



EU-CHINA

Social Protection Reform Project
中国欧盟社会保护改革项目

NOTES ON A MEETING ON ACTIVE LABOUR MARKET POLICIES ROME, INPS HEADQUARTERS 30 NOVEMBER 2017

Component 1

1. The aim of the meeting which lasted from 9 to 12:30, was to prepare for NDRC 2018 programme of overseas activities focusing on different aspects of active labour market policies, through presentations and exchanges of opinions among specialists.
2. Mr. de Lespinay, Coordinator for project component 1, acted as facilitator. Took part in the meeting:
 - Ms. Kristine Langenbucher, Labour Market Economist, OECD
 - Mr. Hervé Chapron, Vice-President, France Think-Tank on the future of Social protection CRAPS
 - Mr. Koen Vleminckx, Head of Research and International relations, Federal Public Service for Social Security, Belgium
 - Ms. Valeria Bonavolonta, INPS, Component 2 coordinator
 - Mr. Jean-Victor Gruat, Resident Expert for Component 1, Beijing.
3. Mr. Gruat first introduced some basic feature of the Chinese labour market, to help other participants better target their interventions. His presentation was based on the work delivered for the project in September 2017 by Mr. Yue Jinglun, short term expert on Evaluation of Chinese employment policies. Mr. Gruat's presentation is attached as annex I.
4. Ms. Langenbucher then introduced Active labour market policies at the international level. She notably referred to OECD activities helping in targeting public interventions in favour of NEET groups – Neither in Employment nor in Education or Training – through a better understanding of why certain people or certain groups of people are not in the labour market. She noted that the typology of employment barriers distinguishes between questions of employability, questions of motivation and questions of opportunities to access employment, which all required specific actions connecting people with actual jobs. A special OECD programme is on going with Italy, where 32% of the working age population is out of work (not including students or the military), while 7% more have weak labour market attachment (restricted hours, unstable jobs, near 0 earnings). The groups targeted are discouraged younger adults, inactive mothers with limited or no previous work experience. Ms. Langenbucher also made reference to OECD reviews of Active labour market policies which identified as key issues notably the role of PPPs (public-private partnership), how to address the challenges of decentralized systems, the transition to e-services for public employment services, and performance management of public employment

services, all issues of special relevance for the China situation. Her presentation is attached as Annex II.

5. Mr. Hervé Chapron explained in his presentation that since the mid-seventies, the successive French governments conducted a number of cosmetic interventions to address the persistent issue of unemployment, to which they devoted very significant resources, but failed to achieve lasting and important results, primarily because unemployment was continuously considered as a temporary phenomenon THAT could be treated through ad hoc, social measures. In other words, the French authorities failed to recognize that unemployment had become a structural phenomenon, which required fundamental reforms and not simply palliative action targeting individuals or specific categories. Mr. Chapron stressed that, following the recent presidential election which put the issue at the core of the public debate, things were changing, and that the new President had already impulse fundamental reforms that would radically change the French approach to unemployment, notably through the alleviation of administrative and other employment-related burdens on entreprises and the decrease in the scope and level of subsidization for employment creation. The text of his presentation is attached as annex III.

6. Mr. Koen Vleminckx explained that there were ample variations in unemployment rates between regions, and that unemployment might be particularly high in specific “difficult groups” that deserved special attention. In Belgium, employment services are a regional responsibility ¹, while unemployment benefits are a federal responsibility. This dichotomy led to certain difficulties notably concerning the consequences on benefits of poor compliance with administrative employment services’ rules of the unemployed, which motivated certain adjustments (2014) in respective regional and federal fields of competences. Belgium spending on ALMP is close to the European average, at 0.7% of GDP, compared to 1% in France and 1.9% (highest) in Denmark. Comparatively to other European countries, Belgium puts more emphasis on incentives to join or re-enter the labour market. Among the “difficult groups”, comparing the situation of Flanders region to that of geographically and culturally close Netherlands, it was noticed that most efforts should probably focus on employment of age group 55-64, low skilled workers, where the largest employment rate deficit could be detected. As a matter of fact, while the percentage of age group 55-64 taking part in education and training at any moment raised across the EU from 8% in 1992, to 12% in 2014, the progression in Belgium was from less than 1% to only 4% over the same period. Studies conducted also showed that 2nd generation migrants showed a significant deficit compared to nationals in terms of access to high-level education. Another important finding of ad hoc surveys was that a significantly higher proportion of foreign borne female population was classified as inactive than for native Belgian population while no such discrepancy was noted for foreign borne male population. Mr. Vleminckx’s presentation if reproduced as annex IV.

¹ Regionalisation of employment policies is also practiced in other countries, such as Italy and Germany.

7. A number of questions were raised and answered among participants, who felt the meeting was quite inspiring and useful. Concerning the future programme of cooperation, it was confirmed that experience of Italy and Belgium were particularly relevant to the Chinese situation and preoccupations in terms of active labour market policies. Concerning Belgium, it was noted that the interest in cooperation of the President of the Flanders region Public employment region, Mr. Fons Leroy, and his position as President of the European network of public employment services ENPES made this country particularly suitable for a dialogue and study visit in 2018. OECD representative also welcomed a visit by NDRC when visiting France, to better explain and detail the multiplicity of highly relevant activities conducted by her organisation.

Jean-Victor Gruat,
30 November 2017.



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China's Employment Policies

- A presentation based on
- works done for the Project by
 - prof. Yue Jinglun
- Sun Yatsen University, Canton

The great number of the working population has been a strong driving force for China's economic development

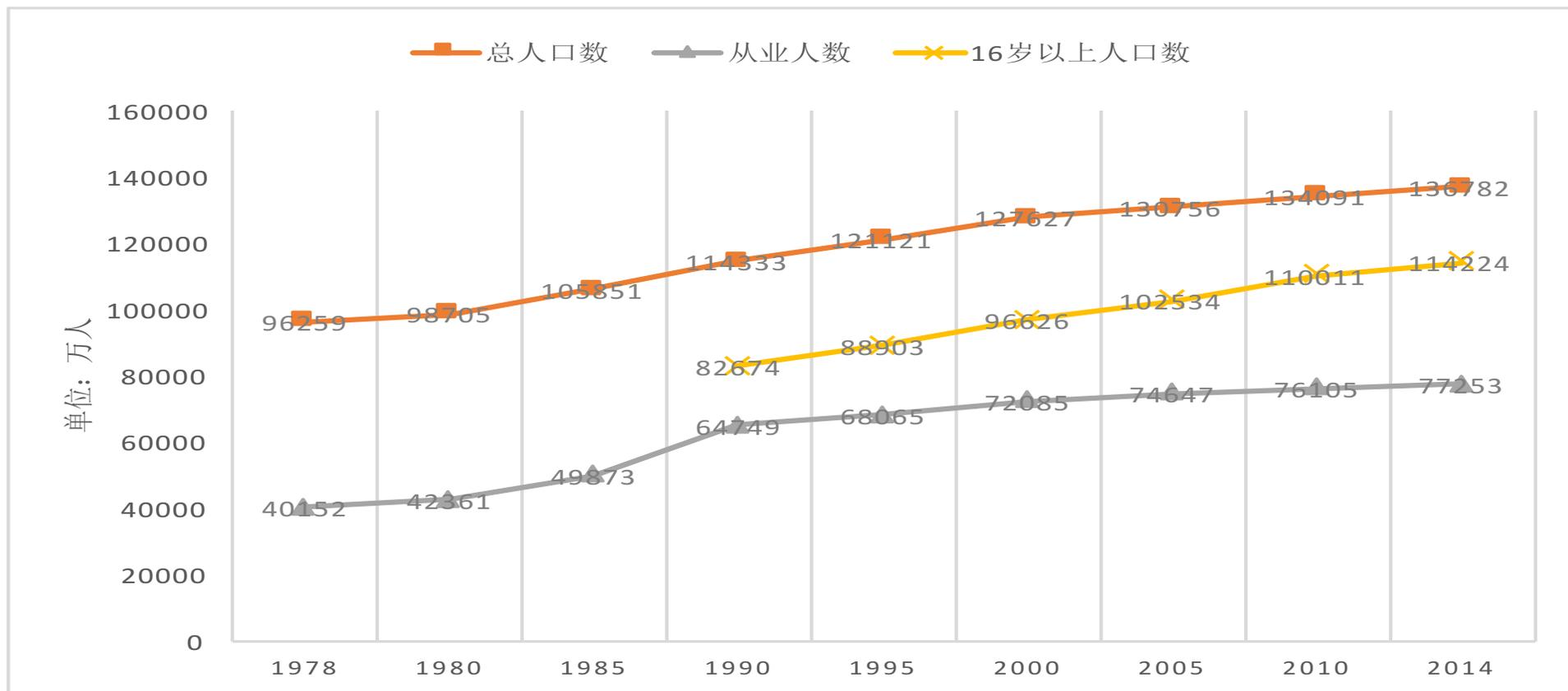
640 million employed in 1990

770 million employed in 2007

810 million employed in 2016

It has also led to tremendous pressure on employment, which becomes prominent as the comparative advantage of China in the labour-intensive industries has gradually faded away.

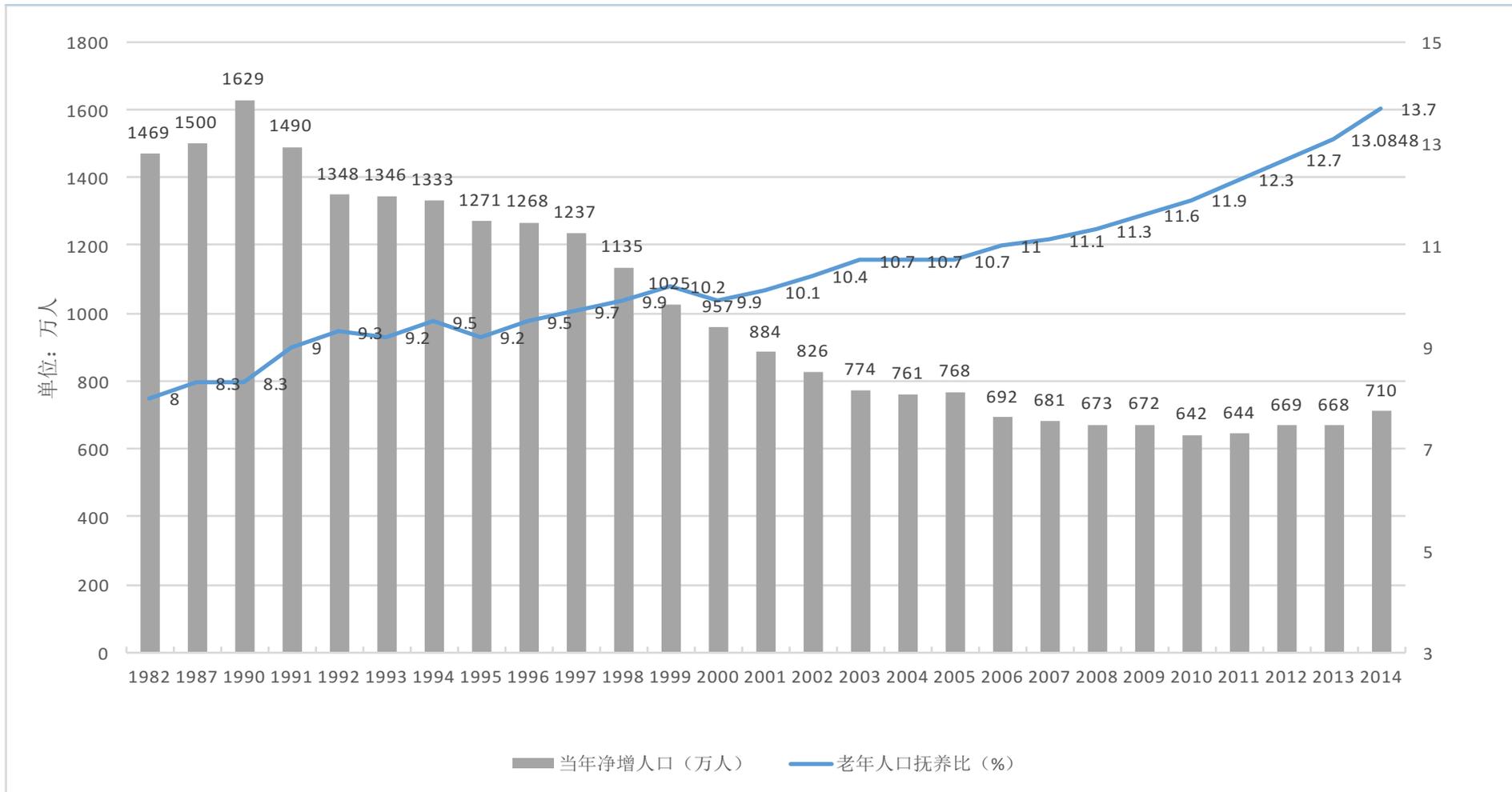
Labour supply and demand vs. population ageing



The growth of the total population and the employed slowed down after 2000 and the late 1990s respectively.

