



EU-China Social Protection Reform Project (SPRP)

2016 High Level Event

— Perspective of Employment Policy and Social Security Reform

2016-2020

Summary

The 2016 High Level Event(HLE) of EU-China Social Protection Reform Project (SPRP) was held on 28th and 29th September 2016 under the heading “Perspective of Employment Policy and Social Security Reform 2016 - 2020”. Its Opening Ceremony took place with participation of Mr. Wang Xiaotao, Deputy Chairman of the National Development and Reform Commission NDRC of P.R. China; Mr. Hans-Dietmar Schweisgut, Ambassador of the European Union to China; Mr. Michel Servoz, Director General of the Directorate General for Employment, Social Affairs and Inclusion, EU; Mr. Tom Bevers, Chairperson of EU Employment Committee; Ms. Michaela Marksová, Minister of Labour and Social Affairs, Czech Republic; Ms. Oana Silvia Țoiu, Secretary of State of the Ministry of Labour, Family, Social Protection and Elderly, Romania; Mr. Claude Jeannerot, Ambassador of France, in charge of International Social Relations; and Mr. Doru Romulus Costea, Romanian Ambassador to China. Mr. Wang Xiaotao and Mr. Hans-Dietmar Schweisgut delivered speeches for the opening ceremony, respectively in name of Chinese and European organizers of the HLE. Chinese experts from governmental and academic institutes, including the Ministry of Finance, the Ministry of Civil Affairs, National Council of Social Security Fund, China Academy of Social Sciences, National Tsinghua University and the Renmin University of China as well as European experts from EU, France, Germany, Spain, Italy, Czech Republic, Belgium, Poland, Romania and Greece. Experts from international organizations including the World Bank, the UNDP and the ILO have participated in the HLE and made interventions according to the agenda. Besides, experts from China’s provincial Development and Reform Commissions, Chinese universities and other academic institutes have participated in the HLE and listened to the speeches. Thus more than 150 participants have attended the conference. There were five sessions in the conference, regarding macro economy; new model of urbanization, employment and entrepreneurship; universal coverage under social security; income redistribution, and reform of social security financing.

Ms. Cheng Jianlin, Vice Secretary General of NDRC, moderated the **Opening Ceremony**. As she pointed out, the NDRC has conducted deep and wide cooperation and exchange with relative directorates general of EU as well as EU member states, which has strengthened the partnership of China and EU for urbanization issue, and set up a series of dialogue mechanisms on macro economy, regional economy and competition policy, etc. The EU-China SPRP, officially coming into operation in 2015, has extended the cooperation between the two sides, and is significant in that it provides opportunity to EU and China to learn from each other and react in an appropriate way to the challenges in the field of employment and social security.

Mr. Wang Xiaotao, in his speech, recognized the achievement of the SPRP in the latest two years and pointed out that the HLE is both timely and necessary for the reason that employment and social security are important issues in socio-economic development, and that EU's experience in implementing positive employment policy and reacting to population ageing can be studied and learnt by China, while China, as the largest developing country with the largest population in the world, can also provide EU with new ideas on policy practice in the field. He has emphasized five important aspects of governmental activity on employment and social security during China's 13th Five-Year Plan period: the first is that the Chinese government should make effort on maintaining the high-speed economic development and thus can provide employment and social security with fundamental support; the second is that the government should make effort on improving the quality of labour force and thus enhance their capacity of paying social contribution so to extend the coverage of social security; the third is that the government should improve policy on labour movement, eliminate obstacles against labour movement and finally allow mobile labour to have smooth transfer and continuation of social security; the fourth is that the government should keep on optimizing the environment for innovation and entrepreneurship, which can activate development, promote these two important issues along with the process of China's new-type urbanization, and facilitate migrant workers to start up entrepreneurship in their homeland; the fifth is that the government should enhance the equality and sustainability of social security system on the base of full coverage, reasonable protection, clear responsibility and right, and highly effective management, so to continuously adjust and perfect the system.

Mr. Hans-Dietmar Schweisgut, in his speech, pointed out that social protection is an important issue in both the plans of EU and China for the next five years, which is strongly related to the equal sharing of the fruit of economic development. Since 2014, the EU-China SPRP has obtained great achievements. It is a result of the efforts together made by Chinese ministries and the seven member states of the project consortium. When introducing the situation of EU, Mr. Schweisgut emphasizes the challenges that the EU social protection system is facing, which is mainly demonstrated by the low growth rate of economy, pressure associated with immigration, ageing of population and constraints on finance. The EU, in the future, will develop in an AAA rating social model with the objective to promote social

prosperity, economic development and employment opportunity.

