-state sector. This was not a major problem prior to the commencement of market reforms because the urban non-state sector was relatively small and welfare in the rural sector was catered for by the commune system. However, with the beginning of market reforms rural welfare structures, particularly in the area of health care, collapsed while the number of non-state urban workers began to experience a high rate of steady growth (Rosner 2004). As a consequence an increasing number of urban workers had no social welfare benefits and state sector firms found it increasingly difficult to compete with private enterprises given the latter's limited welfare responsibilities. Responding to these difficulties, from the mid 1980s China initiated a program of reform that eroded the level of welfare available to workers in the state-owned sector and concomitantly began increasing the benefits available to employees in the urban non-state sector. This was a process accelerated from 1998; the net effect of these developments being well captured by Duckett (2004, p. 158). The latter's contribution has focused on urban health insurance and she has concluded that cumulatively the reforms have halted the deterioration in provision even if, at the moment, there is only commitment to a basic system.

[R]rather than retreating from its commitment to deliver social health insurance, the state has, through its local governments, taken over from work units the responsibility for organizing, administering and guaranteeing provisions. [Thus] rather than collectivism being abandoned, it has been preserved through a new redistributory "risk-pooling" system.

How workers living in urban areas have perceived these changes has been subjected to sustained analysis. Most perception research, however, has focused on the declining coverage in the state sector and has concluded that state workers are convinced both that the government and Party have abandoned them and that they are consequently in a dire position. The focus on the views of workers in the state-owned sector overlooks the perceptions of workers in the urban non-state sector whose position has been improved as a consequence of the welfare reforms progressively introduced over the last two decades. The objective of this paper is to shed light on whether this latter body of workers is satisfied with the level of social insurance coverage they enjoy and whether their perceptions compare favourably with workers in the state-owned sector. In brief, this exercise aims to provide a more comprehensive picture of how China's urban workers perceive social insurance reforms. To realize our objective we draw on a survey of workers' perceptions in nineteen enterprises including SOEs, COEs, shareholding firms (SHF), wholly foreign-owned enterprises (WFOE), private-owned enterprises (POE) and joint ventures (IJV) in five cities in

Jiangsu province, collected in December 2003. Our main hypothesis is that the increased benefits enjoyed by workers in the urban non-state sector will be reflected in favorable perceptions of the current welfare regime by those employed in this sector relative to workers in the public sector.

If this hypothesis proves to be correct, this paints a rather different view of the manner in which the social insurance reforms have been viewed by urban workers than exists in those extant studies that have mainly focused on the reactions of workers in, or retrenched from, SOEs and COEs. It may also help explain the high level of satisfaction with the marketisation process we have elsewhere documented amongst the urban working class of China, a perspective that does not meld comfortably with studies that suggest the majority of workers are very unhappy with their current situation (Nielsen *et al* 2005). Foreshadowing our main conclusions from the empirical study, we find satisfaction levels with social insurance are generally statistically higher among workers in SHFs, IJVs and WFOEs than in SOEs.

The next section provides an overview of the changing nature of social insurance coverage across ownership forms in urban China. Section 3 provides a brief review of previous research on perceptions of social protection, focusing on how our study differs from earlier research. The empirical study for our Jiangsu dataset is presented in Section 4 while Section 5 sketches briefly the nature of the social protection regime extant in India and draws some implications from the Indian experience.

CHANGING SOCIAL INSURANCE COVERAGE ACROSS OWNERSHIP FORMS

When China commenced its program of market reforms in the late 1970s SOEs accounted for 76 per cent of industrial output, COEs produced 23.5 per cent of industrial output and 'other enterprises' (IJVs, WFOEs, SHFs and POEs) were responsible for 0.5 per cent of output (ZTN, 1997, p. 413). Over the next 25 years the importance of SOEs and COEs in terms of industrial production and employment declined considerably. Table 1 shows the main indicators of industrial enterprises in China for January to November 2004. SOEs (including SHFs with state controlling shares) and COEs combined accounted for less than 25 per cent of industrial enterprises and just over 40 per cent of employment in industrial firms in China. At the same time the non-state sector experienced fast growth. Table 1 shows that in 2004 WFOEs alone were responsible for 20 per cent of industrial enterprises and almost 25 per cent of employment in industrial enterprises. POEs have experienced similar growth since the late 1990s. According to the State Administration for Industry and Commerce, in the decade between 1993 and 2002 the number of registered private firms increased from 238,000 to 2.4 million; the number of employees in private enterprises increased from 3.7 million to 34.1 million and total registered capital increased from 68.1 billion RMB to 2,475.6 billion RMB (Zhang and Liu, 2003). Recognising the increasing importance of private enterprises, in March 2004 the National People's Congress passed an amendment to the Chinese Constitution giving private property rights equal status with public property. The amendment to the Constitution reads 'private property obtained legally shall not be violated' and 'will be on an equal footing with public property' (Sui, 2004, Min 2004).

Table 1 about here

The rapid expansion of the urban non-state sector required China's national and regional governments to take urgent action if they wished to preserve the urban welfare regime. At the end of 1994, about 90 per cent of workers in SOEs and 70 per cent of workers in COEs received social welfare benefits (Ge, 1996) and as a consequence the livelihood of a majority of urbanites was underpinned by a substantial social protection regime (Duckett 2004). The provision of benefits was administered through the work unit with public sector employees referred to as 'unit people' (*danwei ren*) rather than 'social people' (*shehui ren*). However, China's iron rice bowl was incompatible with the changing importance of state and non-state firms in terms of employment

and industrial output. In addition to the lack of social welfare coverage in the non-state sector, benefits were not portable across ownership forms and in particular from the state to non-state sector. Cradle to grave socialism placed enormous financial pressures on SOEs and the cost of providing comprehensive social welfare was a major factor responsible for the growth in the number of loss-making SOEs through the market reform period, when combined with competition from non-state enterprises.

