

# Disability in the Workplace in China: Situation Assessment



This report is based on research jointly conducted with the  
K. Lisa Yang and Hock E. Tan Institute on Employment and Disability (YTI)  
at Cornell University's ILR School



Cornell University  
ILR School

# Disability in the Workplace in China: Situation Assessment

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(for Roundtable Summary Report, see [here](#))

## Research Summary

A compelling argument can be made that employment of people with disabilities should be gaining recognition as an underutilized weapon in the talent wars of Asia. One has only to look at the proportion of people with disabilities that make up our communities, the continuing employment disparities that people with disabilities continue to face and the resulting high levels of poverty for this population – up against the talent shortages in fast-growth markets across the region.

As China's skewed demographic dynamics become increasingly apparent, resulting in a rapidly aging population and a diminishing supply of workforce entrants, an increasing share of the workforce will include older employees with disabilities, necessitating a fundamental change in workplace practices involving people with disabilities, as well as a greater need to look at persons with disabilities as a potential source of talent.

Although China has created a broad legislative framework to protect the right to work for persons with disabilities, it lacks specificity and clear measures of enforcement, as evidenced in continued employment marginalization, poor educational outcomes, and thus higher poverty levels of persons with disabilities:

- In 2017, a mere 28 percent of persons holding official disability certificates were working. Importantly, while total urban employment has consistently grown over the past decade, urban employment for persons with disabilities has consistently declined over the same period.
- Few persons with disabilities are equipped with the necessary skills to compete in today's labor market. The share of people with college degrees in China overall is eight times higher than for disability certificate holders.
- In 2013, average wage income of urban households in China was more than three times higher than wage income for urban households with a disabled household member.
- The quota system currently in place is not effective in enabling labor market participation for persons with disabilities. In 2015, a mere 0.3 percent of China's total urban employment consisted of persons with a disability—a far cry from the mandated 1.5 percent.

## About this Report

To further understanding of workforce inclusion of persons with disabilities in China, and to identify practical ways forward for employers, [The Conference Board China Center](#) and the [K. Lisa Yang and Hock E. Tan Institute on Employment and Disability \(YTI\) at Cornell University's ILR School](#) partnered to explore how companies can tap the talent pool of people with disabilities and improve their employment outcomes.

The scope of the research encompassed a series of interviews with disability rights-focused NGOs in China, a detailed literature review, a comprehensive review of China's regulatory framework supporting employment for persons with disabilities, and a detailed assessment of the demographics of disability and the status of people with disabilities in China such as prevalence rates, access to education, employment disparities and resulting poverty and household income rates. A comprehensive collation of all research work conducted will soon be available through Cornell University's [DigitalCommons@ILR website](#).

This report draws from the broader research findings and provides business practitioners with an overview of the current situation, challenges, and root causes of employment barriers for persons with disabilities in China.

To complement this work, The China Center and YTI convened a practitioner roundtable in Beijing in September 2018. Participants explored in detail how the official, publicly available data on living and working conditions of persons with disabilities compare to actual experiences of employers in China, whether companies are actively recruiting disabled workers, what the internal and external obstacles are to recruitment, and what the impact of the government quota system is, for good or for bad. For a summary of the key learnings from the roundtable discussions, [click here](#).

## The Challenge for Government and Employers

There are an estimated 85 million<sup>1</sup> persons living with a disability in China. Due to stigma, discrimination, and a lack of successful government strategies, they are economically and socially marginalized, with limited access to education, training programs, and work opportunities. Even more discouraging from a sustainability viewpoint, regulatory protections rather than open market forces are responsible for the majority of jobs filled by persons with disabilities.

The economic costs associated with the employment marginalization of persons with a disability are significant and measurable. A multi-country ILO study estimated the macroeconomic losses resulting from excluding persons with disabilities are equivalent to 1 to 7 percent of GDP.<sup>2</sup> For China, the study estimated the macroeconomic costs to be as high as US\$ 111.7 billion in 2006 (or up to 4.2 percent of annual GDP).

