

## **Component 1**

# **NOTES ON A MISSION TO SHANGHAI AND GUANGDONG (GUANGZHOU, QINGYUAN) PILOT SITES**

**26 FEBRUARY TO 3 MARCH 2017**

1. The objective of the mission was, for the project team including several representatives of members of the consortium to get better acquainted with the economic and social situation in the places visited, and to formulate with NDRC proposals for future cooperation activities matching the expectations of the pilot sites, as well as the competences and availability of the European party.
2. The mission was organized by NDRC. It consisted of the following participants:

### **National NDRC**

Ms. Zhu Yingjuan, Director General, Department of Employment and Income Distribution  
Ms. Tang Ling, Division Director, Department of Employment and Income Distribution  
Mr. Chang Hao, Division Director, International Cooperation Centre  
Mr. Dai Bowen, Project officer, International Cooperation Centre

### **Local DRC**

Provincial representatives of the local DRC were part to all discussions. Their respective delegations were led by Mr Liu Jun, director of municipal development and reform commission social security department in Shanghai, and Mr. Gu Wanjun, director of the NDRC Provincial social security department in Guangdong. Representatives from relevant Provincial or local Departments such as Civil Affairs of Human Resources and Social security also took part in the meeting.

### **Members of the Consortium**

Mr Laurent de Lespinay C1 coordinator, Expertise France  
Mr Andrej Tretyak, Head of Social security, Expertise France (Guangdong Province only)  
Mr Koen Vleminckx, Director of Research and International Relations, Federal Social Security, Belgium  
Mr Massimo Antichi, Director of INPS Research and Studies Department, Italy (Shanghai only)  
Ms Maria Teresa Pasqua, SISPI (project secretariat), Italy (Shanghai only)

### **C1 Project team**

Mr Jean-Victor Gruat, EU Resident Expert  
Mr Zhang Guoqing, Main Chinese expert (Operations) (Shanghai only)  
Ms Li Lingxi, Component assistant

3. Highly qualified interpreters, recruited in Shanghai and Guangdong respectively by the NDRC, supported the mission. The logistics were incumbent upon the local DRC, which ensured a perfectly smooth implementation of the mission.



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### 4. SHANGHAI

- 4.1. The visit to Shanghai was coordinated by Mr Liu Jun, Director of the social security department in Shanghai provincial development and reform commission who took part in all sessions.
- 4.2. On 27 February in the morning, the delegation met with Shanghai Academy of Development and Reform, Shanghai Municipal Bureau of Human Resources and Social Security, Shanghai Municipal Bureau of Civil Affairs. Ms Cao Jizhen, Deputy director for Shanghai municipal development and reform commission chaired the meeting.
- 4.3. Mr Liu Jun, from Shanghai Municipal Bureau of Human Resources and Social Security introduced the overview of social security in Shanghai 2016. According to the law about social insurance and the basic social policy in China, the policy for social security could be divided into 2 parts: 1) employees' basic social insurance; 2) rural and urban residents' basic social insurance. People who are employed participate in the employees' basic social insurance scheme, and those people who are not employed (or self-employed) participate in the rural and urban residents' basic social insurance scheme. In 2016, the population of employees who joined the social insurance came to 14.38 million; among them, 4.27 million employees received their pensions. And the population for the people who joined the rural and urban residents' basic social insurance scheme came to 0.79 million.
- 4.4. Mr Liu introduced a unique scheme for social security in Shanghai called Social insurance for small township. This scheme will be reformed this year. The participants in this scheme will be included into the former two schemes.
- 4.5. Mr Liu also introduced the reforms for the social insurance scheme which have taken place in 2016:
  - 1) Lowered the contribution rate (2.5%) of employees' basic social insurance.
  - 2) Improved the methods of social insurance for the migrant workers.
  - 3) Increased the pension levels for the retirees.
  - 4) Improved the level of maternity insurance.
  - 5) Contribution rates differed among different industries on injury insurance.
  - 6) Promoted the construction of long-term care insurance system
- 4.6. Mr Yin Zhigang, from Shanghai Municipal Bureau of Civil Affairs, began with introduction of the background of aging population in Shanghai. Shanghai entered the aging society in 1979. Mr. Yin shared some figures of aging population in Shanghai: the proportion of people (who have the residence certificates in Shanghai) over 60 years old is more than 30%, over 65 years old is more than 20%, and over 80 years old is more than 5.5%.
- 4.7. Mr Yin introduced the 5 parts of top-level design for the old-age service in Shanghai: supply system, security system, policy system, assessment system, and supervision system.
- 4.8. Based on China's situation, Shanghai focused on the development of home-based care service for old age. In this regard, the government not only provides policy support, but

