

Experiences and Inspirations from EU's Employment and Social Security Policies of Migrants for China

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From October 27 to November 5, 2015, an overseas study visit of China-EU Social Protection Reform Project (SPRP) was held in Spain, the Czech Republic and Poland. By holding this activity, participants had in-depth discussions in such areas as the approaches to stabilize employment and the measures to ensure that the social security system meets people's basic living needs under economic downturn, the employment mobility among the EU member states (EU MS), and the social policies, particularly the incentives of income policies. In general, considering the weak international economic environment and population-aging process, MS apply active policies to expand employment and adjust social security policy in time. By coordinating and integrating labor markets and social security policies among MS with the support of Internet information technology, the smooth transfer of social security among ms is achieved, and the cross-border flow of labor force is strengthened, which offer a cushion for MS to grow economy and

stabilize employment. Some of these measures and experiences are valuable for us to learn and study.

I. Basic information

1. Cross-border portability of social welfare systems ensures the free flow of labor force.

First is the guarantee of unified system. The EU MS have signed European Community provisions, which have legal effect and are above the law of individual country, in order to integrate and coordinate the law and system of each MS, and guarantee its citizens who move to other MS enjoy equal treatment with the locals, and ensures their families have the same rights with the locals in social security, health care and education. For instance, the 48th article of the Treaty of Rome and the 45th article of TFEU stipulate that citizens of any MS are entitled to the equal employment rights as the citizens of other MS. Meanwhile, Regulation (EC) No 883/2004 and Regulation (EC) No 987/2009 both specify that citizens of any MS are entitled to the equal right to social security as the citizens of other MS.

Second is the flexible method of calculation. In accordance with the principle of “reserving benefits, unifying calculation, and separating payment”, when moving across the MS, the social security entitlement of

a migrant is calculated by adding up the years of contribution in each country he worked for and recording his benefits. As long as the accumulative year of payment reaches the minimum EU requirement on contribution, the migrant would be entitled to the corresponding retirement benefits. Through the whole career life, the migrant doesn't have to transfer his social security funds from different schemes. Rather, the migrant only needs to apply to the countries worked for and get corresponding feedback information; these countries will contact and confirm with each other. The social security benefit after retirement is the due pension payment claimed from the countries worked for according to the contribution the migrant made and pension schemes in these countries. Making an example of a person who worked in France, Germany and the Czech Republic for 10 years each, and the minimal years of contribution of EU is supposed as 30 years, then upon retirement, his pension benefit would be the total of 1/3 of French full pension, 1/3 of German full pension and 1/3 of Czech full pension. These three parts combined constitutes the entire pension benefit and is paid respectively by the three countries.

Third is the advanced technological support. Article 4 of the Regulation (EC) No 987/09 regulates that information transfer among agencies or departments shall be realized through electronic means. As a result, the

Electronic Exchange of Social Security Information (EESSI) was established based on the core application program of the European Commission's data center. This application program allows access to government's administrative system and can connect the government office system (such as IRISS and ASIA). The EESSI system sets up a technological platform to share information for all citizens of EU, which realizes interconnection of social security information of citizens among the MS.

2. Diversified approaches to deal with population-aging.

As the "baby boom" generation gradually ages, the EU experiences an ever growing elderly population. With life expectancy further extends and birth rate continues to decline, the EU's working population drops year on year, which further exacerbates demographic aging and raises formidable challenges to PAYG pension system. In response, all countries resort to such measures as lifting retirement age and extending the years of social security contributions, so as to offset the impact by ageing on pension systems.

First is to raise the retirement age. Spain has gradually raised the statutory retirement age from 65 to 67 years old and strictly limited early retirement. In 2009, Poland abolished early retirement, and since January

1, 2013, the retirement age of female and male were increased by three months on yearly basis, from the previous 60 and 65 years old for women and men. Men and women are expected to retire at 67 by 2020 and 2040 respectively. In Czech Republic, the retirement age for men is 62 years and 10 months, and women without child would retire at 62, while women with one or more than one children can choose to retire between 58 and 61. The country will gradually lift the retirement age in the future so that by 2041, both male and female will retire at 66 years and eight months. The retirement age after 2041 is expected to be further increased.

Second is to extend the years of contribution. Czech Republic has increased to 35 years of contribution from 30 years to claim full pension. Spain is in discussion of prolonging the contribution years, while Poland hasn't considered this issued yet.

Third is to encourage the senior citizens to continue working. Spain encourages people not to retire when reaching retirement age, and offers these people additional pension no matter they are employed by others or self-employed. This pension is amounted as high as half of the **national** pension, regardless of full-time or part-time jobs.

