



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

C2 Newsletter

Autumn 2017

FROM THE RESIDENT EXPERT, COMPONENT 2

From July to September 2017, C2 has organized three main events: two panel discussions in Beijing and a two-weeks training program in France.

The two panels were devoted respectively to "An integrated system for the coordinated management of the social assistance system" and "The Development of Old Age Services and Long-Term Care System", while the training had the ambitious title "Social Security in an Ageing Society: EU Practices Responding to the Demographic Challenge".

Following the panel discussions, C2 started the procedure outlined in the previous newsletter to prepare the policy suggestions to be presented at the workshops to be held before the Chinese New Year.

On the invitation of the China Academy of Social Management (Beijing Normal University) and of the British Embassy, the C2 Resident Expert attended a Forum on "The modernization of Social Governance: new trends and new responses" that was held in London on the 18-19 of September.

The C2 team did also have a few meetings at the Italian Embassy with representatives of the economic and healthcare sectors to provide updates on the project status quo, current fields of research, and identify potential synergies of cooperation in upcoming project activities.

Following the main policy outcomes of the 19th Congress of the CPC (Oct 19), the project team will meet up with MoF representatives to fine tune the 2018 research areas and activities.

The statistics corner of this issue will be devoted to the One Road One Belt initiative and more specifically to the implications of demographic trends foreseen for the member countries.

Michele Bruni

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1. PANEL DISCUSSIONS

A) An integrated system for the coordinated management of the social assistance system

The first panel, was held on 29th August in cooperation with the Dibao Division of the MoF. It was devoted to a theme that is becoming very crucial in a phase in which China is confronting new socioeconomic challenges connected with aging and the entrance in the phase of normal economy: to improve the organizational arrangements of social assistance in order to improve its efficiency.

In the morning session, Prof. Jiang Zhen introduced the discussion describing the existing situation and defining the main challenges faced by China in order to build a coordinated system of social assistance. He recalled that the Chinese system evolved in accordance with the establishment and improvement of the socialist market economy and plays the essential role of "safety net" and "shock absorber". However, the system is still confronted by a series of serious challenges (functional segmentation and dispersion of relief resources, poor coordination between social assistance and poverty alleviation, welfare bundling, insufficient capacity to keep track of the changes of the economic conditions of the beneficiaries, etc.) that need to be confronted as soon as possible, also by taking advantage of local experiences.

China needs to develop a better and more relevant framework of laws and regulations, to coordinate the use of funding, to integrate the management of relevant department as well as key information and eventually improve the allocation of social assistance resources. Prof Jiang Zhen did therefore suggest a series of specific policy suggestions aimed to reach the previous goals.



EU countries have chosen different solution for creating a well-coordinated and efficient system of social assistance. In the second part of the morning session, Mel Cousins outlined the solution proposed by UK, Sweden, and the Netherlands, Pavel Janeček illustrated the Czech Republic model, while Renzo Turatto and Alessandro Longhi introduced the Italian case.

In China decisions are taken at the central level, but historically important suggestions often came from the local level that very often play the role of laboratory and testing ground of new ideas.

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EU-China Social Protection reform project

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For this panel C2 and MoF had therefore decided to devote the afternoon session to the presentation of relevant initiatives taken by the provinces of Hebei, Shandong and Hanui in order to effectively improve the management of the local Social assistance system. The presentations were represented respectively by Wenzhou Liu, Wei Song and Meimei Sun.

The panel was attended by around 25 participants, including representatives from Dibao and Actuarial Divisions of the Ministry of Finance, China International Economic Exchange Center, National School of Administration, Chinese Academy of Social Sciences, the EU Delegation to China and Mongolia, and the UK Embassy

B) The development of Long Term Care system and old age services

The second panel was held just a few days later, on 5th September 2017, in cooperation with the Medical Insurance Division and Veteran Benefit Division of the Ministry of Finance. The Division Director Mr. Jiang Yu chaired the meeting.

