

DRAFT REFORM PROPOSALS

– Volume 5 –



EU-CHINA

Social Protection Reform Project
中国-欧盟社会保障改革项目

COMPONENT ONE

Macro-activity 1.6

2019 Programme of Activities

Planning for Social protection

Social security Planning

Employment promotion

Multi-tier protection in old-age

Gender considerations

Foreword

As part of the EU-China Social protection reform project 2019 Programme of activities, a Panel discussion meeting was held in Beijing on 21 May 2019 to debate the situation analysis produced by Chinese experts on three topics under review that year – planning for respectively employment and social protection, multi-tier pension protection, also in the light of most relevant European experience and best practices.

According to the Project Grant application form macro-activity 1.6 the meeting focused on “the first draft of reform proposals related to the topics analyzed”. The present document presents these draft reform proposals as tabled at the meeting, organised according to the results pursued by the project.

Another set of analysis and recommendations were discussed during an international meeting on Gender considerations in social protection and employment, held in Chengdu on 23 January 2019. Those are equally included in this volume, which thus concludes the cycle of collaboration between the European Union and China (National Development and Reform Commission) on Social protection reform initiated in November 2014.

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CONTENTS

Foreword	2
PROJECT RESULT 2	4
Coordination of Policy making	4
Topic 1.1.1 Contribution to Social and Economic Development Plans – Employment	5
Topic 1.1.1 Contribution to Social and Economic Development Plans – Social Security	8
PROJECT RESULT 3	10
National policy evaluation technique in the area of social protection	10
Topic 1.2.4 Gender considerations in Employment and Social protection	11
PROJECT RESULT 4	17
National Policy Framework for a Full Coverage of Old-Age Insurance System	17
Topic 1.3.4 Multi-tier social protection in old-age	18

PROJECT RESULT 2

Coordination of Policy making

Topic 1.1.1 Contribution to Social and Economic Development Plans – Employment ¹

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.

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.

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

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

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

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

The last focus group is workers with job placement. In 2016, about 726 thousand workers mostly from heavy industrial enterprises were reassigned by government because of strategic remodeling and upgrading of productivity, 55.8% of whom are either placed with jobs in service sector within

¹ Excerpt from report by Chinese expert Mr. Yang Weiguo.

the same enterprise or considered eligible for internal early retirement plan. An estimation is that around 180 million workers will need to be re-employed by 2020 and most of them are from steel and coal industry. Numerous policies were made by local government to solve workers' employment due to adjusting of excess production capacity of heavy industry.

There are of course unsettled aspects in employment policy that are prominent and calling for actions. First and foremost, structural dilemmas are still persistent because of the mismatching of the demand end and the supply end of labour market. On one hand, labor demand gap has sharply expanded since 2016 and peaked in 2017 (107 million); High Tech talent is in short and its demand ratio is above 2.0. On the other hand, unemployment issues remain acute although registered unemployment rate is far below 5% (3.8%) and keep decreasing.

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

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

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

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

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

employment policy; and the issues of social safety net and gender equality in employment are still prominent.

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

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.

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.

Topic 1.1.1 Contribution to Social and Economic Development Plans – Social Security ²

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.

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 unfavourable possibility of unemployment issues. 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.

As for 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.

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.

² Excerpt from report by Chinese expert Mr. Song Xiaowu.

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

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

The fifth proposal is dedicated to the discussion of child welfare, which has been largely neglected in the past in China's social protection system. Mr Song would propose to put child welfare to a much prominent position in social protection system as a response to the rapid demographic ageing and societal transformation. It is estimated that there are around 9 million "left-behind children" in China – children or adolescents whose parents are constantly absent in their childhood life – the number would go up to 50 to 60 million if calculated under different criteria. This would not only cause developmental issues for the children or adolescents themselves but also social issues for the society as a whole. The measures to be taken include more public financial support, increasing civil society participation, establishment of child allowance, improving urban MAF systems and refinement of public administrative system.