China is facing both a deep structural slowdown and continuing labor cost increases. Furthermore, China is amidst a demographic shift of unprecedented scale which sees a rapidly aging population, an increasing dependency ratio (number of non-workers for every worker), and the closure of a demographic dividend in the workforce that has been a key driver of China's rapid economic growth over the last three decades. Against this backdrop, the marginalization of persons with disabilities from a full and effective participation in the labor market constitutes an economic, social, and political problem.

China's continued economic development depends heavily on efforts to minimize unemployment, strengthen and diversify the labor force, and increase job opportunities as a means to expand domestic consumer demand and foster economic growth. The underutilization of the workforce potential of people with disabilities creates a drag on those efforts by limiting the available workforce for employers as well as consumption power for this sizable share of the population.

From the policy perspective, an underutilized labor pool of persons with disabilities also increases overall reliance on costly public benefits. To be sure, disability-related government expenditure is a prerequisite and necessary element of ensuring the rights and living standards of persons with disabilities. But, maybe even more importantly, it's a tool for integration into society and the labor market, with the goal to create self-sufficiency and upwards mobility. As government concern over public benefits costs is growing amidst rapid aging and a shrinking workforce, investing to expand the workforce participation of persons with disabilities, and thereby lowering overall dependency on public welfare programs, will be crucial.

From the private sector perspective, the combination of diminishing labor supply and rising labor costs should, in and by itself, create greater incentive for individual employers to address the overlooked talent pool of persons with disabilities. Another important factor will be aging. There has been a significant increase in the share of people with a physical disability, but a dramatic decline in

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<sup>1</sup> This latest official estimate is from 2010.

<sup>2</sup> Sebastian Buckup (2009), *The Price of Exclusion: The Economic Consequences of Excluding People with Disabilities from the World of Work*, Employment Working Paper No 43, International Labor Organization.

the share of people with an intellectual disability<sup>3</sup>—changes that are linked to shifts in age structure (physical disabilities are strongly correlated with older age groups) as well as medical advances and preventive measures (for example the availability of prenatal diagnostics). As China continues to age rapidly, an increasingly large share of people with disabilities are in older age groups, and by extension, in the older workforce segments. In a recent member survey conducted by The Conference Board China Center, only 9 percent of member companies in China said they currently focus on disability issues, but a staggering 43 percent went on to say that disability will be an important future focus area for their diversity and inclusion programs in China (by far the highest share among all the D&I issues polled).<sup>4</sup> Age, an issue that is already receiving significant attention from companies (and one that is closely related to disability), was also among the D&I issues that companies anticipate will receive a greater amount of attention moving forward.

### By the Numbers: 85 Million...or Twice as Many?

Due to its narrow medical definition of disability,<sup>a</sup> China's disability prevalence rates are very low in international comparison. China's most recent nationwide survey on disability (conducted in 2005) estimated a total of 83 million people with a disability—a prevalence rate of 6.43 percent.<sup>b</sup> Based on the World Health Organization's (WHO) *World Health Survey*, conducted 2002-2004, the average prevalence rate across 59 countries in the adult population (aged 18+) is 15.6 percent.<sup>c</sup> Adjusting for differences in age ranges, the prevalence rate in the adult population for China's 2005 survey was still only roughly 8 percent—half the international average.<sup>d</sup> Were China to use international standards in their estimates of the disabled population, the numbers would undoubtedly be significantly higher than what is officially reported today, potentially close to twice as many. Arguably, many of these unaccounted persons will be among the underprivileged and underemployed parts of the Chinese population.

To be sure, the fact that China has implemented an assessment and eligibility system for disability and conducts regular surveys specifically targeted at the disabled population is a clear step in the right direction. China's first national survey of persons with disabilities in 1986 directly led to the establishment of important national governance bodies such as the China Disabled Persons' Federation (CDPF) and the State Council Working Committee on Disability,<sup>e</sup> and provided the basis for the state to formulate important foundational laws and guidelines focused on disability. However, the continued use of a medical approach to disability reinforces a backward view on disability. Worse, it leaves tens of millions of persons with disabilities unaccounted for in official statistics, without legal protection or access to social welfare programs, training or other forms of government support.

