

# EU-CHINA SPRP COMPONENT ONE

## – SUMMARY OF ACTIVITIES, 2019

### GENDER ISSUES IN EMPLOYMENT AND SOCIAL PROTECTION

The International workshop on Gender issues on Employment and Social protection took place in the Provincial DRC premises in Chengdu, Sichuan Province, on 25 January 2019. Some 20 participants participated in the meeting, including Provincial and municipal representatives of the DRC and of the department of Human resources and social security. Reports were presented by European expert Ms. Yasmina Lakmad, and national experts prof. Ngok Kinglun aka Yue Jinglun (Sun Yat Sen University Guangzhou) and prof. Lin Yi (South-West University of Finance and Economics, Chengdu). The meeting was chaired by Mr. Jean-Victor Gruat, Resident expert for SPRP project Component 1. Opening remarks were delivered by Mr. Laurent de Lespinay, European project coordinator for Component 1, Expertise France, and by Mr. Liu Jinfeng, vice-director, Sichuan Provincial Development and Reform Commission.

Ms. Yasmina Lakmad, European specialist, presented the main concerns with gender equality in employment and social protection according to the European experience, before prof. Ngok and prof. Lin introduced their respective findings concerning the situation in Guangdong and Sichuan provinces. In the discussion that followed, Mr. Ceng Zhigang, from the Provincial HRSS Department, described in more details the situation in Sichuan province concerning gender equality and inequalities in the field of employment. The three experts entered into a dialogue about their respective contributions. The Chair then summarized the technical conclusions of the meeting (see box), before Ms. Tang Ling, national Component 1 project coordinator for NDRC, delivered the closing statement for a meeting highly appreciated by all participants, as reported to Mr. Fan Bo, Director of Sichuan Provincial development and reform commission, who came to visit them for a direct briefing.



*From left to right, prof. Ngok, Ms. Lakmad, prof. Lin*

## **- CHAIRPERSON'S CONCLUSIONS –**

1. The two national reports by prof. Ngok Kinglun and prof. Lin Yi and the European overview by Ms. Yasmina Lakmad largely coincided on a number of key aspects related to gender considerations in employment and social protection, thus allowing for the following concluding points.
2. There is no such thing as gender neutrality in employment and social protection. To be socially efficient, social protection has to address the factors affecting negatively gender equality also at an early stage, including though education and employment promotion measures.
3. The specifics of female employment and working conditions have to be further analysed, so that related discrimination maybe be actually combatted.
4. The situation of female migrant workers requires particular attention, including concerning the conditions under which return to the place of origin take place.
5. Old-age pension insurance should take into account the negative effects of women's actual participation in the labour market on their capacity to accrue sufficient rights over their active lives.
6. Social protection of the elder generations should be carefully monitored, to avoid deprivation and poverty for women, who are more likely than men to be in a vulnerable position.
7. The particular contribution of women to social and economic development should be fully recognized, notably when it comes to the acquisition of pension rights.
8. Advocacy campaigns should help in raising awareness among women about their social protection entitlements, and the possibilities for their individual economic and social empowerment.
9. Statistics, and their analysis, should systematically include gender components in all aspects of employment and social protection.
10. The project should advocate the inclusion as a cross-cutting issue of gender related considerations in future technical cooperation endeavors between Europe and China in the employment, social protection and income distribution areas.

## **PANEL DISCUSSION MEETING**

The 2019 Panel discussion meeting for Component One, EU-China Social Protection Reform Project SPRP was held on 21st May 2019 in Beijing Tangla Yaxiu Hotel. Some 25 participants joined the event, which focused on the research topics around planning in social protection policy - namely planning for a multi-tier social protection system and mid-term evaluation of the 13th Five Year Plan and preliminary proposals for inclusion in the draft of the 14th Five Year Plan on issues of employment promotion and social protection. The meeting was chaired by Mr. Jean-Victor Gruat, Resident expert for Component One. Professor Zhou Hong and her research team gave a presentation on European experience and lessons on building multi-tier social protection systems; Mr. Bai on behalf of Professor Yang Weiguo prepared a report on the evaluation of employment promotion policy in the past three years during the

13th FYP and proposal of issues to be included in the 14th FYP; and Mr. Song Xiaowu delivered a speech on the detailed proposals on social protection for inclusion into the 14th FYP. Professor Konrad Obermann from Germany contributed his comments towards the topics under discussion as well as his own presentation on long term care in selected European countries, which was of great relevance for Chinese researchers and policy makers in the field of social protection.



### Multi-tier pension protection, draft report by Ms Zhou Hong



Professor Zhou Hong commences her presentation by briefly introducing the institute she works in: the Institute of European Studies in China Academy of Social Sciences deals with everything about Europe, yet the research focus for the recent years has been on social protection model, reform measures and welfare state, which also says a lot about the priority of the Chinese social and economic reform in recent years. Professor Zhou gives her thanks to Ms Tang and Mr. Guat for providing great opportunities and technical

support towards the academic activities in social protection research. Professor Zhou introduces the team members of hers that are present at the meeting: Ms Peng and Ms Zhang.

Professor Zhou explains the basic logic of the research: firstly, the report tries to illustrate the significance and purpose of studying the European experiences in the field of their social protection system, and secondly, the tentative findings and conclusions achieved so far. The reason for conducting the research is historically evident since China has learnt great deal of social security experiences from outside world including EU countries, and with the deepening of its institutional reform, China not only needs to know how but also why.

The general approach of the research is designed as a result of thorough discussion among the project office and the research team on the basis of available academic resources, relevance to the Chinese context and countries of interest to NDRC. Therefore, six countries are selected namely Germany, the UK, Italy, France, Netherland, and Spain, whose social security systems are under examination.