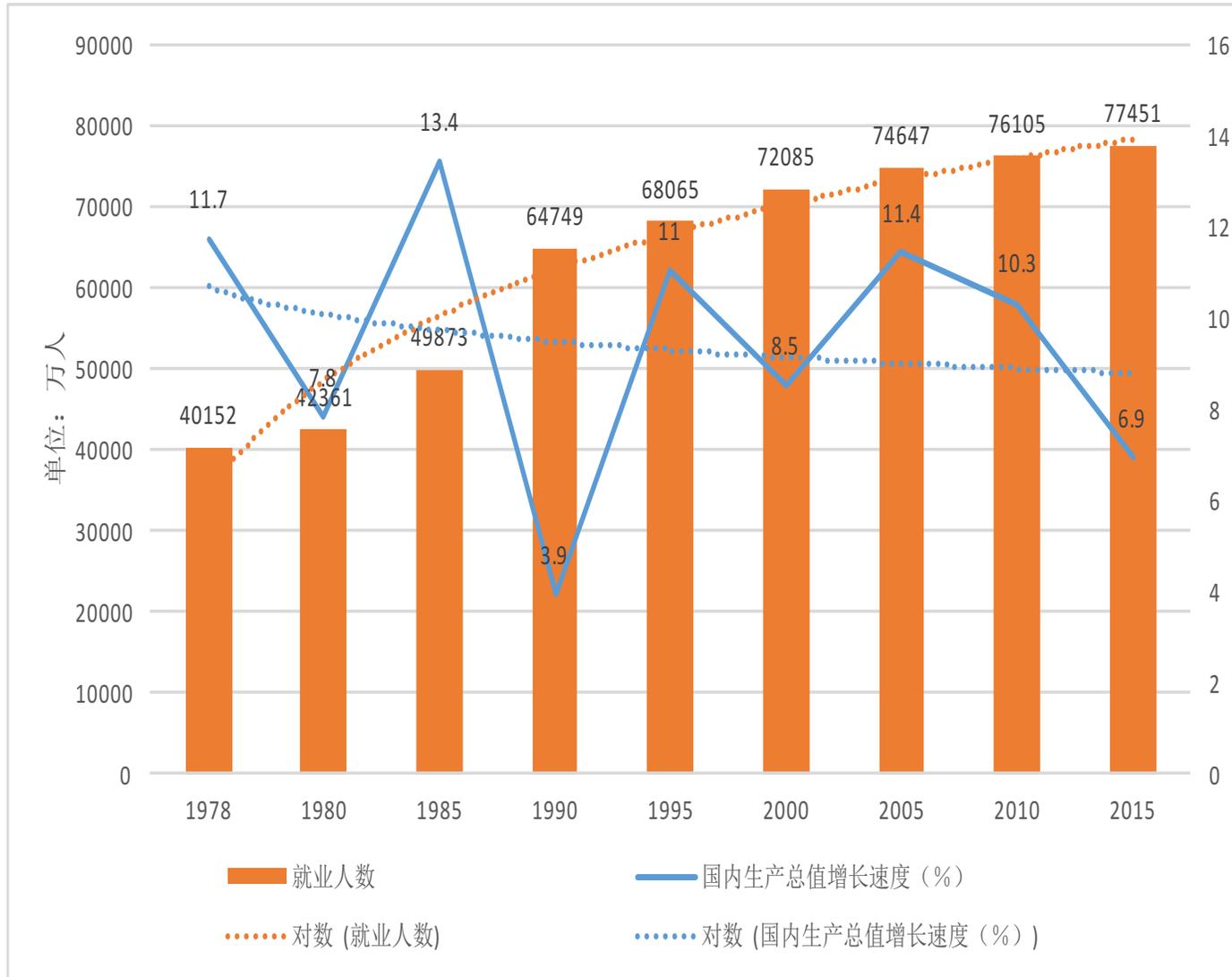
But the population at 16 and above has kept rising.

Labour supply and demand vs. population ageing



- The dependency ratio has increased rapidly, esp. in the new century
- The demographic dividend is unlikely to sustain.

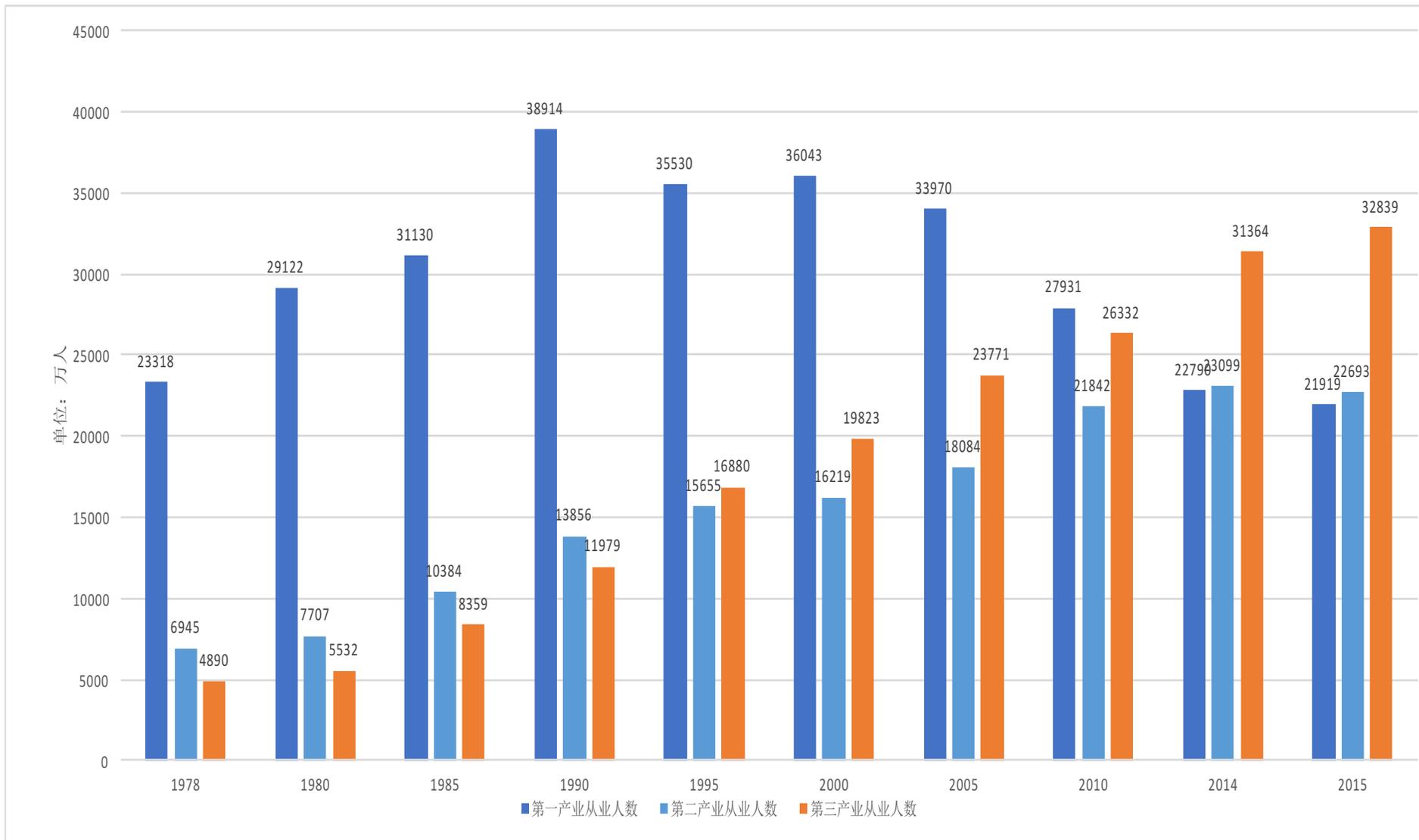
Employment structure



151.77mn jobs
created from 1978
to 1990– the fastest
employment growth
The slowdown of
GDP growth
decelerates the
employment
expansion

(1978-2015)

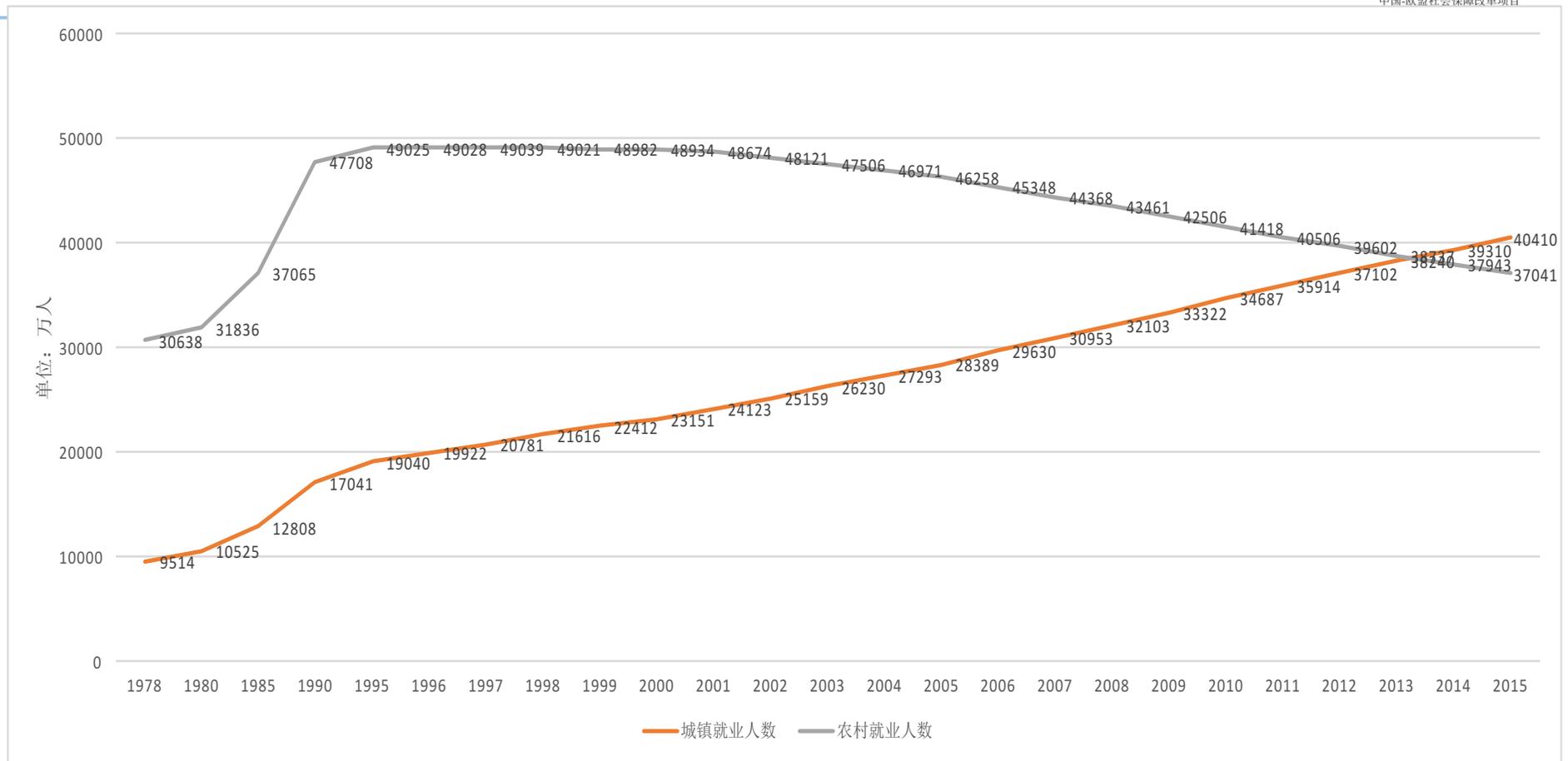
Employment by industry



Employment by industry (1978-2015)

- The employment capacity of the primary industry has steadily declined.
- By 2014, the primary industry has employed the least among three industries.
- The employment in the second industry continues to grow— but at a low speed.
- Since 2014, the tertiary industry has employed more than each of the primary and the secondary industries.