The sixth proposal is about housing provident fund and how to lessen the burden for enterprises as well as low income group in this regard. As a matter of fact the collection of public housing fund in China has a regressive impact on social equality. The essential reform target lies in the establishment of a housing security bank which functions as the professional administration body to monitor and manage the housing fund.

PROJECT RESULT 3

National policy evaluation technique in the area of social protection

Topic 1.2.4 Gender considerations in Employment and Social protection³

Guangdong Assessment

1.1 The labor force in the employment rate, unemployment rate and wage levels, there is a certain gender and urban differences

From the national point of view:

- First, the employment rates of urban and rural women are lower than men. In recent years, the decline rate of female employment in urban areas is greater than that for urban male, and the gender gap between rural is lower than that of urban areas;
- Second, the unemployment rate of urban women is higher than that of rural women and urban males, and the effect of housework on female unemployment is much greater than the impact on men;
- Third, in terms of labor income and property ownership, there is a certain gender urban and rural difference. Data analysis shows that male labor income and property ownership are significantly higher than female groups, and rural women's labor income level is generally lower than urban women.

From the Guangdong Province, the labor force in the same rate of employment and urban and rural differences. The data show that the overall unemployment rate in Guangdong Province is at a low level in the whole country. The employment rate of urban and rural women in Guangdong is higher than the national average, but the employment rate of rural men and women is generally lower than the national average. Guangdong's income level is higher than that of the whole country, but the gender gap is greater than the national average.

1.2 In the social insurance coverage and treatment level, the same gender and urban and rural differences

From the national point of view:

- The overall social insurance coverage. From 2014 to 2016, the number of insurance coverage increased to varying degrees, among which the most rapid growth was the coverage of urban basic medical insurance. At present, the "five insurance a gold" in the coverage of the largest number of basic old-age insurance and basic medical insurance, and coverage are far ahead of other insurance. The coverage of urban and rural residents' old-age insurance and urban residents' medical insurance is much larger than that of urban workers' old-age insurance and medical insurance.
- Secondly, the coverage and treatment level of social insurance are analyzed by gender. The coverage rate of medical insurance is slightly higher than that of female, and the rural area is higher than that of urban area. The coverage rate of female in industrial injury insurance and unemployment insurance is lower than that of male. From the Guangdong point of view, Guangdong non-farm account women enjoy the social old-age insurance and social health

³ Excerpt from reports by Chinese experts Mr. Yue Jinglun aka Ngok King-Lun and Lin Yi, conclusions by the Chairperson (international seminar, Chengdu, January 2019)

insurance ratio, higher than the national level, but the agricultural account of women enjoy the proportion of the two major insurance, are lower than the national level. Guangzhou City, the micro-data show that the number of insured men accounted for a large proportion while the number of women receiving treatment accounted for a larger proportion. Women's payment base and treatment levels are much lower than men.

1.3 Migrant workers in the insurance payment base and the level of treatment there is gender and urban differences

- The growth rate of migrant workers is higher than that of the employed persons, and the growth of female migrant workers is obvious. Guangzhou City, the data show that the city insurance system, the insured population in the migrant workers close to half, while the treatment of migrant workers accounted for less than 2%; migrant workers pay base and treatment levels are generally lower than the corresponding urban population; On average, female migrant workers pay base and treatment levels are lower than male migrant workers.
- Pension insurance contributions and the level of treatment associated with the system characteristics, may cause female migrant workers suffer double damage
- The current old-age insurance system appears to be gender neutral, but in reality it is unfavorable to low-income groups (including women, migrant workers, etc.) because it follows the incentive mechanism of payment and treatment. Further, the regulation of inter-regional transfer is not scientific and female migrant workers are subject to dual rights and interests' damage.

The main policy recommendations are:

1.3.1 The establishment of general social protection system of public pension. The establishment of general social protection public pension system, for all residents, men and women to provide the same basic old-age security.

1.3.2 To achieve basic pension national co-ordination, to solve the transfer of social insurance relations caused by the transfer of pension losses. In the absence of basic pension before the national co-ordination, insured people across the province of migrant workers to transfer the basic old-age insurance relationship, it is recommended to refer to the EU experience, the use of "sub-calculation, unified release" principle of pension, without the need to transfer Co-ordinate account funds.