## Germany

The sub-report on German social protection system is conducted by Professor Liu Tao and Ms Tian Tong. The general observation of the report is that in the last two decades, the market mechanisms have been obviously strengthened in the German social protection system, however, it does not necessarily relate to the “retreat of the state” or the “welfare retrenchment”, rather, the state has changed its role, function and organizational pattern, reshaping the nexus between state and market. The welfare state has changed its role of direct provider/supplier of public goods to a new regulatory agency.

The multi-pillar of old age protection in Germany consists of four layers: a statutory pension insurance scheme, the Riester Pension, company pension schemes and the basic security for old age and people with reduced earning capacity. Among the different layers, the Riester Pension scheme stands out as a unique type of social protection for the elderly. The Riester Pension is a state-subsidized and privately funded pension provision. Unlike the prototype of the multi-pillar model proposed by the World Bank, the Riester Pension involves a state-promoted but voluntary private pension scheme that differs from the pillar of a mandatory funded pension. All employees are entitled to participate in the Riester Pension; however, they are not legally obligated to be insured in this funded pension scheme. From the angle of “compulsory” insurance, the Riester Pension scheme significantly differs from the statutory pension insurance scheme in Germany.

However, the Riester Pension is highly regulated by the state. The payment of the Riester Pension shall only be allowed to commence after the age of 60. Early payment of the Riester Pension is not allowed. During the pension payment stage, prior pension contributions and the additional state subsidies paid into the Riester Pension accounts (as a minimum amount of Riester Pensions) shall be guaranteed. The Riester Pension contracts shall be fully gender neutral. Financial institutes will ensure a lifelong pension payment for Riester clients. Riester investors will be regularly informed by financial providers about the investment portfolio, the structure of the investment funds and the possible risks of the investment. The Riester Pension contracts and the capital contained within it cannot be pledged, and they are not subject to insolvency.

The critics towards the Riester Pension are twofold: firstly, the Riester pension may have a marginal effect on low-income individuals and families as well as on households without any regular income since they do not have the necessary financial resources to pay the extra Riester contributions. Consequently, the Riester pension may favour the middle or upper-middle classes. Secondly, the question of “pension justice” has thus arisen since those who engage in atypical and irregular employment in the labour market are actually excluded from the Riester



pension. Old age-poverty is preprogramed and many retired people in Germany are increasingly exposed to risk of poverty in their old age.

The most intriguing observation of German pension reform concerns the blurring of boundaries between state and market. Unlike the drastic market-oriented pension reforms in new emerging markets, and unlike the welfare market sector in the Anglo-Saxon and Anglo-American world, the German pension market is a heavily regulated welfare sector. Comprehensive and rigorous public laws, strongly shaped by the tradition of state regulation over the market prevalent in the German model of a “social market economy”, have set the line of demarcation for safe and responsible investment. This structure has profoundly shaped an intermediary sphere that links market mechanisms to a public policy field.

Rigorous administration and heavy regulation through the welfare state has resulted in an emergent hybrid welfare sector, which engages multiple stakeholders: a supervisory agency, consumer protection agencies and financial actors. This new form of hybridized sector has been labelled a “regulatory welfare state”, social policy regulation or a “welfare market” by German scholars signifying a fundamental semantic and structural transition from the conventional welfare state. The transition from a providential welfare state to a regulatory welfare state mirrors a fundamental reconfiguration of the nexus between state and market rather than a simple social-technological type of reform.

### United Kingdom

Professor Zhou then moves from the case of Germany to the UK. For the UK, the report takes a historical perspective. After World War II, the UK established what was called the Beveridge Model for its social security system. With the refining of the model and wealth accumulation of economic development, national insurance payment standards and payment levels as well as the coverage of different protection schemes continued to increase, and a unified management body was established with the merging of the Ministry of National Health and the Ministry of Social Security. The state bears 50-60% of the social protection system.

This social welfare institution was cast aside by Ms. Thatcher’s government when the Oil Crisis hit Europe. The state-oriented system was quickly transformed by a series of reform measures including reduction of social welfare expenditures, government fiscal expenditure, and emerging emphasis of individual obligations and responsibilities. The Social Security Law was introduced in 1986 which changed the welfare “normality” to welfare “selectivity” with privatization and marketization – the level of pension benefits was reduced, sickness and unemployment short-term allowances associated with income were also cancelled.

This logic of state withdrawing from social protection provision has been retained by the subsequent governments ever since the 1970s. The advocacy for “the third way” proposed by Anthony Giddens in the 1990s shifted the social protection system from demand-side management to the supply side, with the focus on improving human capital with “education, education and education”, who also advocated that the government should be “providing work for able workers, providing protection for those who cannot” “making work profitable”. Individual accountability was emphasized by the Brown government and the Cameron government since the 2010s. Responsibility is mainly reflected in the fact that every British who has the ability to work should go to work. The Pension Reform Law abolished the basic pension and the second state pension and merged into a unified public pension. The minimum qualification period in the full field was extended to 35 years.

Current pension system in the UK is composed of three components. Public pensions – a low-level pay-as-you-go system with a replacement rate of 22.1% in 2016, an occupational Pension - NEST which employees “automatically join”, and the private pensions whose coverage is relatively high at 43%, and the voluntary private pension replacement rate is 30%. The social assistance system is highly correlated with encouraging employment.

