

What is your take on foreigners' participation in Chinese social insurances?

Description

China Ministry of Human Resources and Social Security unveiled the rules expected by many in expat community concerning participation by foreigners in Chinese social security plan. You may find the English version here: [Interim Measures for the Participation in Social Insurances by Foreigners Employed in China](#).

Though the Measures do not come with any surprise, it has still sparked hot debate on its impact. On the popular expat forum of Shanghaiexpat.com, a thread of the topic has 152 following comments by the time of my writing this post. The discussion on the forum started with an article run on Forbes web portal (click here for details), entitled "China Hits Foreigners And Their Employers With New Social Benefits Tax". In this article, it said "The move will raise the cost of hiring foreigners in China and may result in a decrease in the number of foreign workers in the long term" and that "Foreigners will be required to pay the Chinese government 11% of their salary, while employers will contribute 37% of their salary to the state" quoted from Shanghai Daily, a local English newspaper, as saying.

The Forbes article did not mention how they come to the 11% and 37% figures, as these figures may vary from city to city in China. This information spurred doubt, anger among expat community. Some claimed that these Measures were indeed a scam to "steal", "suck" extra money from foreign companies and foreign employees working in China. Some even politicized the issue accusing the China Communist Party of screwing foreigners by unfairly taxing them.

While those comments on the forum are most sentimental and with biases, objectively speaking, these Measures are indeed unfair to foreigners at large for the reason that foreign employees will end up with little benefits by contrast of their "massive", as one commenter said, contribution of social insurance premiums since most foreigners are actually temporary workers in China with no plan to retire in China.

It is also true that these Measures will increase significantly the cost for companies (esp foreign invested companies) to hire expat employees compared with cost prior to these Measures. Some on the forum even alarmed that some English schools catering to foreign kids in Shanghai may have to shut up because of cost hike. Some reasoned that these Measures are aimed to squeeze ordinary expats who have snapped up jobs that would otherwise be taken by Chinese, which does make sense to some extent. Given the current global economic landscape with US and Europe struggling with their economic woes, China may still appear appealing to foreigners who have even worse chances at home, in spite of these new tax burdens.

However the Forbes article did not mention that expat employees are allowed to take part of his personal contribution to social insurances back home when they leave China.

Article 5 provides that foreigners who leave China prior to reaching the retirement ages (60 for males, 55 for females) can apply to terminate the social insurances and take out the amounts sitting in their personal accounts. Such personal accounts refer to personal accounts for pension fund and medical fund into which individual employees pay premium every month.

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