One of the manifestations of market reforms is that SOEs have been forced to lay-off large numbers of workers. The policy of labour retrenchment in Chinese SOEs was first trialed in 1994 and was launched in 1997. Since that time the number of laid-off (*xiagang*) workers has become a major social problem. According to official figures there were 26 million workers laid off from SOEs between 1998 and 2002 (Armitage, 2003; Burns 2003). At the beginning of 2004 Zheng Silin, Minister of Labour and Social Security, announced that the governments anticipates that a further three million workers in the state-owned sector will lose their jobs each year between 2004 and 2006 (*Business Daily Update*, January 9, 2004). The iron rice bowl method is antithetical to transferring large numbers of workers out of the state-owned sector because laid-off workers cutting their ties with their SOE would lose all welfare benefits and there was no incentive to voluntarily move because workers in the non-state sector received no social welfare.

The objectives of the new social insurance schemes that began to be introduced with the expansion of the urban non-state sector was to raise the level of coverage, provide a range of benefits that can be sustained and that are not dependent on cross subsidisation, and greatly increase the share of the cost borne by individual urban workers (Zhu *et al* 2005, p. 141). Guan (2000) has described these new arrangements as 'socialization' (*shehuihua*), that is, a society-wide system in which urbanites have equal access to a basic level of social insurance coverage, irrespective of the type of enterprise in which they are employed.

At the 2004 National People's Congress, at which respect for private property was written into the constitution, an amendment was also adopted that requires the government to construct a nation wide social security system compatible with the nation's level of economic development. Solinger has observed that views expressed at the Congress and subsequently, by the new Party leadership, suggest that this Constitutional change may foreshadow the beginning of a greater effort on the part of the government to improve the wellbeing of those who thus far have gained little from marketisation but cautions that whether this will happen "can only be known with time." (Solinger 2003, p. 959).

The national regulations governing the contribution of enterprises and individuals in urban areas are set out in Table 2, but because China does not have a national social insurance law, provincial and local governments have formulated detailed rules in accordance with broad national guidelines and local circumstances (Zhu, 2002; Reutersward, 2005, pp. 15-16).

Table 2 about here

There are now five social insurance schemes covering urban workers; of which, the two main schemes are pension and medical insurance. The national regulations mandate that all employers in urban areas must contribute between 15 to 30 per cent of payroll for pension insurance with the precise amount varying between provinces. In Shanghai, for example, it is 22.5 per cent and on average, urban employees contribute 8 per cent of their wages for pension insurance. Employers are also required to contribute 6 per cent of payroll for medical insurance, while employees contribute on average 2 per cent of wages for medical insurance. On average employers contribute 2 per cent of payroll for unemployment insurance and 1 per cent of payroll for industrial injury and maternity insurance respectively. Employees contribute 1 per cent of their wages to unemployment insurance, but industrial injury and maternity insurance are financed solely by employer contributions (see further Zhu, 2002; Whiteford, 2003).

PREVIOUS RESEARCH ON WORKER PERCEPTIONS OF SOCIAL WELFARE COVERAGE IN CHINA

Most existing studies have analysed the attitudes of workers in SOEs and/or workers laid-off from SOEs towards declining levels of social welfare. Bu and Xu (1999) examined attitude changes among workers in two SOEs located in Shanghai using data collected in 1988 and 1994. Their findings rejected the view that SOE workers have become alienated by the market reforms because of the threat that it poses to their economic security. While aware that their enterprise could no longer guarantee job security and provide comprehensive welfare benefits, Bu and Xu (1999) found that workers had not lowered their dedication to the productive goals of the enterprise and were still receptive to managerial authority. Mok *et al.* (2002) examined the attitudes of workers in SOEs and workers laid-off from SOEs towards declining welfare entitlements and increased job insecurity based on a questionnaire administered in 11 SOEs in Beijing, Shenyang and Zhejiang between 1996 and 1999. Their results suggest that most laid-off workers had limited access to social security benefits and few welfare entitlements, except medical insurance. While Bu and Xu found no evidence of alienation, Mok *et al.* (2002, p. 411) concluded that there is “evidence of the strong sense of destitution and betrayal experienced by most state workers. It is clear that the adoption of a market economy and the reforms introduced in the industrial sector have marginalized state workers”.

Similar perception research is reported in Mok and He (1999), who examined changes in living standards and perceptions of social protection based on interviews with workers in SOEs and workers laid off from SOEs in Guangzhou in 1997. They reported that state workers believe that their living standards have fallen behind those in the non-state sector and expressed frustration with being forced to accept lower levels of social protection. Chan and Qiu (1999) examined the changing structure of social support in China, focusing on material aid and guidance in job search. Their study was also based on a survey of laid-off workers in Guangzhou and was administered at the same time as that of Mok and He (1999). Chan and Qiu (1999) found that while SOEs still played an important part in workers' economic lives, informal social networks were playing an increasingly prominent role as a social buffer against the insecurities of the market. Cook and Jolly (2002) explored the perceptions of workers laid-off from the state-owned sector based on interviews conducted in three cities. Most of the interviewees responded that they considered social security benefits to be inadequate and that this had forced them to take lowly-paid jobs which they had formerly despised to make ends meet; restrict their diet and spend less on educating their children and looking after their elderly parents.

One study which examines perceptions of workers across ownership forms is Zhu *et al.* (2005). These authors considered how attitudes towards social protection differ across ownership forms based on a survey of 299 workers in enterprises of different ownership categories administered in Shanghai in 2002. Of the respondents 32 per cent were in SOEs, 36 per cent were in foreign-invested enterprises, 19 per cent were in shareholding enterprises and 13 per cent were in privately-owned enterprises. Their main finding was that ownership form does have a statistically significant effect on employee perception of social protection reform. Relative to respondents in WFOEs, who were treated as the reference category, employees in POEs and SHFs were statistically more likely to be satisfied with the new social protection regulations while the satisfaction levels of employees in SOEs were statistically not different from those in FIEs.