The first session of the conference dedicated to the “Macro Economic and Employment Situation during 2016-2020” was co-chaired by Mr. Claude Jeannerot, Ambassador of France in Charge of International Social Relations, and Mr. Xu Lin, Director General, Department of Development Planning, NDRC. For this session, Mr. Pu Yufei, Director General, Department of Employment and Income Distribution, NDRC; Mr. Michel Servoz, Director-General of DG Employment, Social Affairs and Inclusion, of the European Commission; Mr. Hu Angang, Director of the Centre for China Studies, from Tsinghua University; and Mr. Stefano Sacchi, Professor at the University of Milano, Italy, have given keynote speeches on China and EU’s macro economy, employment and labour market.

Mr. Pu Yufei gave a comprehensive interpretation on employment situation in China. The first big aspect of this issue is how to understand four sub-issues. The first is the so-called threshold of employment. The Chinese population by the end of 2015 is totally 1.37 billion, among which 910 million are working-age population (aged at 16 - 59) and 770 million are employed. These data signify that if China’s unemployment rate was increased by just 1%, 10 million more people would be unemployed. Therefore, employment issue in China is so serious that we cannot ignore any of the tiny details. The government must set employment as a threshold when making economic policy. When macroeconomic policy exceeds this threshold, it is necessary to consider adjusting the policy. The second sub-issue is sustaining general stability of employment under the condition of economic down-turn. To do this, three kinds of capacity are important: the capacity of creating job, which is resulted from economic growth; the capacity of mobility in labour market; and the capacity of matching employment quality and position. The third sub-issue is the structural contradiction of employment, which imposes impact on the structure of industries, regions, and social groups. For instance, in terms of population structure, the 7.65 million graduate students and 277 million rural migrant workers represent the major pressure on employment. The fourth sub-issue is how to understand employment risk. One of the keys is that the implicit unemployment becomes explicit. In some industries and regions, for instance the industry of steel, coal, and the region of the North-East China, the unemployment rate is not high, but income and working time are reduced. In case of economic volatility, the unemployment risk in this region would enlarge. The second big aspect of China’s employment issue is how to face the challenges, which indicates the focus of employment policy at the next stage. The key is to devise three balance points. The first balance point is between the people “on board”, which means employed group, and those “off board”, the unemployed group. For this issue, the government should enlarge the ship of economic growth and the net of unemployment security. Besides, the government must also build up a bridge of employment training that connects the ship and the net. The second balance point is between the bottom line and the top line. The bottom line means sufficient employment rate, while the top line means increased employment quality. The

balance between this two means that the government should make effort on increasing employment quality during economic up-turn and ensuring threshold of employment rate during the down-turn. The third balance point is between the formal and informal employments. There is no moral distinction of good and bad between formal and informal employments. Actually, following the development of the sharing economy, a great amount of informal employees have gotten rid of traditional low-end employment. The key to getting the balance between these two depends on market mechanism. The focus of governmental policy thus should be on increasing the elasticity of formal employment market and reducing institutional costs and threshold of informal employment.

Mr. Xu Lin, then, supplemented Mr. Pu's presentation with interpretation on the decreasing labour supply in China due to the population ageing and the change of employment structure due to the industrial development of manufacture and service sections.

Mr. Hu Angang, with the title "Innovative Development and Employment Promotion", gave his interpretation on the issues including China's economic growth during the 13th Five-Year Plan period, supply of labour force, technological innovation and environment for entrepreneurship. Presenting a great amount of data, Mr. Hu made an introduction to the general situation of China's economic growth, productivity, skills of labour force and elasticity of employment. He indicated that, in the period of mass entrepreneur, China has the largest population of enterprises, entrepreneurs and human resources of scientists and technicians, while China is also the country with the largest number of applied and registered commercial marks. At the same time, Mr. Hu showed that the large amount of Chinese students with experience of studying abroad and foreign students that are studying in China can provide the country with internationalized human resources for scientific and technological innovation. Besides, China has evolved into a country advanced in scientific input. Digital revolution has brought great dividend to China and internet has become an important channel to accommodate employment. All these factors constitute good environment and stable guarantee for the mass entrepreneurship taking place in China.