Urban and rural employment



Since 1996, rural employment has been in decline – resulted from urbanization and low employment capacity of the primary industry.

- Still, rural employment accounts for half

Today's dilemma: employment structure and work quality

After 1990, the model of “economic growth with job increase” shifted to that of “economic growth with low job increase”

Since then, the economy has not actively created jobs. Rather, it is more a process of *capital deepening*, namely, capital-intensive growth

The future employment in China may face two main problems:

- First, to adjust the Chinese economy and industrial structure in order to solve the dilemma of “high economic growth, low employment” and increase non-rural jobs by improving the capacity of the second and tertiary industries.
- Second, to change the dominant “high employment, low wages” conditions in the labour-intensive sectors and enable the mass consumption-driven economic growth.

- ▶ Before the reform - centralized allocation of labour
- ▶ Since the reform:

The first stage (1978-1994) - the transition toward marketization

The second stage (1995-2006) - continuous improvement of the labour market system; centered on the SOE restructuring

The third stage (2007-2010) – Relatively mature labour laws and institutions; the service sector on rise

The fourth stage (2011-present) – A new round of industrial restructuring; ‘double-creation’ (innovation & entrepreneurship)-led employment

- Primarily, the system has transformed from the state-led life-long employment towards market-oriented labour contract system and from central planning to indirect policy guidance.
- The policy shift has been closely connected to the changing numbers of the rural employment and labour force, and also corresponded to the gradual development of the labour market-based employment system.
- The focus has been on the expansion of employment in general and now it is more specific – innovation-driven and entrepreneurship-led employment.

Most recent evolution

Positive signals – new sectors, new enterprises and new forms of employment have emerged in the short term.

New pressure – the quality and the sustainability of micro- and small-sized enterprises remain to be a question; and the supply-side reform and industrial upgrading may cause risks of the employment fluctuation.

In this sense, the reform of retirement insurance further improves the social security system and provides certain ‘safety net’ for workers, which may lead to more reasonable allocation of the labour force.

Proactive policies regarding the employment structure and quality of work

1. Urban-rural gap still exists → more attention shall be paid to rural employment
2. Short-term and long-term plans need to be coordinated
3. More measures shall be taken in the new industrial restructuring/upgrading
4. Not just the quantity of jobs, but also the quality of work needs to be highlighted.

Priorities for 2018 (project works)

- Methods and experiences of strengthening vocational training
- Reconcile social security protection and employment promotion
- Influence of the Fourth industrial revolution on policies for employment and social security
- Monitor income distribution in times of economic adjustment and economic restructuring

ANNEX II



Round table meeting on active labour market policies
EU / China dialogue and cooperation
Rom, 30 November 2017

ACTIVE LABOUR MARKET POLICIES AT THE INTERNATIONAL LEVEL

Kristine Langenbucher

Directorate for Employment, Labour and Social Affairs
OECD



Content

- Recent labour market developments
- Faces of joblessness
- OECD reviews of active labour market policies

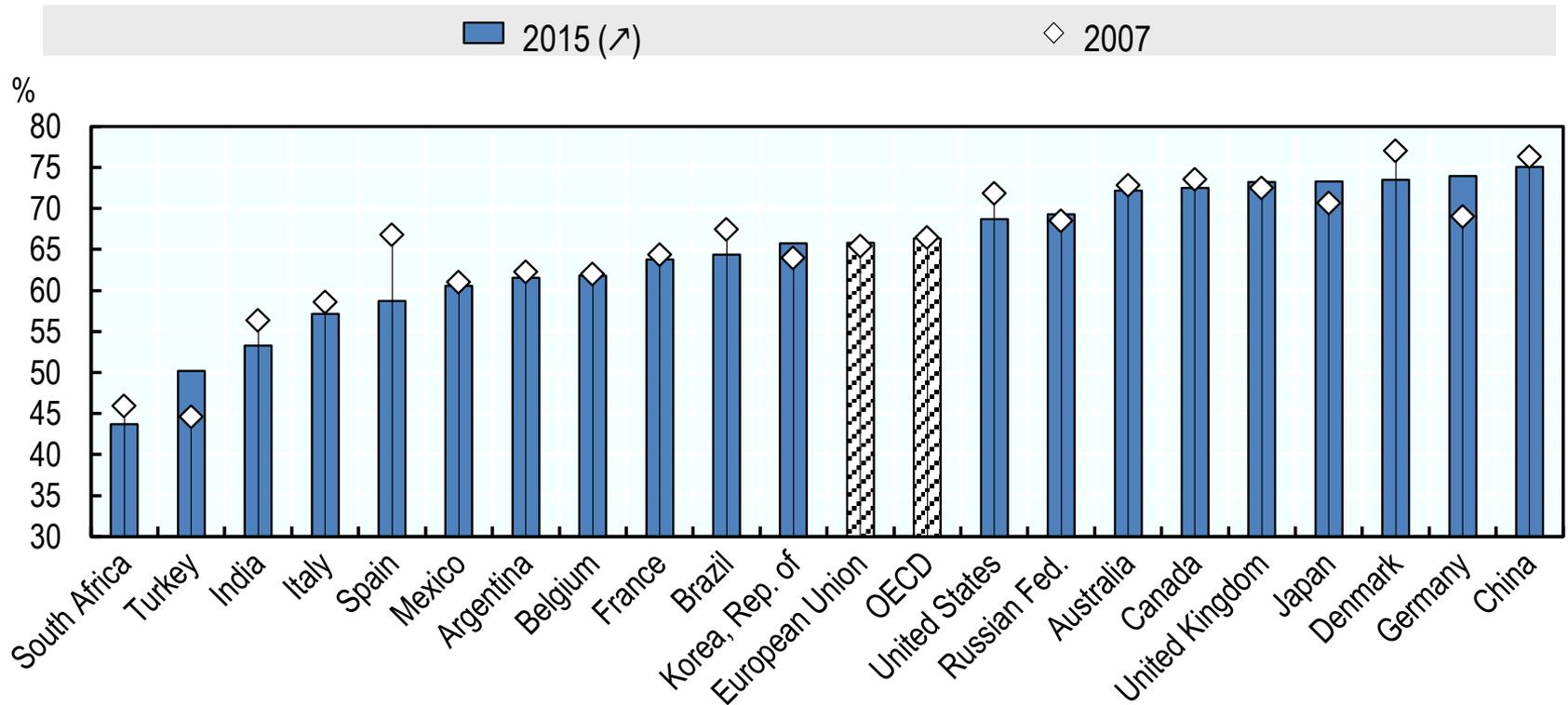


RECENT LABOUR MARKET DEVELOPMENTS



Employment rates in the OECD and beyond have evolved very differently since 2007

Employment rates, working-age population, 2007 and 2015

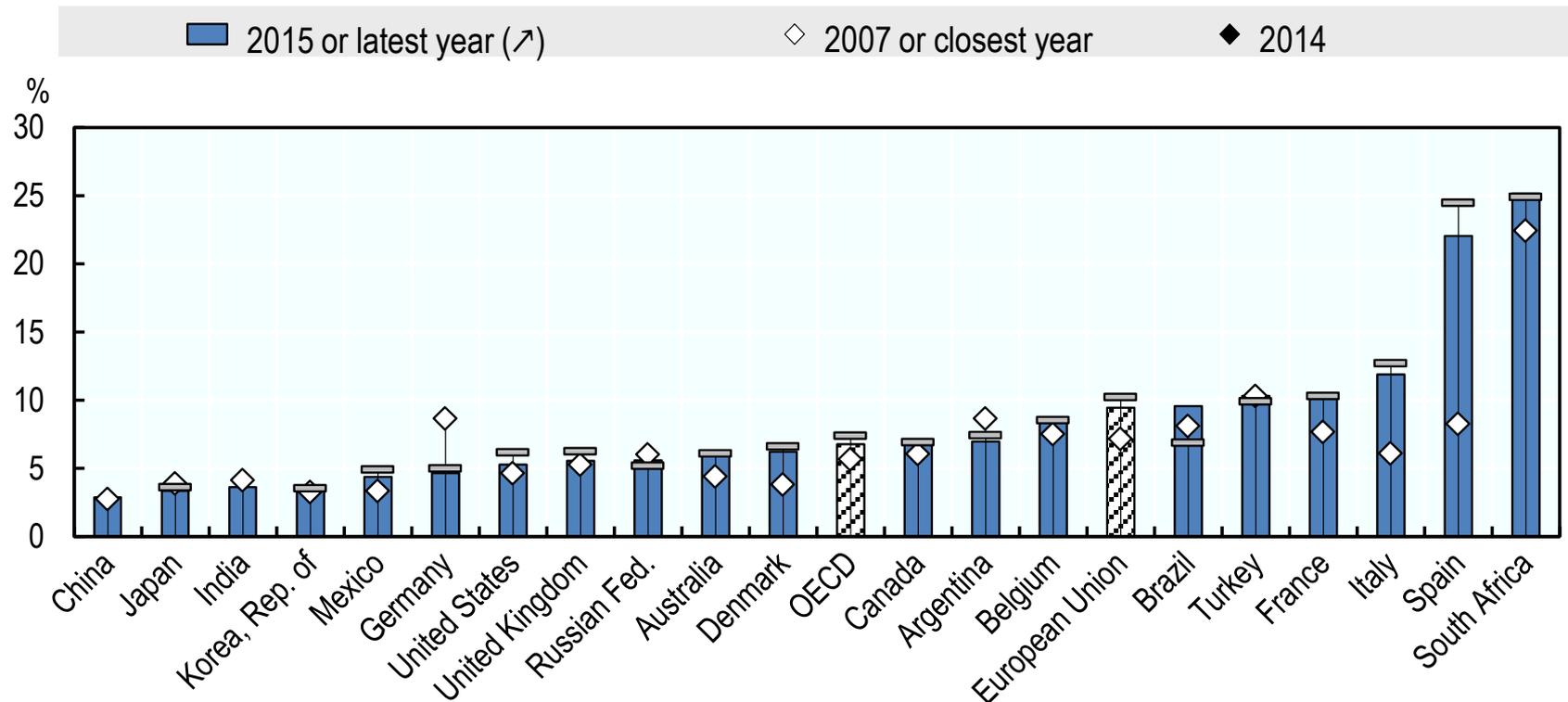


Source: OECD Employment Database, national labour force surveys and census data (China).