The New State Pension began in April 2017, which combines the State Basic Pension and the Additional State Pension into a new pension with equal treatment. Based on income, work conditions and other factors, the payment standards for four different groups of people are designed. It is a comprehensive protection plan, a payment port, corresponding to a package of insurance and allowance projects.

The eligibility requirements have been further tightened. The minimum period of “qualifying years” is more than 10 years. There is no early retirement policy. Only when the legal retirement age is reached benefits can be collected. The full new national pension must be paid for over 35 years, and the direct equal proportion of accounting for people who contribute less than 35 years. When accounting for the effective number of years of payment, it will take care of the interests of vulnerable people or special groups who are sick, disabled, unemployed, pregnant, caring for children or responsible for care, and give preferential treatment as a payment.

### Italy

Professor Zhou goes on to the study of Italy for its social protection system. Compared to other European welfare states, Italy’s social security system is quite unique. Firstly, Italy’s public pensions occupy an absolute dominant position; the proportion of supplementary pensions is small. Secondly, there is a serious group imbalance in unemployment income protection. Thirdly, social assistance is only focused on old age. Family plays important role in coping with individuals’ unemployment and poverty. Fourthly, the National Health Service System is under the principle of salvation.

The pension system in Italy at present is characterized with an immature three-pillar structure. The first pillar consists of non-contributory old-age assistance and compulsory PAYG pension plan; pension expense accounts to 2/3 of total social expenditure in Italy which is the highest among EU member states. The second pillar is the total accumulated occupational pension which is based on voluntary participation of individuals; different ratios of occupational pension exist in different industries, much of which is from the TFR – severance pay. The third pillar is the individual pension scheme where people join open fund voluntarily or participate in PIP – Individual pension plan.

The reforms of the Italian social security system is characterized with institutional learning from the EU level while at the same time still maintained much legacy from its own institutions; it is an ongoing process constantly adjusting to the changes of economic and social situations; the tendency of reform is to strengthen the role of the market and personal responsibility, to moderately reduce the state’s burden, and to look for a more balanced structure of social expenditure.

The social security reform in Italy has exerted positive impact in several aspects. Firstly, the financial sustainability of public pensions has been enhanced to some extent as a result of strengthening individual’s responsibilities and stringent regulations on pension-drawing. Secondly, the imbalance of social assistance and unemployment insurance has been corrected to some extent. Thirdly, the imbalance of income security has been corrected by establishing unemployment relief scheme in 2015 and “Citizen's Basic Income” scheme in 2019.

There are also unsettled issues brought about by the reform. Firstly, the redistributive role of public pensions has been greatly weakened, and the lack of supplementary pensions will worsen the problem of old age poverty. Secondly, under the current pension system, workers’ occupational stability and continuity, and life span become important factors which have much impact on the pensionable income. The counter measures on raising the retirement age and payment period will worsen the problem of income inequality, especially for flexible employment and self-employment groups facing the risk of living standard worsening sharply after retirement. The reform of Italian National Health Service system tends to localize the administrative and fiscal authority. Regions play more and more direct and important roles in health policy. This means the deterioration of regional imbalances in health service supply.

## France

Ms Peng, the researcher on Professor Zhou's team whose expertise is in study of French speaking countries takes over the floor to introduce the structure of French social protection system. The structure of social protection system in France consists of three parts: social security which includes schemes of retirement insurance, medical-maternity insurance, occupational injuries and diseases insurance, and family benefit; unemployment insurance, and social aid.

The main characteristics of French social protection system can be summarized as followed: it is mainly a PAYG system with no compulsory funding and the State plays a key role in provision and management; a health care scheme with universal coverage is in place; the benefits and allowances for families are very generous; unemployment support is strong both financially and technically; and the social aid system is also very well organized. The strength of the social protection system in France is evident: with the State taking over the main responsibility, the aspect of solidarity and universalism in social protection has been achieved to a large extent, which has provided the majority of the population with a social safety net in a comprehensive, generous and effective manner.

The challenges brought by this model are also typical enough: France is among the highest spenders in the OECD in terms of social spending which is the cause for huge public deficit; the consideration of fairness outweighs efficiency, which makes the social protection system more socially sustainable than financially sustainable; structural reform on social protection has been difficult to put forward due to the veto power of the trade union.

Nevertheless, there have been some tendencies and orientations for systematic reform of social protection in France. Reform measures in the field of pension have been focused on parametric adjustment because of the general resistance for a structural reform; the issue of financial sustainability has been addressed to some extent, however, polarization of pension benefit becomes evident, the social aid expenditure increases, and the issue of intergeneration equity stands out.

Other debates brought about by social protection reform in France includes cutting of non-means-tested allowances and increase of mean-tested allowances for family benefits; the shift from unemployment compensation to employment incentives in unemployment protection; and the roadmap towards a unified and simplified pension scheme where same rules apply to all employees no matter the social sectors they are in. To sum up, the main problem for France at present is to seek the balance between adequacy and sustainability for its social protection system.

## The Netherlands

Ms Zhang from Professor Zhou's research team then introduces the social protection system in Netherlands. Netherlands holds a mixed structure for its social protection system as a result of its socio-economic background, which can be seen on three different levels: schemes based on citizenship, schemes based on employment status, and social assistance. With the emergence of an ageing population, increased participation of women in labour market, and the development of non-standard employment, new challenges for social protection occur and priorities have to be reconsidered.

Seen from the perspectives of social investment, the welfare state should carry three functions in terms of social protection. Firstly, it must provide labour market capacity for those who are able to take part in employment of any kind, i.e., the state must ensure a stable level of labour market participation rate; secondly, it must strive to invest in human resources so as to maximize its human capital; and thirdly, it must provide countermeasures to buffer against systemic social risks.