Mr. Michel Servoz, Director General of the Directorate General for Employment, Social Affairs and Inclusion, EU, presented the current situation and policies of economy, employment and social protection in EU. After the profound crisis, EU's effort on reviving economy works slowly. GDP of the member states are still lower than that before 2008. The EU sets 2% as the objective growth rate in current period. In terms of employment, the unemployment rate of EU is still very high, and 9 member states are still suffering unemployment rate over 10%. A good news is that people see improvement in youth employment. The EU is also facing structural reform and its growth mode is shifting. Digitalization, urbanization, change of employment model and development of sharing economy bring new challenges to EU countries. In Strategy 2020, EU has set five objectives for development. For employment, the goal

is to obtain 75% as the participation rate in labour market by 2020. For education, the goal is to have 40% of young people enjoying high education and to reduce drop-out rate in middle and primary education by 2020. For poverty reduction, the goal is to help 20 million people get rid of poverty by 2020. For reaching these goals, the EU has adopted a comprehensive policy on coordinated socio-economic development through the so-called “European Semester”. In the field of social protection, the EU emphasizes the importance of principle policy that is based on social rights. Traditional values and stability are facing the challenges derived from population ageing and the changes in employment mode. Thus the social policies are in need of wide reform. In terms of employment policy, the EU has initiated a “Youth Protection Plan”. Nine million students have received support from the plan for their start-up programs. For long-term unemployment, the EU has set up an assessment system and provides re-training and one-stop service to help long-term unemployed persons get new jobs. For skills training, the EU proposes to establish a coordination mechanism of labour skill qualification, in order to match jobs and skills. For protection of employment, some EU member states are implementing specific policies to protect flexible employment. Finally, in terms of the impact of Brexit, it is expected that there is still great uncertainty but Brexit should make growth rate of EU reduced by about 0.8 percentage point. EU is facing an unprecedented challenge derived from immigration of refugees. There were 1.3 million new asylum applications in 2014. The biggest problem is the integration of the labour market. On the one hand, the coming of refugees can contribute to quantity of labour force, while on the other hand, skill shortage and social inclusion are still big problems.

Professor Stefano Sacchi introduced labour market policies in EU countries. Firstly, he analysed some indicators for assessing social development of European countries after the crisis, including child poverty rate, employment rate and youth unemployment rate. Although different country have different traits, the general situation is the same, especially in terms of the fiscal impact on unemployment. Under the condition of fragmented dualist labour market, threshold for young women and technological immigrants to enter the market is relatively high. In the field of social protection, the coverage of welfare system based on social insurance is not fully extended. EU countries are conducting structural reform on social policy. Spain, in 2011 and 2012, Italy, in 2015, and France, in 2016, have launched reforms on labour market, after which fix-term labour contract becomes more flexible. These reforms have strengthened the autonomy of employer in un-employing staff and bargaining salary. Besides, the countries have also intensified the social protection for flexible employment. Professor Sacchi thinks that the general direction of reform should not be only reform on supply side but should be a complete macro strategy. The reason is that most EU countries are consumption-oriented, thus internal demand is important to economic growth. The structural reform and austerity policy mix have continuously reduced public investment and social investment, which constraints the internal demand. Therefore, structural reform must be combined with fiscal policy for economic growth, protect unemployed group, and finally rebuild trust in EU.

In the exchange circle of the first session, the speakers gave good advices that we should enhance exchange and cooperation between China and EU. China and EU are facing same challenges and issues in employment and social protection. Thus there is space for deeper international cooperation and exchange. There are three ways for deeper cooperation between China and EU in the future. The first is to combine top level design of policy and basic level practice; the second is to combine bilateral and multi-lateral exchanges; and the third is to combine economic and social policies. At the end of the session, Mr. Jeannerot delivered his speech, in which he analysed the function of social protection towards economic growth and employment quality, using French case. He pointed out that it is necessary to strengthen dialogue between EU and China and have more exchanges of different experiences with good analysis.

