

SPRP Component 1 Panel Discussion Meeting on Topics 1.1.1 & 1.3.4



Time: 9:30 – 16:30, May 21st, 2019

Venue: Tangla Yaxiu Hotel Meeting Room Peridot

Chairperson: Mr Jean-Victor Gruat (EU Resident Expert Component 1, EU-CHINA SPRP)

Participants:

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3	唐玲 Ms Tang Ling	国家发展改革委就业司调研员 Division Director, DEIDC, NDRC
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6	齐芳 Ms Qi Fang	国家发展改革委就业司干部 Programme Official, DEIDC, NDRC
7	屠世杰 Mr. Tu Shijie	国家发展改革委就业司干部 Programme Official, DEIDC, NDRC
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9	焦学利 Mr. Jiao Xueli	国家发展改革委国际合作中心处长 Division Director, ICC, NDRC
10	王颖思 Ms Wang Yingsi	国家发展改革委国际合作中心主任科员 Programme Official, ICC, NDRC
11	李晓娟 Ms Li Xiaojuan	国家发展改革委国际合作中心主任科员 Programme Official, ICC, NDRC
12	关博 Mr. Guan Bo	国家发展改革委宏观院副研究员 Associate Researcher, Institute of Macroeconomics, NDRC
中方专家 Chinese Experts		
13	宋晓梧 Mr. Song Xiaowu	北京师范大学中国收入分配研究院院长、原国家发改委党组成员 Dean, China Institute for Income Distribution, Beijing Normal University
14	杨伟国 Mr. Yang Weiguo	中国人民大学劳动人事学院院长、教授 Dean, Professor, School of Labour and Human Resources, Renmin University of China
15	周弘 Ms Zhou Hong	中国社科院学部委员、全国人大外事委员会委员 Member of Academic Board, Chinese Academy of Social Sciences (CASS)
16	樊贺丰 Mr. Fan Hefeng	中国社科院 CASS
17	魏茂淼 Mr. Wei Shengmiao	中国社科院 CASS
18	张慕千 Mr. Zhang Muqian	中国社科院 CASS
欧方代表 European Participants		
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20	米切尔·布鲁尼 Mr. Michele Bruni	中欧项目第二部分欧盟常驻专家、专家组组长 Team Leader, Resident Expert of Component 2, SPRP
21	康莱德·奥伯曼 Mr. Konrad Obermann	德国海德堡大学教授 Professor, University of Heidelberg (Germany)
22	张国庆 Mr. Zhang Guoqing	中欧项目第一部分中方(执行)专家 Expert of Component 1 (operation), SPRP
23	史川 Mrs. Shi Chuan	中欧项目第一部分助理 Assistant, Component 1, SPRP
24	毕若华 Ms. Valentina Pignotti	中欧项目第二部分助理 Assistant, Component 2, SPRP
25	马岚 Mrs. Ma Lan	中欧项目行政助理 Administrative Assistant, SPRP
26	林国旺 Mr. Lin Guowang	中欧项目翻译 Translator, SPRP

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I. Welcome speeches

1. Mr. Gruat commences the meeting with a warm welcome to all the participants and gratitude towards NDRC for arranging the panel discussion. As is known and been practiced in the last five years, the purpose of the panel discussion is to provide an opportunity for the Chinese experts to submit the interim results of their research project under the annual framework of activities of C1 SPRP, and to discuss these results in an informal and friendly manner with stakeholders including international experts so that the results can be refined, confirmed and finalized. This panel discussion is a bit special since it is going to be the last one within the project lifespan. The topics in selection – planning for multitier social protection, evaluation of 13th 5-year Plan and tentative proposals for 14th 5-year Plan in social security and employment promotion - are a result of thorough discussion among the project office and NDRC, which are of great relevance to the current and future systematic planning and designing of social protection policies in China.

2. Mr. Gruat expresses his gratitude on behalf of the project office towards Professor Konrad Obermann who accepted to make the long trip to Beijing just for the occasion. Professor Obermann is a renowned expert in Germany who works in the field of social protection policy. Mr. Gruat also introduces the rest of the participants from the SPRP office and NDRC, as well as the Chinese experts and their research teams.