THE EMPIRICAL STUDY

While Zhu *et al.* (2005) extend the worker perception research beyond workers in SOEs, their study is limited in two respects. First it focuses on the perceptions of workers in Shanghai, which, because of Shanghai's high income per capita, may not be typical of the rest of China. The special place that Shanghai occupies in China's market economy is self-evident in the size of the city's GDP which is almost twice that of Beijing and the largest of any Chinese city (Zhang, 2003). Second, their sample size of 299 workers used in Zhu *et al.* (2005) is relatively small. The empirical

study here extends the research in Zhu *et al* (2005) through using a larger sample of workers from enterprises across six cities. With assistance from the Bureau of Labor and Social Security in Jiangsu, in December 2003 we administered a survey to 885 urban workers in six cities in Jiangsu; namely, Nanjing, Suzhou, Kunshan, Yizheng, Chuzhou and Changzhou. The survey was administered in nineteen enterprises in total, consisting of five SOEs, five POEs, four IJVs, four SHFs and one WFOE. There were 860 valid responses. The survey contained questions on both the level of coverage and satisfaction with social insurance across ownership forms as well as information on the human capital (education and income) and personal characteristics (age and gender) of the respondents.

Predicting Coverage of Social Insurance across Ownership Forms

Table 3 shows the level of coverage of the five social insurances across ownership forms among workers in the sample. Overall, 90.5 per cent of workers were receiving pension insurance, 70.7 per cent of workers were receiving medical insurance, 62.1 per cent of workers were receiving unemployment insurance, 52.8 per cent of workers were receiving industrial injury insurance and 42.7 per cent of female workers were receiving maternity insurance. These figures are higher than the official figures for the urban population as a whole. In 2003 45 per cent of urban workers (including rural migrants) had pension insurance and 31 per cent of urban workers (including rural migrants) had medical insurance) (Reutersward, 2005, p. 17). One reason for the lower official percentage figures is that they include rural migrants where our sample only includes those with an urban registration. Previous research suggests that social insurance coverage among rural migrants in urban areas is much lower (Nielsen *et al* 2005a). In the sample, the proportion of workers receiving pension, unemployment, industrial injury and maternity insurance was highest in the WFOE, while the proportion of workers receiving medical insurance was highest in SOEs. The proportion of workers receiving pension and medical insurance was lowest in POEs, while SHFs and IJVs had the lowest coverage for unemployment, industrial injury and maternity insurance.

Table 3 about here

Tables 4 to 8 contain logit models where ownership form is used to predict receipt of each of pension, medical, unemployment, industrial injury and maternity insurance. In each case the reference category is SOEs. In Table 4 the coefficients on WFOEs and POEs are statistically significant. The odds ratio suggests that workers in WFOEs are 5.9 times as likely to receive pension insurance relative to workers in SOEs, while workers in POEs are half as likely as workers in SOEs to receive pension insurance. In Table 5, the coefficient on SHFs, POEs, IJVs and WFOEs are all statistically significant with a negative sign, which reflects the relatively high proportion of workers in SOEs covered by medical insurance. The odds ratios in Table 5 suggest that the likelihood of workers in SHFs and POEs receiving medical insurance is about 10 per cent that of workers in SOEs, while the likelihood of workers in IJVs and WFOEs receiving medical insurance is about one half that of workers in SOEs receiving medical insurance.

Table 6 shows the results from a logit model predicting the receipt of unemployment insurance from firm ownership form. The coefficients on IJVs and SHFs are statistically significant with a negative sign with the odds ratios suggesting that workers in IJVs and SHFs are 30 to 40 per cent as likely as workers in SOEs to receive unemployment insurance. In Table 7 the coefficients on WFOEs and POEs are statistically significant with a positive sign while the coefficient on SHFs is statistically significant with a negative sign. Workers in WFOEs are 3.5 times as likely as workers in SOEs to receive industrial injury insurance, workers in POEs are 2.8 times as likely as workers in SOEs to receive industrial injury insurance, while workers in SHFs are 70 per cent as likely as workers in SOEs to receive industrial injury insurance. Table 8 shows that workers in WFOEs and POEs are 4.1 times and 2.3 times as likely respectively to receive maternity insurance relative to workers in SOEs, while workers in IJVs and WFOEs are 50 per cent to 60 per cent as likely to receive maternity insurance as workers in SOEs.

Tables 4-8 about here

Predicting Satisfaction with Social Insurance across Ownership Forms

The questionnaire asked 'Are you satisfied with the urban employees' social insurance scheme?' where respondents answered on a five point scale with 1=not satisfied at all and 5=very satisfied. The questionnaire also asked whether respondents were satisfied with medical insurance and pension insurance. In each case satisfaction was measured on a nominal scale where 1=provides security; 2=costs outweigh benefits; 3=does not provide adequate security; 4=don't know. To explore the determinants of satisfaction with social insurance we used an ordered logit model and to examine the determinants of satisfaction with medical and pension insurance we used a multinomial logit model. For both the ordered logit and multinomial logit models the predictors were age, gender, income, education and ownership form. The definition of each of the variables and descriptive statistics are provided in Table 9.

Table 9 about here

Before turning to the results we briefly discuss the expected signs on the variables. Beginning with ownership, as discussed above, social insurance reforms in China have involved a trade-off where the level of social welfare support has fallen in the state sector, but increased in the non-state sector. We expect this to be reflected in perceptions of satisfaction levels with social insurance with the coefficients on WFOE, IJV, SHF and POE to be positive, relative to SOE. Of the other variables, there is evidence of gender discrimination against females in the provision of social insurance (Cooke, 2001). Thus we expect satisfaction levels with social insurance to be higher among males. The thrust of China's social insurance reforms has been to shift responsibility for social welfare provision from the state to the individual (Nielsen *et al* 2005, Zhu *et al* 2005). Consequently, one would expect that those who are on low incomes, those who are relatively less educated and those who are older would be more vulnerable with a more competitive labour market which would accompany greater marketization compared to younger workers, those on higher incomes and those with higher levels of human capital.

