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

Component 1

SEMINAR ON SOCIAL SECURITY REFORM TRENDS AFTER ECONOMIC CRISIS

BEIJING, 21 JANUARY 2016

The EU-China Social Protection Reform Project Component 1 held a Seminar on Social security reform trends after Economic crisis at the Institute of American Studies, CASS on 21 January 2016. EU Experts and scholars from SPRP, from NDRC and from CISS, CASS shared and exchanged their research findings and perspectives, making the workshop a very lively and productive event. Full power-point presentations can be found on http://www.sprp-cn.eu/Crisis2016Seminar/

Mr. Fang Lianquan opens the workshop that starts with an opening speech from **Ms. Tang Ling**, Director of Department of Employment and Income Distribution, NDRC. She offers an account of the activities and achievements led by NDRC during the year of 2015. In particular, Ms. Tang highlights the overseas activities, where more than 10 directors from NDRC participated in, thus testifying to the direct benefits that the SPRP provides to the policy makers in China.

Mr. Koen Vleminckx, EU-China SPRP C1 Social Security Best Practices Expert then delivers his key-note speech on the reform of the pension systems in the European Union after crisis. Mr. Vleminckx presents a rather comprehensive and in-depth delineation of the Post-Crisis pension system reforms in EU with an extensive array of data. He first discusses the specific features of the so-called ‘welfare state’ that has become pervasive throughout Europe since the WWII. Most countries spend 1/3 of their GDP on social expenditure and 1/5 on public services. From a comparative perspective, the public spending in China is far from ‘high’ as it constitutes around only 5-6 % of the GDP. At the same time, he also calls for the attention to the structure of expenditure distribution between public and private sectors, by pointing out the ratio of private social spending in the US as well as in other OECD countries.

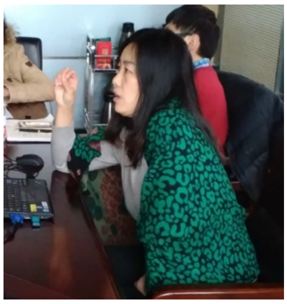
Second Mr. Vleminckx elaborates on both the vulnerability and the advantages of welfare state especially in relation to the financial crisis. On the one hand, it is indeed the case that social security is often perceived as economic luxuries but the spending nevertheless tends to increase during the economic crisis, rendering high welfare a 'threat' to global competitiveness of the country. However it is also worth noting the positive effects of welfare state on income redistribution hence social stability, since social protection can function as 'economic stabilizer' and essentially an investment in the future, and also facilitate female labour market participation.

Moving on to the changes in the social protection policies in the Post-Crisis EU, Mr. Vleminckx points out that between 2007 and 2010 immediately after the financial crisis, an increase in social expenditure is observed in most counties. However, ever since 2010 there has been a slight decrease, indicating the public spending is becoming constrained. It is fascinating that in spite of the drop in spending on health and education, the old-age spending remains robust and even rises a little, an obvious factor of which is of course population ageing.

Then he explains social impact and political impact of the crisis, which formulate the context in which social protection reforms have taken place. Employment rate is much lower, accompanied by a rising youth unemployment rate, and the household income declines significantly while the material deprivation among children becomes divergent. In terms of political support, the general trend is that it has become more conservative. Specifically, most citizens tend to favour the maintenance of the *status quo,* which means that they are more or less against spending for vulnerable groups such as family with children. However, there is a high legitimacy for pension support, which lays the solid foundation for the pension reform in EU.

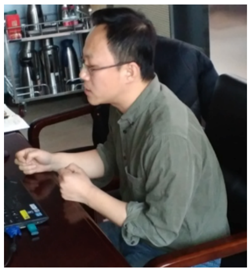
The most prominent feature of the EU pension reform in the post-crisis era, according to Mr. Vleminckx is the pursuit of 'sustainable expenditure' in the long run. As a matter of fact, most countries have sought to include more occupational pension plans in the reform. Especially in Eastern Europe, policy measures have been taken to implement mandatory private pensions. Even though the southern European countries tend to focus more on the cutting of expenditure, there is no doubt that the long-term pension spending is put under control. It is based on these observations and considerations that Mr. Vleminckx predict that there would be a steady decline in public schemes but an increase in private spending in Europe from 2013 to 2053.