3. Ms Tang gives an introduction of the NDRC participants to the meeting. She expresses warm welcome on behalf of the Department of Employment, Income Distribution and Consumption (DEIDC), NDRC to all participants and experts from China and Germany. This is the fifth year of the project which is the last year, and this panel discussion is also the last one to be organized. She then expresses her gratitude to experts from both the EU and China who have contributed tremendously to form a joint effort in the process of social protection reform in China. She looks forward to the research outcomes, proposals and policy advocacies to be brought up in this meeting which will without a doubt have a positive impact on the policy-making process in the field of social protection. Ms Tang also looks forward to possible future cooperation with all the experts after the project concludes.

II. Planning for multi-tier social protection – European experience and lessons for China, draft report by Prof. Zhou Hong

4. 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. Gruat 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.

5. 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.

6. 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

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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

19. 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.

20. 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.

21. 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.

22. 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.

23. 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

24. 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.

25. 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.

26. 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.

27. 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.

28. 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

29. 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.

30. 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.

31. 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.

32. 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.

33. 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

34. 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.

35. 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.

36. 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.

Discussion

37. Professor Zhou summarizes that the findings and conclusions in this presentation are still preliminary, which will be synthesized and refined at a later stage. She warmly welcomes EU experts to comment on the presentation to see if it manages to depict an authentic picture for the social protection system in European countries.

38. Mr. Gruat thanks Professor Zhou and her team for the very comprehensive and fully documented presentation, and invites participants to share their comments and suggestions. Mr. Bruni comments that the task to compare so many different systems is by itself a very difficult one. One of the elements standing out throughout the presentation is the issue of ageing, so he suggests that one possible way to actually compare these systems is to see how different countries deal with the problem of ageing because as is shown in the presentation, approaches are quite diverse. The other element is migration according to Mr. Bruni, which can be seen as a signal of political tendency.

39. Mr. Gruat shares his thoughts that it is very important to bear in mind when you want to understand why different groups of people would come to so different conclusions about social protection systems even based on scientific studies. As in the case of France as presented earlier, it is very difficult to make a reform because people just don't agree to do so, and they have very solid reasons. Just like private profit-making insurance companies who provide pension schemes would not care about the effect of public non-profit scheme. So we come to the very interesting interface between politics and social protection, which is not new at all. Same discussion went off in the 1920s when the first convention on social protection took place in ILO. When thinking about China's reform in terms of social protection, basic principles should be kept in mind with which we can make judgments towards all the case studies on their particularities and commonalities compared with China's context.

40. Ms Tang comments on Professor Zhou's presentation that it is a very well-rounded piece of study. She also provides some additional information on the Spanish context that migrants have played an increasingly important role in its economic development and the factor should be taken into account when studying the social protection system and its potential reform measures.

41. Mr. Bruni adds another perspective that given the fact that percentage of working population in China is going to decrease, the issue of migration should be taken into account so that the economy will grow in a sustainable way. And this will have an impact on all aspects of social policy including pension and long term care. Thus it will be interesting to see how different European countries try to manage the issue. Ms Tang responds that as much importance as had been put on migration for European countries, it might be a different story for China at least at the current stage; yet the equivalent phenomenon and actually more relevant one in China is the topic of population mobility and migrant workers within China among different provinces and regions.

42. Professor Zhou comments on Ms Tang's remarks that the issue of migrant worker is crucial to China's social protection reform. Originally coming from the rural areas in China, the migrant workers are now engaging in labour market rather than on farmland, the total amount of whom has reached 280 million, easily equaling to the population of a country. The flexibility in employment status poses a dilemma in establishing and stabilizing the social protection system for the migrant workers. It would be of great value if some reference can be drawn from the European perspective.