Fourth is to boost social investment. Spain offers assistance and support to people in every of the critical life juncture ever since the childhood. The country focuses on disease prevention to avoid potential economic and social costs in the future, and helps people building technological and social participation capacity to develop human capital.

Fifth is to develop health care services. On one hand, the nursing needs are reduced through improving protective measures and enhancing people's adaptation capability and self-independency. On other hand, the accessibility, quality and sustainability of nursing service are ensured through improving service quality and supporting informal nursing workers.

3. Establishing multi-tiered social security system to cope with people's various needs.

The pension system in EU generally consists of public pension scheme, private savings pension scheme and occupational pension scheme. While in determining its pension insurance system, each country also takes into account the factors including historical background, political parties' preference, population, and economic aggregate, etc.

First, Spain's three-pillar pension system. Spain has a compulsory public pension system which is upheld by law, administered by government, and supported by tax based on the PAYG system. The second pillar is private pension plan which is voluntary, privately-managed, and complementary. The third pillar is the occupational pension plan with a defined contribution mode, which is legally-binding, managed by government, and supported by compulsory contributions from employers and employees.

Second, Poland's three-pillar pension system. The first pillar is a mandatory PAYG public pension system. The second pillar, initially a fully-funded mandatory private pension, was shifted to voluntary contribution via a smooth transition mechanism in 2014, with the contribution rate standing at 2.92% of total wages. The third pillar is the voluntary savings pension.

Third, Czech's three-pillar pension system. The first pillar is a mandatory PAYG pension plan jointly contributed by the employer and employees, which provides pension related to the income. This plan covers old-age pension, disability benefits and allowances for special population. The second pillar is the voluntary individual savings pension. Established in 2013, it implemented a defined-contribution funded system, but was

forced to be suspended in 2015 as only a small number of people ever participated. The third pillar is a voluntary savings plan supported by the government. In 1994, Czech introduced a voluntary savings pension scheme, under which, citizens above 18 years old and already participated in the public pension and health insurance schemes are qualified to be covered. By giving subsidies and tax credit, the government encourages people to be part of this voluntary pension scheme, and contribution can be made by either employee or the employer.

4. Developing Internet-related technologies to coordinate online and offline public service.

By utilizing Internet technologies, the EU offers online public employment and social security services to both enterprises and the general public to ensure that services are convenient and personalized, which effectively complements the offline services.

First is to establish an employment and social security information system. In Spain, the facility of employment and social security service was firstly built in 1988, and currently there are 434 across the country. The location and scale of these facilities are determined by considering regional population, industries, and transportation factors. Starting from July 1, 2014, Spain invented a new way to offer and integrate information

that people are paying attention to, an information management device called "Your Social Security", to enable its citizens access to the latest personalized information more easily and conduct basic operations in line with their social security rights. This system can simultaneously deal with many people's applications involving employment, social security and medical service, link with taxation and financial systems, and realize information sharing. It offers a supporting platform to coordinate information on employment and social security nationwide, complementing to public services offline.

Second is to set up a direct payment system for social security contribution. In order to make better use of modern technology to facilitate social security contribution, the Spanish government introduces a direct payment system. In this system, the contribution is calculated based on its database and the minimal data submitted by enterprises, and payment credentials will be given to employees after paying their contributions. The direct payment system includes RED for small businesses who hire less than 15 people, and SLD system which has no limit on the number of employees. The direct payment system lessens enterprises' burden of reporting information, making employees access to more details about contribution calculation, helping social security fund councils realize prioritized monitor and improve supervision on

employees' fulfillment of their obligations, and ensuring full payment is made by enterprises. The direct payment system has been applied to 1.5 million firms with 13 million staff and more than 3 million self-employers.

Third is to establish an electronic data submission system through which, the government, enterprises, and individuals can share data. Spain's RED electronic data submission system is a platform where enterprises, workers, and social security fund can exchange data via the Internet, and it is suitable for all insured covered in general schemes and special schemes. With the minimum investment into infrastructure, RED system helps users, including workers (even when they are at home), enterprises, and social security fund finish registration, participate in insurance schemes, pay contributions, and exchange medical report. Enterprises can use this system to collectively manage social security information to save manpower and technical resources. Through this system, individuals can enjoy uninterrupted personalized services and receive sustainable information. For social security funds, such system cut their paper work and reduced human and material costs, improve the quality of data collected, strengthen social security management and their public image, and also enhance working efficiency.

5. Adopting active employment measures against high unemployment rate.

Due to the impact of international financial crisis since 2008, the EU MS have been under the pressure of economic slowdown and high unemployment rate. Statistics in September show that the unemployment rate in the euro zone and the EU are 10.8% and 9.3% respectively. Meanwhile, Spain, Poland, and Czech see their registered unemployment rate 21.6%, 7.1%, and 4.8% respectively. Facing such alarmingly high figures, EU MS adopt proactive employment policies and countermeasures.