We expect the relatively less educated, those on low incomes and older workers to be less satisfied with a social insurance regime which shifts responsibilities from the state to the individual (Duch, 1993). This expectation is consistent with the findings from studies for China and post-socialist economies in Central and Eastern Europe. For instance, in a survey of the concerns of 1223 households across eight cities, including Beijing, Guangzhou and Shanghai, conducted by researchers at Nanjing University in 2002, low income and inadequate social welfare among older residents was considered the major problem.¹ Lokshin and Ravallion (2000), among others, have found that marketization in the transitional economies of Central and Eastern Europe has resulted in a deterioration in the living standards of the aged and this has generated resentment about declining or inadequate social welfare provision to older people. Gerber (2000) found that the less educated and those on lower incomes are less inclined to support market reform and be more concerned with social insurance, using Russian data collected in the mid-1990s.

Table 10 about here

The results for predicting satisfaction with social insurance are reported in Table 10. With the exception of age, which is statistically insignificant, the results are consistent with expectations. The findings suggest that males and those on higher incomes are statistically more likely to be

satisfied with social insurance, while those in senior middle school and polytechnic school are less likely to be satisfied with social insurance relative to those with a three year higher education or above, which is the reference group. The coefficient on POE is statistically insignificant, but workers in WFOEs, SHFs and IJVs are statistically more likely to be satisfied with social insurance than workers in SOEs.

Table 11 about here

The results of the multinomial logit model for predicting satisfaction with pension insurance are given in Table 11. The findings suggest that gender and income predict 'satisfaction with pension insurance because it provides security' relative to those who do not know whether they are satisfied, which is the reference category, with the expected sign. Those with a polytechnic education are less likely to be satisfied with pension insurance because it provides security than those with a three year higher degree or above, but the coefficients on the junior middle school or below and senior middle school variables are statistically insignificant. The results for the ownership variable are similar to Table 10 with workers in WFOEs, SHFs and IJVs statistically more likely to be satisfied with pension insurance because it provides security than workers in SOEs. Turning to the reasons respondents were not satisfied with pension insurance, workers in IJVs and POEs were more likely to be less satisfied with pension insurance than workers in SOEs on the basis that the costs outweigh the benefits, while workers in WFOEs and SHFs were less likely to be less satisfied with pension insurance than workers in SOEs on the basis that pension insurance does not provide adequate security for old age.

Table 12 about here

Table 12 reports the results of the multinomial model predicting satisfaction with medical insurance where the reference group is respondents who do not know. The findings indicate that males are statistically more likely to be satisfied with medical insurance on the basis that it provides security, but, at the same time, be statistically more likely to be not satisfied with medical insurance on the basis that the costs outweigh the benefits. Older workers and workers with higher incomes are statistically more likely to be satisfied with medical insurance because it provides security, while being statistically more likely to be not satisfied with medical insurance on the grounds that the costs outweigh the benefits and that it is hard to satisfy the criteria. The results for the ownership variable suggest that workers in WFOEs, SHFs and POEs are statistically more likely to be satisfied with medical insurance because it provides security than workers in SOEs. At the same time, workers in WFOEs and SHFs are statistically less likely to be not satisfied with medical insurance on the basis that the costs outweigh the benefits or it is hard to satisfy the criteria relative to workers in SOEs.

Discussion of the Results

There are two interesting features of the coverage figures reported in Tables 3-8. The first is the relatively high level of social insurance coverage in the WFOE. The WFOE had the highest proportion of workers receiving pension, unemployment, industrial injury and maternity insurance. Previous research has suggested that social insurance coverage, or at least pension insurance coverage, is much lower in WFOEs. According to figures reported in Gao (2001, p.132), in 2000 95.2 per cent of SOEs participated in pension insurance compared with just 27.5 per cent of WFOEs who paid pension insurance to their employees. A report in the *Workers' Daily* states that a survey by the Guangdong Statistical Bureau in 2004 of 600 non-state enterprises in Guangdong found that 57 per cent of WFOEs (from outside 'Greater China') and 48.6 per cent of WFOEs from Hong Kong, Macau and Taiwan participated in pension insurance. The same report states in order to attract foreign direct investment, some local governments in Guangdong have declared that

WFOEs and IJVs do not have to participate in social insurance (*Workers' Daily*, February 25, 2005). One reason for the high level of social insurance coverage for WFOEs found in this study is that some WFOEs, especially those from western developed countries, transfer their country's 'best practice' in workforce management (Chan, 2001). These WFOEs often pay supplementary commercial insurance to their workers as a human resources strategy to attract and retain the best staff. This has been well documented in Shanghai case studies (Zhu and Nyland, 2004). The proviso to our conclusions is that how wide-spread this practice actually is cannot be determined from the data presented here because only one WFOE was included in the survey.

A second interesting feature of Tables 3 is that the level of coverage in POEs appears high across the board relative to what previous research has suggested. Overall the level of social insurance coverage in POEs in the sample is better than expected. Zhu and Nyland (2004) reported that in Shanghai while POEs are supposed to provide the same social insurance coverage as other ownership forms, social insurance evasion is more common in POEs than in IJVs, SHFs, SOEs or WFOEs. Zhu *et al* (2005, pp. 153-154) stated: "One respondent [whom they interviewed in Shanghai] commented ... that one of the problems with the system was that many POEs simply ignored the new social security policies". Similar tendencies have been reported in research for Beijing. The Beijing Social Psychology Research Institute examined the level of social insurance provided to residents of Beijing in 2001 and 2002 by administering a survey to 1000 respondents across eight districts of the city.² The survey found that compared with workers in other ownership forms, workers in POEs had the lowest level of social insurance coverage; 25 per cent of respondents from POEs reported that they received no social insurance at all and a further 14 per cent of respondents from POEs reported that they did not know whether they were covered by social insurance. The survey by the Guangdong Statistics Bureau, discussed earlier, found that in 226 private enterprises, only 39 per cent of employees had joined pension insurance (*Workers' Daily*, February 25, 2005). Tables 4 to 8 show that while workers in POEs are statistically less likely than workers in SOEs to receive medical and pension insurance, workers in POEs are more likely to receive industrial injury and maternity insurance relative to workers in SOEs.