<sup>a</sup> Chinese law defines a person with disabilities as "a person who suffers from the loss or abnormality of a certain organ or function, psychologically, physiologically or in human structure, and has lost all or in part the ability to normally carry out certain activities." (Law of the PRC on the Protection of Disabled Persons (1990). A strictly medical model is used to conceptualize disability for surveying purposes and to determine access to public services, classified across six categories of impairment: 1. Visual, 2. Hearing, 3. Speech, 4. Physical, 5. Intellectual (lower than normal intellectual ability), 6. Mental (psychiatric disorders), as well as multiple disabilities (any combination of the aforementioned). A 4-point scale is used to classify the degree of impairment – with "1" for most severe and "4" for least severe impairments. It is important to note that China, unlike many other countries, clearly includes persons with mental disabilities in their official definition, thereby providing them with active protection under the law.

<sup>b</sup> The China Disabled Persons Federation (CDPF) estimates that the number of PWDs increased to 85 million in 2010, translating into a prevalence rate of 6.34 percent.

<sup>c</sup> World Health Survey, in: WHO (2012), World Report on Disability

<sup>d</sup> WHO data were collected between 2002 and 2004, China data was collected in 2006. WHO data are standardized for age or sex, China data are not.

<sup>e</sup> In 1993, the State Council established the Working Committee on Disability (originally the "the State Council Working Coordination Committee on Disability, renamed in 2006), whose responsibilities were to coordinate the development and implementation of guidelines, policies, and regulations for persons with disabilities, as well as coordinate United Nations activities relating to persons with disabilities in China.

<sup>3</sup> Based on First and Second China National Sample Survey on Disability (1987, 2006).

<sup>4</sup> China Human Capital Planning Survey, 2016, The Conference Board China Center.

As a ratifying country to the United Nations' Convention of the Rights of Persons with Disabilities (UNCRPD)—the first binding international treaty that specifically addresses the rights of persons with disabilities—China also has a legal as well as moral obligation to ensure an environment where persons with disabilities can be equal and active members of society. From a human rights perspective, realizing the individual's right to dignity through work necessarily entails looking beyond pure employment figures, and understanding deeper societal trends which contribute to the barriers faced. These include deeply rooted prejudices against persons with disabilities, widely practiced discrimination in everyday life and the workplace, as well as a general lack of government enforcement of legislation that would help enable greater participation. Actively working towards reducing these barriers will not only serve to address the human rights aspects of discrimination but will ultimately help improve employment outcomes and thus contribute to economic growth.

## China's Legislative and Institutional Framework to Promote Employment

On paper, China has a fairly comprehensive set of laws and regulations either directly or indirectly addressing the protection of rights and interests of persons with a disability. Disability-specific laws/regulations cover legal rights protection, education, employment, barrier-free environments, disability prevention and rehabilitation, and mental health.

The rights to equal employment opportunities in particular are covered in the Chinese Constitution, the Labor Law, the Law on the Promotion of Employment, the Law on the Protection of Disabled Persons, the Regulation on Employment of Persons with Disabilities, as well as additional laws and regulations ensuring equal access to education, training, and economic assistance programs related to employment. As a signatory of the United Nations Convention on the Rights of Persons with Disabilities (UN CRPD), China has also taken an internationally binding pledge to implement and enforce legislation that protects the equal rights to employment and eradicates discrimination of any kind in the pursuit of work and career advancement. To date, China's reform efforts have focused on:

1. Expanding current laws, regulations, policies, and other measures meant to activate/update protections and improve employment outcomes;
2. Implementing a variety of employment formats with specific government incentives and subsidies for PWDs, including a quota scheme; and
3. Establishing a nationwide employment services system executed by the China Disabled Persons' Federation (CDPF).

## China Disabled Persons' Federation

Although Chinese legislation places heavy emphasis on private sector engagement to foster employment opportunities for persons with a disability, in reality, China utilizes a system that is largely driven and implemented by the state. At the center of this system stands the China Disabled Persons' Federation (CDPF), a large government-led nonprofit organization.