The unemployment rate is now below 5% in several countries, but remains very high in a few others

Unemployment rate, 2007, 2014 and 2015

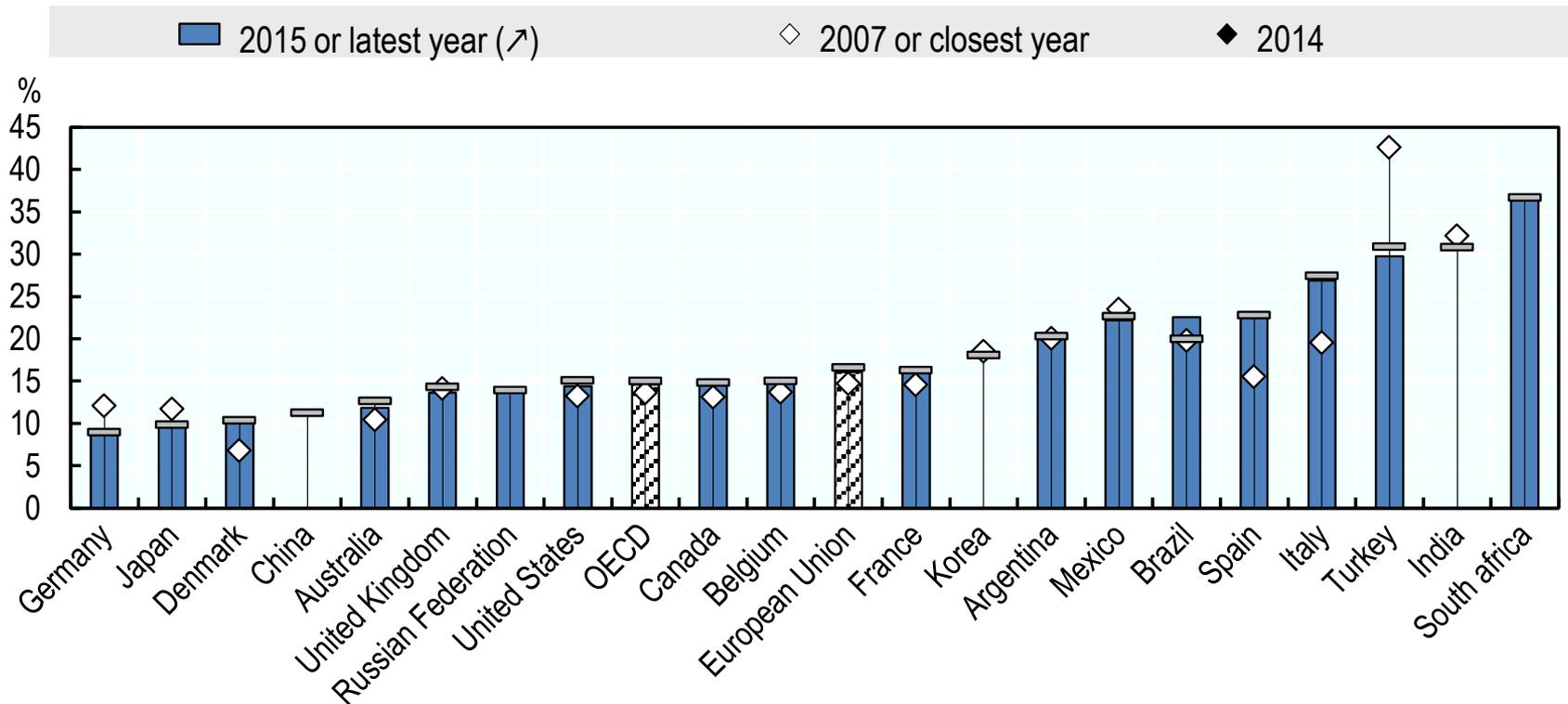


Source: OECD Employment Database, national labour force surveys and census data (China).



The NEET rate shows no common trend and remains very high in many OECD countries and beyond

NEETs (Neither in Employment, nor in Education or Training)
as percentage of young population aged 15/16-29, 2007, 2014 and 2015

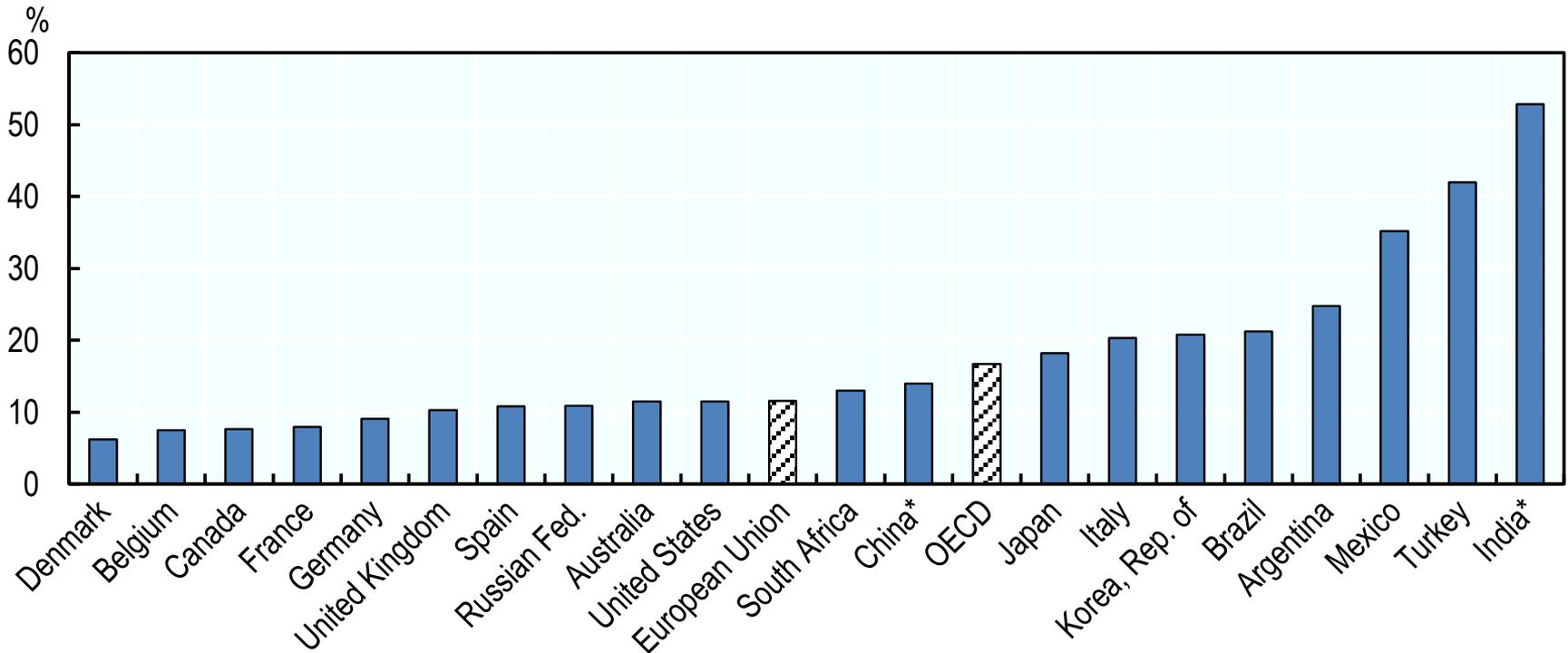


Source: OECD calculations based on national labour force surveys and OECD Education Database.



Gender employment gaps persist across the OECD and beyond, but there is huge variation

Percentage-point difference of participation rates between men and women of working-age, 2015



Source: OECD Employment Database, national labour force surveys and census data (China).

*: 2012 for China and 2011-12 for India.



FACES OF JOBLESSNESS



Faces of Joblessness

Who is disadvantaged?

What employment barriers do they face?



High-level social and labour-market indicators exist...

... but contain little information on relevant employment barriers

Powerful profiling systems exist in several countries / PES...

... but may not capture circumstances relevant for key social-policy areas



Main steps

1

- **Select population of interest**

- jobless or marginal / unstable employment
- household micro-data (EU-SILC, HILDA)

2

- **Indicators of employment barriers**

- 3 categories: (i) *employability*, (ii) *motivation*, (iii) *opportunities*

3

- **Identify policy-relevant groups**

- individuals with similar sets of barriers
- using statistical clustering methods

4

- **Policy inventory & gap analysis**

- for selected groups
- country dialogue missions organised with EC

5

- **Connecting People with Jobs**

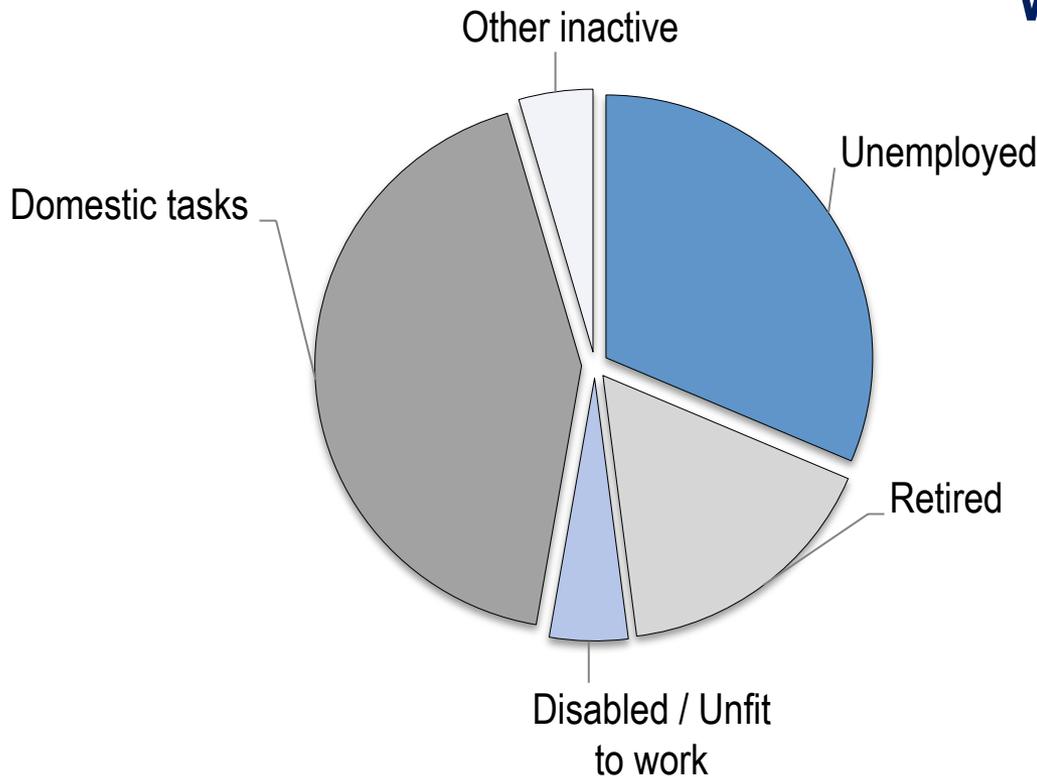
- OECD reviews of active labour market policies
- Completed: United Kingdom, Slovenia, Australia, and Korea
- Ongoing: **Italy** and Latvia



Step 1: “individuals with potential employment difficulties in Italy” (target population)

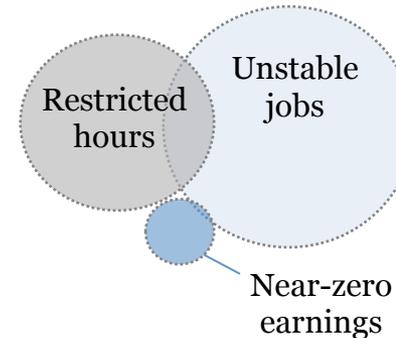
Out of work

32% of working-age individuals



Weak labour-market attachment

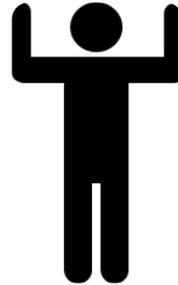
7% of working-age individuals



Notes: Population aged 18-64, excluding students and those in military service
Source: EU SILC 2014



Step 2: Typology of employment barriers



Employability

- Education / skills;
- Work experience
- Health problems
- Care responsibilities

Motivation

- Earnings replacements: out-of-work benefits
- Tax burdens on in-work earnings
- Non-labour incomes
- Incomes of other

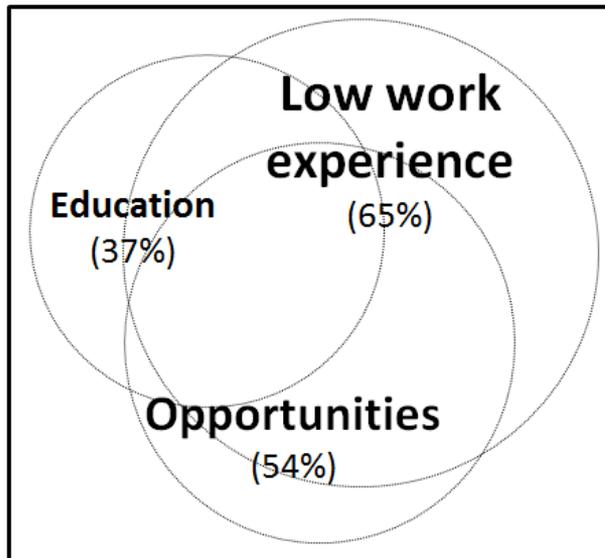
Opportunities

- Cyclical labour-market weakness
- Limited hiring in relevant labour-market segment (eg, region, education)

