

## In this edition

### HORIZONTAL ACTIVITIES

- Horizontal Events
- Upcoming Horizontal Events of 2016

### COMPONENT 1

- Events of the Component 1
- Reports of the Component 1
- Upcoming Component 1 events of 2016

### COMPONENT 2

- Events of the Component 2
- Reports of the Component 2
- Upcoming Component 2 events of 2016

### COMPONENT 3

- Events of the Component 3
- Reports of the Component 3
- Upcoming Component 3 events of 2016



*EU-China Social Protection Reform Project mission held in Beijing in 2014*

### Summary

On the scientific point of view, important events have been performed both in China and in Europe, which allowed to the Chinese Counterparts to better deepen topics for 2015 to whom they were interested. A fundamental key of success and achievement of the project results was the complete alignment with the Chinese counterparts and the fulfilment of their needs, identified and fine-tuned thanks to their close collaboration with the European Experts.

On the management point of view, the Consortium structure has dealt with fundamental changes to be faced for the proper continuation of the Project. The Institution ADECRI has become a part of French Agency for International Technical Expertise - Expertise France, which have taken over all commitments of ADECRI as part of the SPRP Project. The Italian Institution Formez PA, in charge of the management of the Project Secretariat, has announced its withdrawal on 31<sup>st</sup> December 2015. As a result, Expertise France and SISPI, an Italian company owned by INPS that has expressed its willingness to join the Consortium, have been appointed as the new Project Secretariat.

In this context, the support of Component Coordinators and Consortium Partners has been fundamental in order to carry out planned activities and achieve important objectives for the Project.

## Horizontal Activities

### Horizontal Events

#### Internal Management Committee

15<sup>th</sup> April, 14<sup>th</sup> September, 3<sup>rd</sup> December

The activities of project management and coordination among the partners of the Consortium are supported by an Internal Management Committee (IMC), which is composed of all members of the Consortium. During the first year of the project, two IMCs have been organized. The first IMC has taken place in Rome on 15<sup>th</sup> April and it has been discussed about Formez leaving and how the transition period will have been managed; it has also been discussed about the validation of the documentation for the first PAC meeting and updating concerning reimbursement and per diem. The second IMC was organized in Beijing on 14<sup>th</sup> September with the occasion of the High Level Event, in order to define a solution to the important change in the project structure due to Formez withdrawal. The third IMC was organized in Rome on 3<sup>rd</sup> December with the main objective to agree upon the main aspects to be outlined during the last months of 2015, including the work-plan for 2016. In particular, it has been defined the new structure of the role Project Secretariat which will be held by Expertise France and SISPI, a new Company which is joining the Project SPRP.

#### Project Advisory Committee

21<sup>st</sup> April

During this event, all major stakeholders shared the project's guidelines, the plan of project activities for the next 12 months and the related priorities to be addressed. The meeting included sessions dedicated to individual components,

which advanced scientific themes among all the major players involved, both European and Chinese.

#### Opening Event Ceremony

15<sup>th</sup> September

On the occasion of the 2015 EU-China High Level Forum on Social Protection Reform Challenges for Legal Framework of Social Assistance, Opening Event Ceremony has been held. During this event, there was the formal presentation of the European Partners of the Consortium and of the three components of the project to the Chinese stakeholders. This event had a political-institutional resonance, with the involvement of the major speakers in the world in the field of social security and welfare.

### Upcoming Horizontal Events of 2016

5<sup>th</sup> April 2016

*Internal Management Committee -Beijing, China*

6<sup>th</sup> April 2016

*Project Advisory Committee -Beijing, China*

11<sup>th</sup> July 2016

*Project Coordination Meeting -Beijing, China*

29<sup>th</sup> September 2016

*Internal Coordination Meeting -Beijing, China*

30<sup>th</sup> September 2016

*Internal Management Committee -Beijing, China*



*Project Advisory Committee held in Beijing on the 21<sup>st</sup> April 2015*



## Component 1

### Events of the Component 1

#### Workshop in Brussels

2<sup>nd</sup> - 3<sup>rd</sup> February 2015

The workshop on the Reform of Public Pension systems was held on 2<sup>nd</sup> and 3<sup>rd</sup> February 2015, under the auspices of the Federal Public Service (FPS) Social Security, working closely together with the RVP/ONP (National Pension Office) of Belgium. The Brussels Workshop was unanimously praised as a high quality event, which provided a broad European panorama of major reforms in public pension systems that could be put in a truly Chinese perspective, thanks to a wealth of national and international reports. The input from non-Consortium Member States and representatives from international organizations was particularly appreciated.

#### Training in France

21<sup>st</sup> June - 4<sup>th</sup> July

The high level training on Multi-tier pension systems in Europe was organized for 20 high-level NDRC Officials - including 16 coming from Provincial delegations. The event provided 20 training sessions, which covered a great variety of topics and were highly appreciated by the participants, who confirmed that this exercise would be of great practical value for their work in supporting the Chinese social security reform both at central level and at that of Chinese Provincial governments.