Established in 1988, the CDPF works on behalf of the government to oversee and implement policies related to persons with a disability. It is the largest organization focused on disability in China, with nationwide coverage and a substantive branch network of local subsidiaries (reaching all the way down to county level). The CDPF sees itself as the spokesperson and protector of disabled's rights and interests, and the link between the disability community, employers, and Chinese society at large. It effectively manages most aspects of disability affairs on behalf of the government, from disability registration and certification, benefits payouts, to training and a wide variety of employment services. So-called Public Employment Service Institutions (PESIs), set up and run by the CDPF, are the major vehicles through which the state provides employment services including unemployment registration, career consultations, job referrals, rehabilitation for employment, vocational training and other services for persons with disabilities.

## The Quota Scheme

The quota scheme is the government's single most important private sector policy tool for ensuring employment of persons with a disability. It was implemented in the late 1980s and is a nationwide, legally binding effort that applies to all public and private sector organizations with a workforce exceeding 30 employees and operating for more than 3 years. It stipulates that at least 1.5 percent of an organization's workforce must be persons with a disability, otherwise a penalty amount must be paid to the Disabled Employment Security Fund (DESF), managed by the CDPF, money which should be used to subsidize promoting various training and employment programs for persons with a disability. Penalty payments vary by locality, largely depending on the local quota (which differs locally, but must be no less than 1.5 percent), average company wages, and by how much the quota was missed.<sup>5</sup> For companies fulfilling or exceeding the quota, financial incentives are offered through government subsidies on disabled employees' compensation packages including social insurance, wages, training, construction of accessible facilities, as well as general taxation benefits. In 2015 the government significantly tightened its quota penalty regulations.<sup>6</sup> The new regulations changed the penalty calculation method from average local salary levels to average annual salary levels of the individual employer, thereby significantly increasing penalty payments for industries and employers with high average salary levels. The new regulations also shifted fine collection responsibilities from the CDPF to local tax authorities, in an effort to strengthen enforcement and compliance.

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<sup>5</sup> Payable amount = (number of total employees of the previous year X rate required by the local government – number of hired disabled persons) X average annual salary of the employees in the previous year.

<sup>6</sup> On September 9<sup>th</sup>, 2015, the Ministry of Finance, the State Bureau for Taxation and the China Disabled Persons Federation jointly issued the *Methods on Levying, Use and Management of Employment Security Fund for Persons with Disability No. 72*.



## Employment and Income Outcomes

Statistics on the living and working conditions of persons with a disability are incomplete and fraught with methodological inconsistencies. Nevertheless, careful assembly and comparison of available data sources allows for some directional analysis.<sup>7</sup> Universally, the statistics point towards an untapped pool of disabled workers vis-à-vis their nondisabled peers, little access to skilled employment opportunities, and low income.

### Entering the labor market

Overall, employment participation is low for persons with a disability—in 2017, a mere 28 percent of persons holding official disability certificates were working, about half the labor force participation rate for the total population.<sup>8 9</sup> Importantly, persons with disabilities have not benefitted from China's massive urbanization drive, which is today generating the vast majority of jobs in China. Survey data collected by the CDPF up until 2015 show that while total urban employment has consistently grown over the past decade (for the most part above 3 percent annually), urban employment for persons with disabilities has consistently declined over the same period.<sup>10</sup>

### Participating in the labor market

Although the majority of China's employment has now shifted out of agriculture and into industry and services (73 percent in 2017), this trend has largely bypassed persons with disabilities. 50 percent of persons with disabilities continue to work in agricultural jobs, largely unchanged from a decade ago. In rural areas, where most persons with a disability continue to reside, opportunity for shifting into other sectors is extremely limited, as occupational training offered through PESIs focuses on agricultural techniques, skills that are essentially not transferrable to the urban labor market.<sup>11</sup> Employment breakdowns by occupation are only available for 2006. They show that persons with disabilities then were significantly less likely to work in higher skilled white-collar occupations such as professional personnel, office work, business or services,<sup>12</sup> a situation that, based on anecdotal evidence, remains largely unchanged.<sup>13</sup>

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<sup>7</sup> There are several official sources that provide data on the living and working conditions of persons with disabilities in China. Chief among them are the First and Second China National Sample Survey on Disability (1987, 2006), the CDPF's Annual Monitoring Surveys on Disability (discontinued in 2013), CDPF's administrative records of disability certificate holders as well as other administrative records collected through the CDPF's agencies at the local levels, and aggregated at the national level.