The second session of the conference dedicated to “New-type Urbanization and Support Policies for Employment and Job Creation” was co-chaired by Mr. Pu Yufei and Mr. Tom Bevers. Mr. Stefan Olsson, Director for Employment Policies from the Directorate General for Employment, Social Affairs and Inclusion, EU; Mr. Zeng Xiangquan, Director of China Institute for Employment Research, Renmin University of China; Mr. Jean-Yves Hocquet, Consultant at National School for Higher Social Security Studies, France; and Mr. Zhang Juwei, Director of the Institution of Population and Labour Economies, China Academy of Social Sciences have given presentations on their respective topics.

The two EU speakers focused on EU reform on employment and social protection. With the title “EU Employment and Social Priorities - EU Initiatives”, Mr. Stefan Olsson analysed the importance of investment, employment creation, structural reform and sustainability. EU is gradually and slowly recovering, but the challenges in front of the member states are still serious, especially in terms of poverty and long-term unemployment. New jobs mainly come from service section. Most labour contracts become open, in order to increase flexibility. Social protection system is critical to facing the crisis. To increase labour supply, many countries are limiting access to retirement and making policies to postpone legal retirement age. For social dialogue, it is necessary to reinforce cooperation between the labour force and employers and to absorb the ideas of the partners. In developing social service capacity, employment and social service should be integrated. One-stop service should be set up and the coordination between single services should be well conducted. For promoting EU social funds, a great amount of money is needed and relative entry condition and performance assessment system should be set up for better management.

Mr. Jean-Yves Hocquet made his presentation under the title “Social Protection and Employment Trade off or Synergies”. He firstly introduced the diversity among EU countries. In terms of social expenditure, the average level of all the EU countries is 29% of GDP, while the countries have their own situations in this issue. Social expenditure, in particular unemployment benefit, can function as an autonomous stabilizer of economy during crisis. South European countries use more social

expenditure on retirement subsidies while North European countries have more positive labour market policies. For articulation of social protection policies, EU has introduced the Open Method of Coordination after the signing of Lisbon Agreement, which is a process that considers multi-lateral interest in making common policies and constructs bridges connecting employment and social protection policies. One important issue is the more flexible model of social protection in which employees can be provided with benefit while employers can adopt flexible employment policy. These two aspects are sometimes result into contradictions. For example, it is not easy to link reduced social contribution with future benefit. And social protection can have reverse effect on employment since social service can provide new jobs. For example, in many EU countries, long-term care for aged people can create large amount of jobs. Meanwhile, fighting against fraud in social protection can also facilitate sustainable employment and fair competition. Finally, Mr. Hocquet demonstrated the advantages of Scandinavian model and British models in terms of redistribution, and argued that there must be a balance between employment and social protection.

The two Chinese researchers introduced respectively the situation of Chinese youth employment and China's social protection policy. With the title "Youth Employment Policies: Good Models from China" and concrete cases, Professor Zeng Xiangquan presented four policies facilitating youth employment in China: youth start-up program, skills training program, village official system and apprenticeship programs. For entrepreneurship, Chinese government has issued many policies facilitating start-up, especially financial support, tax reduction and exemption, small-size loan, public service, workplace support, guidance and training, residence permission and human resource management etc. Among them, an important way is promoting education on entrepreneurship. But for skills training, there is space to improve and get better results, in order to level up employment quality. A special program characterized by Chinese reality is the village official system where youth are under specific conditions selected to work in a village administration. This scheme has been in force for more than 11 years. A case in Shunyi district of Beijing demonstrates the good effect of this system. At the same time, apprenticeship program has also good effect in improving soft skill and employment skill of college students.

Mr. Zhang Juwei gave his presentation under the title "Integration of Employment Policies with Social Security System". Through his projections, he analysed the trend in Chinese demographic change and hence gave the audience an interpretation on the structure of working population, the population covered by social protection and the population working as salaried employee, which shows that China is facing challenges derived from the fact that the country "gets aged before getting rich" and thus the sustainability of social funding is a big problem for the country. He has also proposed suggestions on old-age insurance reform. The first is that the government should form more explicit and clear regulations and adopt PAYG under notional account system. The second is that the country should have a social pooling system at national level for the old-age insurance fund, in order to reduce the disparity among the regions. The

third is that Chinese social protection system should extend its coverage and that potential social groups should be detected and covered. The fourth is that fiscal subsidy should be explicitly accepted as legal revenue of social fund. And the fifth is that, with efficient reform, social contributions should be reduced for relieving the burden over enterprises and individuals.