#### 1<sup>st</sup> Panel Discussion

28<sup>th</sup> July

Three eminent Chinese experts were selected in

April 2015 by the C1 project team and the NDRC to conduct an in-depth research on the priority topics examined through the first half of 2015, namely preparation for the XIII Five-year plan including social insurance administration reform, constructing multi-tier pension system and balancing social pension and individual accounts. Those three authors confronted their views during a panel discussion meeting held on 28<sup>th</sup> July 2015, with Mr. Koen Vleminckx, a Belgian Expert who conducted a one-month mission to China, analysing the topics under review together with the authors and other interested stakeholders. This joint effort allowed a preliminary selection of the most relevant European best practices, subsequently shared with the NDRC during the

panel discussion meeting.

#### Study visit to Spain, Poland, and Czech Republic

27<sup>th</sup> October - 5<sup>th</sup> November

A group of six high-level NDRC officials and experts undertook a Dialogue and Study visit to Spain, Czech Republic and Poland on the topic of Employment and Social security reform, with special reference to Migrant workers' questions. Contacts held with participants since their return to China testify a high degree of satisfaction on the practical arrangements. Their management was shared among host Countries, Expertise France as project coordinator, the project secretariat and counterpart Agencies with regards the technical contents and exchanges.



*Workshop on Reform of Public Pension Systems held in Brussels on the 2<sup>nd</sup> and 3<sup>rd</sup> February 2015 under the Component 1 project scope.*

## 2<sup>nd</sup> Panel Discussion

13<sup>th</sup> November

The second C1 panel discussion covering the other two topics considered in 2015 (reform of public pension system; integration of rural and urban pension systems including portability and vesting of entitlements) was held in Beijing on 13<sup>th</sup> November. All participants perceived this activity as extremely useful and timely. Importantly, thanks to the involvement of representatives from the Provinces, participants had the opportunity to include in their review of the selected topics first-hand information on the results achieved and difficulties encountered both in the implementation of the Public sector pension reform and in handling claims related to the integration of rural and urban pension schemes.

## Reports of the Component 1

### Development of China's Old-age Insurance for the 13th Five Year Plan period

*Tan Zhonghe*

From the onset of the 12th Five Year Plan period, a social security system covering urban and rural residents has been tentatively established, with expanding coverage, growing participants, and enhanced the social security. Significant stride has been made in the undertaking of social security, which laid a solid foundation for the development of social security during the 13th Five Year Plan period. The 13th Five Year Plan period is a critical stage in reforming the Chinese social security system, and a key period in integrating social security systems for urban and rural residents. Old-age insurance scheme is one of the most important components of China's social security system, and was among the earliest for reform among China's

social security programs during China's transition from planned economy to socialist market economy. Although an old-age insurance scheme covering urban and rural areas has been basically established, there are still prominent problems, such as unsound policies and mechanisms, unbalanced development, and unsustainability. Mr. Tan's report puts forward the development targets, reform tasks, measures and suggestions for the development of old-age insurance scheme, on the basis of the achievements of reform and development during the 12th Five Year Plan period, analyzing the situation and major existing problems.

### Improving the urban basic pension insurance

*Song Xiaowu*

On the basis of Chinese basic pension insurance system evolution analysis and learning from international experience, the report holds the view that, to further improve the basic old-age insurance system, we should guarantee its solidarity, and therefore cannot expand the size of individual accounts to the detriment of the pooled part of the system. As to personal accounts, whether they should be "real" or "notional" is the second problem. The reporter believes that the solution to be preferred is to create conditions to gradually "make the accounts real". But there may be some practical problems in the reality that may justify small NDC accounts. Mr. Song stresses that the basic old-age insurance social security system is an important project, which should match the stage of a country's economic and social development. After 30 years of reform and opening up, China's social and economic life has changed dramatically thanks to the miracle of rapid economic development but at the same time has gradually

accumulated a lot of issues, notably the fact that the income distribution gap is too big. This is the founding layer of the pension system, and the introduction of personal accounts carries over the primary distribution into the secondary distribution, focusing on breaking the egalitarianism in a completely different environment. In the new stage of development however, China is facing a distribution gap that is too big, basic social protection programs should therefore enhance fairness and solidarity, so as to stabilize the gap once assigned.

### The design of a multitier pension system

*Dong Keyong*

Mr. Dong holds the view that in its current features the Urban employees' pension system has difficulties in coping notably with the challenge of China's ageing crisis. Hence the reform proposals for the establishment of China's three-pillar pension model. In Mr. Dong's view, on the basis of combination of social pooling and individual accounts, the separation of existing social pool and personal accounts are to be converted into first and second pillar. The first pillar basic pension would be based on an actuarial basis PAYG system related to the collection of contributions based on individual workers salary base with tax collection and national coordination, paying attention to the burden on enterprises. Benefits should in a way be linked to contributions but at the same time should avoid regressive redistribution mechanism and establish normal pension adjustment mechanisms in order to achieve the basic functions in the first pillar. To turn the personal account into the second pillar, the fact that individual workers currently pay 8% into the funds forms a solid basis for the establishment of this pillar. investment



returns leading to improve pension income replacement rate. Mixed ownership economic reform provides the opportunity, through the reduction of state-owned assets, to replenish the currently empty personal accounts and to reduce the implicit pension debt. To accelerate the enterprise annuity system while achieving a fair system, organizations and institutions should be subject to mandatory occupational pension system, while annuity coverage rate is only about 7% currently. The introduction of preferential policies to accelerate the construction of enterprise annuity is therefore necessary. To achieve the implementation of voluntary private savings system, tax incentives should be developed to speed up the trial of voluntary private savings policies. The system should focus on solving the pension issues for those who are not covered by employer pension or occupational pension. Mr. Dong feels that the considered mechanisms to improve pension operations represented an opportunity to promote the construction of China's capital market, to achieve pension collaborative development with the said markets.