43. Mr. Gruat responds to Professor Zhou's comment that in fact this type of issue is being addressed in China in the same way as it was addressed in some European countries. A few years ago, a research done by fellow researchers from CASS indicated that only 1/3 of people over the age of 60 had pension; the number in Europe in the same period of time scoped from 80% to 99%. That was when China acted upon the revival of rural resident pension scheme and introduction of urban resident pension scheme and the merge of the two. As a result, the coverage of pension scheme by number grew enormously to a level of satisfactory.

44. Now the difficulty is how to make a bridge between these special designs of pension schemes and what can be called the general scheme which provides more adequate support and better standard of living. It took decades in Europe to find a way of ensuring comparable level of protection for different groups of people, and it had a cost. With the current proportions of GDP allocated to social protection, it is quite unlikely that China can afford a high level protection for those who really need them. In terms of social protection provision, the advanced countries in Europe are earmarking at most 1/3 of the GDP to the field of social protection. So it is a choice, one which ILO refers to as the “price for social peace”. Maybe in China, the policy makers should think about the option of putting more resources in social protection – it is not easy, but China has done things much more difficult than this.

III. 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

45. Mr. Gruat gives the floor to Professor Yang and his team to talk about their research on the evaluation of employment promotion policies. Professor Yang first gives 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 13th FYP and proposal of issues to be included in the 14th FYP. The research team consists of Professor Yang himself, and Mr. Bai, the Associate Professor from Renmin University, and several postgraduates.

46. 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 13th 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.

47. A lot has been achieved in the implementation of the 13th 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.

48. 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.

49. 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.

50. 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.

51. 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.

52. 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.

53. 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.

54. 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.

55. 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.

56. 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.

57. When looking at possible frameworks for proposals as what should be included in the 14th 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%.

58. 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.

60. On the basis of the analysis and observation, several policy suggestions can be drawn as potential proposals for inclusion into the 14th 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 14th 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.

61. The second layer of policy suggestions is the concrete items to be considered to include in the 14th 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.

62. 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.

IV. 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

63. Mr. Song takes over the floor to introduce the research done by his team on the evaluation of social protection policies in the 13th FYP and the preliminary framework of proposals for the 14th FYP. He points 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 14th 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.

64. The first section focuses on the evaluation of progress made during the implementation of the 13th 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 14th FYP. The following 6 sections are the detailed proposals for

inclusion into the 14th 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.

65. Great progress has been made during the 13th 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.

66. There are of course emerging challenges to be taken into consideration for social protection policy in the 14th 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.

67. Mr. Song then goes into detail on the proposals to be included in the 14th 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.

68. The second proposal to be included in the 14th 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.

69. 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.

70. 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.

71. 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.

72. 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.

V. Comments submitted by Prof. Konrad Obermann (European Expert) and presentation of LTC in Germany

73. Professor Obermann takes over the floor and shares his thoughts on all the previous research works as well as some new perspectives from the European side in regard to long term care. Regarding the presentation on the European experiences on multi-tier social protection system, Professor Obermann points out despite of a very comprehensive and detailed description of the three models of social protection systems in Europe, one more model is still missing which is the Scandinavian model. The question then can be seen as where China fits in; and the problem is China is somewhere in the middle. Comparisons drawn from Europe can be useful in that good practices can be found scattering in different countries and scenarios but in the end it is crucial that China finds its own way of doing things according to its specific socio-cultural-economic circumstances. Professor Obermann agrees highly to what Professor Zhou said about her study that it is important to know how, and it is even more so to know the why. As Mr. Bruni rightfully pointed out, European systems are very much challenged by the issues of demographic ageing and the issue of migration, and it should be seen how each different system is coping with these issues.

74. Another piece of comment by Professor Obermann is on the supply side of long-term care which is mentioned by Mr. Song. 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 regularity in examining the cost efficiency as well as medical effectiveness of long term care.

75. 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.

76. 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.

77. 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.

78. 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.

79. 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.

80. 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.

VI. Comments submitted by other experts, NDRC, SPRP and general discussion

81. Mr. Guat comments on Professor Obermann's presentation that the topic of long-term care is one of the priorities in China as well. The project has visited a certain number of facilities in China where the practices are sometimes quite advanced even compared with European experiences while some other times things can be questionable. Europe certainly has things to offer in terms of treatment and involving the elderly in decision making process so this can be an area of dialogue and cooperation for the future.