The first paper covering the Chinese context, illustrating the main challenges and proposing a first set of policy suggestions was delivered by Prof. Tang Jun. Prof. Tang Jun started his presentation outlining the main characteristics of the aging process that is affecting China and that, according to the last Chinese forecasts, is expected to accelerate in the near future; in his opinion, the aging process is irreversible, but its consequences will not be so dramatic as sustained by Chinese media and some foreign researchers.

The second part of the presentation was devoted to define LTC and old age services as well as the concepts of successful aging, healthy aging, and active aging. Learning from the experiences of more developed countries Prof Tang Jun stressed that LTC should adhere to the three principles of "continuity, self-decision, and autonomy, and include daily life assistance, medical care, nursing and rehabilitation. As a consequence of their different socioeconomic developments, historical and cultural traditions different countries adopt different models of LTC.



There is no doubt that during the 12th Five-Year Plan, the problem of LTC and old-age services had made great progress and more importantly a general consensus has been reached on developing an old-age service system based on home care, supported by community care and supplemented by institutional care. It must however be recognized that some wrong choices have been made like putting attention on increasing the number of beds but not to their effective use, considering more the potential demand than the effective demand, while the large amount of legislation that has been enacted has however missed some key points.

Finally, starting from the proposal of Xi Jinping to "implement policies to support the development of old-age services", and establish "a long-term care system that articulates relevant insurance, welfare and social assistance schemes" Prof Tang Jun started to outline some policies proposal that will be formalized, in cooperation with the EU experts and the C2 RE and presented in the workshop to be held in January.

The rest of the meeting was devoted to the EU experiences. The first intervention was made by Marcello Morciano that provided an overview of EU LTC. After presenting the future trends in the demand for care and support for older people in Europe, he examined the coverage of publicly funded LTC, its intensity and the range of options adopted by EU member states in the financing, management and organization of their LTC programmes. Then he summed up the differences by defining five different clusters of EU countries. He concluded his intervention by outlining the main challenges that the European LTC systems face, the recent reforms implemented and the current policy debate in a broad range of EU member states.



From the financing perspective, we can distinguish between welfare models, financed by taxes, and insurance models financed by insurance premiums. A mixed model, financed by both insurance contribution and tax, and administered by local governments has been adopted by Japan. Prof Tang Jun did then suggest that: LTC insurance should be an independent social insurance program, separated from medical insurance; should cover both daily life needs and rehabilitation, initially should target only the function-reduced old people.

Building on the general framework presented by Morciano, Jean-Yves Hocquet presented the French system, Renzo Turatto the Italian system, while Michele Bruni illustrated the German model on the basis of a paper written by Monica Gabanyi, who could not attend the seminar. Also the second panel was attended by around 30 participants, including representatives from the Medical Insurance Division, the Veteran Benefit Division and the Actuarial Division of the MoF, the Chinese Academy of Social Sciences, the Renmin and Wuhan Universities, the Italian Embassy.

2. TRAINING COURSE- FRANCE “Social Security in an Ageing Society: EU Practices Responding to the Demographic Challenge”

The training program was held in France from 10th to 24th September 2017, the first 10 days in Paris and the last three in Marseille. The course was attended by fourteen officials from the Social Security department of the Chinese Ministry of Finance (three from the central government and eleven from provincial offices). The delegation was led by Mr. Fu Jinling, Deputy Director-General of the Social Security department of the Ministry of Finance.

The training was organized in strict cooperation by the Italian Institute of Social Protection (INPS), the Italian National School of Administration (SNA), the C2 Beijing office, with the logistic support of Expertise France and SISPI Italia Previdenza.

The content of the course was in line with the policy priorities of the Chinese Government, which is currently trying to cope with the rapid ageing of the population and to define adequate policies in the social protection field.