### Public sector pension reform

*Zhang Yinghua*

Government officials and Public institutions - GOPI -pension system evolved along unified-separate-reunified with Urban Enterprise's. Reform in January 2015 was caused by three main factors: First is the no longer tolerated pension difference not less than 2 times between public and private sectors; the second is labour mobility between public and private sectors was blocked because of losing all pension if leaving original workplace; the third is the exorbitant dependency rate of GOPI pension system which will never be

fiscally sustainable, with as a result making local governments dependent to central government to higher extent. Actuarial results show that in next 75 years, GOPI pension funds will incur deficit in 2050 but exhausted in 2080 due to 7% rate of interest, and a dynamic pension divisor helps solving longevity risk no longer needing fiscal assistance. The bookkeeping method is adopted in GOPI Occupational Pension. It exists an accounting interest rate problem. The replacement rate is higher 70 percentage points in the case of 7% accounting interest rate rather than 2% for a 30-year contribution. So, a qualified real rate of interest and a reasonable accounting interest rate are critical to sustainability of GOPI Basic Pension system and supplement of GOPI Occupational

Pension system respectively. The policy proposals include: First is the whole remuneration should be calculated into contribution base and be supervised by participants; the second is the accrued pension rights of immigrants should be secured and the pension should be calculated separately and paid in one place; the third is to adjust system parameters such as taking floating contribution rate, adopting dynamic pension divisor, pooling GOPI pension funds with Urban Enterprise Basic Pension funds, cancelling the ceiling of contribution, and raising the minimum contribution years; the forth is to establish a dependent agency to be appointed to invest the GOPI Basic Pension funds, and to evaluate investment performance on a long term basis, and give



*High level training on Multi-tier pension systems in Europe held in France from 21<sup>st</sup> June to 4<sup>th</sup> July 2015 under Component 1 project scope.*

participants a limited investment option for their Occupational Pension funds and a guaranteed ROI is necessary.

## **The integration of social security systems in urban and rural contexts**

*Wang Zeying*

The report summarizes achievements, regulations, transfer and continuation, operation of the basic pension insurance, system. It analyses problems on its development below: the pension insurance system to be improved; the overall planning level of pension insurance low; policies on pension insurance transfer and continuation to be improved; operation management capacity to be improved; information construction behind operational need. It proposes the suggestions on the integration of basic pension insurance systems: (1) To integrate the basic pension insurance system for urban enterprise employees and the pension insurance system for state organs and public institutions into a unified basic pension insurance system for urban employees. (2) To promulgate policies to encourage urban and rural residents to voluntarily participate in the basic pension insurance for urban enterprise employees. To improve the policies on the integration of urban and rural pension insurance systems. To improve the policies on transfer and continuation of credentials of basic pension insurance for urban employees. (3) To raise the overall planning level of basic pension insurance, Basic pensions of basic pension insurance for urban employees should be planned as a whole in China. The overall planning level of basic pension insurance for urban and rural residents should be raised gradually. (4) To improve the capacity of pension insurance operation management service. Pension

insurance operation management regulations should be sorted and operation service resources should be integrated. The construction of basic-level public service platforms should be enhanced. The standardization and normalization of pension insurance service agencies should be facilitated and the agency service for transfer and continuation of urban and rural pension insurance should be normalized. Efforts should be made to enhance social insurance supervision, normalize the purchase of insurance. (5) To strengthen the promotion of information technology. The nationally unified pension insurance information system should be advanced to realize electronic transfer and continuation. Promotion of regional access to network should be accelerated and the nationwide network for trans-provincial transfer and continuation should be realized as soon as possible. The application of the transfer and continuation information system should be propelled further. Existing functions of the system should be improved. Intensified trainings should be provided to the staff members of social insurance agencies to have them familiar with the functions and operation of the transfer and continuation information platform.

## **European Best Practices Report**

*Koen Vleminckx*

Mr. Koen Vleminckx, a Belgian civil servant, was recruited as European senior social security specialist to conduct a Best practices research in two phases (July and November 2015), corresponding to the two batches of topics to be addressed by the project during the year 2015. On the basis of the reports drafted by the Chinese short-term topical experts<sup>1</sup>, relevant issues were selected for which relevant 'best practices' in the

EU member states could be found. For several topics, EU level activities and networks were also deemed to be of interest for China. Furthermore, as the topics of the authors partially overlapped, particularly as far as the reform of the second tier individual accounts system was concerned, an emphasis was put on the issues that are particularly well developed and emphasized in the respective papers. Each expert was also situated within the context of the broader pension reform debate in China.

The identified most relevant European best practices were as follows:

### **Improving management and servicing system**

- New scientific tools for managing social security administrations and networks (e.g. performance agreements) Belgium;
- Systematic use of electronic data to improve administrative performance and for strategic policy support Belgium, Spain.