1.3.3 To expand the social old-age insurance system for low-income groups (women, migrant workers) coverage, reduce the urban workers' pension insurance system access threshold, reduce the eligibility requirements.

1.3.4 Through the social protection policy reflect the female family to take care of labor compensation.

1.3.5 To expand maternity insurance coverage, in particular, to expand the coverage of migrant workers and rural women.

1.3.6 To speed up the establishment of women's flexible retirement system.

1.3.7 The establishment of statistical data by sex collection and reporting.

1.3.8 To strengthen publicity. Guide women, especially female migrant workers insured, to encourage qualified women to join the city as much as possible, and join in the household registration at the place of work, and as far as possible facilitate permanent registration when in the same co-ordination area for 10 years.

Sichuan assessment

The core of social insurance emphasizes the equivalence of rights and obligations and different groups have their own characteristics in terms of payment, retirement age, life expectancy and treatment. Although the original intention of system design is based on social equity as the premise, however due to the impacts of life cycle, labor cycle and labor employment characteristics caused by the gender, social security system is still facing challenges of gender equality. Retirement age and life expectancy are two important factors with gender difference, and both of them directly affect system operation and risk sharing, even final equality of social security system. Therefore, as we can say that labor employment, social security and gender difference have close relationship between each other. Any single problem to be well solved among them is based on the premise that all the three parts are harmonization

1.1 Labor employment and social security

From the perspective of conception, labor employment means some activities that persons who have the ability to work in their labor age engage into some kinds of work, and then receives remuneration and revenues to earn a living. Social security is social system that government intends to promote the welfare of population and provides monetary assistance to people with an inadequate or no income through assistance measures, finally improves health and well-being for the public, especially for potentially vulnerable groups such as children, the elderly, the sick and the unemployed. In summary, labor employment is a necessary way for workers to maintain subsistence and even reduce social poverty. When labors are impacted by the factors, such as old age, unemployment, illness, work-related injuries which lead to labor income decline, or even lose labor income, at this time, social security system plays a role of social stabilizer to protect labors and minimize the probability of poverty at this time. As we all know, labors have the right of social security, meanwhile they must fulfill the corresponding social obligations. Contribution or tax for social security system is the duty of citizens. It ensures the financial stability of social security system and maintains the effect of income distribution and social protection.

From the perspective of life cycle, labor employment cycle is highly unified with the operating cycle of social security system. Taking old-age insurance system for example, it is a typical income smoothing system based on life cycle, which can effectively redistribute the income of workers from the early stage of employment to retirement. The whole distribution process is highly unified with the labor employment process. Starting age and retirement age of labor employment are directly related to the calculation of the contribution years and benefit level, finally related to financial sustainability of whole system.

1.2 Labor employment and gender difference

There are extensive studies between labor employment and gender differences with human capital theory, labor market segmentation theory, and feminist theory. They interpret gender discrimination and gender segregation caused by gender from different perspectives. Generally, human capital especially education level of women is lower than that of man. The occupational discontinuity due to marriage, housework, child care affects the accumulation of working experience. Most of women prefer to choose informal works with the feature of flexibility. Under the

background of labor market segmentation, due to differences in physical conditions and disposition discrepancy of human capital elements, women also are prone to subordinate sector employment with lower wage. Otherwise, the characteristic of women themselves limit their job choice, meanwhile traditional gender concept had a stranglehold on employers and employees. It causes that a considerable part of women can't achieve occupational upward flow, even stay in the vulnerable segments of labor market.

1.3 Social security and gender difference

The essence of the social security system is no gender preference, and there are also no obvious gender discrimination and gender difference in the system design. Even according to women's own characteristics, social security system provides some items such as maternity insurance and female allowance, etc to safeguard the corresponding female rights and interests. Facing the fact of lower ability of competition and lower level of initial wage distribution, it needs a fair and reasonable social security system to realize social value of women and maintain living level, so as to effectively prevent wage declining fast and income gap between genders.