82. Mr. Song sees high relevance in the presentation by Professor Obermann on long term care with his own research, which contains a specific chapter of the topic health care service for the elderly. He would like to know the proportion of financial responsibility for both public administrations and for private sectors to cover for long term care service in Europe. Professor Obermann replies that at present the policy on financial support for long term care is still very much country specific since there are very little initiatives on the EU level to harmonize the standards. For the German system, the cost for ordering long term care service varies from around 200 Euros to 2000 depending on certain factors; an alternative would be to purchase a fully equipped unit for

100,000 euros and an additional monthly fee to get customized services. The staff or professionals who engage in long term care services are employed by privatized organizations. The provision of such services are private which means only basic level services are covered by social insurance and individuals need to pay for themselves if further services and treatment are in need. The major problem is that as the job is not as attractive as other types of jobs, the long term care services are severely short of staff. Another interesting aspect to mention which is brought by this problem is that there is now in Germany a movement to try to bring more Asians into the country to work in the field of long term care services. Mr. Bruni adds that in Italy, there are around 1 million non-EU care givers from abroad. Professor Obermann points out that given the demographic features at present in China, it is quite easy to project the huge gap between the number of people who need long term care and the number of people who can provide the service. It is also useful to come up with a Chinese model of cost for long term care services because it might be quite different from that of other countries.

83. Ms Zhang comments that it has been a very insightful discussion. She is especially glad with the very in-depth discussion on the different models of multitier social protection systems and the logic behind them; meanwhile, the thorough discussion on long term care is also very enlightening and it sheds light on China's own pilot on long term care including financing, coverage, rural-urban coordination, etc. And the lack of professional care givers which can be seen as a global issue is also getting evident in China together with the shortage on elderly care facilities in terms of quality and affordability. Professor Obermann responds that one way of looking at the issue of health care and long term care is to see it not only as a cost but also as an investment in human resources that are in better physical condition for longer period of time. Also, there are employers in Germany who decide to take good care of the elderly because they realize that if they don't, the sons and daughters will have to do it and then they wouldn't be able to work for the employer. As for the issue of lacking on professionals, it is not just the issue of income or adequacy of training, how to incentivize younger generations to engage in the care giving service is much more about inspiring the intrinsic motivation and imparting the value of taking care of elderly which are quite challenging.

VII. Concluding statements

84. Mr. Gruat gives his concluding remarks by commenting on different aspects in the presentations. He comments that the presentation by Professor Zhou Hong and her team shows just how many different angles are taken into consideration when building social protection system. Irrespective of these differences in appearance, they should have the same functions of protecting people; thus it is important to see beyond the appearances of different types of social protection system to examine the really question as to whether it fulfills its function of protecting the people. Then comes the question of standards and benchmarks by which we can say if the goals or functions are realized – you need to know what you want to achieve, especially when comparing and referring to experiences from others. Mr. Gruat then comments on the presentation by Professor Yang Weiguo that two elements stand out, one is that skilled workers are the key to China's future development; the other one is the importance of idea of decent work. The main take away of Mr. Gruat from the report by Mr. Song is threefold: flexibility, which might be an important dimension to keep in mind when the postponement of retirement age really becomes effective in the future; the distinction of different pillars of social protection is also needed in China as they are now quite blurry and might cause confusions in policy making; and lastly, social protection should provide services as where it's needed – there are new types of employment emerging which should be covered and new social risks which should be addressed. Another point noted by Mr. Gruat is that in Professor Yang's presentation, the government should change its role into a more facilitative position while Mr. Song is stating that the management should be more proactive; these two standpoints seems to be contradictory towards each other but this is the value and beauty of the event, which is to discuss how to reconcile these two ends, how to know when you do too much as administrator and when to do more to promote things. Finally, Mr. Gruat gives his thanks to Professor Obermann for his effort to attend the panel discussion and his intellectual contributions as well.

Shi Chuan (Ms.)

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