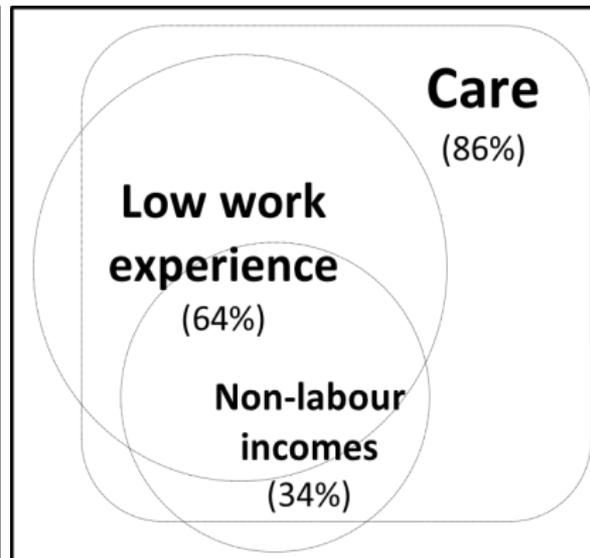


Step 3: Anatomy of employment barriers for three selected groups in Italy

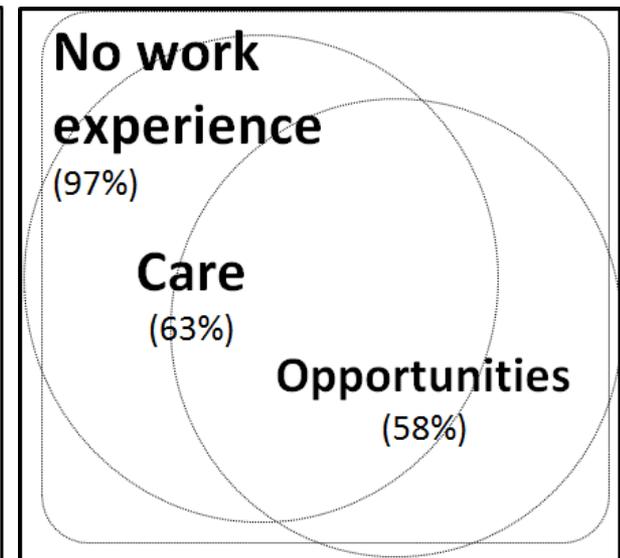
Discouraged younger adults (Group A)



LM inactive mothers with limited work experience (Group B)



LM inactive mothers, no past work experience (Group C)





Step 4: Policy inventory & gap analysis

- **Which groups are a priority for activation and employment support?** Large and diverse groups of people without stable employment imply an important role for identifying priority groups to ensure policy impact (e.g. based on size, “distance” from labour market, poverty risks and social situation).
- **A need to link up & coordinate across institutions.** Large majority of people with labour-market problems face multiple barriers. They likely require multiple types of support, which requires coordination and sequencing.

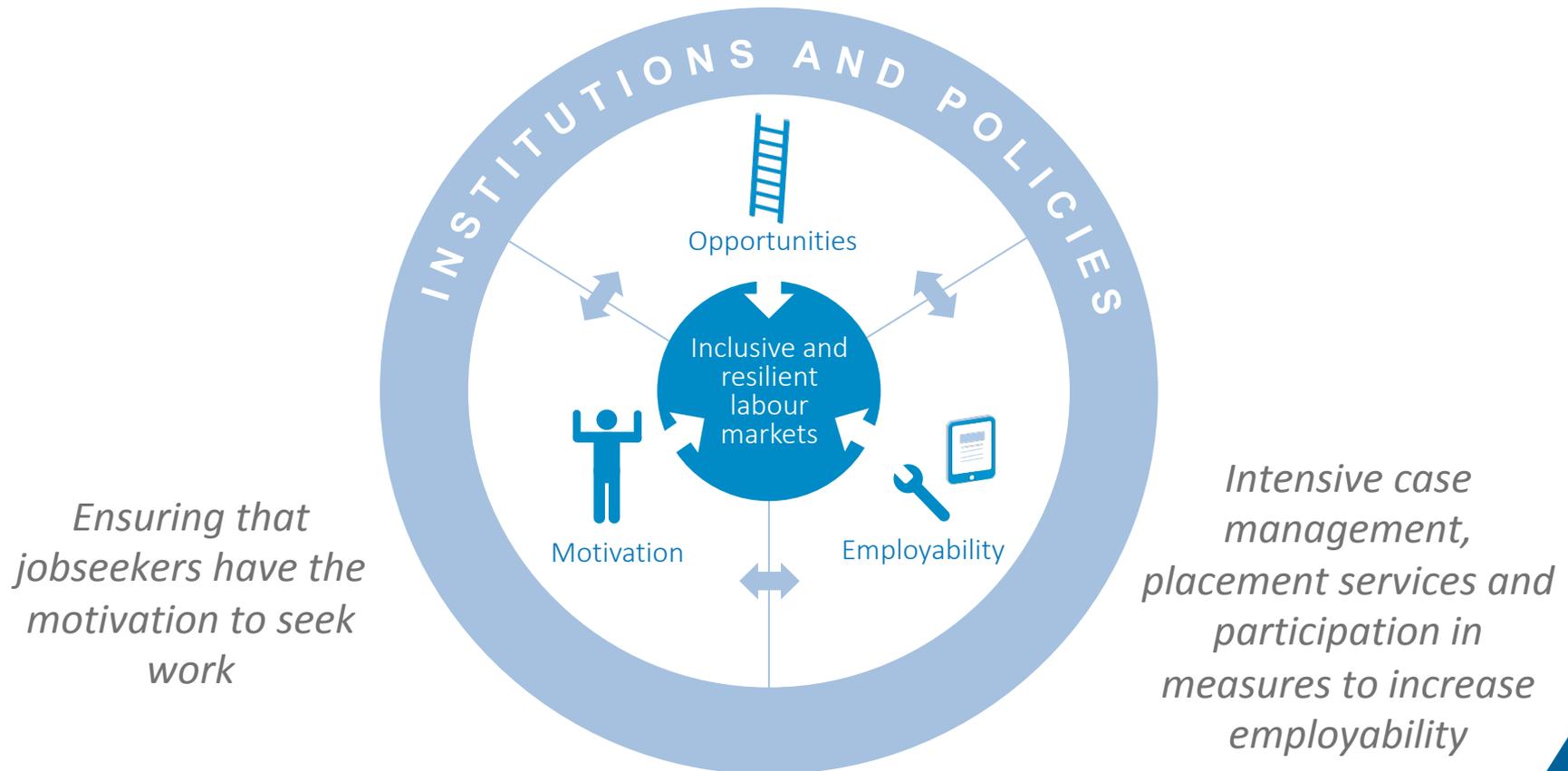


STEP 5: OECD REVIEWS OF ACTIVE LABOUR MARKET POLICIES



Key building blocks for fostering more inclusive Labour Markets

Addressing demand-side barriers and expanding employment opportunities for jobseekers





Challenges for Public Employment Services (PES)

Which role can PPPs and contracted out services play?

Outcome-based payment systems
Performance management



How to address the challenges of decentralised systems?

Defining key procedures
Comparative benchmarking of local offices.

Questions addressed in previous reviews

How can the PES achieve more with less?

Transition to e-services



How to manage performance and ensure continuous improvement and learning?

Performance & quality management, operational processes, etc.



For further information

Contact: Kristine Langenbacher (Kristine.Langenbacher@oecd.org)



OECD Directorate for Employment, Labour and Social Affairs: www.oecd.org/els

More on active labour market policies and activation strategies: www.oecd.org/els/employment/activation.htm

More on Faces of joblessness: www.oecd.org/els/soc/faces-of-joblessness.htm

OECD Employment Outlook: www.oecd.org/employment

ANNEX III

ROME, 30 NOVEMBER 2017, EMPLOYMENT POLICIES IN FRANCE

It is commonly considered that mass unemployment, which currently concerns over 6 million people in France, started in 1974 with the first oil crisis and, at the same time, the first national budget with deficit.

It was, for long, considered as a temporary phenomenon that could rapidly be resolved after a few economic adjustments were made. The initial objective of employment policies was not to reform the structure of the economy to make it more competitive and able to create jobs, but rather to limit the social consequences of unemployment.

So emerged the concept of “a social treat of unemployment”, which led several observers to say that France had a “preference for unemployment”.

At the time was created the National public service of employment, under the tutorship of the Ministry of Labor.

It is currently composed of Pôle employ, that was created in 2009 by merging two entities (ASSEDIC and ANPE) respectively responsible for supporting the unemployment in their search for jobs and for the distribution of unemployment benefits. Other institutions include Unédic (that manages the unemployment insurance) and AFPA, in charge of vocational training.

Until the 90s, employment policies were largely focused on “passive measures”, meaning that that the aim was to made unemployment bearable and to reduce the size of the active population (legal duration of work downsized to 35 hours per week and promotion of pre-retirement measures).

One should note that, to date, only the pre-retirement measures were cancelled, but a 50 year old or more, unemployed still benefits from 3 years of unemployment benefit.

Since that time, without excluding passive measures, France has developed progressively active expenses to a significant extend, in order to promote an economic growth that would be more likely to create jobs. This was done by introducing flexibility on the labor market: suppression of the administrative authorized to proceed to contract termination in 1996 and, very recently, the reform of the labor code that aims at providing additional security to the employers in case their activity slowdowns, this concretely means simplified and less expensive process to terminate employees' contracts.

The cost of employment policies is more than 100 billion EUR a year, which is 5% of the GDP. They include:

- Passive measures, mainly the unemployment benefits, represents 33 billion EUR, to which should be added other types of specific benefits representing 3 billion EUR per year. It should also be noted that the cumulated deficit of the unemployment insurance represents 35 billion EUR.

- Active measures, largely represented by vocational training, that worth 35 billion EUR per year (which is comparable to the annual budget of the Ministry of Defense) and government-sponsored contract, that represent 3,5 billion EUR for 500 000 beneficiaries.
- Finally, we should add 40 billion EUR of tax exemption and deduction in favor of the employers, to enhance their competitiveness and, potentially, create jobs.

The State is the overall leader of employment policies, it initiates them through the parliament or via decree, but may as well delegate its duties. In Pôle employ, the governance includes the State but also Employers representatives and workers' unions, while Unédic manages the unemployment insurance through a share governance (employees and employers' representative).

This organization of the Employment public service is reproduced at the regional level, under the tutorship of the Prefect (the local representative of the State).

Unemployment insurance financing is ensured through employers contributions (4.05%) and employees contributions (2.40%), so an overall of 6.45% of the salary cost.

As for vocational training, a compulsory contribution of the employers was established back in 1971 (Law Delors), which depends on the number of employees in the firm (whether they are less or more than 10). In average, this represents 1% of the salary cost.

This shows that France remained quite faithful to the Bismarckian model that was introduced by the National Resistance Council at the end of WWII.

Today, after the 2017 presidential elections, the French very high unemployment rate (3% more when compared to Germany) is taken into account as part of a reform that was just initiated and that should lead to important structural and conceptual changes.

The key idea is to reconcile employment and economy, leaving the "social treat" behind after 40 years of unsuccessfulness. After the era of passive policies (1974 – 1990), then the introduction of active policies (1990 – 2017), a third era seems to start and to properly tackle the reality of unemployment in France. The French President's decision to cancel in 2019 (after reducing by half in 2018) the State sponsored contracts is a clear signal to confirm this change of era.

Despite its 10% of unemployed, France managed to maintain high social inclusion and limit extreme poverty, which should be accounted for. Yet the French society is clearly affected by two major structural changes: the persistence of mass unemployment and the rise of Information and Communication Technologies that have a growing impact of the labor market, as shown with the new forms of employment associated to the Transportation company Uber.

The current Government plans on changing the key concepts and the general philosophy of employment policies, but also their implementation modalities. This will be done in 3 steps, covering the overall spectrum from passive to active measures. This constitutes a brand-new way of dealing with the problem. Indeed, past governments tended to prefer adjustments. Sometimes important adjustments but without completely reshaping the underlying key ideas.

After the cancellation of State sponsored contracts, the government launched a new reform of the Labor code, to free companies from several administrative obligations that have a financial impact, to simplify employees representative bodies by merging them and to make contract termination simpler, with the idea that this the complexity of contracts termination might be a hindering factor for contracting in the first place.