### **Improve actuarial system, modelling, enhance social security research**

- Best practices identified by European working groups on actuarial modelling EPC's Subgroup on Pensions;
- Actuarial expertise and pension modelling Belgium, Czech Republic, France, Italy;
- Economic and budgetary projections Spain, Italy.

<sup>1</sup> During the drafting process the expert also provided information to the Chinese experts on their request or, in some cases where he thought it to be useful on his own initiative, but he respected their academic freedom.



### Improve communication towards employers and employees

- Communication strategy to increase pension awareness Poland, Spain, Estonia, Ireland, Sweden.

### Improve contribution base compliance

- Improvement of contribution base and the monitoring of compliance France, Belgium;
- Anti-fraud strategy based on data-mining Belgium.

### Investment regulation of pension funds

- Belgium, Czech Republic, France, Italy, Poland, (Dutch case is particularly interesting);
- Other sources OECD regularly reviews regulations, UNJSPF.

### Tax incentives for occupational pension plans

- Most EU Countries: In EU 90% of 140 occupational pension plans catalogued by EIOPA benefited from tax incentives, mostly EET system (Italy: ETT);
- Cross-national information EIOPA.

### Portability of Occupational Pension Plans

- European Union initiatives EU Directive 98/49/EC and new "Portability Directive";
- Pan European Pension Plans (EU Directive 2003/41/EC).

### Tax incentives for third pillar individual pension plans

- Deductibility of premiums, taxation of benefits, Belgium, Italy, Spain (both premiums and benefits), France (benefits);

### Option 1: funded individual accounts as 2nd tier

- Clearing house model Poland Sweden;
- Creation of pension fund regulatory authority Italy, Czech Republic;
- EIOPA (European Insurance and Occupational Pensions Authority);
- Relationship Basic Pension and supplementary pensions France.

### Option 2: introducing notional individual accounts (NDC type or mimicked)

- NDC practices Italy, Poland, Sweden;
- Mimicked within PAYG Germany, France (point system).

### Upcoming Component 1 Events of 2016

**20<sup>th</sup> January 2016**

*Workshop on 2015 Research topics - Beijing, China*

**21<sup>st</sup> January 2016**

*Seminar on Crisis and Social Security*

**1<sup>st</sup> - 3<sup>rd</sup> February 2016**

*Project Mission - Shanghai, China*

**26<sup>th</sup> April 2016**

*Policy Dialogue and International workshop on Employment and Social Security - Beijing, China*

**27<sup>th</sup> - 28<sup>th</sup> April 2016**

*Training and exchange seminar -Beijing, China*

*Continues on page 8*



*High level training on Multi-tier pension systems in Europe held in France from 21<sup>st</sup> June to 4<sup>th</sup> July 2015 under Component 1 project scope.*

*Continues from page 7*

**20<sup>th</sup> June 2016 - 1<sup>st</sup> July 2016**

*Training course on Challenges posed to social security by demographic ageing - Madrid and Valladolid, Spain*

**28<sup>th</sup> August 2016 - 4<sup>th</sup> September 2016**

*Dialogue and Study visit on The Influence of Employment and Social Security Policies on Income Distribution in Post-Crisis Era - France and Belgium*

**28<sup>th</sup> - 29<sup>th</sup> September 2016**

*High Level Event on Perspectives of Employment Policy and Social Security Reform - 2016 to 2020 - Beijing, China*

**23<sup>rd</sup> October 2016**

*Provincial Dialogue and Study visit on Employment and Social security reform management - France, Czech Republic and Germany*

## Component 2

### Events of the Component 2

#### 1<sup>st</sup> Panel Discussion

*16<sup>th</sup> September*

The first C2 Panel discussion Meeting was held in Beijing on 17<sup>th</sup> September 2015. It was a valuable opportunity for sharing the experts' main findings on the situational analyses, with the European experts building on these results through their insightful comments and suggestions. The audience has also been presented with a selection of European best practices deemed as particularly suitable for addressing the priority preoccupations of the Chinese stakeholders. Finally, Mr. Boeri,

president of INPS, gave a specific keynote speech on the European Notional Defined Contribution models, in comparative perspective with the Chinese policy reform trend. The Panel discussion has proved successful in terms of both participation and quality of the debate.

#### 2<sup>nd</sup> Panel Discussion

*16<sup>th</sup> December*

The second C2 panel discussion meeting covering two of the topics considered in 2015 (Models and Methodologies for the Social and Economic Sustainability Analysis in Social Protection System; Social security Coverage on Informal Employment: Methodologies and Tools of Analysis and Management) was held in Beijing. Among others, MoF and MoHRSS representatives attended the Panel. Chinese expert presented his findings, on which the European expert commented before proposing to the audience a selection of European best practices, in line with the priorities highlighted by the Chinese stakeholders.

#### Workshop in Beijing

*15<sup>th</sup> December*

The workshop on NDC Systems and Public Pension Reform: Challenges, Prospects, and EU Experiences was held on 15<sup>th</sup> December 2015, under the auspices of the Ministry of Finance (MoF). The event represented a meeting where participants have been able to analyse and deepen the main public pension reforms in China and discuss EU experiences related to pension systems, redistributive issues and some management tools used in EU Countries, such as Poland, Italy and Sweden. The Workshop also provided an opportunity for sharing opinions among Chinese specialists.