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- also subsidies for pension institutions, and subsidies for the elderly population. For the future, the local government wanted to invite more social organizations to get involved in the industry of old-age service to improve the development of senior care.
- 4.9. Ms. Pu Haihong, director of Shanghai Academy of Development and Reform, pointed out that since Shanghai has entered the aging society much earlier than other cities in China, the local government started an earlier exploration in related scheme design. In 2016, Shanghai Academy of Development and Reform mostly focused on 3 topics: social security; elderly insurance; industry of senior service.
- 4.10. Ms. Pu indicated that the impact of aging on the economy mainly reflects the following aspects:
- 1) The impact on the workforce market of the district. Shanghai has implemented the birth control well, so in the late 12th Five-Year Plan period, the labor force that has Shanghai residence certification continued to decline.
  - 2) The impact on capital market. Since pension fund is a very active factor in capital market, China's social security fund has become an important force in domestic and foreign capital markets.
  - 3) The impact on the commercial insurance market. The deepening of the degree of aging will bring some opportunities for the commercial insurance market.
  - 4) The impact on financial and taxation policies as well as social public policies in China. Theoretically, there is a discussion about whether contributions for the social insurance should be a tax or a fee.
- 4.11. Ms. Pu also introduced the focus of work on social security in Shanghai during the 12th Five-Year Plan period.
- 1) Speed up the improvement of social security scheme. A policy for senior care was devised which was an independent social security policy.
  - 2) Further speed up the improvement of old-age service service system.
  - 3) More focus on the humanity care of the elderly.
- 4.12. As for the challenges in the 13th Five-Year Plan period, Ms. Pu raised the following aspects:
- 1) The contradiction between social security financing and enterprise operation.
  - 2) The contradiction between the limited supply of old-age services and the infinity and diversity of people's needs.
  - 3) The contradiction between financial rigidity growth and New Economic Norm.
- 4.13. The Shanghai government issued the policy planning of aging during the 13th Five-Year Plan period. From the viewpoint of policy design, the policy emphasized the following four aspects:
- 1) Focus on the complementarity between social support for the elderly and support from neighbourhood.
  - 2) Insure the beneficiary to keep the bottom line for the social security.



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- 3) Focus on the introduction of the power of the sections of society that mainly reflected in funding and service providing.
  - 4) Focus on top-level design and institutional innovations.
- 4.14. During the exchange that followed with European representatives, it was clearly evidenced that both parties had a lot of commonalities and could easily consider mutually beneficial exchanges in the area of social security schemes for ageing. The European experts noted that, in some areas, the Chinese approach was somewhat similar to their own, which could allow for very substantive exchange of experience with in mind the achievement of practical results. It was agreed that discussion on those possible areas for cooperation would proceed after the mission between all parties concerned, at the initiative of NDRC.



*Shanghai, meeting at the Provincial Development and Reform Commission*

- 4.15. After lunch, the delegation visited Shanghai Auto Mobiles Gear Works that is located in Jiading District on the outskirts of Shanghai.
- 4.16. As a wholly owned subsidiary company of SAIC, Shanghai Automobile Gear Works (SAGW), one of the most prestigious companies in development and production of automotive transmission in China, is a leader in automotive transmissions and key components manufacturing for passenger vehicles, commercial vehicles and new fuel vehicles with its 6 production locations in Shanghai, Shenyang, Shandong, Liuzhou, Jiangsu and Chongqing.