The second step is the reform of the unemployment insurance, with a view to make it evolve as the labor market evolves. "I want France to be full of start-ups" claimed the candidate that was later elected President. A concrete outcome should be the opening of unemployment insurance to the risk takers. This is a major change with past policies where only the employees benefited from a social coverage. To adapt to the labor market new conditions, any employees might benefit from new conditions, quit their jobs every 5 years with a good professional plan, and still remain eligible to unemployment insurance. Finally, the control of people that receive benefits, a long-standing taboo, should (as in Germany) become reality.

Finally, vocational training with 80 000 different training institutions (while in Germany there are only 8 000 institutions) is balkanized while only 10% of the unemployed receive a training, and only half of those later find a sustainable job

Astonishingly, vocational training mainly benefits to those that need it the less, with a job already, thus increase inequalities, which is unacceptable and require a complete reform.

With 6 million unemployed, France still has a need to attract foreign workers, which is largely attributable to the inefficiencies of the system.

The organization, the governance and even the main purpose of vocational training should experience no less than a revolution in the coming months, with training with a high added value, with appropriate training certification, with a better understanding of the labor market needs, at the regional level. The regions have gained autonomy since 1981 and the last decentralization law increase their role, in close relation with their general economic development missions.

After the era of the "social treat" and the one of "active expenses", a new era is starting in France. It consists in acknowledging that employment issues do not require an administrative response but rather an economic one. France is experience a transition from a "trench war" against unemployment, to "maneuver warfare", which should show positive results within 2 years according to the current Minister of Economy.

ANNEX IV

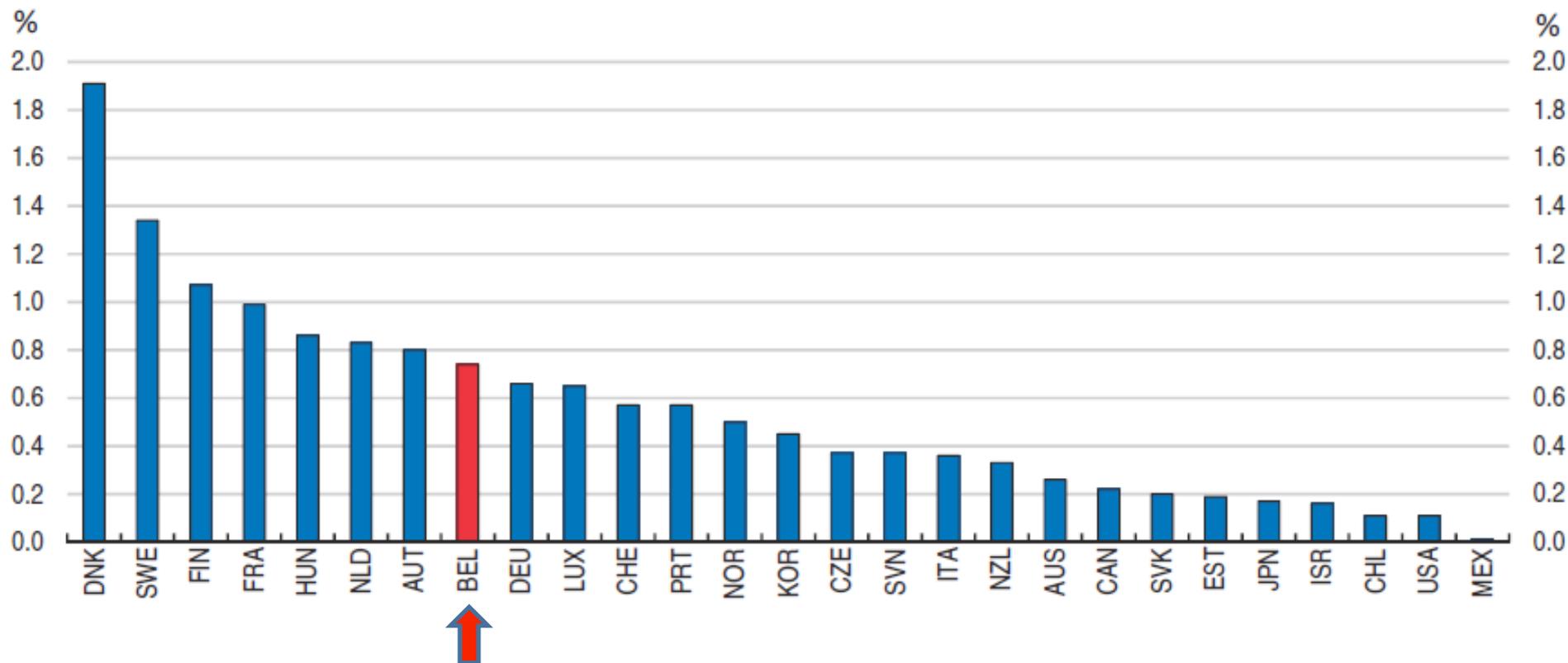


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SELECTED EXAMPLES OF NATIONAL ACTIVE LABOUR MARKET POLICIES: BELGIUM

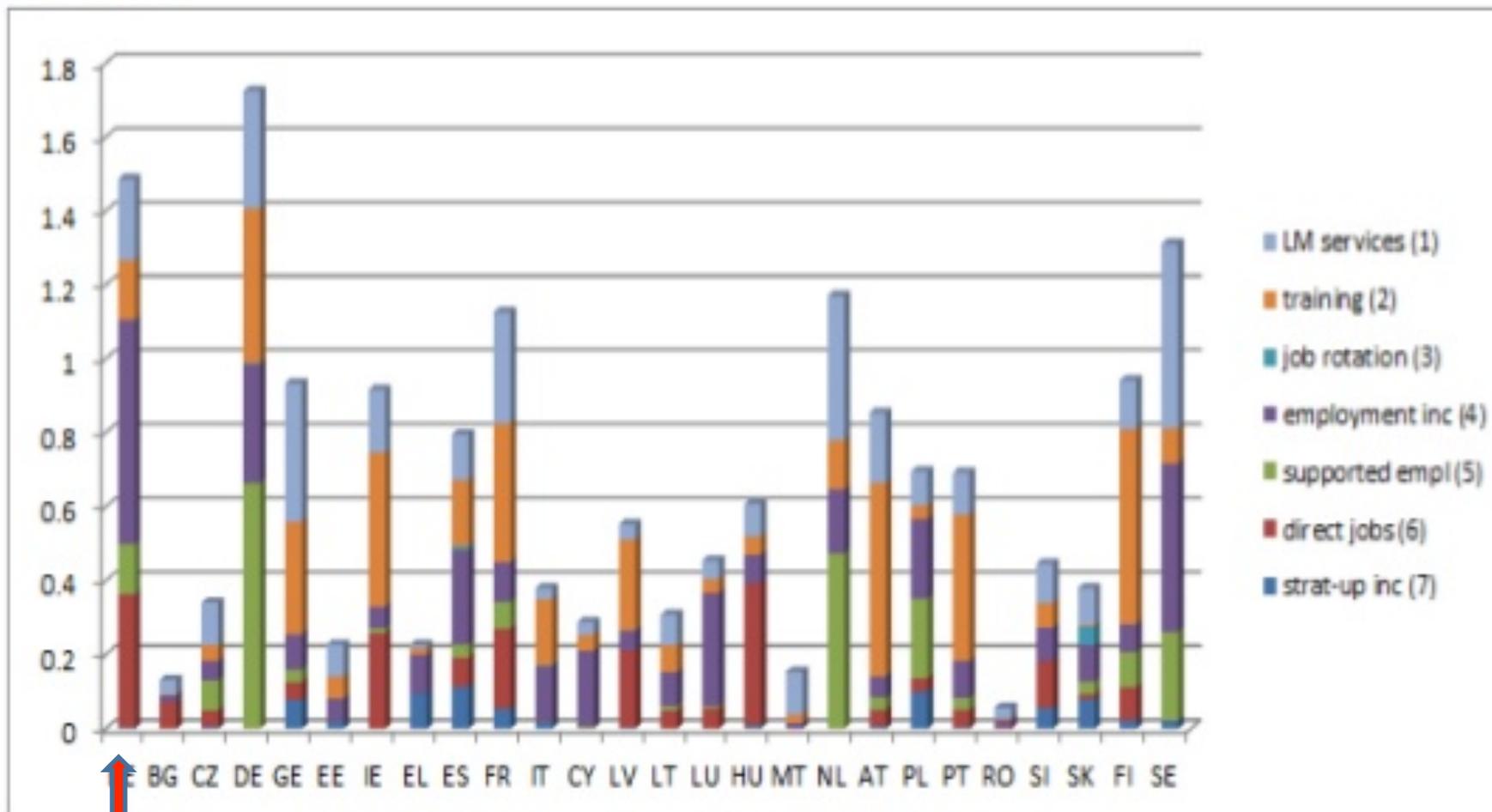
Dr. Koen Vleminckx

Public Expenditure on Active Labour Market Programmes (ALMP), %GDP, 2014



Source: OECD Economic Survey on Belgium, June 2017

ALMP Expenditures by type of action

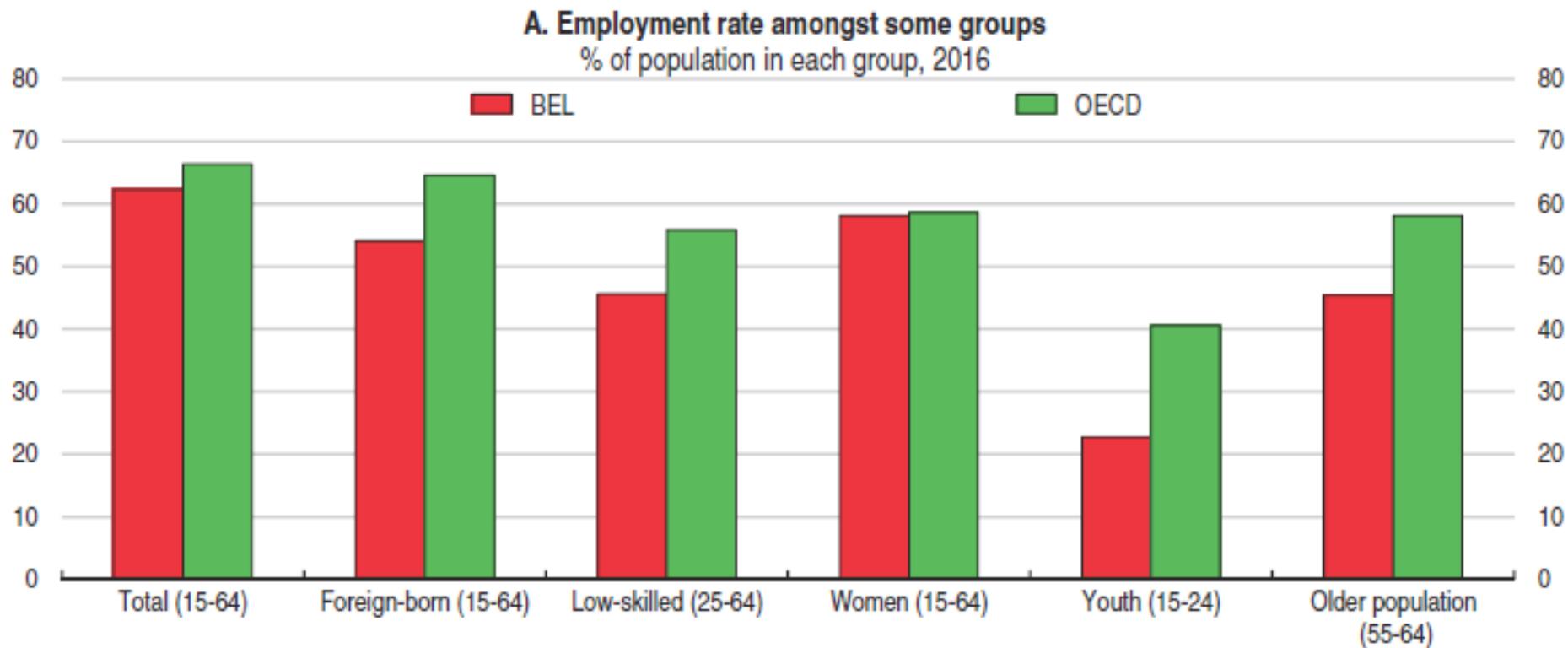


More emphasis on training?