There are two lines of reform measures in the social protection system in Netherlands, namely welfare reform and workfare reform. For welfare system reform, the basic protection such as

pension scheme and medical care have been strengthened by measures such as sustaining the universal flat-rate public pension schemes, extending coverage of the occupational pension schemes and expanding the basic medical care insurance and long-term care insurance to cover the whole population. The welfare system reform has resulted in significant rise of social and public expenditure, which can be potentially challenging for financial sustainability.

For work-based social protection, the main logic of reform is to promote individual responsibility in social protection and to encourage able work force to take part in labour market. For instance, the reform in pension scheme for employees is trying to put stronger limitation towards early retirement; the benefit of unemployment insurance is set at a lower level and the number of years for receiving unemployment insurance is shortened; on top of that, employment promotion measures are incorporated into the scheme as well. The criteria for receiving disease and disability allowances are also more strict as Netherlands redefines its categorization for illness and disability; child care has been developed and included into the national social protection system.

As the state takes the main responsibility of providing basic social safety net for its people, resources from the market are also mobilized to provide supplementary income or services alongside. In some field, the management of social security schemes is based on market competition.

### Spain

Ms Zhang goes on to introduce the social protection system in Spain. The social protection system in Spain is constructed as a collaborative effort by several administrative entities including the Ministry of Employment and Social Security, the Institute of Elderly and Social Services, Ministry of Health, Social Services and Equality MSSSI and other autonomous communities. These entities are responsible for different schemes in social protection including contributory benefits such as retirement pensions, invalidity benefits, maternity benefits; non contributory disability pensions, non contributory retirement pensions, system for autonomy and the care of dependency, and other services and economic benefits such as residential care, child protection, minimum integration income, aids for victims of domestic violence, etc.

Just like other EU member states, the social protection system in Spain is established upon solidarity principle which takes the main form of PAYG mechanism under social and political agreements. The basic non-contributory schemes are mostly financed by the government while contributory and professional benefit schemes are financed by employers and employees. To cope with the potential risks posed by changes in socio-economic development, the objective for reform lies in the maintenance of a mandatory PAYG public pension system for all employees which is financially sustainable. The funding requirements and the adequacy of benefits are assessed by using revenue's and expenditure's projections in the medium and long term.

The recent reform measures in social protection in Spain has been focused on postponing retirement age and the requirements for early retirement are being tightened gradually. Moreover, an annual increase in the accrual rate will be applied for employees who retain their employment status after legal retirement age. The accrual rate is +2% for people with career length below 25 years, which goes up to +2.75% for people with career length between 25 and 37 years and +4% for people with career length over 37 years.



## Mid-term evaluation of the 13th FYP and preliminary proposals for inclusion in the draft of the 14th FYP on issues of employment promotion, draft report by Mr. Yang Weiguo



Professor Yang first gave a general account of the research project. The research is specifically focusing on the evaluation of employment promotion policy in the past three years during the 13<sup>th</sup> FYP and proposal of issues to be included in the 14<sup>th</sup> FYP. The research team consists of Professor Yang himself, and Mr. Bai, the Associate Professor from Renmin University, and several postgraduates.

Mr. Bai takes over the floor and starts the presentation. Three questions are touched upon in the study of employment promotion evaluation: how did we carry out this evaluation? What have been done? What to do next? As the background of the research, the 13<sup>th</sup> FYP and its implementation period of 2016 to 2020 coincide with the most recent and profound endeavour of socio-economic reform in China, which is characterized by four trends. First, employment is regarded as the biggest livelihood of the people and most fundamental support for economic development; secondly, market will play a decisive role in human resources allocation while the government turns to service-oriented functions; thirdly, employment promotion depends more on entrepreneurship and innovation; and lastly, employment promotion devotes more to improvement of quality in both employment and labor force.

A lot has been achieved in the implementation of the 13<sup>th</sup> FYP in terms of employment promotion. Employment scale grows steadily with accumulative newly-increased urban employment reaching 40.61 million. The structure of employment based on industry is also changing with the rising proportion of service sectors employees taking up 44.6% in first three quarters in 2018 and the proportion of urban employees going up to 56% in 2018. The legal stability of employment is also improving steadily.

Human resource and labour quality are also improving during the last three years. Till 2018, China has 0.16 billion skilled labor population, of which about 29%, 47.9 million in number can be categorized as high-tech labor. More attention has been paid to empowering the job-creation capability of entrepreneurship & innovation start-ups through providing series of policy supports. An outstanding example would be the rise of digital economy including internet retail and network platform economy, which serve as new engines for employment growth.

Series of policies have been designed to promote and refine market regulation and free flow of human resources. The estimated total market value for human resource service has reached 343.6 billion RMB in 2017 with compound annual growth rate as high as 21.9%. And the number of employment in human resources services is over 580 thousand in 2017.

Certain focus groups are examined in depth to grasp the bigger picture of general employment status during the past three years. First group is the active labour force in rural areas. The total number of working population from/in rural areas has reached 0.29 billion, the number is still growing but it is slowing down because of overall population ageing. Over 50% are population born in the 1980s who are in their prime years in labour market; yet the average age of the group is 39.7, showing a structural lack of vitality to some extent. 51.5% of the rural migrant workers are employed in the secondary industry sector while the number of workers engaging in the third industry sector is growing steadily.

The second focus group is the college graduates. The amount of university graduates has reached 7.53 million and the annual growth is slowing down. The overall employment rate for university graduates is steady with 80% of them going to full-time jobs, 3% trying out start-up business, and 10% choosing to engage in further study. More and more young graduates choose to work in mid-China and west China. Education sector and digital economy have attracted more graduates each year.

