



## Employee Insurance Entitlements: What do employers need to pay?

By **Kelly Zong**, Attorney (Beijing), and **Matthew McKee**, Foreign Legal Counsel (Beijing)

### Introduction

As a country with a socialist market economy, China has long strived to guarantee basic conditions for its employees. As a result, there are many requirements that must be followed by employers in China to ensure compliance with the law, including social insurance and housing accumulation fund contributions. This paper examines those entitlements.

### What insurance payments and employer contributions are required by law?

The following insurance coverage and contributions are required by law:

1. Basic Pension;
2. Basic Medical Insurance Premium;
3. Unemployment Insurance Premium;
4. Work Injury Insurance Premium;
5. Maternity Insurance Premium; and
6. Housing Accumulation Fund.

### What is the Housing Accumulation Fund?

The Housing Accumulation Fund refers to the long-term housing funds deposited by the entities and their employees. The housing accumulation funds shall be owned by the employee himself. The purpose of the fund is exclusively for the purchase or building houses, rebuilding or overhauling houses for self-dwelling and shall not be misappropriated for any other purposes. A municipality directly under the Central Government, a municipality where the people's government of a province or autonomous region is located, or any other districted municipality (region, prefecture, league) shall establish a housing accumulation fund management committee as the decision-making body for housing accumulation fund management. A municipality directly under the Central Government, a municipality where the people's government of a province or autonomous region is located, or any other districted municipality (region, prefecture, league) shall establish a housing accumulation fund management center to take charge of the management and operation of the housing accumulation funds. In Beijing, the Beijing Housing Accumulation Fund Management Center manages this fund. And according to the latest notice regarding the deposit proportion and upper limit of Housing Accumulation Fund in Beijing issued by Beijing Housing Accumulation Fund Management Center in April 14, 2009 is 12% and RMB 2682,00.

## **Who collects such payments?**

### *Social Insurance Premiums*

According to Article 6 of “Interim Regulation on the collection and payment of social insurance premiums”, “the collecting agencies of social insurance premiums shall be determined by the People’s governments of provinces, autonomous regions, and municipalities directly under the Central Government, and may be the taxation authorities or the social insurance agencies established by the administrative department of labor and social security according to the provisions of the State Council”. In Beijing social insurance is collected by Beijing Municipal Social Insurance Fund Management Center and in Shanghai by Shanghai Social Insurance Fund Settlement Management Center.

### *Housing Accumulation Fund*

The collection agency for the housing accumulation fund as prescribed by Articles 8 and 10 of the Regulation on the Administration of Housing Accumulation Funds is required to be established by the government of each province or autonomous region.

## **How much is an employer required to contribute in Beijing?**

Employers are required to contribute the following amounts on behalf of employees:

1. **Pension:** 20% of the employee’s basic salary.
2. **Medical Insurance Premium:** 10% of the employee’s basic salary.
3. **Unemployment Insurance Premium:** 1.5% of the employee’s basic salary.
4. **Work Injury Insurance Premium:** 0.5% of the employee’s basic salary.
5. **Maternity Insurance:** 0.8% of the employee’s basic salary.
6. **Housing Accumulation Fund:** In Beijing, prescribed amount is 12% of the employee’s basic salary.

## **How much is an employee required to contribute in Beijing?**

Employees are required to contribute the following amounts:

1. **Pension:** 8% of the employee’s basic salary.
2. **Medical Insurance Premium:** the employee’s basic salary multiplied by 2% +3 RMB.
3. **Unemployment Insurance Premium:** 0.5% of the employee’s basic salary.
4. **Work Injury Insurance Premium:** 0.5% of the employee’s basic salary.
5. **Maternity Insurance:** 0.8% of the employee’s basic salary.
6. **Housing Accumulation Fund:** In Beijing, prescribed amount is 12% of the employee’s basic salary.

It should be noted that in respect of the payment of Work Injury Insurance Premium and Maternity insurance, only the employer must pay for these two types of insurance.

**How do you determine the employee's basic salary?**

The benchmark for all social insurance including pension, unemployment, work - injury, maternity and basic medical insurance shall be decided by the employee's average salary of the previous calendar year (monthly average salary of actual income between January and December of the previous year). Once the benchmark is confirmed, any further changes shall not be possible within the year of payment.

On March 25, 2009, the Beijing Municipal Social Insurance Fund Management Center issued a *Notice of Benchmark and Amount of Payment for Social Insurance for Employees in Beijing*. For the year of 2009, the monthly average salary of Employees in Beijing is RMB3, 726.00. For the employee's monthly salary which exceeds three times of the monthly average salary of employees in Beijing (means RMB 11, 178.00), the maximum amount for benchmark for payment of social insurance shall be RMB 11, 178.00.

**What are penalties for failing to make the prescribed payments?**

According to "Chapter IV Penalty Provisions" of "Interim Regulation on the collection and payment of social insurance premiums" and other regulations, if the entity fails to pay its proportion for employee's insurance and housing accumulation fund or failed to withheld the employee's proportion of social insurance and housing accumulation fund, the entity will be punished depending upon severity of the breach; this could be a fine, a warning and or the notation of a fault record.

Lehman, Lee and Xu's *Briefing Paper Series* aims to provide readers with summaries of various China-related legal issues, designed to answer the questions most commonly asked by our clients.

For more information on the topics discussed in this briefing paper, please contact our Labor and Employment team.

**Lehman, Lee and Xu's Labor and Employment team has experience and expertise in advising Chinese and international clients on all employment issues in China.**

**For further information or enquiries, please contact [mail@lehmanlaw.com](mailto:mail@lehmanlaw.com)**