Mr. Pu Yufei highlighted the tendency of Chinese government's work on employment and social protection, especially in three aspects: long-term and short-term perspectives, reducing fraud and improving social service, and balancing current social protection system and future model of employment. Mr. Tom Bevers, in his final comments, emphasized the diversity among EU countries, indicating that EU countries should adopt policies in accordance with local reality. Both China and EU are facing some common challenges. China can learn from EU in youth employment policy while EU should learn from Chinese entrepreneurship. There is an important direction for China and EU: to promote life-long learning. Besides, the two sides can reinforce exchanges on issues as migration, social protection for flexible employees, refugee policies and limitation on early retirement from labour market.

The third session of the conference dedicated to “Universal Coverage of Social Security System and Adaptation to Mobility” was co-chaired by Mr. Jin Weigang, Director General of the Research Institute for Social Security, Ministry of Social Security and Human Resources, and Mrs. Michaela Marksová, Minister of Labour and Social Affairs, the Czech Republic. The list of speakers included Mr. Koen Vleminckx, Director of Research and International Cooperation, Federal Public Service Social Security, Belgium; Ms. Katerina-Marina Kyrieri, Consultant of the Ministry of Finance, Greece; Mr. Yue Jinglun, Professor and Deputy Dean of the School of Public Administration, Sun Yat-Sen University; and Mr. Lin Yi, Director of the Centre for Insurance and Social Security Studies, Southwestern University of Finance and Economics. European experts gave presentation on coverage of European social protection and social protection policies on mobile population. Chinese experts focused on rural-urban coordination in Guangdong and Sichuan, and cases of transfer and continuation of social security.

Mr. Koen Vleminckx, in his speech, firstly presented the traits, advantage, disadvantage and suitability of five social protection models: targeted, voluntary state subsidized, corporatist, basic security and encompassing models. In reality, most OECD countries use a mixture of the five models. Mr. Vleminckx introduced the case of Danish voluntary public unemployment insurance program, in which workers can participate in the program on their own behalf and get State subsidy. The coverage under this program reaches 80% of the Danish population. It is worth being learnt by other countries. Following this, Mr. Vleminckx introduced the design of social protection for atypical employment, which mainly consists of part-time employment, self-employment and fix-term employment. Design of social protection system should be fit for their characteristics. For mobile/migrant worker, EU's principles of social

protection consists of “the legislation of one country at a time”, “equal treatment or non-discrimination”, “previous periods of insurance, work or residence in other countries are taken into account if necessary” and “exportability”. In 2014, the EU issued the Pensions Portability Directive (PPD), which will become legislation in all the member states in 2018. The purpose of this directive is to protect the accrual rights of occupational pension for mobile workers (supplementary pensions).

The title of the presentation made by Ms. Katerina-Marina Kyrieri was “Protecting Migrant Workers under Social Security Schemes in Europe”. She provided the audience with basic data of European migrant population and explained the scope of the Open method of coordination OMC in social protection, types of benefit and bilateral or multilateral agreement among EU countries. In digitalization, the Electronic Exchange of Social Security Information EESSI European Network constitutes a universal platform for transfer and continuation of social protection, which is connecting 15,000 institutes. More than 10 million pieces of information are being updated every year. She also introduced EU experiences in combating fraud in employment and social security affecting migrant workers' rights, which involves lawsuits and sanctions against the fraudulent employers.

Professor Yue Jinglun’s presentation focused on the transfer and continuation of social security rights of migrant workers in Guangdong province. As he indicated, Chinese social protection system is facing prominent problems with the split of residency, labour market and regions, which result from the fragmentation of the system. And this is the origin of the problem of transfer and continuation of social security across schemes and regions. The current policies have fixed the regulation of transfer and continuation, including the principle of determining the location where contributor gets benefit and of calculating the amount of benefit. But in respect to European regulation, the Chinese policies are still rough. As the biggest province that receives migrant worker, Guangdong has some experience about the issue. Huizhou and Guangzhou provide us with concrete cases of the articulation between different schemes. But due to the low level of social pooling, problems in administration and computerization, migrant workers are still facing difficulties such as insufficient pension rights, conflict between regional interests and unequal calculation of benefit, etc.

