



## REPORT ON THE PANEL DISCUSSION MEETING OF 16<sup>th</sup> December, 2015

### COMPONENT 2–TOPICS 2.1.2; 2.2.2

1. The second 2015 panel discussion for Component 2 was held on 16<sup>th</sup> December 2015 at Renmin University, Mingde Building, Meeting Room No. 211, Beijing. The panel covered topics 2.1.2 –Social security Coverage on Informal Employment: Methodologies and Tools of Analysis and Management – and 2.2.2 - Models and Methodologies for the Social and Economic Sustainability Analysis in Social Protection System - retained as part of the Component Plan of activities for 2015.
2. The agenda and list of participants are attached. The panel was co-chaired by Mr. Di Donghui, Division director of the Social Security Department of MoF, and the EU Resident expert for Component 2 and Team Leader, Mr. Stefano Patriarca.
3. MoF invited to attend the panel officials of the social security department of MoF, a representative from MoHRSS and relevant external Chinese experts on the fields of discussion. Speakers of the first session on topic 2.2.2. were **Prof. Wang Xiaojun**, Vice Dean of Department of Statistics, Renmin University of China and the EU ST Expert on Best practices **Ms. Angela Legini**, Statistician and Actuary- Staff of General Director of the National Institute of Social Protection (INPS), Italy. Speakers of the second session on topic 2.1.2 were **Ms. Zhou Xiao**, Institute of International Labour and Social Security, MoHRSS, and the EU ST Expert on Best practices, **Mr. Mel Cousins**, International Social Protection Expert. More than 20 participants took part in the meeting and contributed to the discussion, for which MoF had foreseen interpretation services – the project interpreter also taking part – and a full set of documents to be presented.
4. **Prof. Wang Xiaojun** gave the first presentation on Models and Methodologies for the Social and Economic Sustainability Analysis in Social Protection System, analysing the current situation on the matter in China, by explaining the basic situation of social insurance actuarial evaluation and budgeting, models and methods for social insurance budgeting and actuarial valuation, and finally by underlining the main problems on social budgeting and social insurance actuarial valuation in China. Regular or special actuarial assessments are used in some countries to value and supervise the financial situation and sustainability of social protection system. Social budgeting systems are used to make quantitative management of a national social protection system. The first actuarial valuation of social insurance in China was made in 1995. In 2004, The System and Actuarial Section was established under the department of social security in the MoF. In the same year, the Social Insurance Agency, the subordinate of MOHRSS established its actuarial section. The goals of both

government departments are to provide reliable financial data and gradually establish a standardized system of the actuarial report. Nevertheless, There are only 3-4 staff members in each actuarial office under limited authorized personnel. The staff is not expert in actuarial valuation and there are no legal requirement for actuarial valuation and reporting system. Overall, the expert underlined the following main issues:

1) Data: for the social security database, up to now, the nationwide network has been basically formed. Nevertheless, there is a lack of a more in-depth data mining and comprehensive analysis. In addition, the database is not opened to other government departments and to the public.

2) Models: China has annual social insurance budget requirement, but does not have medium and long term budgeting requirement. It is used a very simple budgeting approach to do one year projection, but there are no social budgeting models based on micro-simulation and actuarial projection. China has some experience on building the models but does not have regular social insurance actuarial valuation requirement.

3) Specialized Institution and personnel: there are two budgeting and actuarial divisions in two government departments in China (MoF and MoHRSS). It may make confusion about the responsibility. There are only 3-4 staff members in each actuarial office and budgeting office under limited authorized personnel right now. Furthermore, the staff is not expert in budgeting and actuarial valuation. Moreover, it is very difficult to recruit and keep the professional and technical staff in the government because of the admittance restriction. It is also very difficult to give them promotions in the government context.

Finally, the expert suggested to improve the social security legislation, define the provision on regular actuarial valuation and social budgeting in the social insurance legislation, complete database and build the valuation models, set special institution and recruit experts, and so on.

5. Following the main issues raised by Professor Xiaojun, **Ms Legini Angela** made a presentation on some EU experiences that could be of interest to improve the system in China. In particular, the expert focused her presentation on three issues, namely: 1. Need to establish a “more equal and sustainable” social security system; 2. Lack of available and shared information, as well as low level of information detail; 3. Deficiency in the system of budgeting and assessments. For each of these issues the expert presented a EU experience.