*First Panel discussion held in Beijing on the 17<sup>th</sup> September 2015 under the Component 2 project scope.*



## Reports of the Component 2

### **Division of decision power and expenditure responsibilities on social security between central and local government.**

*Zhao Fuchang*

The pension system, as the main part of the social security system, is designed to provide basic living security for elderly people, as to maintain social stability. Aging is becoming a very serious problem in China, and the financial sustainability of the social security system is facing enormous challenges. It is time to determine a reasonable and acceptable division of powers and expenditure responsibilities between the central and local governments, and enhance the financial constraints, which will help improving the efficiency of funds management, as well as promote sustainability of the social security system. The report reviews the historical evolution of China's social security system; summarizes China's present division of powers and expenditure responsibilities between central and local governments, and the main problems raised by the present situation.

### **Social security coverage on atypical employment: methodologies and tools of analysis and management.**

*Zhou Xiao*

With the diversification and development of the Chinese market economy, also the labour market has experienced unprecedented changes. The number of people employed by state-owned and collectively-owned enterprises has declined dramatically, falling from 142 million in 1996 to 69.3 million in 2013, when they represented only

21.3% of the 382 million urban employed. At the same time, the percentage of people employed in private enterprises and individuals companies has increased to 34.4% and 44.3%, respectively. The first part of the report, after describing the background situation, the research method utilized, and the definitions adopted, analyzes the various groups of atypical workers, their employment status, and the sectors where they mostly work. It does then present and discusses the characteristics of the Chinese social security system for atypical workers and the coverage it provides, while highlighting the main problems to be confronted in the near future.

### **Nominal personal account reform in the basic pension insurance system.**

*Prof. Li Zhen*

The first part of the report presents a short historical background of the public pension system for urban employees and describes the present situation. This system has played an increasingly important role in providing basic protection for over 80 million urban retirees; however, it faces numerous challenges related to coverage and loopholes, inadequacy of benefits, and potential unsustainability in an aging society. This depends both on structural and parametric problems related to the way the system is designed as well as moral hazard problems in the management phase. Relatively speaking the second pillar is still underdeveloped for what relates to both coverage and pension funds. The second part of the paper reviews the development of the pension policy for urban and rural residents. Given the unbalanced structure that characterizes the Chinese pension system, there is general agreement that the country needs to develop a multi-layer, multi-tier or multi-

pillar system. However, there are different opinions on how to proceed, especially for what relates to the "first-pillar". In this respect the report discusses the feasibility of the Notional Defined Contribution Account. In the conclusion, the paper proposes to cancel the existing public pension system for urban & rural residents, to establish the dual-basic urban employees' pension system; to introduce a new "zero-pillar" pension system; and to establish, strengthen and encourage the national voluntary personal saving accounts (the third-pillar).

### **Models and Methodologies for the Social and Economic sustainability analysis in social protection system**

*Prof. Wang Xiaojun*

The report is structured in five sections. The first describes some basic concepts on social protection, and provides a review of international experiences on assessment and supervision of the financial sustainability of social protection systems. Section two recalls some previous experiences of social security budgeting and actuarial assessment in China; elaborates the reasons to conduct actuarial valuation and budgeting; presents the current situation of social security actuarial assessment and social insurance budgeting in China; lists governmental actuarial offices and budgeting offices. Section three describes the models and methods for social insurance budgeting, and the Chinese basic social insurance budgeting process and methods. Section four presents the models and methods for social insurance actuarial assessment adopted in China, including dataset availability, actuarial models for old age insurance, and actuarial model for medical insurance. Finally, the report analyses the

problems on social budgeting and social insurance assessment that the Chinese government will have to face.

### European Best Practice Reports

Mr. Angelo Marano, an Italian specialist in the field of pension systems, was the first EU expert that contributed to the identification of EU best practices. Following a mission to Beijing from 18th to 29th July 2015, Mr. Marano provided a synthetic introduction to EU best practices on the four topics under analysis in 2015 that were then developed by other experts, namely Mr. Mel Cousins, Mr. Roberto Notaris and Ms. Angela Legini.

Mr. Mel Cousins, an international social policy specialist, was selected for a short mission to China in December 2015 and for the preparation of two reports the first on the Division of power and expenditure responsibility in the social protection field, the second on Social Security Coverage on Atypical Employment: methodologies and tools of analysis and management.

Mr. Roberto Notaris, Analyst of work processes in the field of pension benefits at the Italian National Institute of Social Protection (INPS), was selected for a short mission to China in December 2015, and for the preparation of a paper on Tools and measures to manage a basic pension system based on individual account.

Ms. Angela Legini, Actuary- Staff of General Director of the Italian National Institute of Social Protection (INPS), was selected for a short mission to China in December 2015, and for drafting a research paper on Models and Methodologies for the Social and Economic Sustainability Analysis of the Social Protection System.