The presentation of Professor Lin Yi focused on Sichuan’s experience on the coordination of urban and rural social protection. In Chengdu, the major measures include making every citizen enjoy social protection, keeping urban and rural social protection coordinated, and articulating benefits of urban and rural schemes, unifying urban and rural institutions and administrations. The first issue for this is setting up a social security system that coordinates urban and rural schemes in order to gradually realize full coverage of social protection. In 2003, the local government initiated the comprehensive insurance scheme for migrant workers. The scheme continues to be improved and has been extended to cover old-age benefit, work-related injury benefit,

benefit for hospital care and maternity, and unemployment benefit. Besides, Chengdu has also an insurance scheme for peasants whose land is exploited by the government (as part of the progress in urbanization). In 2007, Chengdu, as the first city in China, initiated the New Rural Old Age Insurance Scheme and set up Basic Medical Insurance for Urban and Rural Residents within its territory. Another measure is to integrate social protection schemes, in which process the contribution bases, contribution rates and benefit standards are unified. Then the Chengdu government has also optimized complementary mechanism for social insurance, forming integrative force of various authorities. In constructing social protection management and service platform, encouraging people to participate in commercial insurance programs and administering social security schemes, Sichuan has also many valuable experiences.

In the conclusion of this session, Ms. Michaela Marksová pointed out that, following the acceleration of globalization and increase of population movement, the social protection system is in need of various coordinations. EU is good at articulation of pension schemes. But in other welfare programs, social exclusion is a problem. Thus establishing a well-running coordination system is not easy, and the challenges are a lot. Mr. Jin Weigang pointed out that though there are big socio-economic differences between EU and China, there are some common ways in the field of social protection, for which the two sides can learn from each other.

The fourth session of the conference, dedicated to the discussion on “Social Efficiency and Inclusive Growth”, was held in the morning of 29th September. It was co-chaired by Mr. Song Xiaowu, Dean of the China Institute for Income Distribution, Beijing Normal University, and Ms. Oana Silvia Țoiu, Secretary of State, from Romanian Ministry of Labour, Family and Social Protection. Ms Țoiu pointed out that the inclusive growth contains a very important aspect – ensuring the social inclusion of poor and vulnerable groups. Romania is one of the EU countries that grow at the fastest speed. Its government pays important attention to poverty eradication and social inclusion strategy. The government reduces taxes on employers or provides them with subsidies, in order to encourage the employers to employ retired or disabled persons. Laws that facilitate social enterprises are also promulgated. For poverty reduction, the government focuses on providing opportunity of employment and development. Welfare programs that link benefit to work responsibility are also launched in Romania in order to promote participation in the labour market.

Mr. Cao Wenlian, Director General of the International Cooperation Centre, National Development and Reform Commission, gave a presentation on his understanding of Chinese Old-age Insurance Reform through the dimension of equality and re-distribution. He pointed out that the Communist Party of China, in the 5th Session of its 18th Central Committee Meeting (November 2015), has publicized five ideologies for the development of China: innovation, harmony, openness, inclusiveness and sharing. In the future, along with efficient economic growth, social sharing of development is another focus. Internationally, four dimensions are used to evaluate

social protection system: adequacy, affordability, equality and sustainability. There is a dialectical relation between equality and other three dimensions. Firstly, in terms of adequacy, China has realized full coverage of social protection system, in which all kinds of social groups have participated. This means that there is equality of participation in Chinese social protection system. In terms of coverage, China has the largest population covered by old-age insurance system. In terms of benefit standard, 11 adjustments of the benefit of the Old Age Insurance for Urban Employee have taken place and the replacement rate has been adjusted according to previous objective. In terms of affordability, the main problem is the contribution rates are too high and are diverse among regions, which impacts on equal competition among them. At the same time, incentive designed for encouraging people's contribution to old-age pension is not sufficient, which impacts on equality of benefit. In terms of sustainability, a general conclusion is that the expenditure should be appropriate. Transition costs imply intergenerational equality. There is a need to utilize state-owned assets to collect enough money for that. Besides, actuarial balance is also important to financial sustainability.

Mr. Antero Kiviniemi, Permanent Representation of Finland to the European Union introduced in his presentation the highly re-distributive function of Finnish social protection system. Finland is the country that has the lowest poverty rate and the most equal income distribution in the world. There was no big volatility in the country due to the European economic crisis. Its social protection system is based on universalism, high taxation and high social expenditure. There are four types of social benefits, including cash transfer, income-replacement insurance, basic welfare security and life and social services. Such model with high welfare is connected with a public administration that has low corruption, works on the basis of social consensus and a single demographic structure (low migration). However, the country is also facing problems such as population ageing, high social expenditure and change of employment model, which forces it into reform.