<sup>8</sup> Because labor participation data is not available, we are using employment as share of total population as an approximation of participation levels.

<sup>9</sup> No recent data exists for the majority of persons with disabilities not holding such certificates—but 2006 and 2010 data which included all persons with disabilities, show very similar participation levels (30 percent in 2006, and 26 percent in 2010).

<sup>10</sup> Based on official employment data from the National Bureau of Statistics and annual sample survey data from the CDPF.

<sup>11</sup> Non-agricultural trainings are only offered to urban residents. What is more, in 2014 the share of urban persons with disabilities with access to PESI-offered training programs was twice as high as in rural areas.

<sup>12</sup> In 2006, 24 percent of the general population worked in white collar jobs, compared to 13 percent of persons with disabilities.

<sup>13</sup> Authors' interviews with subject matter experts from local NGOs.

## [Benefiting from the labor market](#)

A majority of persons with disabilities work at the bottom of the wage spectrum (people working in agriculture earn roughly half of what is earned in other low-income sectors like manufacturing and construction). In 2013, average wage income of urban households in China was more than three times higher than wage income for urban households with a disabled household member. In rural areas, the income differential is much less pronounced. Urban households with persons with disabilities also receive a much lower share of their income from wages than average urban households—35 percent compared to 64 percent. This suggests that most urban households with disabled members depend to a great extent on supplementing wage income with other sources—for example payouts of social welfare programs or familial support.

## Understanding the Root Causes

Under- and unemployment among persons with a disability in China result from several interrelated factors, including: inadequate access to education and training in marketable labor skills, negative societal attitudes, prejudices and disinterest in workplaces and the overall labor market, and a lack of proactive enforcement of rights and funding of effective programs on the part of the government.

### [Poor access to education and training and its impact on employability](#)

Lack of education constitutes a major and continuing competitive hurdle to gain marketable skills and work readiness for persons with a disability in China. The significant progress China has made in improving educational attainment levels since implementing a nationwide 9-year compulsory education system in 1986 has largely bypassed persons with a disability. In 2016, nearly 20 percent of adults holding official disability certificates had no formal education<sup>14</sup>—more than three times the rate compared to China’s population overall. What is more, these numbers likely significantly underestimate the magnitude of the problem, as survey data from 2013 put the share of illiterate/unschooled adults with a disability at 36 percent.<sup>15</sup> Only 10 percent of disability certificate holders have high school or college degrees—compared to 30 percent among the general population. The share of people with college degrees in China overall is 8 times higher than for disability certificate holders, a gap that has significantly widened over the past decade. In fact, in 2016, there were only 11,500 reported cases of persons with a disability admitted to higher education programs.

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<sup>14</sup> Either illiterate or have had no schooling.

<sup>15</sup> Exact comparisons are not possible because sample population age ranges vary by source. Disability certificate holders are 15 years and older, CDPF annual survey data count persons 18 years and older, while data for the total population is for 6 years and older.

## Demographic immobility

Despite China's rapid urbanization, the majority of persons with a disability in China still resides in rural areas with agricultural household registration (76 percent of disability certificate holders in 2016)—where access to education and non-agricultural occupational training is very limited: In 2012, illiteracy rates for persons with a disability in rural areas were twice as high as urban areas. Urban residents with a disability were more than four times more likely to go to high school, and 12 times more likely to go to college than rural residents. The gap in educational attainment levels exasperates the challenge for persons with a disability in rural areas to find employment outside the unskilled agricultural sector.<sup>16</sup>

Access to education and training are closely tied to China's official household registration system (the *hukou*). For example, persons without official urban *hukou* registration would not be eligible to participate in the training programs offered in urban areas by the CDPF, nor would they be able to go to school in an area outside their *hukou* registration. *Hukou* transfers from one town/city to the other are only possible with support of an existing employer who sponsors such a transfer (i.e. employment must be secured before the *hukou* status can change)—a scenario only likely for persons with high levels of education or skills that are in high demand in urban areas. China's social safety net is also dependent on *hukou* status, therefore the employment return/compensation for a person moving without being able to transfer their *hukou* must also compensate for potential losses in social welfare payouts and access to education for dependents. Because of the significant disparities in education and training between rural and urban areas, the likelihood of a rural person with a disability securing urban employment which offers high enough returns or even an official *hukou* transfer is very low.