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SAGW is dedicated to providing technological solutions to automotive transmission and powertrain to automobile manufacturers home and abroad. SAGW has developed more than 100 types of products for 21 platforms and become an OEM supplier and significant strategic partner of renowned domestic and overseas motor companies including Shanghai General Motors, Shanghai Volkswagen, Shanghai General Motors Wuling, SAIC Motor, Dongfeng Nissan, Dongfeng Motor, Zotye Auto, BAIC Motor, General Motors and Ford.

- 4.17. On 27 February in the afternoon, the delegation held a discussion with the representatives from SAGW. Mr. Li, the representative from SAGW gave a presentation to introduce the basic situation of the company focus on pension insurance. And his presentation was divided into 4 parts.
- 4.18. First of all, Mr. Li introduced the general situation of employment for the company.
  - 1) Structure of employees.
    - a) Total number of employees: 3606
    - b) Employees on labor contract: 2938
    - c) Employees on labor dispatch: 620
    - d) Retirees' reemployment: 4
  - 2) Labor and employment forms: labor contract ; labor dispatch
- 4.19. Second, Mr. Li introduced the basic situation of the company's pension insurance. Employees from SAGW all participated the basic insurance. Till now, SAGW did not establish the enterprise annual fund. In addition, Mr. Li mentioned the factors affecting the aging insurance for employees: high contribution rate; limited impact of the payment on the pension; low level of health care.
- 4.20. Thirdly, Mr. Li introduced the basic situation of employees who retire and receive pension insurance in the company:  
2348 retired employees  
The average income of pension insurance is 3948 Yuan in 2016.
- 4.21. In the end, Mr. Li summarized the problems faced by the company in participating in social insurance : high cost of employment labor force ; high contribution rate of social insurance; high payment for the social insurance.
- 4.22. After the presentation, participants conducted intensive consultations on gender differences in basic medical insurance, the cost of medical insurance, the level of remuneration for the company, and some European representatives introduced the similar situations in their own countries.
- 4.23. After this session, the delegation visited one of the production workshops in SAGW.



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*Shanghai, SAGW Factory*

- 4.24. In the morning of 28 February, the delegation first visited Mingzhu creative industrial park. As a creative industry hub, this park was approved by Hongkou District government. It has hosted more than 40 companies already.
- 4.25. Subsequently, the delegation met with five companies from the park, which involved translation, networking, instrumentation, and sensor industries. Representatives from the five companies gave brief introductions on the employment situation and social security status of their own companies. Since these companies are involved in emerging industries, the employees from these companies are young and energetic.
- 4.26. In the discussion, some European representatives were curious about what makes these new founded companies attractive for the employees? Some representatives introduced their companies' competitive advantage except salary and contracts:
- 1) Background of state - owned company.
  - 2) Consciousness of innovation.
  - 3) Talents motivating system.
  - 4) Humanity caring

As for the humanity caring in detail, a representative listed a series of activities organized by her company, such as: on work training; mental-health care and so on.



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*Shanghai, Mingzhu creative industrial park*

- 4.27. As the last leg of the mission to Shanghai, the delegation visited Social Welfare Home in Xuhui District and held a meeting with the Civil Affairs Bureau of Xuhui District in the afternoon of 28 February.
- 4.28. Mr. Shi Tao, director of Civil Affairs Bureau of Xuhui District, gave a brief introduction of aging population in Xuhui District. The population of elderly people is 0.29 million that takes 31.95% of this district, and among the elder population those who above 80 years old accounts for 20%.
- 4.29. According to the top-level design for the old-age service in Shanghai that includes 5-parts: supply system, security system, policy system, demand evaluation system, and supervision system, Mr. Shi mentioned that local government in Xuhui District take the following aspects of measures:
- 1) Since the supply for old-age service from the government is limited, so a demand evaluation is necessary. In 2015, Xuhui District carried out a demand evaluation that created a precedent in Shanghai. In 2016 this evaluation project has been promoted in the rest of Shanghai. During the evaluation, they classified the applicants into 6 levels. Through this evaluation, the applicant can understand what level he/she belongs to, whether he/she can successfully enter the nursing home.