The last focus group is workers with job placement. In 2016, about 726 thousand workers mostly from heavy industrial enterprises were reassigned by government because of strategic remodeling and upgrading of productivity, 55.8% of whom are either placed with jobs in service sector within the same enterprise or considered eligible for internal early retirement plan. An estimation is that around 180 million workers will need to be re-employed by 2020 and most of them are from steel and coal industry. Numerous policies were made by local government to solve workers' employment due to adjusting of excess production capacity of heavy industry. There are of course unsettled aspects in employment policy that are prominent and calling for actions. First and foremost, structural dilemmas are still persistent because of the mismatching of the demand end and the supply end of labour market. On one hand, labor demand gap has sharply expanded since 2016 and peaked in 2017 (107 million); High Tech talent is in short and its demand ratio is above 2.0. On the other hand, unemployment issues remain acute although registered unemployment rate is far below 5% (3.8%) and keep decreasing.

Secondly, the emerging digital economy, network platforms in particular, are challenging the classical definition of employment relationship with new patterns of employment which is exerting impact on the whole employment security system. Rather than simply emphasizing the job-creation capacity of platform economy, much more attention should be paid on institutional and technical adjustment on social protection schemes to protect the platform employees and to regulate platform operators. Based on a preliminary analysis of 158 judicial cases on disputes around employment relationship, the employees are usually legally unsupported by legislation. Most network platforms tend to deny the existence of a formal employment relationship with their employees by asserting a partnership instead.

Thirdly, there is still big demand for skilled labour to be fulfilled. The overall labor quality is still at a relative low level, poor educated workers are majority and only 10%-20% receive vocational training. The percentage of working population who have got university degree and above only counts for 11.9%. Moreover, the discrepancy of labour quality between urban and rural areas is also getting bigger.

Fourthly, public service in the field of employment support is still lacking in general. As a matter of fact, the scale of public service in employment is getting smaller each year; and the type of service that is provided mainly focuses on short-term employment training and preliminary and intermediate qualification training. High level professional and qualification training are still very much lagging behind.

When looking at possible frameworks for proposals as what should be included in the 14<sup>th</sup> FYP in the field of employment promotion, it is essential to consider the new trends and emerging circumstances for social and economic development so that the proposals would provide matching responses. The most prominent background for the near future lies in the fast growth

of digital economy. The research team also provides a prediction of some new trends in employment promotion: firstly, employment policies are redefined as political measures for macro management instead of micro public policies; secondly, industries that contribute to employment promotion is shifting from construction/manufacturing to service sector; thirdly, rapid change is happening to the demographic structure in China, which may trigger social issues of population ageing, labour supply decline, and overall low participation in labour market. The estimation is that by 2049 the amount of working age population will shrink to 0.8 billion; working age population aged from 45-64 will account for more than 45% in 2045; labor market participation is estimated to decrease dramatically from nearly 85% to 75%, especially for women to 65%.

Another lens through which proposals can be drawn is through observations of initiatives and advocates coming from international organizations. First and foremost, we can see that the focus on digital economy has become a global one, with predictions of both the positive and negative impact on employment; secondly, inadequate wage growth and the income polarization are worsening at a global scale; thirdly, population ageing has also become a global challenge for employment policy; and the issues of social safety net and gender equality in employment are still prominent.

On the basis of the analysis and observation, several policy suggestions can be drawn as potential proposals for inclusion into the 14<sup>th</sup> FYP in terms of employment promotion which can be categorized into three layers. The first layer is the overarching framework for employment promotion policy. The fundamental principle lies on the emphasis that there should be a comprehensive mechanism to ensure the employment balance in short term and labor market development in long term. The 14<sup>th</sup> FYP should try to incorporate the dimension of employment protection into the “supply-market-demand” policy triangle. More attention should be paid on the connection between employment and digital economy.

The second layer of policy suggestions is the concrete items to be considered to include in the 14<sup>th</sup> FYP which are as followed:

- The management of unemployment should be restructured and reclassified according to the nature of unemployment, which are structural unemployment, frictional unemployment and cyclical unemployment. Different nature of unemployment calls for different measures to be taken including human capital investment, market re-allocation, and macro control mechanisms.
- Improve the overall labour quality by: seeking the potential of individual employees, supporting the transformation of rural labour force, encouraging human capital investment and accumulation on both public and individual level, and introducing channels of inflow for international talents.
- Ensure fluidity within the labour market by enhancing the efficiency and efficacy of human resource allocation by market itself.
- Establishing social protection system for non-formal and flexible employment by designing special protocols for flexible participation in insurance schemes and payment, and by strengthening supervision of employers.
- Emphasis on employment support and public services in vocational and professional training.
- To cope with demographic ageing, it is crucial to build a safety net for the elderly with social protection and other mechanisms where the potential of the elderly as human resources can be optimized.
- Family should be regarded as a social unit when designing employment promotion and protection policies.

The third layer of policy suggestions refers to the operational level of employment promotion with two principles. The principle of coordination points out the importance of a collaborative framework among different governmental bodies under which employment promotion policy can be implemented in the most efficient manner. The governmental bodies including macro-level monitoring organizations, statistics and data providers should be involved more profoundly in employment promotion. The principle of accuracy asks for a more scientific

evaluation mechanism, a refined classification management, and more precise intervention procedures.