Ms. Jiang Wei, Deputy Director General of the Department of Social Assistance, Ministry of Civil Affairs, China, made her presentation of "Social Assistance and Government's Poverty Elimination for Extreme Poor during the Period of the 13th Five-Year Plan". There are two major sections in her presentation. One is dedicated to the relation of social assistance and poverty reduction. Another is dedicated to the function of social assistance in poverty reduction during the period of the 13th Five-Year Plan. Social assistance functions as the minimum guarantee for poverty reduction. Its general objective is to make people not worry about two basic items for subsistence, and to guarantee three items for development. Besides, Chinese social assistance is also aimed at making one indicator higher than the average level, making one field close to national average level, and ensuring two aspects. The two basic items for subsistence are food and clothing. The three items for development are education, medicine and housing. The two aspects to be ensured are that, firstly, poor people get rid of poverty, and, secondly, all the counties under poverty line get rid of poverty.

The indicator that must be higher than the national average level is the rate of increase of the disposable income of peasants in poor areas. And the field that must be close to the national level is the accessibility to the main programs of public services. During the 12th Five-Year Plan period, Chinese social assistance system, relative legislation and regulation had been gradually improved. All the eight programs of social assistance are based on policy documents issued by the State Council of P.R.C and funded by central government's finance. In the 13th Five-Year Plan period, the general objective of Chinese social assistance is to function as the minimum guarantee, to be exact in targeting beneficiaries and to be standardized in operations, so as to play a fundamental role in poverty reduction. The minimum guarantee contains three aspects: the first is full coverage and equal accessibility; the second is increase and adjustment of benefit; the third is exact targeting of beneficiaries and assistance to the extremely poor beneficiaries.

Ms. Pu Haihong, Deputy Director of Shanghai Academy of Development and Reform, made a presentation on Shanghai's population ageing. Basing herself on the population that possesses Shanghai residency permit, she analysed the change in the aggregate number and structure of aged population, which demonstrates that the population ageing is more serious than that of the whole China. Shanghai is yet facing a problem of so-called deep ageing. Therefore, heavy pressure is exerted upon pension, medicine and old-age care. To react to the ageing, Shanghai government has adopted a series of measures to reform the social protection schemes and employment policies, including covering migrant worker with the Urban Employee Old Age Insurance System, experimenting flexible retirement, promoting joint reform on health care and medical insurance, and accelerating the development of old-age care dependency system.

Mr. Song Xiaowu, in the conclusion for this session, pointed out that, as an approach to second-level distribution, the current reform on social protection should focus on its function of income redistribution and put equality and inclusiveness at the first place. Therefore, various measures for reforming the schemes should not extend the income gap resulting from the first-round distribution. The objective and approaches of reform must be unified. In the case of Shanghai, the postponing of retirement age, extension of contribution years, multi-approach of funding, and development of supplementary scheme are all among the valuable ways. Besides, Finnish welfare state had not been daunted by any political change. This is an aspect that China should study and learn.

The fifth session of the conference, dedicated to "Sustainability of Social Security System and the Financial Reform", was co-chaired by Mr. Liu Kegou, Deputy Director of Academic Advisory Board, China Centre for International Economic Exchanges, and Ms. Lucia Ortiz Sanz, Deputy Director of International Social and Labour Relations, Ministry of Employment and Social Security, Spain. Ms. Sanz introduced the multi-pillar pension system of Spain, focusing on the different characteristics and coverage

of non-contributory and contributory schemes. She pointed out that the objective of reform is to keep balance between sustainability and adequacy.

Mr. Wolfgang Scholz, from Rhein-Bonn-Sieg University, Germany, introduced the reform on Riester Pension taking place in his country since 2001. Riester Pension is a public contribution towards private old-age saving plans, whose objective is buying a life-long annuity after retirement. Tax on the program is reduced and the government provides individuals with subsidies for contribution. The latter is an action for compensating the people who experienced losses in their expected benefits due to the 2001 reform on public pension. There are four plans in this program, including classical annuity, plan of regular contribution to an investment fund, bank saving plan, and Savings plans aimed at financing owner-occupied property at old age. Since 2001 when the reform was initiated, the plan has developed rapidly. But currently it reaches a stable plateau. Rate of coverage is only 30%, which is not running as what was expected. The low-income groups that can receive governmental subsidy do not decide to participate in the plan. For these reasons, the German government is considering a reform for obtaining balance of the system. Anyway, Riester Pensions provide a good case of voluntary old-age pension plan.