The main objectives of the course were: 1) the assessment of the European situation on structural problems such as population ageing, on the sustainability of public pensions and health care vis-à-vis ageing, and on long-term care; 2) the analysis of the EU member countries policy responses to the impact of population dynamics on pension systems, healthcare and long-term care, including the role of financial markets; 3) to discuss and deepen the understanding of the main lessons coming from EU experiences on the interplay between ageing and societies' well-being 4) to draw, when possible, comparisons between the European and the Chinese situations and derive suggestions that could inspire the Ministry of Finance to design and propose effective new policy measures.



Coherently the broad program of the training included four main parts. The first was devoted to the demographic trends in EU and China and their impact on the sustainability of the pension, healthcare and long-term care systems. The second mainly focused on the financial management of pension funds, investment strategies, risk control methodologies, and the role of private pensions to guarantee the financial sustainability of the pension system in aging societies. The third analyzed the Long-term care systems of some EU member countries as well as their financial sustainability; it did also focus on the relevance of technology and information platforms, while discussing the relative role of the public sector and of the market, including the third sector. Local experiences were at the center of the fourth part of the training program in which public officials of the regional administration of Lazio (Italy) and of the municipality of Marseille (France) presented their experiences in providing and managing services for the elderly and disabled people.

Overall, more than 25 international experts (academicians and public officials) from Italy, France, Germany, the Czech Republic and UK were engaged in the training that included both lectures and visits to leading institutions involved in social assistance. In each occasion, the trainees had the time to engage in lively debates that did guarantee a better understanding of the EU experiences, while giving the possibility to appreciate their relevance for the challenges faced by China.



3. The Forum on “The modernization of Social Governance: new trends and new responses”

The Forum, was jointly organized by the China Academy of Social Management (Beijing Normal University) and the China Institute of SOAS, London University and was guested by SOAS.

The forum was opened by two keynote speeches. Prof. Wei Liqun, former director of the State Council Research Office and presently Dean of the China Academy of Social Management of Beijing Normal University talked on “Social governance in China: new trends and new practices” while the object of Prof. Steve Tsang, Director of the China Institute of SOAS, was “Understanding social governance in the era of Xi Jinping”.



The forum included more than 20 presentations organized into 5 panels covering such topics as Social governance, past and present, Internet Society and social governance, Social governance modernization and care for the elderly, Public decision making and public services, Social governance: rural and urban perspectives. Michele Bruni presented a paper titled “Are robots the right solution for LTC? Ageing societies between racism and the Frankenstein Syndrome”. The main tenant of the paper that China will need mass immigration not only to take care of its elderly in not too far a future, but also to continue along its path of economic growth and social development was received with a lot of interest and promoted many questions.

4. The organization of the working groups to draft the policy proposals

Immediately after each panel discussion, a meeting with the Chinese and EU experts involved in the research was held at the Beijing project office. The goal was to constitute a working group in charge of elaborating evidence based policy suggestions. While up to now the papers containing the policy proposals was the sole responsibility of the Chinese expert, it was decided that from now on the proposals will reflect both the ideas and contributions of the EU experts and of the Chinese experts. In order to do so, the working group will provide its own suggestions to be discussed with the Chinese experts and under the directions of the Resident Expert blended in a paper containing the policy suggestions of the Component.

In the case of Topic 2.1.4 the working group is composed by Jiang Zhen, Mel Cousins, Pavel Janeczek, and Renzo Turatto, Mel Cousin acting as coordinator of the EU experts. The working group of Topic 2.1.6 is composed by Marcello Morciano, Vincenzo Atella, Jean Yves Hocquet, Tang Jun, and Li Zhen. The coordinator of the EU experts is Marcello Morciano. Both working groups are already working on the preparation of the reports.

5. THE STATISTICS CORNER: The demographic trends of the countries participating to the Belt and Road initiative and their welfare and labour market implications



The Belt and Road initiative (BRI), which aims to revive the ancient Silk road in a modern perspective, has been in the Chinese political agenda since 2013. It has been presented as a development strategy that focuses on connectivity and cooperation between a large numbers of countries (China + 64 Asian, European, and African countries) that jointly account for around 30 per cent of world GDP. The aim is to promote economic co-operation, to enhance the orderly free-flow of economic factors and the efficient allocation of resources, as well as to further market integration.