### International experiences on the division of power and expenditure responsibility in the social protection field

*Mel Cousins*

The report reviews some international experiences of division of power and responsibility in the field of social protection policy between the different government levels (national, state, local). The report focuses mainly on France and Germany and discusses the role of the EU vis-à-vis Member States. At the national level, in EU Member States the division of power and responsibility between different levels of government is limited, especially for pensions, with the national level being responsible for decisions and expenditure and the local level having, at most, some responsibility for implementation. At EU level, power and responsibility remain mainly to the Member States. However, there have been two recent important innovations that show the importance of social protection and pension and the need for policy co-ordination at EU level, even if this is not recognized in the Treaties. The first is the sharing of information and practices by way of the OMC. The second is the fact that pension policies have become very important under the Stability and Growth Pact leading to specific recommendations to Member States on pension reform. One could perhaps describe this as an additional power: that



*First Panel discussion held in Beijing on the 17<sup>th</sup> September 2015 under the Component 2 project scope.*



of financial supervision. The EU example of monitoring pension policies and debts at a national level would appear to be relevant to the Chinese Ministry of Finance. In a Chinese context, this might involve MoF monitoring social insurance (including pension) expenditures and (explicit and implicit) debts at provincial/municipal level.

### **Social Security Coverage on Atypical Employment: methodologies and tools of analysis and management.**

*Mel Cousins*

The report provides details on EU best practices in extending social security coverage to informal or 'atypical' employment. It focus on the approaches to atypical employment in EU countries; affordability issues; subsidies for atypical workers; 'New economy' workers; estimating coverage of atypical workers; administrative issues. Some of the EU countries good practices highlighted by the report could assist the Chinese authorities in extending social insurance to atypical workers in an effective and efficient manner, while cautioning them of the many challenges present in this area.

### **Tools and measures to manage a basic pension system based on individual account**

*Roberto Notaris*

In view of the main concerns identified by the Chinese expert in the situational analysis report related to this topic, the paper presents the following Italian procedures and practices:

- The Italian Unified Account Statement to manage nominal personal accounts;
- The supply flow of information;
- The proactive and consulting INPS' service "my Pension".

The Italian Unified Account Statement (UAS) is an instrument that allows obtaining an organic, immediate and progressive representation of a person situation in the social protection system by connecting his essential information, present in a series of archives, The UAS contains both the descriptive elements related to the different segments of his working life and the accounting elements that record the progression of his contributions.. The paper also describes the tele-transmission mode of the monthly data of employees (UNIEMENS), that is actually the most effective routine for the implementation of individual personal account; the online service "My Pension", which uses the account statement as a tool of social protection culture and as a solicitation to citizen to think about their future economic situation; the creation of an unified database of all the active workers, thanks to a technological synergy among different administrative bodies.

### **Models and methodologies for the Social and Economic Sustainability Analysis of the Social Protection System in Italy**

*Angela Legini*

Italy, like most countries, redistributes an important part (23 per cent) of its gross domestic product (GDP) through social transfer systems, fueled by general revenues, payroll taxes and social security contributions. Redistributive mechanisms of this order are influenced by the demographic structure and by the economy and public budgets upon which they, in turn, have a significant impact. The complexity of the social protection system requires elaborate analyses and methodologies to deal with complex demographic,

economic, financial, institutional and legal aspects that all interact with each other. The report provides a brief description of the work of the specialists involved in actuarial practice on pension policy development. More specifically, the report is divided in three main sections. The first sets out the costs relating to the Social Protection System in Italy. The second describes the organization and methodologies used by public bodies involved in the valuation of social security schemes. The third section defines the models for measuring the long-term financial balance.

### **Upcoming Component 2 Events of 2016**

**12<sup>th</sup> July 2016**

*Workshop on 2015 topics - Beijing, China*

**October 2016**

*Training course on the Financial sustainability of the social protection system - Italy*

**November 2016**

*3<sup>rd</sup> Panel Discussion - Beijing, China*

## **Component 3**

### **Events of the Component 3**

**1<sup>st</sup> Panel Discussion**

*29<sup>th</sup> June*

The first panel discussion on a ministerial level organised in June 2015 with the participation of Mr. Gong Pu Gang, Deputy Minister of MoCA, and Mr. Radoslaw Mleczko, Deputy Minister of MPiPS (Poland). The panel aimed at analysing

the topics and exchanging good practices. MoCA has given first priority, to the situational analysis in China be carried out ahead of sharing any EU best practices potentially suitable for the Chinese context. The main topic for the discussion was legal framework of social assistance which was continued within 2015 HLF in September 2015 through deepened research and EU practices exchange.

## 2<sup>nd</sup> Panel Discussion

4<sup>th</sup> December

The 2<sup>nd</sup> panel discussion was hosted by MoCA on December 4<sup>th</sup>, 2015 for the second batch of research on the topics “*Experiences on unified standards for calculation of Social Assistance benefits*” and “*Social Assistance specific vulnerable groups - services for children, elderly, people with disabilities, with a special focus on poor rural people*”. Component 3 was able to select and ensure two missions for two EU experts, Ms. Monika Gabanyi and Ms. Lacramioara Corches, who contributed actively to the panel discussion. Both experts provided solid base of the knowledge on the best practices report for each of the topic.