Mr. Xiong Jun, Deputy Director General of the Department of Planning and Research, National Council for Social Security Fund, made a presentation on “How to Improve Financing and Investment Management System of Social Security Fund”. The focus is on the management of China’s National Social Security Fund. Concerning the Basic Old Age Insurance for Urban Employees, a pressure on balance is coming from population ageing, and thus fiscal subsidy is increasing. By 2015, the accrual of the National Social Security Fund was RMB 1.5 trillion (approximately 135 billion euros). Since its foundation, the fund works well and its annual investment return rate has reached 8.82%, 6.47 points higher than inflation rate during the same period. In 2015, the National Social Security Fund was entrusted by provincial governments to manage investment of surplus of the local basic old-age insurance funds. For this, the state has issued specific measure. In the future, the size of National Social Security Fund will keep enlarging.

Mr. Zheng Bingwen, Director of the Centre for International Social Security Studies, Chinese Academy of Social Sciences, made his presentation with the title “Financial Sustainability and the Key Issues of China’s Social Security Reform”. Firstly, he pointed out the serious balance situation of the Basic Old-age Insurance for Urban Employee, indicating that population ageing of China would be more challenging than that of Europe. Thus China’s reform cannot disobey the way that Europe is adopting. Currently, China’s Basic Old-age Insurance system is facing three reforms in the same period: adjustment of parameters, reform of structure and construction of sub-system. During the current period, benefits increase at the fastest speed, and fiscal subsidy is the largest, in respect to the history. The problems during this period include: low capacity of the insurance system in gaining revenue, absence of autonomous

balancing mechanism in reaction to population ageing, low level of social pooling, deficit of individual account, managerial disorder, and slow development of the second and third pillar. European experience on solving this problems include: (1) gradually reducing benefits of DB plan; (2) raising retirement age, gradually realizing the equal retirement age of men and female; (3) establishing the incentive and disincentive mechanisms linked with legal retirement age; (4) establishing financial balance mechanism via introducing the aging population factor in the benefit formula; (5) making full use of market mechanism to push the pension system from a single mode to multiple-level pension system. Mr. Zheng's suggestions are: (1) reducing contribution rate for old age insurance and establishing a reasonable contribution base; (2) promoting national pooling as soon as possible to enhance the portability of Urban Basic Old Age Insurance System; (3) enhancing the financial sustainability of Basic Pension System via the principle of actuarial balance; (4) reforming the system structure and improve individual accounts; and (5) making full use of market mechanism and paying more attention to the second and third pillars.

In the conclusion of this session, Mr. Liu Keguo gave his suggestions on pension reform: the general direction of the future reform is to consolidate the basic old age insurance that is to use national pooling as the foundation, with occupational annuity as support, to adopt commercial insurance as supplement, and finally to form a multi-tier pension system.

In the **Closing Ceremony** of the HLE, Mr. Jean-Victor Gruat, Component 1 European Resident Expert, SPRP, acted as chairperson. Mr. Giuseppe Conte, SPRP European Project Leader, Head of Central Directorate for International and European Conventions, INPS (Italy Social Security Agency) , Mr. Cyril Bouyeure, Special Adviser to the President, Expertise France, and Ms. Song Gongmei, vice director of the International Cooperation Centre, NDRC, gave their speeches, reviewing the main contents of the HLE. This conference covers the topics ranging from macro economy, employment, new-type urbanization and policy on entrepreneurship. The discussions also regard inclusiveness, equality and sustainability of social protection, to which socio-economic issues, especially employment, social security and social assistance are all related. With frank and open exchange, all the speakers had discussed the common challenges that both China and Europe will face in the next 5 years, and they had also given their proposals for solving related problems. It is a timely and informative conference with rich achievements. Fulfilling the project expectations, the 2016 HLE paved a firm foundation for deeper exchanges and cooperation between China and European Union.

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