It is envisaged that member countries will be connected through

- **three land routes** linking 1) China to Europe through Central Asia and Russia, 2) China with the Middle East through Central Asia, 3) China and Southeast Asia, South Asia and the Indian Ocean
- **two maritime roads** that (4) link China with Europe through the South China Sea and Indian Ocean and (5) connect China with the South Pacific Ocean through the South China Sea.

Up to now the main focus of this ambitious program has been on infrastructure investment, construction materials, railway and highway, automobile, real estate, power grid, iron and steel. Little or no attention has been paid to the human factor that appears only mentioned when it is indicated that one of the aim of the initiative is to create people-to-people bonds, by promoting exchanges and dialogues between different cultures, strengthen friendly interactions between the people.

Starting with this newsletter, the statistics corner will focus on the demographic characteristics of the BRI countries and the demographic tendencies that are expected to affect them, in order to explore their implications for the welfare systems and the labor markets of this huge region.

Demographic characteristics of the BRI countries

The 65 countries of the BRI differ under many political, economic, and social aspect. From a demographic perspective the group includes not only the two most populous countries in the world (China and India), but also other four countries with more than 100 million inhabitants (Indonesia, Pakistan, Bangladesh, Russia, and Philippines). These seven countries account form 48.2 per cent of world population and 77.4 per cent of BRI population. The BRI includes also some of the smallest countries in the world: in fifteen the population is between 5 and 10 million, and in twenty-two below five million.

With a total population of 4.6 billion inhabitants, in 2015 the BRI countries, accounted for 62.3 per cent of the world population. In a zero-migration scenario its population is projected to increase to almost 5.2 billion in 2030 and to 5.6 billion in 2060. However, the natural rate of growth of the BRI countries is projected to be much lower than that of the Rest of the world (RoW) so that their world share will decline to 60.6 per cent in 2030 and to 54.8 per cent in 2060.



A closer look shows however that BRI countries largely differ in term of age distribution. In 2015, the percentage of elderly was below 5 per cent in 27 countries, between 5 and 10 per cent in 14 countries and only in one, Bulgaria it was above 20 per cent. In 2060 the scenario is projected to be totally different. Only 5 countries would register a percentage of elderly below 10 per cent, in 19 the value will be between 10 and 20 per cent; in 24 below 20 and 30 per cent, and in the remaining 17, 30 percent or more, with record values in Singapore (39.4 per cent), but especially in the United Arab Emirates and Qatar with 49.3 and 50.2 per cent respectively .

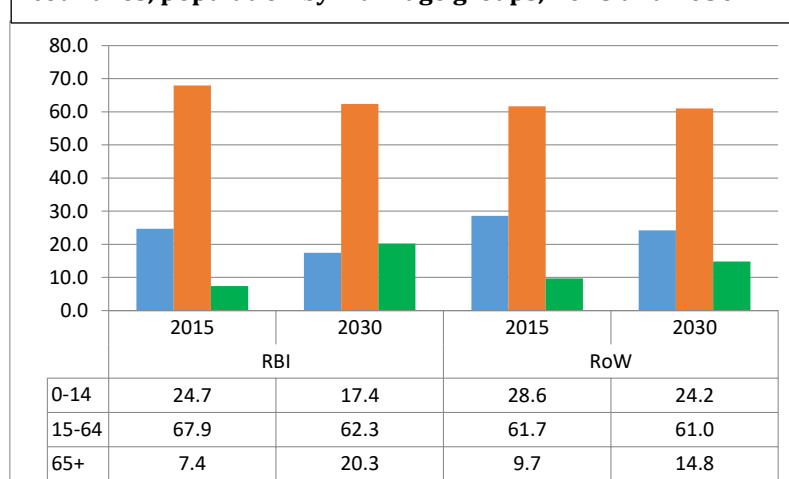
Table 1 - BRI and RoW; population by main age groups; 2015, 2030 and 2060