## Mid-term evaluation of the 13th FYP and preliminary proposals for inclusion in the draft of the 14th FYP on issues of social security, draft report by Mr. Song Xiaowu



Mr. Song introduced the research done by his team on the evaluation of social protection policies in the 13<sup>th</sup> FYP and the preliminary framework of proposals for the 14<sup>th</sup> FYP. He pointed out that his team took a rather different approach towards the research topic compared with that of Professor Yang's team: the evaluation part is rather general and brief and the major focus is put on the proposals for the 14<sup>th</sup> FYP. There are altogether 8 sections under the proposals of social protection, but only 7 of them will be elaborated at the presentation because the one on urban-rural coordination is still under development.

The first section focuses on the evaluation of progress made during the implementation of the 13<sup>th</sup> FYP in terms of social protection and a general account of the potential risks, problems to be dealt with, as well as socio-economic context for the design of the 14<sup>th</sup> FYP. The following 6 sections are the detailed proposals for inclusion into the 14<sup>th</sup> FYP including national coordination of basic pension scheme, postponement of retirement age, multi-pillar social protection system, health care service system for the elderly, children welfare, and housing provident fund.

Great progress has been made during the 13<sup>th</sup> FYP in terms of social protection. The coverage of population under social protection schemes are expanding steadily. The population covered by medical insurance is over 1.3 billion, and the number is reaching 1 billion for coverage of basic pension scheme in China. A lot of reform measures are also under effective implementation including the transfer of state-owned capital to enhance social security system, market-oriented investment of pension funds, basic medical insurance as strategic purchaser, and pilot for long term care insurance.

There are of course emerging challenges to be taken into consideration for social protection policy in the 14<sup>th</sup> FYP. The first one is demographic ageing which will inevitably pose a huge impact on social protection system. It is estimated that China will step into the era of deep ageing society in 2026 with the percentage of population over 65 years old reaching 14%. On the other end of the line, the risk of low fertility trap is becoming more and more evident as the total fertility rate stays low even after adjustment of fertility policy in 2015. When looking at the primary distribution of social income, the Gini coefficient is still hovering at a high level which shows the income distribution inequality is not getting better. Moreover, the



macroeconomic environment is facing downward pressure, which will influence the financial capacity of social protection and bring unfavorable possibility of unemployment issues. As was mentioned by Mr. Bai earlier, the thriving of digital economy and network platforms quickly bring new form of employment with increasing flexibility and informality. All these factors will have a huge impact on the priorities of social protection policies in the next FYP.

Mr. Song then goes into detail on the proposals to be included in the 14<sup>th</sup> FYP. The first one concerns with the national pooling mechanism of basic pension scheme. The pension scheme at present is deeply fragmented in that there are huge discrepancies among different regions in China. As is quite perceivable, the support ratio of retired population by active labour population varies drastically in different parts of China (1.26:1 in Hei Longjiang Province while 6.71:1 in Guangdong) but the current pooling system lacks the redistributive capacity to unease the imbalance. Policies around social protection including contribution rate are not unified in most provinces with a very low level of coordination. As a result, the funding for pension at some regions depends heavily on public financial subsidy when expenditure exceeding revenue based on contribution. On top of these, the ambiguity of administrative function between central and local government poses an overarching problem in terms of management. To tackle the above-mentioned issues, Mr. Song proposes several measures to be taken to achieve national pooling including the establishment of Central adjustment funds which takes up 3.5% of the pension contribution revenue at provincial level and the scale is about 600 billion.

The second proposal to be included in the 14<sup>th</sup> FYP deals with the issue of postponing the retirement age. The average life expectancy has grown substantially during the past 70 years in China from under 60 in the 1950s to around 70 at present; the number is even higher in large cities like Beijing. Meanwhile, the number of newly-increased labour force is lowering each year. Thus it is reasonable to reconsider the retirement age to adapt to the changes in demographic structure which will exert great impact on the social and economic development in China. There has been resistance to postponement of retirement age from people engaging in hard labour employment – therefore, another term called flexible retirement can be justified in this regard but of course the general mentality is towards postponing the retirement age.

The third proposal focuses on the construction of multi-tier social protection system. The social protection system in China has been and still is governmental-oriented with very little involvement and participation from the private sector. For instance the current number in the enterprise annuity scheme is only over 20 million people, which is very little compared with the basic pension scheme. Policies have been put forward to promote enterprise annuity during the XII Plan but the effect is very limited. One of the reasons is that enterprises are already burdened by the contribution to basic pension scheme and are reluctant to pay for extra schemes. The report will try to propose measures to adjust proportions in first pillar and second pillar to seek a better balance.

The fourth proposal discusses how to build a comprehensive health care service system for the elderly. The current basic pension scheme has a rather broad coverage, but problem remains that most elderly do not have access to satisfactory health care service even if they have the money. The proposal points out that the health care service for the elderly should be home based with intense community support and institutional supplement, to be combined with medical care. It is also proposed that the private sector are highly encouraged to engage in the service industry, which is anticipated to provide more than 50% of beds in old-age service institutions. This topic is also connected on the discussion of long-term care insurance but the proposal decides that the focal point be put on the establishment of health care service system not only because it is more pressing but also because it already tackles the core issue for long-term care insurance.

The fifth proposal is dedicated to the discussion of child welfare, which has been largely neglected in the past in China's social protection system. Mr. Song would propose to put child

welfare to a much prominent position in social protection system as a response to the rapid demographic ageing and societal transformation. It is estimated that there are around 9 million “left-behind children” in China – children or adolescents whose parents are constantly absent in their childhood life – the number would go up to 50 to 60 million if calculated under different criteria. This would not only cause developmental issues for the children or adolescents themselves but also social issues for the society as a whole. The measures to be taken include more public financial support, increasing civil society participation, establishment of child allowance, improving urban MAF systems and refinement of public administrative system. The sixth proposal is about housing provident fund and how to lessen the burden for enterprises as well as low income group in this regard. As a matter of fact the collection of public housing fund in China has a regressive impact on social equality. The essential reform target lies in the establishment of a housing security bank which functions as the professional administration body to monitor and manage the housing fund.