Turning to the models predicting satisfaction with social insurance, workers in SHFs and WFOEs are consistently more likely to be satisfied with social insurance as a whole as well as pension and medical insurance considered in isolation relative to workers in SOEs. Workers in IJVs were statistically more likely than workers in SOEs to be satisfied with social insurance as a whole, although the findings for pension insurance for IJVs are mixed. Workers in IJVs are more likely to be satisfied with pension insurance than workers in SOEs because it provides security, but less likely to be satisfied with pension insurance when weighing up the benefits and costs. The relatively high level of satisfaction in WFOEs across the board relative to SOEs is likely to partly reflect the high proportion of workers in WFOEs who have social insurance coverage. Another factor contributing to the high levels of reported satisfaction in WFOEs is likely to be that WFOEs also often offer employees additional benefits over and above basic social insurance such as higher salaries, better learning environment (Zhu *et al* 2005), housing allotments and stock options (Hickey, 2003, Zhao 2003, Zhu and Nyland, 2004).

Satisfaction levels among workers in POEs are mixed. The coefficient on POEs in the social insurance ordered logit is statistically insignificant. In the pension insurance multinomial logit workers in POEs are less satisfied than workers in SOEs on the basis that the costs outweigh the benefits while in the medical insurance multinomial logit workers in POEs are more satisfied than workers in SOEs because it provides security. As discussed above while the level of coverage in POEs seems relatively high across the board, of the various ownership forms POEs had the lowest pension and medical coverage. It is interesting that workers in POEs are less satisfied than workers in SOEs on pensions where 83.2 per cent of workers in POEs were covered, while workers in POEs were more satisfied than workers in SOEs on medical insurance where just 51.3 per cent of workers in POEs were covered. One explanation for this finding is that the expectation of coverage for pension insurance is higher than medical insurance. Another explanation for the results for satisfaction with medical insurance is that workers in POEs have low expectations when it comes to social insurance. Because social insurance coverage in POEs has traditionally been

low or non-existent, workers in POEs might appreciate any form of social protection such as medical insurance which they can get.

SOCIAL PROTECTION ANALYSIS IN INDIA

The current social protection regime in India is far less developed than is that extant in China. Indeed, expenditure on social services in India is small compared to developing countries in general. However, in advancing this assessment it is important to note that there is marked diversity across the states of India and in recent years reforms have been implemented that are designed to extend social protection coverage (Varma, undated). Moreover, even the limited security regime that has been established has been of importance to the people assisted and to the nation. That the latter is the case is evidenced by Justino (2003) who undertook an empirical analysis of the effects of socio-economic security policies on India's economic performance between 1973 and 1999. Using a two-stage least square model adapted to data from a panel of 14 Indian states, she has shown that "policies that strengthen the social and economic security of the Indian population have been an important endogenous variable to both the reduction of poverty and the economic growth in India." (Justino 2003, p.2)

Justino (2003) has also argued that a heightened awareness of the contribution that a sound social security regime can make to economic growth became manifest in the 1990s within India as a direct consequence of the structural reforms implemented since 1991 with the guidance of the IMF. This claim probably has some validity but if so there would appear to have been a lagged effect given an appreciation of the association between social protection and globalization does not become patent in Indian economic literature until the new millennium. Possibly, the new awareness also reflects the heightened appreciation of the globalization social security nexus that has become widespread within the economics discipline. Important in generating this sensitivity has been the work of Rodrik (1998a, 1998b). The latter has argued that if governments choose to open their economies it is vital that they underpin this process with social institutions that can cushion their populations from the shocks generated by market volatility. In support of this proposition, he provided robust empirical evidence that indicated that where governments have liberalised their economies without an effective social protection regime they have found repeatedly that while marketisation accelerates growth it does not guarantee that this growth will be sustained when the economy is subjected to significant shock and it becomes necessary to adopt painful policies to counter the consequent instability. In short, when states open their economies to the volatility of global markets, but do not insure the populace against market volatility by providing an effective social protection regime, they commonly find it difficult to raise taxes, cut wages and benefits, raise interest rates, etcetera. This was a message driven home, in the same year that Rodrik's highly influential papers appeared, by the social disaster generated by the Asian financial crisis. Together, these developments led the Asian Development Bank (ADB) to observe that there is a need to underpin market liberalisation and globalisation with a sound social protection regime (though Saramatunge and Nyland (2004) have identified a significant gap between the social protection rhetoric and practice of the international financial agencies.)

According to the ADB:

Globalization, while increasing the opportunities for growth, will also increase the country's vulnerability to external shocks, and the risk of increased unemployment and poverty and likely political instability. Most of the political reaction against globalization is a result of the absence of adequate social protection systems, which makes implementation of reforms very difficult given that populations may have to pay the costs of reform in the short term. Globalization requires the development of effective social protection systems. The world's forward looking development agendas give social protection a primary role to sustain growth and well functioning markets (ADB, 2001: p. 32).

Sensitivity to the association between social protection and market openness has also been stimulated by an emergent awareness that there exists a need to systematically explore how labour market flexibility, productivity and global competitiveness interact. Within the OECD this became an issue of sustained economic and policy debate as it became apparent that an intellectual gulf has long existed between social security experts on the one hand and their colleagues involved in designing and implementing labour market policy on the other. As Hoskins (2001, p. xxii) has noted:

This divide subsequently became even more marked as social security programmes undertook increasingly significant reforms while many of the OECD countries struggled to reduce unemployment and encourage their labour forces to become more flexible. Questions were raised on both sides about the ways the different sets of public policy interacted and influenced outcomes, either negatively or positively.

To confront both this problem and the need to explore the link between globalisation and social security, the International Social Security Association (ISSA) launched a major research program in 2000. This is seeking to build bridges between social policy experts and labour economists (Sarfati and Bonoli 2002). It is a development that has been sustained and extended by a stream of publications from the International Labour Organisation (ILO) that have stressed that policy makers need to recognise that social protection must be deemed a fundamental pillar of an effective globalisation strategy (World Commission on the Social Dimension of Globalisation 2004).