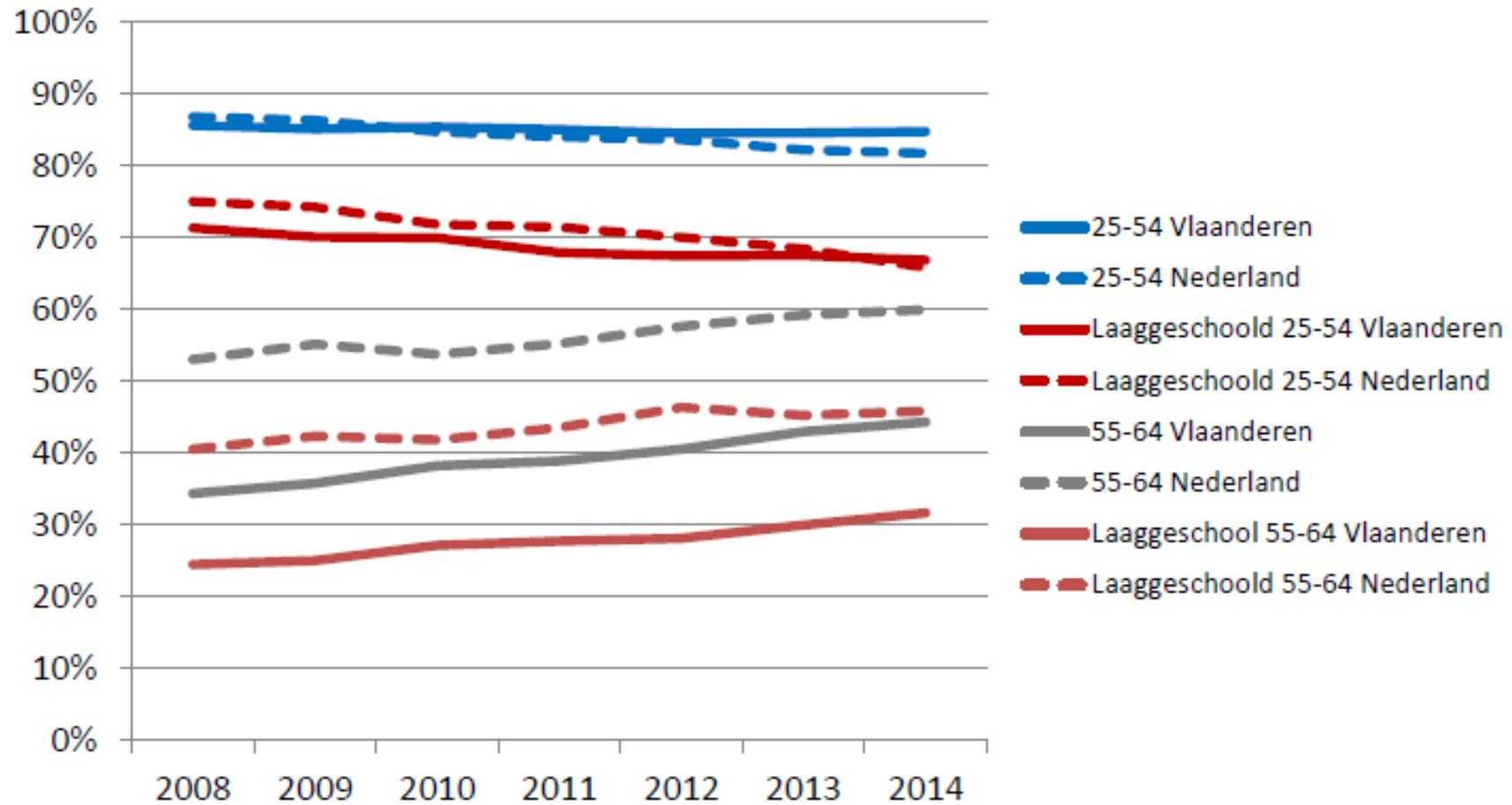
There is scope to improve the spending mix and increase public expenditure on training, which at 0.16% of GDP in 2014 is around the OECD average and below the average level of neighbouring countries.

According to OECD, in Belgium these training programmes should primarily aim to improve the skills of those with lower educational attainment.

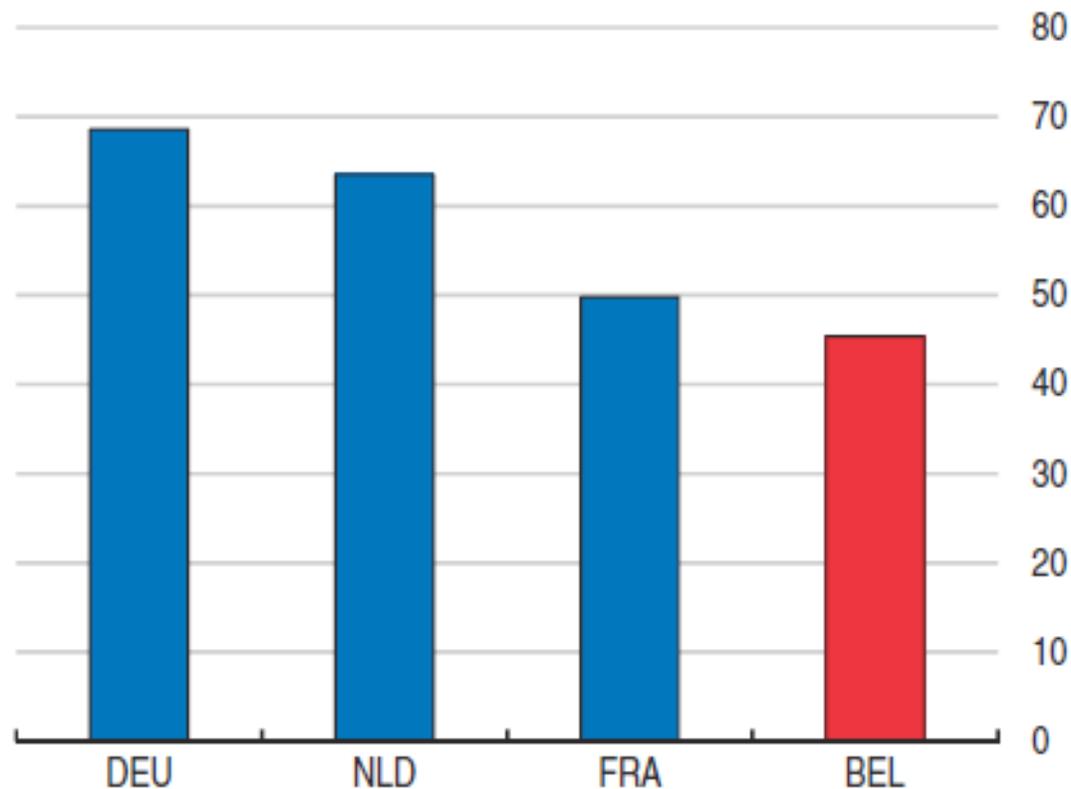
Employment rate, % of population in each Group, 2016



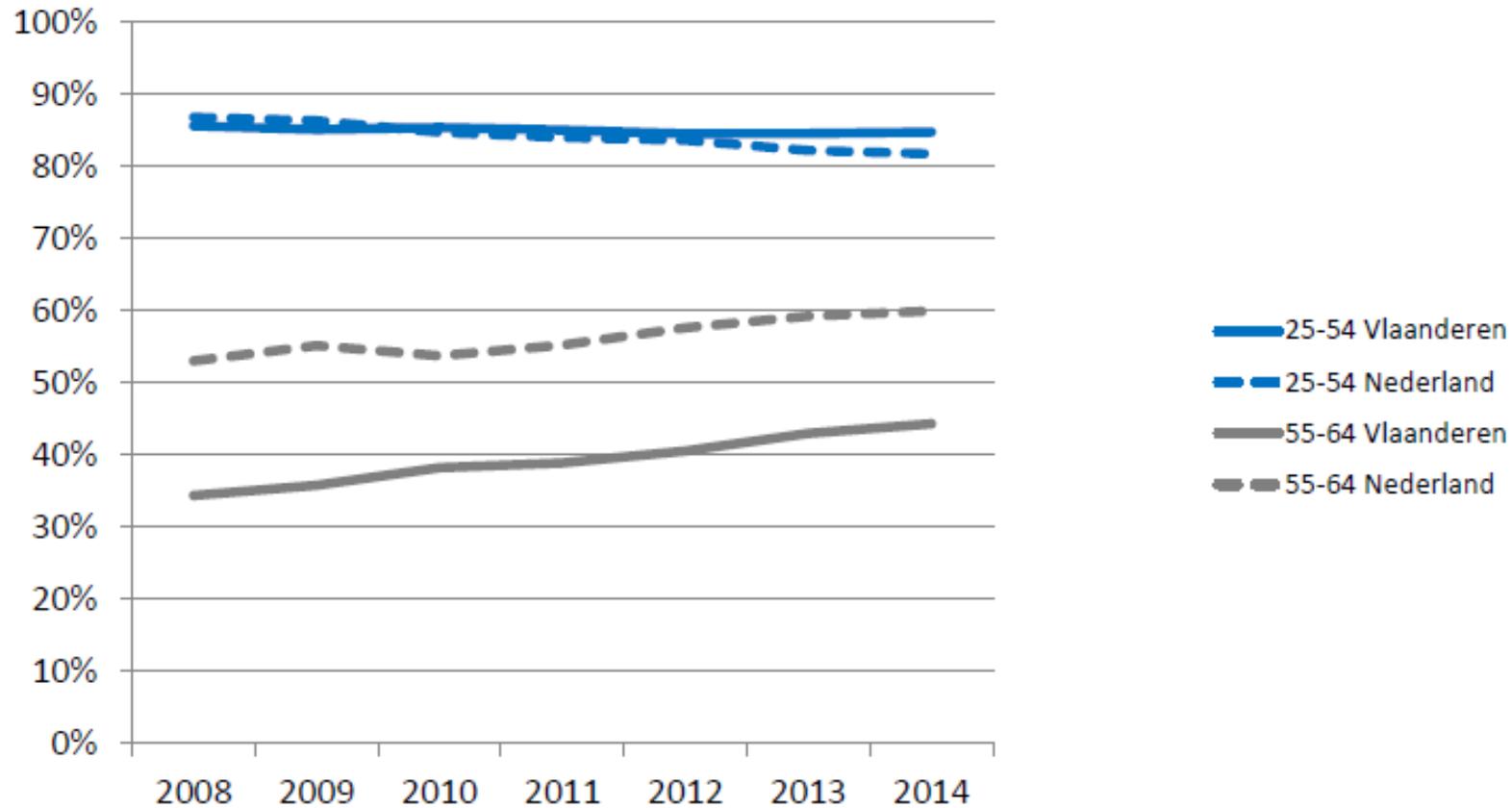
Belgium – Netherlands: Employment Low Educated



Employment of Seniors (aged 55-64 as % of population, 2016).