## 2015 EU-China High Level Forum on Social Protection Reform Challenges for Legal Framework of Social Assistance

16<sup>th</sup> September

The first High Level Event of the EU-China SPRP named *2015 EU-China High Level Forum on Social Protection Reform Challenges for Legal Framework of Social Assistance* was held in Beijing on 16<sup>th</sup> September 2015 and it hosted several representatives from both the EU Member States and the P.R.C. Government. During the High Level Event, the EU MS representatives have discussed on Social Assistance matters with some of the major Chinese Government representatives and experts. The overall number of participants

from China and the EU exceeded 100 people, including ministers, deputy ministers and several ambassadors. In line with MoCA request and the bilateral discussion with C3 EU Resident Expert, the Consortium under the leadership of the Polish Ministry of Labour and Social Policy (Component 3 Coordinator) has submitted for the event the *Background information report on Social Assistance*. This has included some main experiences and good practices on social assistance framework from the 7 EU Member Countries. The 2015 High Level Forum was the first Project opportunity to exchange and share in front of a broader audience from China and the EU knowledge and practices in a view of current challenges for social assistance. One of the

outcomes of the discussion will be the 2015 HLF report to be published this year and then disseminate thought different channels. Since the main priority of Chinese government in terms of social assistance has been given to the legal framework of social assistance, the event with participation of all Consortium members has laid a suitable foundation (including country reports) for further progress of the Project outputs in this regards. Additionally, the event discussed NGOs activities for most vulnerable groups and cash benefits/Dibao issues. During the two-day event with participation of several ministerial levels officials and policy makers (from both China and the EU) Project has significantly supported raising the awareness of new social challenges and



*High Level Event on Challenges for Legal Framework of Social Assistance held in Beijing on the 16<sup>th</sup> September 2015 under the Component 3 project scope.*



proposing some potential solutions for social assistance, also considering the new wave of elderly population and so called 'new normal' in China. This type of activity (further development on a technical level – policy dialog meetings, study visits) also influences the social policy reforms and design of new instruments to be implemented on a local level.

A conference report, based on the 2015 EU-China High Level Forum on Social Protection Reform Challenges for Legal Framework of Social Assistance, summarizes the discussion held as a kind of follow up for the further actions within the SPRP project Component 3 and includes several contribution from the EU and China expertise on social assistance framework and challenges.

## Reports of the Component 3

### Legal framework on Social Assistance-Assessment Report

*Feng Cao, Guo Yu, Fanhua Kong*

The report focused on subsistence assistance system in China, i.e. urban and rural Dibao schemes and rural Five Guarantee Scheme. This Minimum Livelihood Guarantee Scheme (MLGS, Dibao, or subsistence allowance) is the core content in Chinese social assistance policy, as well as the most important assistance program. At present, China has basically established the basic framework of the social assistance system including employment assistance, education assistance, legal aid, medical assistance, disaster relief, temporary assistance and housing security. The system of Social Assistance relies on lots of policies and notices from MoCA and local governments. Document of the highest level of

authority is Interim Measures for Social Assistance (2014). The report begins with the addressing of the various aspects of China's social assistance from a legal point of view.

### Experiences on unified standards for calculation of Social Assistance benefits - Assessment Report

*Gang Shuge, Guo Yu*

The report focuses on the Minimum Livelihood Guarantee Scheme (MLGS, Dibao, or subsistence allowance) is the core content in Chinese social assistance system, as well as the most important assistance program. Currently, dedicated social assistance benefit largely depends on Dibao entitlement, i.e. if the applicant's family income cannot reach MLGS standard, they will be likely to receive dedicated social assistance in line with their specific needs. The MLGS is an income supplementary assistance system, which makes sure that the income of the population in poverty can be kept in a certain level (Dibao standard), so that they have the capacity to purchase basic living consumables. Therefore, the Dibao Standard (Dibao line) is quite essential in defining people's eligibility and benefit level. It has been long a challenge for Civil Affairs Departments to calculate and adjust the standards along with the economic growth. Civil Affairs departments are making great efforts in establishing the adjusting mechanisms to maintain the balance between welfare and productivity. This report analyzes the issue of Dibao Standards in China. Section 1 introduces the definition, significance, theoretical methods and current policy framework & practice. Based on data and statistics, Section 2 analyzes the historical development and changes in Dibao standards, and it also examines the affecting factors of Dibao standards. The last section summarizes the pressing

issues and the challenges faced with civil affairs departments and it briefly discusses the future direction as well.

### Social Assistance for Specific Vulnerable Groups (SASVG) - services for children, elderly, people with disabilities, with a special focus on poor rural people - Assessment Report

*Zuo Ting, Gang Shuge*

The report focused on Specific Vulnerable Groups which were referred as who are aged, disabled or under the age of 16 having no ability to work, no source of income, and no statutory obligors to provide for them, practically, or "three None's" Group called in Five Guarantee scheme (FG), by Interim Measures for Social Assistance, and Social assistance should be provided. Social Assistance to Specific Vulnerable Group (SASVG) system is the continuation and development of traditional FG. The major research object of this report is the system of SASVG. A systematic presentation and assessment of SASVG has been conducted by the researcher from multi-perspectives including the defining and distinguishing of specific vulnerable group, the mode of social assistance and its effects.