### Comments submitted by Prof. Konrad Obermann (European Expert) and presentation of Long term care in Germany



On the supply side of long-term care Professor Obermann mentions one study he took part in in Germany that patients with prescription of long term medication are asked to bring all the medicines they take every day which are reviewed by a group of doctors, nurses, and pharmacists; the result of the study shows that half of the medicines can be omitted and by doing so, the patients feel less affected by the cross side effect. Thus the review of pharmaceutical treatment can be helpful regularly in examining the cost efficiency as well as medical effectiveness of long term care.

According to Professor Obermann, social protection is a basket mixed with many different things. Pension is essentially a financial issue in that the success of it lies heavily on cash flow, financial sustainability, and actuarial science. Health care insurance on the other hand, is highly technical. Therefore, for different schemes of social protection, different and highly diverse qualifications are required, which puts a question mark on the methodology of grouping everything under the umbrella of social protection; it might be more useful to look at specific issues as they are supposed to.

He takes the Gini coefficient as an example. Obviously, people don't want 0.0 or 1 for Gini coefficient, but anything in between is a place where normative elements matter. What is needed therefore might be a general guiding system. The notion of harmonious society in China or equivalent idea of solidarity in European countries argue for some basic understanding or assumption of what a society people want and how far are people willing to go to actually make it happen; that's more of a question of value and the translation of it into policy. One more issue

brought about by Professor Obermann is the issue of data. It is quite often that researches and studies nowadays are done without a good foundation of solid data, which makes it very hard for people to see in perspective. A good set of data can be a very good starting point for people to discuss where to go next.

Professor Obermann then goes into the introduction of SUSTAIN Project which is a case study sponsored by EU with 7 countries taking part in the discussion how to take care of old people in a sustainable and efficient manner. The background or the challenge the project tried to face is now a common one in Europe, which is the increasing number of people with chronic conditions who demand health social care; yet the current health care and long term care systems are often poorly coordinated and planned due to historical restraints; therefore, people would like to be more involved in the decision-making system which affects their own health and treatment.

The SUSTAIN consortium then came up with an approach of integrated care to optimize long term care/ health system with five core elements: proactive case by case assessment, involving older people, multiple disciplines of qualifications, coordination of the above groups, and identification of a set of interventions. Challenges related to this type of integrated care include the best way to design integrated care, the effectiveness, how to implement integrated care, how to make integrated care sustainable, and how to transfer successful initiatives from one country to another.

The SUSTAIN project then aims at supporting and monitoring improvements to established integrated care initiatives for older people living at home with multiple health and social care needs; and contributing to the adoption and application of these improvements to other health and social care systems and regions in Europe. There are four core domains in the SUSTAIN project. The first one is person-centeredness which means the patient or the old person is at the centre of consideration and organization of a customized care plan. The second one is the focus on prevention of potential side-effects of medication and/or accidents that can be minimized with modest efforts. The third one concerns with the issue of efficiency which means cost effectiveness of financial resources and last one concerns with safety for both the patients and the care givers.

The main deliverable SUSTAIN project achieved is what is called a roadmap. The logic is that if you want to improve integrated care, there is a process and procedure to follow. The first thing to do is identifying good practices which can be transferred; secondly, an instrument to develop an improvement project; thirdly, data collection, identification of indicators, and the proper method to interpret the data; fourthly, the solution for implementation issues; and lastly, some tips and tricks about how to get things done. The value of international collaboration in the light of SUSTAIN project and according to Professor Obermann is very enlightening. International collaboration provides: access to experiences of other countries; the possible action of learning from experiences of other countries; getting to know and understand other countries; insight into generic vs. context-specific factors; knowledge and uniformity of indicators for evaluating integrated care; translating scientific knowledge into practical recommendations.

## MULTITIER SOCIAL PROTECTION: INTERNATIONAL WORKSHOP, DIALOGUE AND STUDY VISIT



*The delegation visiting Milan municipality to exchange on social affairs policy and decentralised management*

On 23 and 24 May 2019, a high level NDRC delegation, led by Mr. Chang Tiewei, Deputy Director General, visited the Headquarters of the European Commission in Brussels where they had an in-depth policy exchange with high level specialists from the Commission directorate for Employment and Social affairs. The delegation was accompanied by three Chinese experts – Ms Zhou Hong for Multitier social protection; Prof. Yang Weiguo for planning in Employment promotion; Mr. Guan Bo on Planning for social security protection - During the sessions held with the European Commission, opening remarks were made by Mr Joost Korte, Director General, DG EMPL, European Commission and Mr Chang Tewei, NDRC. Exchanges were subsequently held around the following topics, each of them being introduced by a European and a Chinese expert: Overview of social protection systems – structure, financing, adequacy, fairness; pension systems – private & public, ageing; Healthcare and long-term care; Trust in institutions and political economy of structural reforms.



While in Brussels the delegation visited the Secretariat of the International association for Mutual benefits funds AIM to discuss issues related to multitier social protection in health care insurance.