Indian scholars have actively embraced the recent exploration of the association between social protection, marketisation and globalisation. An indication of how marked is the emphasis now being placed on global risk management is attained by contrasting Dev *et al's* (2001) edited volume *Social and Economic Security in India* with more recent works. Dev *et al* (2001) reviewed key elements of India's social protection regime and sought to conceptualise what social security should mean in developing countries. In so doing, the editors observed that the ILO's definition of social security is limited because it assumes societies have already reached an acceptable standard of living and that the goal of social security protection is to safeguard this standard. They rightly argue that these assumptions are invalid in countries such as India where very few working people have regular employment or receive an adequate income. Given this situation, they conclude that it is clear that developing nations need an approach to social security that encompasses not only the protection of existing rights but also involves promotional elements that can extend social and economic security to all. The case advanced by Dev *et al* (2001) is certainly valid. Nevertheless, it was criticised by Unni (2002) for failing to provide an overall framework in which to locate the various arguments contained in the volume. But what is noticeable in the latter's critique is that in an age of globalisation he did not note that the Dev *et al* (2001) volume had not discussed the fact that open market economies need to be underpinned by a sound social protection regime.

But while an overt and explicit awareness of the importance of the association between globalisation, market openness and social security is not easily discernable in Indian economics and policy until recently there has been a marked change in recent years. Important efforts that have contributed to this change and that have the link between globalisation and social protection at the very centre of the analysis include the National Commission on Labour's 2002 *Report of the Study Group on Globalisation and its Impact*; Varma's (undated) *Social Security for Informal Sector Workers*, and the World Commission on the Social Dimension of Globalization's *National Dialogue in India*.

The gathering debate on the association between social protection and market liberalisation and globalisation flowered fully in 2004 with the publication of three important works. Deshpande *et al* produced *Liberalisation and Labour* a study which focussed on the controversial issue of labour flexibility and marketisation, Sankhdher and Jain published *Social Security, Welfare and Policy*, and Agarwala *et al* published *Labour Markets, and Social Security in India*. All of these works have sought to highlight the need for India to underpin its re-entrance into the global market with a

sound social protection regime. That there is a great space between this awareness and what is happening on the ground, however, has been highlighted by Papola (2004, pp. 547-548) who has expressed "serious concern" at the coverage and level of social protection available to Indian workers. Indeed, he laments that the prevailing dire situation appears if anything to be declining due not least to the fact that the formal sector of the economy is shrinking. In concluding what is an encompassing discussion of globalisation, employment and social protection Papola (2004, pp. 547-548) observes that delaying the provision of social protection will not enhance the overall well being of the Indian worker and situate India on to a sustained high growth path. Indeed, he warns that: "...unless measures are taken to provide a degree of social protection and ensure minimum standards now, there is a likelihood of 'race to the bottom' taking place from where it would become difficult to start an upward movement in labour standards".

CONCLUSIONS, IMPLICATIONS FOR INDIA AND FUTURE RESEARCH

The main conclusion from our study of perceptions of social protection among China's urban workers is that satisfaction levels with social protection are generally statistically higher among workers in SHFs, IJVs and WFOEs than in SOEs. This is a result that needs to be situated alongside those perception studies that have concentrated on the views of state sector workers and found a great many of these employees feel betrayed by the party-state in China and believe their welfare has been undermined by the marketisation and globalisation processes. We suggest that given the growing proportion of the workforce that is employed in the non-state sector, the results generated by our study may help explain the broad popular support for marketisation that we have found expressed by urbanites across China's cities. However, until studies can be undertaken that encompass a larger body of firms and a broader geographical cross-section than is included in this study caution will be needed with conclusions of this nature.

Caution is also needed when drawing implications from China's experience for other countries. However, some observations may be advanced that may be of interest to an Indian audience given the current debates being undertaken in India on the relationship between social security, labour flexibility and global competitiveness.

First, we note that China initiated its program of social protection reform at a relatively early stage in its turn to the market and global openness. Though advancing with care and seeking to ensure its social protection programs are compatible with the country's level of development, the government did not wait until it had drawn well ahead of its global competitors or until the nation had attained a high GDP before beginning the process of building a broadly based social protection regime for workers in urban areas compatible with a market economy. There can be no doubt that what has been established to replace the comprehensive system that existed under the command economy, even in the urban centres, remains seriously deficient and this is much more the case in the rural areas. Nevertheless, it remains the case that China is putting a welfare regime in place and is doing so even while its per capita national income ensures that it is rightly described as a developing country.

Second, comparing the mandated social protection system imposed on employers and workers in India and China respectively, it is clear that the share of the urban workforce to whom social protection has been extended is much higher in China than it is in India and that the proportion of the total wage bill firms must commit to social protection is also higher. This is notable not least because despite the fact that its firms have to meet these costs China nevertheless has been able to sustain a higher rate of economic growth than has India and as a consequence has pulled markedly ahead while concomitantly extending the scope of its market oriented social protection regime. For those currently engaged in the debates surrounding labour market flexibility and international competitiveness this application of mandated employment conditions is a development that needs to be accorded due heed.

Third, the coincidence between the social protection trend line and the level of popular support for market liberalisation in urban India and China respectively needs to be noted. In China concern that globalisation and marketisation might be undermined by social unrest has been a critical factor motivating the government to steadily but continually extend the coverage of social security in urban areas while concomitantly continuing to push forward the globalisation and marketisation processes. We suggest that by carefully managing this balancing act, China has been able to sustain popular support for marketisation, while concomitantly retrenching millions of jobs in the state sector, imposing an increased share of the cost of social insurance on the population, and subjecting urban workers to unprecedented levels of market vulnerability. This is a feat that compares favourably with the concern with globalisation that was expressed by the electorate in India in the 2004 national elections and lends weight to Rodrik's argument.