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- 2) Establish the constructions of more facilities including social elder services in the neighborhood and day care center for the elders to enable the elders enjoy the facilities nearby.
  - 3) Establish a food point in the nursing home and provide 200-300 sets of meals to the neighborhood nearby.
  - 4) Sign a contract with the surrounding health center and the hospital, making the sick elderly can get timely treatment.
  - 5) Strengthen supervision.
- 4.30. After the presentation, Mr. Shi introduced and demonstrated the IT system of nursing care in Xuhui District.



*Shanghai, Social Welfare Home, Xuhui district*



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### 5. GUANGDONG PROVINCE

- 5.1. The visit to Guangdong Province was coordinated by Mr Gu Wanjun, director of the social security department in Guangdong provincial development and reform commission who took part in all sessions.
- 5.2. On 1 March in the afternoon, the delegation met with the Guangdong Provincial Bureau of Social security. Mr. Que Guangzhang, Provincial director for social security, chaired over the session.
- 5.3. Mr. Dong Bingguang, Deputy director and Mr. Meng Ruisheng, in charge of Information systems, introduced the main characteristics of the computerised social security management system across the Province. The interconnectivity should be expanded below the municipal level by April 2017. 1.7 million insured persons and 400.000 retirees are currently handled directly at the provincial level (national or provincial level SOEs and public institutions) The system for Public officials, who were very recently formally attached to the general scheme for salaried employees, is under the process of being established at the local level, which should be completed soon. The urban-rural residents system is interconnected for currently 100 counties out of 122 and 1000 districts out of 1581, representing 20 million insured persons and 8 million beneficiaries. United accounting was established for the Provincial level and the 21 municipalities.
- 5.4. A number of operations can therefore be performed online, ranging from rights certification, pension follow-up, health insurance, information on population registration (with Hukou<sup>1</sup>-related cooperation with security bureaux).
- 5.5. To cope in a fair and homogenous way with migrant workers issues, Guangdong province applies the following rule (for migrations inside the Province where differences are also very important among locations): drawing a retirement pension from a different place than that of the workers' hukou there is a condition of residency, and of ten years at least of accumulated contributions.
- 5.6. The Province is in the process of establishing its own Data analysis bureau within the Provincial social insurance bureau. For this, having explored the possibilities of both main statistical software, SPSS and SAS, it finally opted for SAS, as many European social security institutions.
- 5.7. During the exchange that followed with European representatives, it was clearly evidenced that both parties had a lot of commonalties and could easily consider mutually beneficial exchanges in the area of social security computerization. The European experts noted that, in some areas, the Chinese approach seemed to be more advanced than their own, which could allow for very substantive exchange of experience with in mind the achievement of

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<sup>1</sup> Hukou: residence certificate

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practical results. It was agreed that discussion on those possible areas for cooperation would proceed after the mission between all parties concerned, at the initiative of NDRC.



*Guangdong Provincial bureau of Social security*

- 5.8. After the dinner break, a night session was organized, where representatives of different social security branches introduced their respective fields to the Expert and the National component of the mission, for their review, comments and exchanges.
- 5.9. This session, which focused on practical mechanisms related to different branches and procedures at the operational level, also produced an extensive and rich exchange between European experts and Chinese specialists, which added to the knowledge base developed in the morning.
- 5.10. In the morning of March 2, the delegation met with representatives from the provincial NDRC and from Guangzhou municipal bureau of Human Resources and Social Security to discuss issues related to employment and income distribution.
- 5.11. The average disposable income in the Province is in the high range, at 30.000 Yuan<sup>2</sup> per year but differences are important between urban (38.000 Yuan) and rural (15.000 Yuan)

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<sup>2</sup> Exchange rate on 1 March 2017, 100 Yuan = 13.7 euros