### Policy recommendations and preliminary reform proposals

#### Legal framework on Social Assistance

*Guo Yu*

Recommendations and reform proposals:

- continue to promote social assistance legal system;
- the social assistance law should be based on the assessment of the existing legal framework;

- the social assistance law should be built upon a mature social assistance system;
- strengthen cooperation between different levels and departments of government both in legislation process and literally written the sa law;
- social assistance level and the government's liability should be indicated clearly in the law;
- improve the enforcement ability of the front-line officials;
- coordination within the overall social security system;
- to promote the government information and transparency.

### Experiences on unified standards for calculation of Social Assistance benefits

*Gang Shuge*

Recommendations and reform proposals:

- formulating the unified methodology of calculation and adjustment of Dibao standard;
- to implement the active policy of Dibao standard;
- to adjust the Dibao standard gradually;
- to enhance the coordination and cooperation among the relevant branches government;
- to enhance the categorized management of social assistance;

- to coordinate the liability of social assistance fund between central government and local government.

### Social Assistance for Specific Vulnerable Groups (SASVG) - services for children, elderly, people with disabilities, with a special focus on poor rural people

*Zuo Ting, Gang Shuge*

Recommendations and reform proposals:

- to improve cross sector institutional coordination including the articulation in different programs;
- base on the new "guidance" to conduct policy pilot experimentation;
- to enhance financial input from government regular budget for sound service;
- to strengthen organizational and staff building for rural super-township support organization for better services;
- to recognise more roles of rural community and village committee for individual support
- to encourage local innovation in svg support system.

### EU Contribution:

Identification and review of possible relevant EU experience

- Lacramioara Corches, EU Best practices report on Guaranteed Minimum Income Schemes and supplementary report on Management Information Systems (M.I.S.) Uses for Social Assistance Benefits Romania's System Report.
- Monika Gabanyi, European Best Practices



*High Level Event on Challenges for Legal Framework of Social Assistance held in Beijing on the 16<sup>th</sup> September 2015 under the Component 3 project scope.*



report on Social Care - Long Term Care - For Elderly, People with Disabilities and Children, Example of Germany and supplementary report on Contracting Social Services, Example Germany.

### **Legal framework on Social Assistance - EU experience and policy recommendations**

*Davor Dominkus*

Specific recommendations:

- Evidence based drafting.
- Improving the new legislation structure and its content.
- IT based administrative processes of social assistance system.
- Comprehensive approach to the implementation of the new legislation.
- Ensuring appropriate founding for new social assistance provisions.
- Investment in monitoring and evaluation of the new implemented law.
- Rising awareness and publicly of new provision of social assistance law.

### **Experiences on Unified Standards for Calculation of Social Assistance Benefits - EU experience and policy recommendations**

*Mel Cousins*

Conclusions and recommendations:

- Division of responsibility between national and local levels - these include allocations based on population and levels of economic development.
- establish the most relevant criteria in the case of Dibao. These might include population in the local region, average income (or GDP per capita) in the region, and some indication of local

unemployment and/or poverty.

- Monitoring - to identify their impact on policy trends (e.g. on the numbers on Dibao and other social benefits).

### **Social Assistance for Specific Vulnerable Groups - EU experience and policy recommendations**

*Jadwiga Pauli*

Recommendations:

- Introduce new model of assistance in relation to results of assessment.
  - Improving co-operation and co-ordination among different institutions which are involved in the process of providing services and benefits by establishing platform and rules of cross communication on the exchange of appropriate information in the field of health care and of medical, functional treatment and financial benefits.
  - Develop the co-operation of partners on local level - public, private and nongovernmental partners, needy persons themselves and community organisations, and other social, health and housing institutions must be involved throughout the design and planning process.
  - Introduce the responsibility of providing services to the lowest level.
  - Provide a pilot implementation of new solution with a strong attention to evaluation and monitoring the whole process.
- Provide a range of support and services. A continuum of care for needy people should meets the objectives of maximising independence and providing different types of services to meet the needs and demands of vulnerable groups according to their

health and social condition.

- Enhance the financial support for local levels institutions from governmental regular budget as to ensure the possibility of providing services according to settled recommendations and ensure the sustainability of the system.
- Introduce standards both for management and organization of social care institutions and services as well as for scope of tasks and responsibility of different local governments.

### **Upcoming Component 3 Events of 2016**

#### **1<sup>st</sup> March 2016**

*1<sup>st</sup> Workshop on 2015 topics - Beijing, China*

#### **21<sup>st</sup> – 25<sup>th</sup> April 2016**

*Ministerial Visit - Poland and Spain*

*High Level Policy Dialog on Social Assistance - Poland*

#### **13<sup>th</sup> – 21<sup>st</sup> June 2016**

*Study visit on the framework of Social Assistance - legal framework; minimum standards of living; services for specific vulnerable groups - Romania, Czech Republic and Poland.*

#### **2<sup>nd</sup> September 2016**

*3<sup>rd</sup> Panel Discussion - China*

#### **5<sup>th</sup> September 2016**

*Ad hoc seminar on IT system supporting social assistance schemes*

#### **November 2016**

*2<sup>nd</sup> Workshop on 2016 topics - China*

#### **November 2016**

*Policy Dialog meeting on the 2015 HLF follow up research on main social assistance achievement in China and respective EU best practices*