The relevant problems of social security and genders mostly refer to gender as the important parameter which affects the system performance through the transmission mechanism from labor employment to social security. Taking old-age insurance for example, female statutory retirement time is earlier than male, female labor employment time is shorter than male, female average income is lower than male, female life expectancy is longer than male, and receive benefit time is longer than male. So, it means that women have shorter contribution accumulation and longer life expectancy which leads to lower benefit level.

2. Foreign study and experience learning of gender equality

In order to solve gender difference problem, western developed countries try their best to make policies to protect women's pension rights and alleviate poverty of elderly women in past 30 years. The concrete measures including:

- Increasing system coverage for flexible and informal employment
- Building system to protect derivative social security right
- Providing family care and elderly allowance
- Implementing gender equality of the statutory retirement age

3. Reform and development in gender equality of employment and social security- case study of Chengdu and Luzhou, Sichuan, P. R. China

In the past 30 years, China pays more attention on protection of rights and interests of women. Under the background of sustained economic and social development in China, the work of women's employment and social security has made successful progress. It promotes equal payment for equal work in the labor market, and opposes employment discrimination and gender differences. In terms of social security, with the implementation of a series of social security policy such as urban worker old-age insurance, urban and rural resident old-age insurance, urban worker medical insurance and urban and rural resident medical insurance, the labors between urban and rural areas all have social security right and obtain pension and medical protection. System design keeps gender neutral which takes the obligation of contribution and the right of receiving benefit as the basic principle. Both men and women achieve full coverage in the system.

From data analysis about employment and social security in Chengdu and Luzhou, we find that the amount of female employment increases year by year, as well as participant rate of social insurance. The female participant amount is less than male. It is on the one hand because the rate of male undertaking formal employment is higher than that of female, and on the other hand, the male population is more than female population. It indicates that female employment and social security is a hot issue in the society, and women pay more attention to protect their interests and rights. Even in Chengdu, the female participant amounts of urban worker old-age insurance and medical insurance are more than male participant. Otherwise, benefit difference still exists between urban and rural system. The gender problem caused by contribution years and retirement age has a common feature in the whole country. It is necessary to build a top-down reform path from the overall development of employment and social security.

4. Policy suggestions for gender equality of employment and social security

The data analysis of female employment and social security in Chengdu and Luzhou reflects not only the features in Chengdu and Luzhou themselves, but also the common problems in the whole country. It is necessary to give constructive policy suggestions to the government from the overall concept.

4.1 Actively guide and support female employment, and build a benign relationship between employment and social security

It is necessary to combine the current development model of emerging Internet economy with women's own advantages. Further, we should implement policies of employment promotion and entrepreneurship support, help labors find their accurate occupational positions in the labor market, and fully protect the employment rights of women through gradually increasing the labor participation rate and reducing gender difference of salary. It will realize the goal of real 'Equal Position, Equal Payment' which help women obtain equal opportunity of occupational development.

4.2 Accelerate the structural reform of old-age insurance system to promote gender equality in the urban and rural system

Therefore, under the background of current 'Top Design Reform' of pension system, it is important to deepen the structure reform of old-age insurance system, in order to promote urban and rural fair and gender equity with the concept of 'Fairness, Justice and Sharing'. So we need to seize the favorable time window of system integration, through introducing the mechanisms of social gender evaluation and social gender budget to promote the goal of structural reform. At the same time, government should further optimize the achievements of double-track reform, and realize the fair, reasonable and unified urban and rural old-age insurance system among different regions, different occupations and different genders. Besides, with the era of information technology and development concept of 'Internet +', flexible employment will become more widespread, the reform of social security system must adapt to match the transformation of employment mode in the new period.

4.3 Optimize parameter reform of old-age insurance system to promote the equalization of retirement age between men and women

Parameter reform of old-age insurance system is an important content of 'Top Design Reform'. It is also a scientific design based on the institutional theory. At present, the benefit gap between genders is closely related to the parameter design in the current system. Nowadays, the gap between statutory retirement age and remaining years after retirement is the main reason for the benefit difference. It is important to raise female retirement age with the opportunity of delaying

retirement in order to realize gender equality. This is the core elements of reducing benefit gap and gender difference in the parameter reform of old-age insurance system.