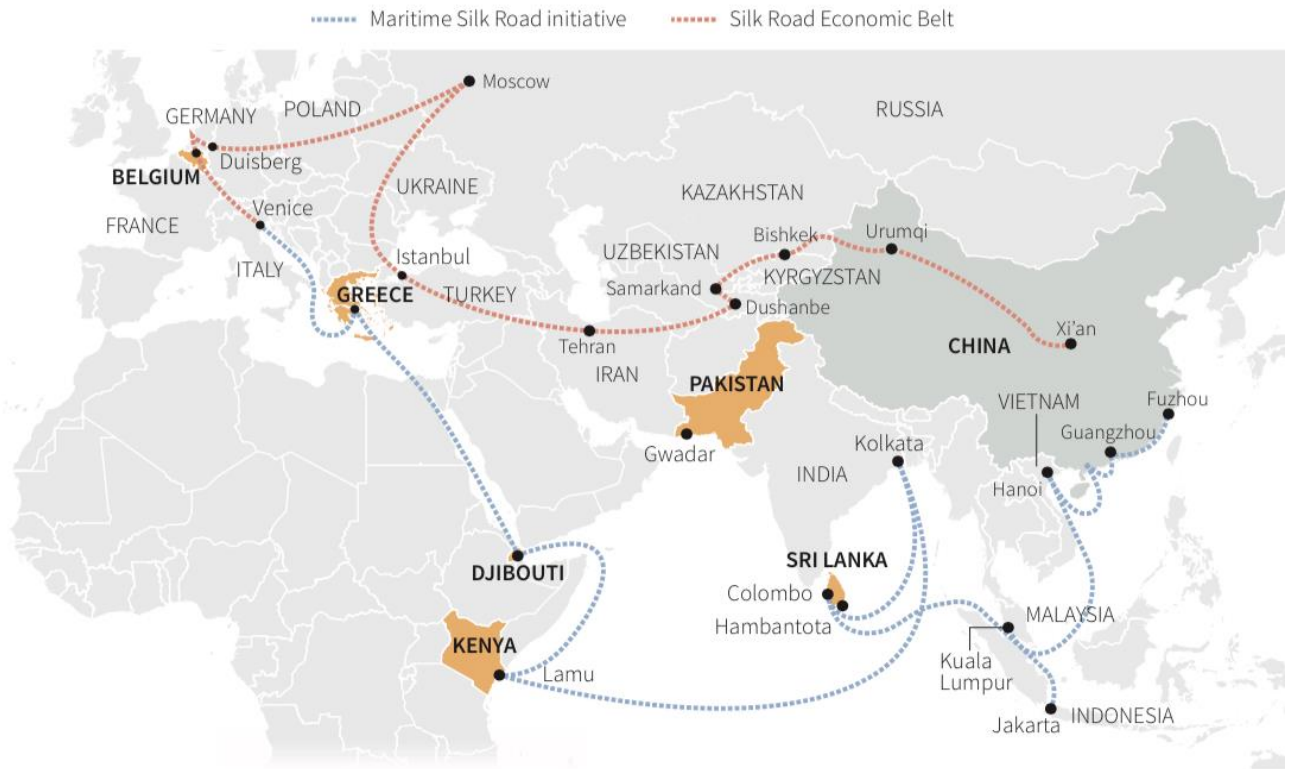
BRI					World				
	0-14	15-64	65+	Total		0-14	15-64	65+	Total
2015	1,135	3,125	342	4,601	2015	1,931	4,841	612	7,383
2030	1,106	3,480	596	5,182	2030	2,026	5,528	998	8,552
2060	976	3,494	1,135	5,604	2060	2,092	6,309	1,818	10,219
2015-30	-28	354	254	580	2015-30	96	688	386	1,169
2030-60	-131	14	539	423	2030-60	66	781	820	1,667
2015-60	-159	369	793	1,003	2015-60	162	1,469	1,206	2,836
Rest of the world					BRI/World				
2015	796	1,715	270	2,782	2015	58.8	64.6	55.8	62.3
2030	920	2,049	402	3,371	2030	54.6	62.9	59.7	60.6
2060	1,117	2,815	683	4,615	2060	46.6	55.4	62.4	54.8
2015-30	124	333	132	589	2015-30	-4.2	-1.6	3.9	-1.7
2030-60	197	767	280	1,244	2030-60	-8.0	-7.6	2.8	-5.7
2015-60	321	1,100	412	1,833	2015-60	-12.1	-9.2	6.6	-7.5