Building on the EU experience elaborated in the keynote speech, four prominent scholars from CASS presents their research, adding a comparative dimension to the workshop.



Ms. Zhang Yinghua focuses on the unemployment insurance system in China. Through the careful retrospection into the two historical moments where unemployment insurance played the critical role, she not only delineates the development trajectory of unemployment insurance system in China, but also suggests the ways in which such system can help coping with the foreseeable 'unemployment wave' as a result of the structural reform on the supply front in 2016-2017.

Mr. Gao Qingbo provides a concise overview of the pension reforms in Latin America since 2007. In his account, different countries have taken quite disparate approaches to pension reforms after the financial crisis, and the most interesting case is from Argentine, which has gone back and forth between the pay as you go model and the individual account. The mixed results in these countries also speak of the challenge that the pension system faces in balancing among factors of coverage, benefit and sustainability.



The third speaker from CASS, **Mr. Qi Chuanjun** offers an alternative perspective. Instead of looking in the long run, he discusses the temporary measures that can be taken to cope with the financial crisis, which, in his opinion, might not have been over. He suggests that right now there is not much room in expanding the coverage or contribution increase. At the same time, retirement deference and benefit reduction are not likely to be realised in a short period of time. This has left the Chinese state no choice but to rely on pension investment, in both the domestic and the international markets, as a temporary strategy to deal with the issue of affordability.

Last but not the least, **Mr. Fang Lianquan** offers a descriptive account of pension reforms among OECD countries. He concludes that most reforms have been enacted to deal with two major issues of sustainability and income adequacy.

Another highlight from the workshop is the debate on whether welfare state is one of the factors of financial crisis, which emerges as **Professor Zheng Bingwen**, Director of CISS, CASS comments on Mr. Vleminckx's presentation.

Professor Zheng holds the view that welfare state has indeed lead to the economic crisis, and he unpacks this stance using the case of Greece through various forms of data. He also suggests that, having learnt the lesson from the crisis, Europe is now emulating the social model of the US. Hence it is important to initiate the shift from the welfare state to the welfare society, that is, to energise and rely more on the private sector so as to diversify the provision of welfare benefits.

As a response to the comments, Mr. Vleminckx suggests that it is also crucial to see the downside of the US model. According to him, the US model is an extremely unfair and unequal one. Under its protection system, which relies heavily on private expenditure, poverty rate is astoundingly high, and many children suffer from material deprivation, which is absurd to see in the wealthiest country in the world. Returning to the central point of debate, he makes clear his position that welfare state does not lead to financial crisis. The problem does not lie in the model *per se* but in its inefficiency. What is needed is smart social policy that produces efficient social investment in human capital and in the future. The disagreement actually results in a very productive and enlightening conversation for both sides, and even more so for the audience who get to hear about different perspectives on the same issue.

Jean-Victor Gruat, SPRP European Resident Expert for Component 1, delivers the conclusion. He acknowledges the contribution from NDRC and CISS, CASS, and speaks highly on the progress that has been made during 2015 on the issue of social protection and its relationship with financial crisis. He emphasises the fundamental guideline for pension reform is to ensure that the system actually helps those in need of protection. To achieve this ultimate goal, and to not only survive but also overcome the economic crisis, a balance shall be sought in between of the desirable and the affordable. In this light, the project will continue working in this direction, and the workshop today without doubt contributes significantly to the implementation of SPRP in 2016.

Notes prepared by Ms. Xu Chenjia,

Assistant to the EU-China SPR project Component 1

22 January 2016.

Seminar on Social security Reform Trends after Crisis

Afternoon, January 21, 2015

Institute of American Studies, Chinese Academy of Social Sciences

Chaired by Dr. Fang Lianquan, SPRP Chinese Main Expert, Researcher of CASS

14：00 – 14：10 Opening remarks by Tang Ling, Division Director, Department of Employment and Income Distribution

14：10 – 15：00 Keynote speech on "Reform of Pension System in EU after Crisis" by Vleminckx Koen

15：00 – 16：00 Discussion and Interaction

(Zhang Yinghua, Gao Qingbo, Fang Lianquan, Qi Chuanjun, each 10 mins)

16：00 – 16：30 Commented by Dr. Zheng Bingwen, Director of Global Social Security Research Centre, CASS

16：30 – 16：40 Conclusion by Jean-Victor Gruat, SPRP European Resident Expert

Language: English, Chinese