## Social stigma and segregation

Stigma and prejudice against any form of disability remain prevalent in modern China, although the situation has clearly improved,<sup>17</sup> especially in major urban centers and among the educated population.<sup>18</sup> However, most Chinese continue to view disability as a problem to be "fixed" or pitied, rather than focusing on reducing and ultimately removing disabling barriers in social and physical environments, as advocated by the United Nations and disability rights organizations. Under the recently abolished one-child policy, which had been in place for decades and stipulated that the majority of Chinese couples could only have one child, mothers who gave birth to a child with a disability were allowed to have a second child, a blatant reinforcement of the view that disabled persons are not of "equal worth" and are not assumed to become productive members of society.

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<sup>16</sup> Although employment rates for persons with a disability in rural areas are higher than those in urban areas, this gap can largely be attributed to easier access to unskilled, informal work (in the agricultural sector), as well as better access to social welfare programs in urban areas, and is not an indication of better employment outcomes for rural persons with a disability in terms of improved living standards.

<sup>17</sup> Improvements are in large parts due to the growing number of charitable organizations raising awareness of the challenges faced by persons with disabilities.

<sup>18</sup> In rural areas in particular, negative superstitious beliefs persist, and consequently persons with disabilities are often permanently hidden away at home or in institutions and are frequent victims of abuse. But, walking the streets even in major Chinese cities today, one rarely encounters a person with a visible disability (e.g. physically or visually impaired, Down Syndrome etc.).

While the old terminology used to describe persons with a disability—“*canfeiren*” (残废人, where “*can*” means “injured” or “damaged”, and *fei* means “useless”)—has now largely been replaced with the less derogatory “*canjiren*” (残疾人, “*ji*” meaning “disease” or “illness”), the term remains rooted in the medical model. The term “*canzhangren*” (残障人, “*zhang*” meaning “obstruction” or “barrier”), promoted by many disability rights organizations, is still rarely used in official government statements, legislative text, or by the CDPF.

### Ineffective institutional framework to prevent employment discrimination

China’s significant efforts to create a legal framework for the protection of rights and interests of persons with a disability constitute an important step forward, but it has yet to effectively overturn stubborn patterns of exclusion and discrimination. Prejudices persist strongly in the workplace—it is still widely thought that persons with a disability can’t productively contribute to economic growth or society and are better served in specialized institutions, special forms of sheltered employment, or specialized career paths (e.g. visually impaired individuals trained in massage), largely segregated from the non-disabled population. There is no specific anti-discrimination law in China; instead certain anti-discrimination provisions are included in various other legislative text. While many of China’s employee protection laws appear to provide protection from discrimination and the enjoyment of equal political/economic status, in practice they fail to provide clear guidance with regard to implementation, definitions, criteria, infringement, or remedies, in other words, they lack actionable specificity.<sup>19</sup> Most importantly, a clear definition has yet to be specified on what constitutes a discriminatory act and what specific legal recourse (e.g., penalties and liabilities) may be available to victims of discrimination under the prohibition of disability-based discrimination in China’s laws. Accordingly, there is little enforcement of current anti-discrimination and reasonable accommodation provisions.

A survey study conducted among college students in China showed that the top three attributes causing recruitment discrimination for college graduates are registered residence, gender, and disability.<sup>20</sup> Another survey among employers showed that 14 percent of surveyed employers clearly require qualified candidates to be non-disabled, despite the law explicitly prohibiting such discrimination. At the forefront of employment discrimination is the government itself, as evidenced for example in the recruiting processes for official civil service posts which make it virtually impossible for persons with a disability to pass the mandated health examinations.<sup>21</sup> These health examinations—despite being in direct violation of anti-discrimination clauses in the law—have also been adopted by many State Owned Enterprises (SOEs).<sup>22</sup>

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<sup>19</sup> E.g. Art 3 and Art 38 of the *Law of the PRC on the Protection of Disabled Persons*, and Art 4 and 13 in the *Regulation of the PRC on Employment of Disabled Persons*. Art 33 of the Constitution of the PRC also stipulates that “all citizens are equal before the law”.