Fourth, it is important that those participating in the debate surrounding the relationship between social protection, labour flexibility, and global competitiveness remain very conscious of how labour markets and social protection interact. Finally, and returning to the central issue that has been the primary focus of this paper, we suggest the last lesson that might usefully be noted from our study is that when studying perceptions of labour market and social policy reform Indian researchers might usefully remember to include ownership form alongside such variables as size of enterprise, industry type, and whether employees are part of the formal or informal economy when studying the association between social protection and marketisation. At least in the Chinese case, taking into account ownership form provides a more rounded perspective on what urban workers really think about changing social insurance coverage and helps to debunk the myth that China's social welfare reforms contain all negatives for its urban workforce.

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Table 1: Main indicators of industrial enterprises in China, January-November 2004

Indicator	Unit	National Total	State-owned or controlled share holding industry		Collective enterprises		Foreign invested enterprises including Greater China	
		Number	Number	% of national total	Number	% of national total	Number	% of national total
Number of enterprises		214611	31682	(14.76)	21117	(9.84)	42089	(19.61)
Total assets	100 million RMB	192780.09	101278.13	(52.54)	6879.01	(3.57)	47480.83	(24.63)
Sales revenue	100 million RMB	167199.97	63758.79	(38.13)	9102.54	(5.44)	51723.79	(30.94)
Total profits	100 million RMB	10188.15	4944.47	(48.53)	445.8	(4.38)	3098.16	(30.41)
Value added tax payable	100 million RMB	5741.74	3186.76	(55.5)	256.60	(4.47)	1069.78	(18.63)
Total number of employees	10000 persons	6028	2041.94	(33.87)	444.73	(7.38)	1430.64	(23.73)

Source: "China Statistical Data" - <<http://www.china.org.cn/e-company/index.htm>>. China Statistical Data is a Monthly Statistics Data Base. Data are from the National Bureau of Statistics.

Table 2: Regulations governing contributions to social insurance

Insurance	Contributions paid by the enterprises	Contributions paid by individual employees
Basic Old-age Insurance	Not to exceed 20 percent of the total wage bill of the enterprise, with the specific proportion being determined by local governments.	Individual employees pay eight percent of their wages, whereas self-employed individuals and those who are employed in a flexible manner in urban areas pay an amount equal to about 18 percent of the average wage in their locality.
Unemployment Insurance	Employers pay 2 percent of their total wage bill	Individuals pay 1 percent of their personal wages
Basic Medical Insurance	About 6 percent of the total wage bill	2 percent of the employee's wage.
Work-related Injury Insurance	The government determines the differential premium rates according to the degree of risk of work-related injuries involved in different sectors, and sets several premium rates within each sector according to the insurance payments and occurrence rates of such injuries.	None
Maternity Insurance	Should not be more than 1 percent of the total wage bill.	None

Source: "China's White Paper on Social Security Reform", 2004. Available at: <http://service.china.org.cn/link/wcm/Show_Text?info_id=106258&p_qry=social%20and%20security%20and%20system> (released September, 2004).

Table 3: Social insurance coverage across ownership forms in firms in the Jiangsu survey, December 2003

	Pension	Medical	Unemployment	Industrial Injury	Maternity
All forms	778 (90.5%)	607 (70.7%)	534 (62.1%)	454 (52.8%)	367 (42.7%)
WFOE	118 (98.3%)	98 (81.7%)	98 (81.7%)	91 (75.8%)	89 (74.2%)
SHF	214 (90.7%)	127 (54.0%)	100 (42.4%)	87 (36.9%)	69 (29.2%)
IJV	146 (89.0%)	125 (76.2%)	83 (50.6%)	86 (52.4%)	45 (27.4%)
POE	99 (83.2%)	61 (51.3%)	89 (74.8%)	85 (71.4%)	73 (61.3%)
SOE	201 (91.0%)	196 (88.7%)	164 (74.2%)	105 (47.5%)	91 (41.2%)

Note: Numbers in parentheses are within-ownership form employee percentages

Table 4: Predicting the receipt of pension insurance from firm ownership form

Ownership form ^a	<i>B</i>	Wald χ^2	<i>p</i>	Odds Ratio
WFOE	1.770	5.560	.018	5.871
POE	-.708	4.358	.037	.493
IJV	-.214	.391	.532	.807
SHF	-.033	.010	.920	.968
Constant	2.308	96.860	.000	

^a The ownership form reference category is SOEs

Table 5: Predicting the receipt of medical insurance from firm ownership form

Ownership form ^a	<i>B</i>	Wald χ^2	<i>p</i>	Odds Ratio
SHF	-1.897	57.834	.000	.150
POE	-2.009	51.251	.000	.134
IJV	-.894	10.161	.001	.409
WFOE	-.565	3.172	.075	.568
Constant	2.059	94.019	.000	

^a The ownership form reference category is SOEs

Table 6: Predicting the receipt of unemployment insurance from firm ownership form

Ownership form ^a	<i>B</i>	Wald χ^2	<i>P</i>	Odds Ratio
IJV	-1.032	22.190	.000	.356
SHF	-1.364	45.404	.000	.256
WFOE	.437	2.409	.121	1.548
POE	.031	.014	.907	1.031
Constant	1.057	47.242	.000	

^a The ownership form reference category is SOEs

Table 7: Predicting the receipt of industrial injury insurance from firm ownership form

Ownership form ^a	<i>B</i>	Wald χ^2	<i>P</i>	Odds Ratio
WFOE	1.243	24.295	.000	3.467
POE	1.016	17.398	.000	2.762
SHF	-.438	5.288	.021	.645
IJV	.197	.914	.339	1.218
Constant	-.100	.547	.460	

^a The ownership form reference category is SOEs

Table 8: Predicting the receipt of maternity insurance from firm ownership form

Ownership form ^a	<i>B</i>	Wald χ^2	<i>P</i>	Odds Ratio
WFOE	1.411	32.036	.000	4.101
POE	.818	12.379	.000	2.267
IJV	-.616	7.690	.006	.540
SHF	-.527	7.097	.008	.590
Constant	-.357	6.810	.009	