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- populations. Direct salaries – excluding bonuses counted as “income from property”- represent roughly 70% of the total disposable income.
- 5.12. Employment services helped for more than 122.000 enterprise creations in 2016, and intervened in the job identification process of 100.000 students – of which 95% got employed. Employment services practice all aspects of active labour market policies. Subsidized positions are being created for new graduates, to help for their first recruitment. Encouragement is provided to innovation through competitions and special loans. The need for new job creations is of 1.1 million every year. Whereas non-skilled workers are still abundant, there is definitely a lack of skilled candidates required for boosting local economic development.
- 5.13. Social insurance has enjoyed 30 years of development in the Province. Out of an insured population of 47 million people (total Provincial population 107 million). The social insurance fund collects every year 300 billion Yuan from contributions, while expenditure are of some 200 billion. There are 5.000.000 pensioners whose benefit averages 2.500 Yuan per month. However, within this overall provincial surplus, there are deficits in several pooling areas.
- 5.14. The objective of the scheme for salaried employees is to expand coverage – for which help is required at the local level; reinforce the law and education of the population, improve efficiency in providing services; strengthen the redistribution function of the pension pooling.
- 5.15. Besides the scheme for salaried employees, the pension scheme for the rural and urban non-employed population is also important. Between 2014 and 2016 one of the ten Government priorities was to increase the benefit that, as provincial average, grew from 55 to 110 Yuan per month<sup>3</sup>.
- 5.16. Improvements in the scheme are difficult because lack of matching capabilities of local governments. A model for the adjustment of the pension system is going to be established, and work is on its way to expand coverage.
- 5.17. Demographic ratio in Guangzhou city is 5:1 (5 contributors for 1 retiree). In the city, the pension for casual employment (contributory with lower requirements than the general scheme) is of 900 Yuan a month, the average pension for urban-rural non-employed is of 324 Yuan a month. Guangdong had introduced a scheme that is not frequent in the rest of China, whereby farmers whose land they worked was appropriated by the Government for development plans. While these farmers were granted an urban instead of rural Hukou,

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<sup>3</sup> The amount of 110 Yuan/month seems to be compatible with the level of the average minimum subsistence level benefit (dibao) paid by Ministry of Civil affairs. The rural pension reaches 360 Yuan/month in Shenzhen and Zhuhai. The provincial poverty line has been estimated at roughly 4.000 Yuan a month on provincial average (source: project Component 3 publications).

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- they were credited with some mounts in a special pension saving schemes based on individual accounts.
- 5.18. Concerning work injury – a branch to which maternity is attached – an exception has been made to the rule of employers having to contribute to the 5 insurances altogether. To attract into the social insurance pool those enterprises that in the construction industry already had some global insurance policies for their works, it was decided that they could declare their labour force for accident injury only, and that the contribution could be considered as a cost by the project. There is in occupational accidents branch a differentiation and decrease in contribution rates based on the experience of individual enterprises.
- 5.19. For health insurance, where the contribution rate is of 7%, reimbursement under the salaried employees scheme can be as high as 95%. It is of 65% for the urban-rural cooperative scheme. A pilot scheme for long-term care is under testing. It is financed via a debit of 150 Yuan per year on the pooled amount for each insured person. Cost of services have been established at 135 Yuan/day if institutional care, and 100 Yuan/day if care at home.
- 5.20. For unemployment insurance, Guangdong has recently introduced a procedure rewarding those enterprises that have a positive action towards the labour market, through the payment of employment subsidies. Eligible enterprises are those who paid there unemployment insurance contributions on time and in full, and during the past year did not dismiss workers at a higher frequency than the unemployment rate. The scheme represented 80 million Yuan in Guangzhou in 2016, and benefited to some 200.000 eligible companies.
- 5.21. After these presentations, a very lively and technical discussion took place among all those present around the table, which could confirm that definitely there were a number of areas of common interest in social security management between the European side and the authorities in the Guangdong province and Guangzhou city. It appeared that in some areas Europe might have but in lace more developed technical procedures, while in others Guangdong would have a substantially better experience to offer to European countries. Further, in a few areas, the European and the Chinese systems seem to proceed in relatively different directions, which also might be worth discussing and exploring further together.