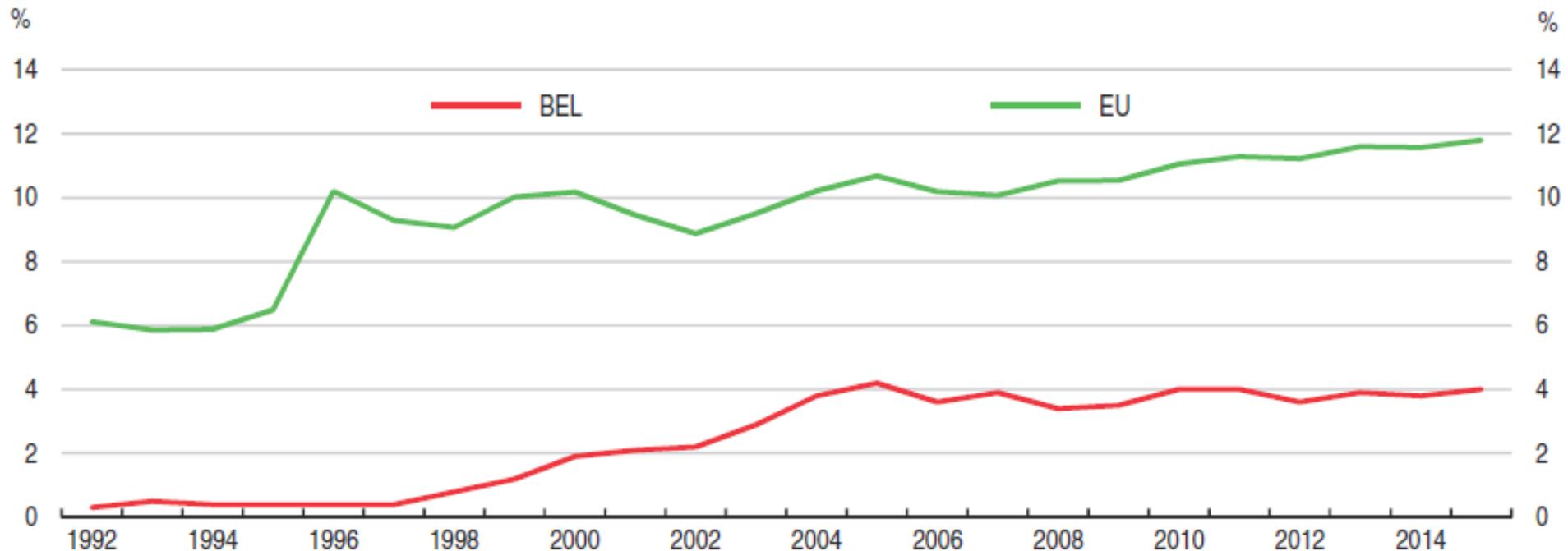


Employment Rates Compared: Belgium - Netherlands



Low Participation of Seniors is Education and Training

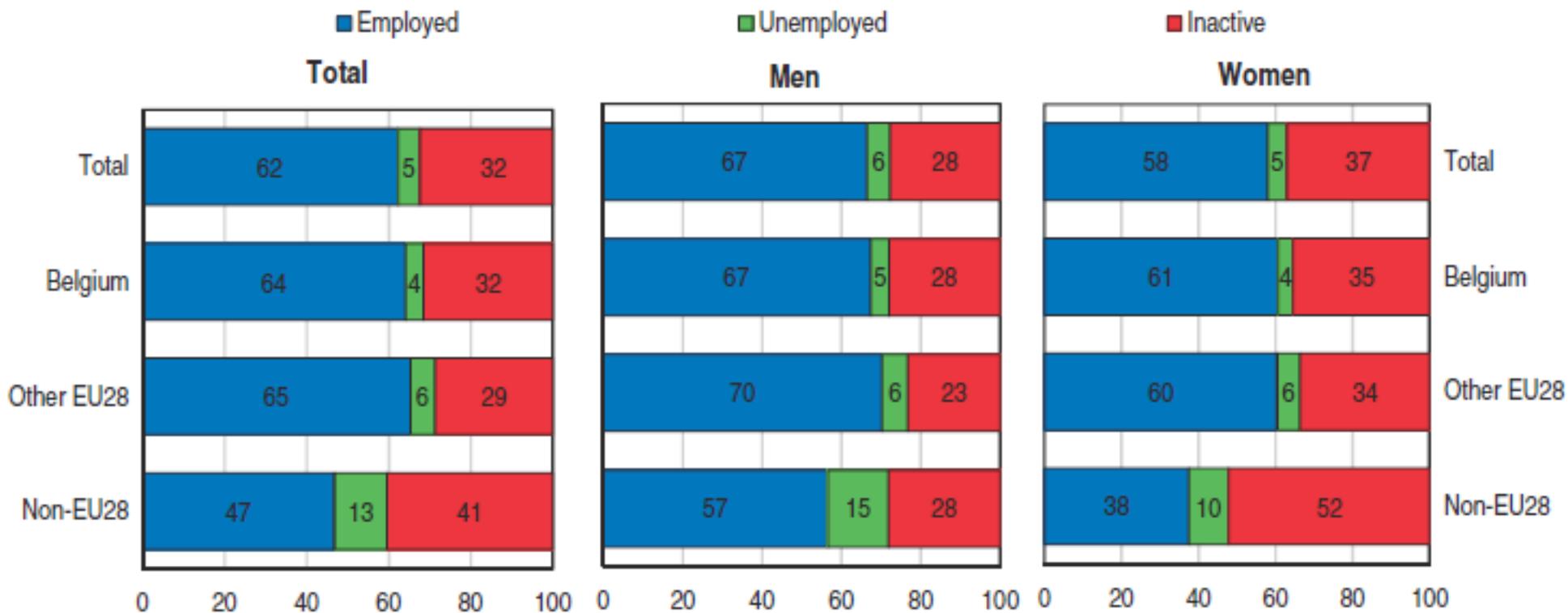
A. Individuals aged 55-64 who have participated in education and training in the last 4 weeks
As a percentage of the population aged 55-64, 1992-2015



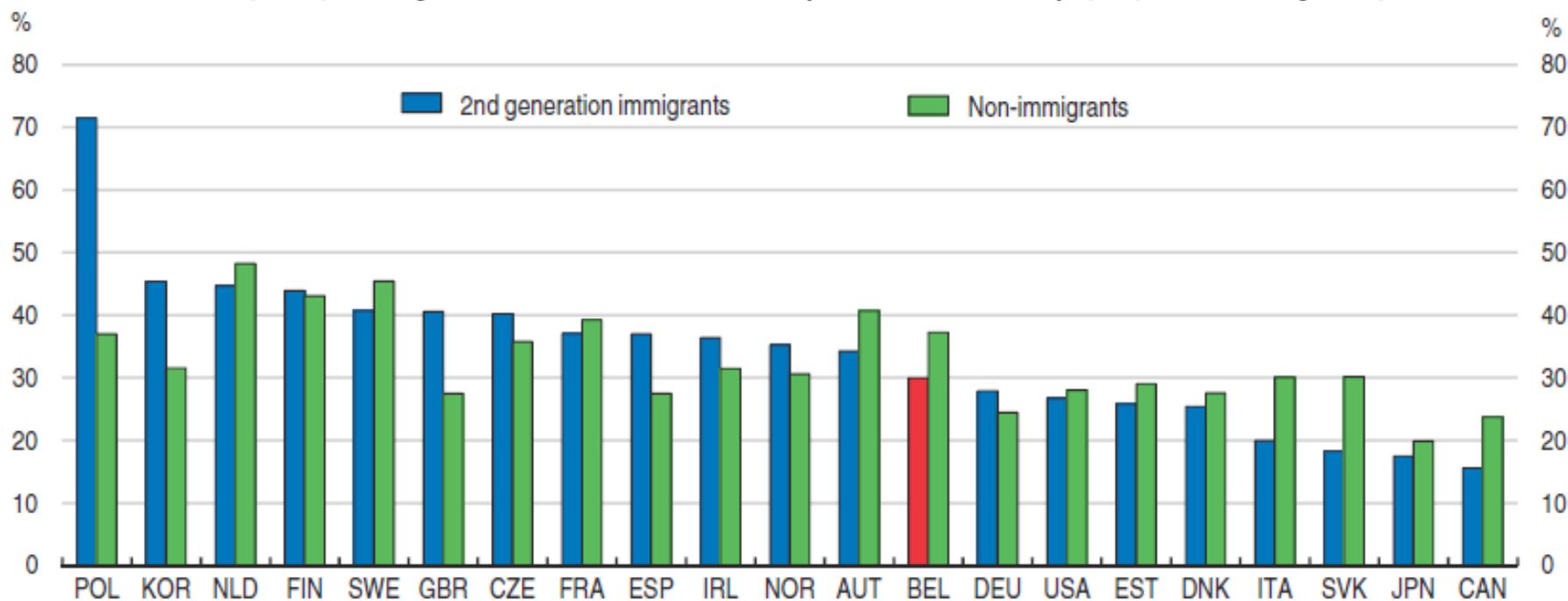
Employment rate, % of population in each Group, 2016



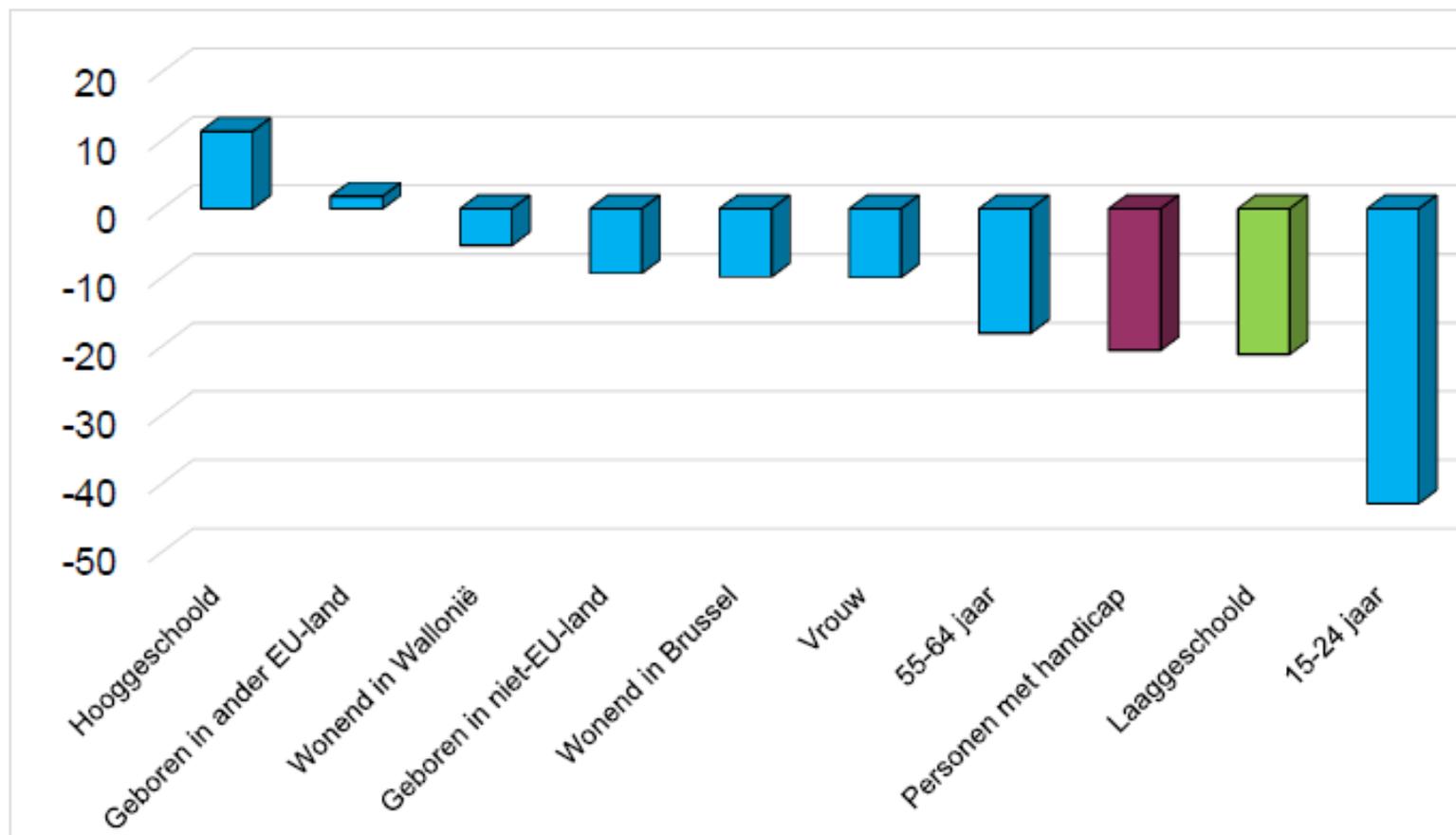
Employment Status Immigrants: Employment Status by Country of Origin and Gender, % of Working Age Population, 2016



Share of people aged 25-34 with tertiary education by population group, 2012



Probability of being employed in Belgium, 2013



POLICY PRIORITIES SINCE 2004

- “Target Group Policy 25-54”: complex set of financial stimuli for the recruitment and employment of disadvantaged target groups:
 - People with a work disability
 - People with low education/skills
 - Long-term Unemployed
 - Service vouchers system: subsidized employment for private households
 - Investing in care and home care
- + education: connection education-labor market, schools-VDAB (competences)
- + training within companies
- + job carving (customising job duties, usually basic-skilled tasks)