In Rome the delegation and accompanying experts took part in a high level International workshop organised at INPS Headquarters on 27 May around the topic of Planning for multitier social protection systems in Europe and in China. The ILO Deputy Director for Social protection department Ms Valerie Schmitt delivered a keynote address on the Current situation and prospects concerning multi-level social security protection – including social protection floor initiatives. Specialists from the OECD, the ISSA, AIM, Germany, Belgium, France and Italy also delivered presentations at this meeting. Topics addressed were the Prospects for multitier social protection in the Chinese context; the European experience in multitier social protection; the Future of social protection – coping with atypical employment. While in Rome, the Delegation could exchange with representatives of the Italian Ministry of Finance about the process and the results of the national pension reform and introduction of Notional defined contributions method, before proceeding to Milan where it could discuss with the Municipality aspects related to decentralisation of social protection management. The Delegation then proceeded to Portugal on 30 May where they could interact with the Portuguese Ministry of labor, solidarities and social security as well as the national social security institution before returning to Beijing on 1 June 2019.

#### **NON CONTRIBUTORY PENSIONS REFORM IN CHINA AND EUROPEAN EXPERIENCE**



*From left to right: Mr Fang Lianquan, SPRP Main expert (research); Mr Zhang Guoqing, SPRP Main expert (Operations); Mr Qi Chuanjun (CASS, SPRP ST Expert)*

On 12 June 2019, the SPRP project Component 1 and the National institute of Social development of the Chinese Academy of Social sciences organised a technical seminar chaired by Mr. Fang Lianquan, main Expert, SPRP, to discuss Non-Contributory Pension Reform in China and the EU Experience. This topic was the subject of an assessment report on Urban and Rural resident pensions in China produced by Mr. Qi Chuanjun – CASS Center of International Social Security Research - as part of the Component 2018 Programme of Activities.

Mr. Qi's presentation was supplemented by an introduction to the situation in Europe concerning universal social protection.

Component 1 resident experts Mr. Jean-Victor Gruat concerning social security, and Ms Marzena Breza as regards social assistance.



Ms Zhang Yinghua then presented the framework of the China Pension Report 2019 to be centered on the topic of Non-Contributory Pension Reform.

#### **TIANJIN PROVINCIAL ROUND TABLE MEETING**



*Mr. Zhang Zhiyun (center) opens the meeting. From left to right Ms Tang Ling, Mr. Song Xiaowu, Mr. Zhang Zhiyun, Mr. Guo Qimin, Mr. Chang Hao*

On 13 and 14 June 2019, the Tianjin Development and Reform Commission organised a round table event with representatives from C1 SPRP pilot sites as well as from other Provinces participating in the Component's domestic or overseas events. Some 35 participants took part in this event which was opened by Mr. Yang Zhiyun, Deputy director general of Tianjin Municipal Development and Reform Commission, in the presence of Mr. Guo Qimin, Deputy Director general of NDRC Department of Employment, Income distribution and Consumption and Mr. Chang Hao, deputy director general of NDRC International cooperation center ICC. Participants first benefitted from key note addresses by Mr. Jean-Victor Gruat and by Mr. Song Xiaowu who submitted their views on the future of Social protection in Europe and in China respectively. On behalf of the project component 3, Ms Marzena Breza detailed the experience of the project with MOCA in dealing with social assistance mechanisms in pilot areas of Jilin, Sichuan, Jiangsu provinces as well as Inner Mongolia autonomous region.

Presentations were also made on behalf of C1 pilot sites, namely Shanghai on Demographic ageing, Sichuan on Rural urban integration and Guangdong on widening the scope and efficiency of pension scheme. Mr. Fang, Main Expert (research) from SPRP C1 introduced the new rules applicable for computation of contributions under Chinese social security system and the need to increase awareness among workers and employers on the interest to join in the scheme. Participants then submitted their views and suggestions to NDRC leadership on the most urgent issues for social security reform at the decentralised level. On the second day of the event, participants visited Human resources and Social security administrative centers in Tianjin, where they could get better acquainted with qualitative progress made in servicing the public.



*Participants outside the meeting room*



## DIALOGUE AND STUDY VISIT ON PLANNING FOR EMPLOYMENT AND SOCIAL PROTECTION



From 19 to 27 May 2019, a high-level NDRC delegation led by Mr Guo Qimin, Deputy director general of the Department of Employment, Income distribution and consumption, visited France, Lithuania and Romania for a dialogue and study visit on the Evaluation of Employment and Social Security Policies, Promotion of women's participation in High quality Employment. In France and in Lithuania, the delegation was accompanied by Mr Fang Lianquan, SPRP Main expert (Research) and by Mr Yue Jinglun aka. Ngok Kinglong, ST expert on Employment and gender issues.

In France, meetings were held with France Strategie – High Commission for Strategy and Prospective on the Evaluation of the long term impact of Social protection policies, with Pole Emploi – National public Agency for Employment on the review of employment policies with a focus on gender related questions and on the High Council for Equality between Women and Men on Promoting high quality employment for Women. The Delegation also held discussions with Ministry of Labour - Mr Guillaume Cravero, Diplomatic Counsellor; Ms Elvire Aronica, Deputy general delegate for European and international affairs - and Expertise France on possible avenues for future bilateral cooperation in the employment and social protection fields.

In Lithuania, the delegation visited the State Social Insurance Fund of the Ministry of Social Protection and Labour, and held bilateral discussions on Social Protection and Employment policy evaluation.

In Romania, the delegation held a policy dialogue with the Ministry of Labour and Social Justice and the National Agency for Employment on social policies and employment policies evaluation. It then had a meeting on gender issues in social policies with the Ministry of Labour and Social Justice and the National Agency for Equal Opportunities between Women and Men, before returning to Beijing on 28 June 2019.