Moreover, the aging process of BRI countries will be more pronounced. In 2015 the age structure of the RoW was more skewed with the young representing 28.6 per cent and the elderly 9.7 per cent, while the corresponding values of the BRI countries were 24.7 per cent and 7.4 per cent.

In 2060 the percentage of elderly in BRI countries is expected to climb to 20.3 per cent versus a value of 14.8 per cent of the RoW where still almost 1/4 of the total population will be below 15.

Graph 1. Road and belt Initiative and Rest of the world countries; population by main age groups; 2015 and 2030





To get a closer understanding of how much demographic trends differ between BRI countries let's take a closer look to the demographic trends of the two giant countries, China and India. In the long run both countries will register a sharp decline of the young and a large expansion of the elderly. But while in China between 2015 and 2060 WAP will decline almost by 28 per cent, in India it will increase by 30 per cent. As a consequence of these tendencies:

- In China total population will decline by 5 per cent, in India it will increase by 30 per cent making India the largest country in the BRI;
- In China the percentage of elderly will pass the 30 per cent mark, in India it will reach only 20.5 per cent.

Graph 2 - China and India; Population by main age groups; percentage rate of growth; 2015-2060

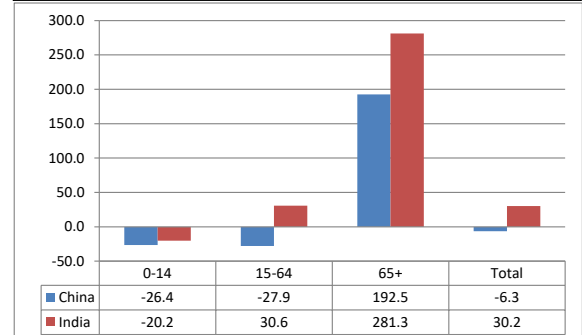


Table 2 - China and India population by main age groups; total values and percentage composition; 2015, 2030 and 2060

	0-14	15-64	65+	Total	0-14	15-64	65+
China							
2015	247	1,015	135	1,397	17.7	72.6	9.7
2030	223	978	246	1,447	15.4	67.6	17.0
2060	182	731	395	1,308	13.9	55.9	30.2
2015-30	-24	-37	111	50	-2.3	-5.0	7.3
2030-60	-41	-247	149	-139	-1.5	-11.7	13.2
2015-60	-65	-284	260	-89	-3.8	-16.8	20.5
India							
2015	375	860	74	1,309	26.9	61.6	5.3
2030	358	1,034	128	1,521	24.8	71.5	8.9
2060	299	1,124	281	1,704	22.9	85.9	21.5
2015-30	-17	174	54	212	-2.1	9.9	3.6
2030-60	-59	89	153	184	-1.9	14.4	12.6
2015-60	-76	264	208	395	-4.0	24.3	16.2

The analysis of the demographic trends of the other 63 countries of BRI shows that they can be classified into three groups: the first group includes countries like China where WAP will decline in both periods we are considering; the second group includes countries like India where WAP will increase in both periods; the third group includes countries where WAP will increase in the first period and decline in the second.

Michele Bruni