<sup>20</sup> Research conducted by Constitutionalism Research Institute, China University of Political Science and Law; surveyed 2200 college students in 11 universities in 2008 and 2010.

<sup>21</sup> The General Standard for Civil Service Recruitment Health Examination (Trial, 2005) stipulates that candidates have to pass a health examination to be officially recruited as civil servants. Anecdotal evidence shows that the health examination heavily discriminates against disabled candidates, thus causing the majority to fail the examination. (See 澎湃新闻 [here](#), Newspaper of the Chinese People’s Political Consultative Conference [here](#), and Beijing News [here](#) for public discussion in this issue).

<sup>22</sup> Authors’ interviews with subject matter experts from local NGOs.

The quota system is clearly not effective in enabling private sector labor market participation for persons with a disability. While no detailed data on overall compliance rates with the quota scheme are made publicly available, our analysis suggests a large, and growing share of companies prefer paying over hiring. In 2015, an estimated 1.16 million urban employees with a disability were employed under the quota scheme, accounting for a mere 0.3 percent of China’s total urban employment—a far cry from the mandated 1.5 percent, even when taking small and medium enterprises (SMEs) and start-ups into account, to whom the quota may not apply. In 2016, after the CDPF discontinued its annual survey-based estimations, it reported that 670 thousand persons holding an official disability certificate were employed under the quota. As an official disability certificate is a pre-requisite to be counted under the quota, the new certificate-based data indicates that the quota is likely missed by an even wider margin than the 2015 urban data suggests. Other data sources reveal a similar pattern. Among the 250 largest publicly listed companies in China, only 5 percent currently disclose the number of disabled employees in their workforce, and none meet the 1.5 percent quota requirements (the rate ranges from 0.06 to 1.23 percent, with a median of only 0.2 percent).<sup>23</sup> Urban employment data provided by the CDPF as well as DESF contributions data up until 2015 further show that while the number of people employed by the quota scheme has been declining significantly, contributions to the DESF have continued to increase, a clear sign that employers continue to prefer to pay fines over hiring persons with a disability, and that the number of companies doing so seems to be increasing.<sup>24</sup> The ineffectiveness of the quota system is probably most evident in the blatant violation of it by government bodies. A 2011 investigation of government departments in 30 Chinese cities showed their quotas ranged only from 0.02 to 0.39 percent.<sup>25</sup>

There are several reasons for the low compliance rate. Most employers perceive the DESF payments as an administrative fee rather than a penalty, without serious government repercussions if the quota isn’t met. Employers also tend to perceive penalty payments as being lower than the cost of hiring and accommodating persons with a disability. Anecdotal evidence suggests that many employers have in the past simply refused to pay the fine due to lax government enforcement, or negotiated reduced payments (although this practice is now presumably less common given the change in collection responsibility from the CDPF to local tax authorities). Yet others use “symbolic employment” (putting persons with disabilities on their payroll—for minimum wages—without allocating work to them) to meet the quota.<sup>26</sup> As well, some local governments use total year-end DESF revenues as a governance performance indicator, thus encouraging their officials to focus on collecting the fines rather than encouraging employers to hire.<sup>27</sup>

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<sup>23</sup> Bloomberg and The Conference Board

<sup>24</sup> This was prior to the switch to tax authorities starting to enforce collection. No statistics on DESF contributions have been made publicly available after 2015.

<sup>25</sup> Investigation Report on Disability Employment in Government Organs, Yirenping, 2012. More recent data is not available, and government departments do not make data on employees with a disability publicly available.

<sup>26</sup> This practice is also referred to as “renting disability certificates”. (See the following sources for more discussion on this: 京华时报 [here](#), 中国法院网 [here](#), and 工人日报 [here](#)).

<sup>27</sup> Authors’ interviews with subject matter experts from local NGOs.

## Addressing the Challenges and Creating Opportunities: The Role of Business

Although China has created a broad legislative framework to protect the right to work for persons with disabilities, it lacks specificity and clear measures of enforcement, as evidenced in continued employment marginalization, poor educational outcomes, and thus higher poverty levels of persons with disabilities. Going forward, for employers in China, the need to focus more strongly on disability-related issues may come from a confluence of factors. Chief among them increased penalty payments for non-compliance with the government-mandated quota, addressing concerns over a diminishing supply of younger workers, and ensuring continued productivity and employment participation of an increasingly large share of older workforce cohorts.