^a The ownership form reference category is SOEs

Table 9: Descriptive statistics for predicting satisfaction with social insurance

Variable	Description	Values
Satisfaction – overall	Ordinal measure of satisfaction with social insurance: 1=not at all satisfied to 5=very satisfied	Mean=3.27 (SD=1.01) Median=3.00
Satisfaction – pension	Nominal measure of satisfaction with pension insurance: 1=provides security; 2=costs outweigh benefits; 3=does not provide adequate security; 4=don't know	1=48.5% 2=11.4% 3=12.9% 4=27.2%
Satisfaction – medical	Nominal measure of satisfaction with medical insurance: 1=provides security; 2=costs outweigh benefits; 3=hard to satisfy criteria; 4=don't know	1=45.1% 2=18.7% 3=17.1% 4=19.1%
Gender	0=female; 1=male	59.0% male
Age	Age in years	Mean age=33.38 years (SD=8.66) min=18; max=68
Income	Ordinal measure of income in 2002: 1=5000 RMB and below to 6=30000 RMB and above	Median = 3.00 (10001-15000)
Education	Nominal measure of educational attainment: 1=junior middle school or below; 2=senior middle school; 3=polytechnic education; 4=3 year higher degree or above	JunMid=25.1% SenMid=30.6% Polytech=12.3% HigherEd=32.0%
Ownership form	Nominal measure of firm ownership: 1=WFOE; 2=SHF; 3=IJV; 4=POE; 5=SOE	WFOE=13.7% SHF = 41.2% IJV=19.1% POE=14.6% SOE=25.1%

Table 10: Predicting satisfaction with social insurance

Variable	Coefficient	Wald
Gender	.392	4.512**
Age	.007	.489
Income	.354	11.579*
Junior middle school or below	.117	.211
Senior middle school	-.170	.536
Polytechnic school	-.535	3.327***
WFOE	3.441	17.342*
SHF	1.294	12.520*
IJV	.690	5.042**
POE	.132	.242
-2 Log Likelihood (Unrestricted)		2068.874
-2 Log Likelihood (Restricted)		1871.907
- 2LR Statistic (20 df)		196.967*
Number of observations		885

Notes: *(**)(***) coefficient is statistically different from zero at the 99%(95%)(90%) level of significance; ♣ coefficient on -2LR statistic is statistically different from zero at the 99% level of significance. The reference category for ownership form is SOEs. The reference category for education is 3 year higher degree or higher.

Table 11: Predicting satisfaction with pension insurance

Variable Level ^a	Coefficient	Wald
Satisfied, provides security		
Gender	.392	4.512**
Age	.007	.489
Income	.354	11.579*
Junior middle school or below	.117	.211
Senior middle school	-.170	.536
Polytechnic school	-.535	3.327***
WFOE	3.441	17.342*
SHF	1.294	12.520*
IJV	.690	5.042**
POE	.132	.242
Not satisfied, costs outweigh benefits		
Gender	-.247	.815
Age	-.005	.105
Income	.088	.679
Junior middle school or below	-.128	.110
Senior middle school	-.117	.114
Polytechnic school	-.039	.008
WFOE	-.590	.519
SHF	.016	.001
IJV	.963	6.272**
POE	.741	3.507***
Not satisfied, does not provide adequate security		
Gender	.196	.571
Age	-.011	.440
Income	.153	2.216
Junior middle school or below	-.380	.801
Senior middle school	.175	.284
Polytechnic school	.482	1.526
WFOE	-2.295	4.616**
SHF	-1.005	6.447**
IJV	-.553	2.204
POE	-.309	.714
-2 Log Likelihood (Unrestricted)		1861.715
-2 Log Likelihood (Restricted)		1678.849
- 2LR Statistic (30 df)		182.866*
Number of observations		885

^a: The reference level is "don't know".

Notes: *(**)(***) coefficient is statistically different from zero at the 99%(95%)(90%) level of significance; ♣ coefficient on -2LR statistic is statistically different from zero at the 99% level of significance. The reference category for ownership form is SOEs. The reference category for education is 3 year higher degree or higher.

Table 12: Predicting satisfaction with medical insurance

Variable Level ^a	Coefficient	Wald
Satisfied, provides security		
Gender	.416	3.537***
Age	.035	6.710*
Income	.383	17.209*
Junior middle school or below	-.050	.024
Senior middle school	-.249	.688
Polytechnic school	-.476	1.654
WFOE	2.301	27.958*
SHF	.790	5.761**
IJV	.445	1.465
POE	.808	4.749**
Not satisfied, costs outweigh benefits		
Gender	.450	3.053***
Age	.029	3.195***
Income	.211	4.016**
Junior middle school or below	-.237	.377
Senior middle school	.146	.196
Polytechnic school	-.388	.872
WFOE	-2.074	6.415**
SHF	-1.349	12.744*
IJV	-.050	.019
POE	-.403	1.070
Not satisfied, hard to satisfy criteria		
Gender	.087	.106
Age	.028	2.869***
Income	.203	3.642***
Junior middle school or below	-.459	1.357
Senior middle school	-.421	1.499
Polytechnic school	-.374	.847
WFOE	-1.688	5.674**
SHF	-1.687	18.034*
IJV	-.522	1.896
POE	-.544	1.956
-2 Log Likelihood (Unrestricted)		1952.005
-2 Log Likelihood (Restricted)		1709.852
- 2LR Statistic (20 df)		242.153*
Number of observations		885

^a: The reference level is "don't know".

Notes: *(**)(***) coefficient is statistically different from zero at the 99%(95%)(90%) level of significance; ♣ coefficient on -2LR statistic is statistically different from zero at the 99% level of significance. The reference category for ownership form is SOEs. The reference category for education is 3 year higher degree or higher.

ENDNOTES

¹ <<http://www.minyi.org.cn/sqmy//sqmy040217-5.htm>>

² The survey results are available at <http://www.chinaminyi.org.cn>