4.4 Building a female compensation mechanism in social security system

The value of family responsibilities should be recognized and reevaluated. Establishing a female compensation mechanism in social security system is to introduce gender consciousness to the system and emphasize the effect and value of family work. Then, all the female contribution to the society and family should be compensated and it is a new way to recognize labor division. We can learn from foreign experience to objectively evaluate the contribution between genders, provide compensation mechanism in the aspects of contribution level and contribution years. It is also necessary to provide more humane maternity policy, such as longer period of maternity leave. In addition, family work can be compensated by providing family care allowance with relevant requirements.

4.5 Building a female interest distribution mechanism in social security system

Fast pace and high pressure life style in the modern society brings a great impact on family stability, and the divorce rate has been rising steadily. At the same time, the physiological characteristic that women's life expectancy is higher than men's also determines the existence of more elderly widowed women. Both two factors will impact on women's elderly life. Male breadwinner model will still exist for a long time with new style, which means that only husband is protected by social security system and wife's elderly welfare is vulnerable. Thus, it is possible to introduce a sharing mechanism of derived social security right in the premise of reducing negative effect of gender attachment in order to provide life protection for female aging population.

Overall recommendations

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

PROJECT RESULT 4

National Policy Framework for a Full Coverage of Old-Age Insurance System

Topic 1.3.4 Multi-tier social protection in old-age ⁴

The basic logic of the research leading to these recommendations is as follows: firstly, the report tries to illustrate the significance and purpose of studying the European experiences in the field of their social protection system, and secondly, the tentative findings and conclusions achieved so far. The reason for conducting the research is historically evident since China has learnt great deal of social security experiences from outside world including EU countries, and with the deepening of its institutional reform, China not only needs to know how but also why. The general approach of the research is designed as a result of thorough discussion among the project office and the research team on the basis of available academic resources, relevance to the Chinese context and countries of interest to NDRC. Therefore, six countries are selected namely Germany, the UK, Italy, France, Netherland, and Spain, whose social security systems are under examination.

Germany

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

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

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

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

⁴ Excerpts from report by Chinese expert Ms Zhou Hong

employment in the labour market are actually excluded from the Riester pension. Old age-poverty is preprogrammed and many retired people in Germany are increasingly exposed to risk of poverty in their old age.

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

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

United Kingdom

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

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

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

Current pension system in the UK is composed of three components. Public pensions – a low-level pay-as-you-go system with a replacement rate of 22.1% in 2016, an occupational Pension - NEST

which employees “automatically join”, and the private pensions whose coverage is relatively high at 43%, and the voluntary private pension replacement rate is 30%. The social assistance system is highly correlated with encouraging employment.

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

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

Italy

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

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

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

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

There are also unsettled issues brought about by the reform. Firstly, the redistributive role of public pensions has been greatly weakened, and the lack of supplementary pensions will worsen the problem of old age poverty. Secondly, under the current pension system, workers’ occupational stability and continuity, and life span become important factors which have much impact on the

pensionable income. The counter measures on raising the retirement age and payment period will worsen the problem of income inequality, especially for flexible employment and self-employment groups facing the risk of living standard worsening sharply after retirement. The reform of Italian National Health Service system tends to localize the administrative and fiscal authority. Regions play more and more direct and important roles in health policy. This means the deterioration of regional imbalances in health service supply.

France

The structure of social protection system in France consists of three parts: social security which includes schemes of retirement insurance, medical-maternity insurance, occupational injuries and diseases insurance, and family benefit; unemployment insurance, and social aid.

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

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

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

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

The Netherlands

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

Seen from the perspectives of social investment, the welfare state should carry three functions in terms of social protection. Firstly, it must provide labour market capacity for those who are able to

take part in employment of any kind, i.e., the state must ensure a stable level of labour market participation rate; secondly, it must strive to invest in human resources so as to maximize its human capital; and thirdly, it must provide countermeasures to buffer against systemic social risks.

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

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

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

Spain

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

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

The recent reform measures in social protection in Spain have 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.

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.