First is to actively provide skills training for citizens. For instance, countries like Spain, the Czech Republic, and Poland all use the financial resource from the EU special employment fund to offer training for their citizens. When providing vocational and skills training, the Czech government would identify enterprises for cooperation by bidding, and then subsidize those selected ones. Trainees can also get government subsidies and receive unemployment benefits if they couldn't land a job afterwards. In Poland, a national training fund financed by the labor fund has been established to train and aid financially the employees.

Second is to use Internet technology to provide adequate employment information more timely. Spain offers better employment service for job-seekers via the Internet and face-to-face communication. In Poland, the government assists the unemployed and women after maternity leave to actively find a new job through telecommuting.

Third is to promote dual vocational training to cultivate apprentice workers by government – business cooperation. Czech's dual system was implemented quite early and already yielded sound outcomes, and was later learnt by Austria and Germany. Czech focuses on developing a training module by school and business cooperation in recent years. Spain encourages enterprises to sign contracts with young people while offering training to them by giving subsidy incentives.

Fourth is to encourage inking long-term employment contracts. By implementing tax incentives and preferential policy on insurance payment, the Spanish government hopes to guide enterprises to hire staff for a long period, or sign permanent contracts with their employees.

Finally, to push forward the entrepreneurship. Countries including Spain encourage people to start their own businesses by giving contribution credit in social security schemes.

II. Inspirations and suggestions

At present, China's aging process is accelerating, structural problems in employment become even more acute, and economic operation faces severe downward pressure, meaning the government needs better institutional design and gives play to social security on stimulating economic growth.

1. Designing better mechanism to ensure smooth transfer of social security systems.

Based on the principles of “reserving benefits, unifying calculation, and separating payment”, China could consider establishing general individual account at national level and sub individual account in the working provinces. The amount of social security of the migrant is accumulated and calculated in the sub account of the working province, and when move across provinces for work, the amount of social security will be transferred to the corresponding sub account for continued accumulation and calculation through technological means in back office. Upon retirement, the pension claimed by the migrant would be the total amount of all sub accounts of the provinces where worked for. Through this means, troubles brought by constantly going through social security procedures can be avoided, and the basic rights and interests of every employee can be upheld as well.

2. Integrating the delay of retirement age and extension of years of contribution.

China sets the retirement age for men and women at 60 and 55 respectively, and social security contribution at 15 years, both are below the level of many other countries in the world. Considering China's development status, it would be an appropriate policy option to delay the retirement age and extend contribution period, because this could alleviate people's burden of paying contribution under the existing PAYG system, and avoid negative incentives caused by only delaying retirement while failing to extend contribution period.

3. Enhancing the capability of migration, employment and competency of labor force.

For China, the proactive employment policies of European countries are worthy to learn. But considering China's specific conditions, especially when it has to maintain stable employment situation while dealing simultaneously with the slowdown in economic growth, making difficult structural adjustments, and absorbing the effects of the previous economic stimulus policies, it is crucial to actively shackle market barriers to facilitate labor transfer, improve public employment services, and help job supply match demand in the market. Firstly, the government should accelerate reform on the mechanism for registration system, social

security, housing and education, resolutely eliminate all kinds of institutional and systematic obstacles that block labor flow, and promote labor mobility in both rural and urban areas and among regions and industries, and push forward the effective allocation of human resources. Secondly, the government should raise the skill of workers and boost their participation level and capacity to meet job requirements.

4. Strengthening informationization of employment and social security services.

China's central government should continue to invest more in boosting grass-root employment and social security service facilities, and realize full coverage of relevant projects as soon as possible. While offering offline on-site employment and social security services, it should expedite online construction for interconnectivity of various data bases at different levels, and jointly build and share these data. By offering online services, the cost of employment service can be cut while efficiency improved, and the capability to develop and allocate human resources can also be upgraded. Meanwhile, by applying the latest technologies including big data, posting job information online can be more timely and reach more people, so that job supply and demand can be better matched. The government should step up systems on data collection, analyses, and publication of job information and continue to make employment services

more effective. By fully modern tools such as mobile phones and Wechat, it should unveil information on employment in time, offer occupational training, and actively expand spheres for online job service.

5. Building pension system which is suitable to China's national conditions.

After analyzing the three countries' conditions, we believe that, in China, the historical choice should be respected when choosing the pension system. The existing system of combining social pooling and individual account fits in our national conditions. In future development, we'll continue to scale up and develop the capital market, ensure that the value of social security fund is properly maintained and increased, incentivize people to save more for pension, and enhance the sustainability of China's pension system.

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