For many companies, this will require fundamentally re-thinking current recruitment practices, ensuring adequate accessibility and accommodation in the workplace, and a much stronger focus on training and skills development, for example through active collaboration with educational institutions, on-the-job training, and re-training programs. While most MNCs in China are just beginning to focus on disability-related issues—some at the directive of headquarters and as part of corporate social responsibility programs for China, others in response to government quotas—many are starting to treat this arena as an opportunity for corporate leadership and see a potential labor pool to address the imminent demographic squeeze.

To move the disability discussion from compliance to competitive advantage, The Conference Board China Center collaborated with the K. Lisa Yang and Hock E. Tan Institute on Employment and Disability (YTI) at Cornell University's ILR School to convene a groundbreaking roundtable on September 19, 2018 in Beijing. A dozen companies and NGOs gathered in person to share current approaches and challenges to hiring persons with a disability in China, including recruitment practices, accessibility and accommodation in the workplace and training and skills development. Participants also shared experiences with partnerships, on-the-job training, and retention programs.

Although companies participating in the roundtable invariably cited challenges in finding employees with disabilities, some are beginning to debate the financial wisdom of continuing to ignore this under-represented talent pool and are increasing their hiring and engagement efforts of persons with disabilities; effective strategies companies are currently utilizing include:

- **Developing leadership commitment and articulating disability inclusion as a business strategy.** Companies reporting commitment of the C-suite made significantly more progress rolling out programs for employees with disabilities.
- **Activating multiple recruitment channels.** Companies tend to utilize the following channels: personal referrals and employee networks, hiring specialized recruiters, and partnering with universities. Companies find that internships provide low risk experiences both for company supervisors and for individuals with disabilities.
- **Gaining the support of profit-driven BU leaders is critical.** To reduce fear of a potential budget burden of taking on employees with disabilities, companies are experimenting with temporary

internal funding solutions which subsidize initial cases while BUs find ways to effectively utilize employees with disabilities.

- [Ensuring managers understand their roles and accountabilities around workplace disability inclusion](#). Managers are key to the quality of workplace experiences of people with disabilities, and thus require specialized training. As well, reducing fear of interacting with colleagues with disabilities by providing etiquette and workplace accommodation training at all levels is also crucial to foster an inclusive workplace culture.
- [Measuring for success](#). Identifying existing and needed metrics/analytics to measure workplace disability inclusion across all parts of the employment process and use them to regularly measure progress and identify improvement opportunities.

For a more detailed summary of the workshop's group discussions, please see our [Roundtable Summary Report](#).



## For Questions About This Research

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## About The Conference Board China Center

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## About the K. Lisa Yang and Hock E. Tan Institute on Employment and Disability, ILR School, Cornell University

The K. Lisa Yang and Hock E. Tan Institute on Employment and Disability (YTI) at Cornell University in the ILR (Industrial and Labor Relations) School works to advance knowledge, policies, and practice to enhance equal opportunity for all people with disabilities. We do so through our research, training and coursework, materials and resources, development and consultation, and demonstration. We serve people with disabilities, family members of people with disabilities, organizations working with people with disabilities, policy makers, employers, and communities. YTI values inclusion, diversity, equal opportunity, respect, justice, change, and stewardship. For more information visit our website <http://yti.cornell.edu/>.

YTI engages with employers to advance equal opportunity and inclusive workplaces for people with disabilities. Our research and outreach in this area are delivered through websites, see [BenchmarkABILITY®](#), [Employer Practices Rehabilitation Research and Training Center](#), and the [DigitalCommons@ILR YTI Site](#).

YTI is forging partnerships and conducting research around [neurodiversity in the workplace](#). The Yang-Tan Institute serves as a repository of open sourced materials and videos for the [DXC Technologies Dandelion Program](#), a neurodiversity hiring program initiated by DXC Technologies (formerly a part of Hewlett Packard Enterprise).