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*Guangdong Provincial Development and Reform Commission*



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### 6. QINGYUAN CITY

- 6.1 In Qingyuan, two Deputy Mayor of the City, Ms Shao Jun and Mr Li Xinquan chaired working sessions with the mission. They consisted in a presentation of the prefecture general social and economic characteristics, of its social security system and of its employment and income distribution characteristics. Representatives of the local Development and Reform Commission as well as of the Department of Human resources and social security presented the respective findings.
- 6.2 Qingyuan was established in 1998 as a prefecture-level city in northern Guangdong, on the banks of the Bei (North) River. Its total population is 3.698.412, out of whom 1.510.044 live in the urbanized Qingcheng and Qingxin districts. Covering 19.015 km<sup>2</sup>. Qingyuan is Guangdong's largest prefecture by land area. According to a North-South divide, it presents characteristics of modern development because of the vicinity with Guangzhou, and of under-development similar to what is seen in Northern bordering provinces of Hunan and Guangxi. Qingyuan is a famous turistic area with exceptional water and mountain landscapes and sites.
- 6.3 The fiscal revenue of Qingyuan city was 9.6 billion yuan in 2016, as against an expenditure of 30 billion. 78% of the fiscal revenue comes from taxes. Higher level subsidies are either regular, from taxation refund, or earmarked for special pilot projects. The transformation of the business tax into VAT of which the City retains only 25% has decreased its financial autonomy.
- 6.4 The average disposable income was of 18.859 yuan in 2016, of which 25.267 yuan for urban residents and 12.873 yuan for rural residents.
- 6.5 The Qingyuan social security IT system contains data concerning 7.8 million people – each insured person being counted under each branch of insurance for 2 billion entries in total. The Health care system for employees has some 500.000 affiliates, the health scheme for non-employees 3.5 million. Some 400.000 employees are member of their pension scheme.
- 6.6 The system functions with 9 inter-connected modules, which are”
- Core module (contributions and payments, employees schemes)
  - Health care insurance collection for non-employed
  - Health insurance real time settlement
  - Health insurance inter-city settlement
  - “Suspicious behavior” from hospitals (derived from Wuhan city experiment)
  - Online public service social security system (2015 reform)
  - Social security card management
  - Transfer module
  - Interface with other Services.



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- 6.7 The Qingyuan social security IT system has made substantial progress over the recent years. However, some difficulties remain. The Platform was developed based on a centralized design from MOHRSS. However this central model is difficult to apply because of poor skills and technology at the lower level. The limited coverage of the system excludes data from clinics at the village level. Contributions are centrally accounted for only down to the township level. Further there is only a limited array of services that can be provided online. Self-service machines are not available in township and village offices.
- 6.8 In response, Qingyuan social security IT system plans to take part as pilot in a provincial big data project, to reach out to the villages and townships and to improve its service capacity with self-service machines being available at all levels and more services being embedded for online use, to reach out to clinics at the village level.
- 6.9 In terms of employment and income distribution, the 2016 per capita income was of some 19.000 Yuan (+9.1% in real terms), with 13.000 Yuan for the urban population and 25.000 Yuan for the urban. The average “social security salary” used for contributions and benefits is significantly higher, at 3600 Yuan a month, with and average replacement rate for pensions of roughly 50% (1.800 Yuan a month).
- 6.10 While there are sharp differences in development between the North and the South of the territory. 10 million Yuan are invested annually by social security in the promotion of new jobs. Concerning health insurance, employers may subscribe additional insurance for catastrophic health insurance at a rate of 27 Yuan per month per employee. The ceiling for reimbursement is of 600.000 Yuan per person annually, but this limit was never reached so far.
- 6.11 In the Q&A session that followed each presentation, it was confirmed that the scope and technological content envisaged in Qingyuan for future development planning in social security IT management and monitoring.



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*Qingyuan – Presentation of the social security system*



*Qingyuan – presentation on employment and income distribution*



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### 7. CONCLUSIONS

- 7.1. Following this very rich and mutually beneficial mission, both the European and Chinese sides would prepare their respective set of conclusions, including proposals for possible future activities at the pilot level, within and possibly outside the project framework.
- 7.2. It is hoped that the outcome of both sides can be confronted rapidly for reconciliation and consecutive sharing with the EUD and local pilot authorities.
- 7.3. This may imply adjustments in the project C1 programme of activities for 2017, and pave the way for 2018 project C1 programme of activities.

Jean-Victor Gruat,

Li Lingxi

March 2017.