- **EU Best Practice 1: The method for adjustment mechanisms in line with life expectancy in the Italian pension system.**

Some European countries have introduced mechanisms of automatical adjustment of the level of pension benefit in line with the change of life expectancy. While other countries have prepared mechanisms of adjustment of the access requirement in response to longer life expectancy. In such a context, Italy differs from them as its automatical mechanisms are both effective and operative in terms of coordination. Best practice:

- the calculation of coefficients of transformation rate of the total contribution under DC system.
- the adjustment of the access requirement in response to longer life expectancy

- **EU Best Practice 2: Italian experience in the preparation of basic statistical information**

- Datasets of insured, retirees and beneficiaries of social assistance
- Unified Account Statement (UNEX)
- **EU Best Practice 3: rules and guidelines existing in Italy on actuarial evaluations**
  - The adoption of the assumption and the basis to be used for the estimations
  - The frequency of the estimations
  - Systematic reporting
  - Relationship among managing organs and institutes
- **EU Best Practice 4: models of actuarial evaluation**
  - The EU experience in building adequacy and financial sustainability models for pension and social protection.

6. The second session of the Panel started with the presentation on the Social Security of Informal Employment in China by **Ms. Zhou Xiao**, who introduced the general background on informal employment in China, presented the policy development on social security of informal employment, and highlighted the coverage status of social security of informal employees in China.

The definition of informal employment is similar but not the same as flexible employment in China. As for flexible employment, it refers to people taking part-time, temporary or flexible jobs. It includes unemployed people, resigned people and self-employed people who leave their archives at Archive Depositing Centers of all levels and terminate their labor relation with employers. It also includes retired people permitted by Department of Labor and Personal during the period when their archives are stored at Archive Depositing Center, unemployed people who have registered for employment, self-employed people, as well as individual economy organizers and staff. In the research, the expert included in the category of informal employees also the people who start their own business or get employed through the Internet, as this has become an important pattern of the emerging industries in the “New Normal” of China.

According to the statistical data from the China Labor Statistical Yearbook in 2014, the number of employees in China cities and towns is 382 million, China has 120 million flexible employees . It accounts for 31.4 percent of the national employment in cities and towns. Overall, the main issues underlined by Ms Zhou are the following:

- The systematic coverage of basic pension and medical care have been realized, while the others are still in the phase of exploration.
- Insurance rates for basic pension and medical care have increased drastically, but with the lower level of compensation.
- Informal employees are still the marginal and rarely concerned group of social security in the new economic form.
- The subsidy policies for social security for informal employment have remarkable effects, but with the narrow coverage.

- The payment base and rates are still relative high for informal employment, and the transition and continuity between systems still lack flexibility.
7. The EU has potential “best practices” in extending social security coverage to atypical workers, as highlighted by the European expert, **Mr Mel Cousins**. Even if EU countries vary much from China in the percentage of workforce engaged in agriculture, however, like China, EU countries also faced by rise in atypical work – up to one-third of all jobs can be classified as atypical. The expert underlined the following six key issues on the matter and provided specific EU experiences:

**1. Approach to atypical employment**

- Italy (1995) social insurance extended to atypical workers (collaboratori coordinati e continuative)
- Initially lower contribution rate - insurance against sickness, maternity, accidents at work and family benefits similar to employees (although benefits are usually less generous).
- Ireland (1991) all *employees* earning EURO 38 per week (c. 4 hours work at minimum wage) insured
- UK – workers who are temporarily out of work can get ‘credited’ contributions, i.e. they are granted contributions by the social security authorities which help to qualify for pension (e.g. temporary workers)

**2. Affordability**

- Social insurance contributions based on % of actual income – therefore very low for low paid workers
- Some countries have reduced contribution for low paid workers, e.g. UK workers who earn between lower earnings limit (LEL) and 140% of LEL are insured but pay no employee contribution
- Social pooling results in very good return for low paid workers, e.g. Ireland – pensions for person on minimum wage = 4 times value of contribution

**3. Subsidies**

- Social pooling involves indirect subsidy for atypical workers
- Also general subsidies by way of exemption from social insurance contributions and ‘credited’ contributions
- Some countries provide specific subsidies to specific groups, e.g. unemployed people taking up work (exempted from contributions for a certain period)
- Difficulties of targeting, e.g. ‘deadweight’

**4. ‘New economy’ workers**

- Workers in ‘on-line’ businesses
- Most EU countries distinguish between employee & self-employed, e.g. no UI for self-employed
- According to a recent study by European Parliament, Italy is one of the only countries to specifically include some ‘dependent self-employed’ as employees

**5. Estimating coverage**

- the % of the working population with potential entitlement to benefit
- the number of actual beneficiaries of such benefits or services.
- Various methods used to measure coverage.

- For example, systems financed by contributions measure the number of contributors as a percentage of the active (working) population
- Important also to look at quality of coverage – minimum & optimum coverage

#### **6. Administrative issues**

- Extension of coverage must be administratively feasible
- Cross-subsidisation will be required
- Rules should be simple and easy to understand for employers and employees
- Administrative requirements should be simple
- Publicity and good communications are required

8. The presentations have been followed by the comments of the participants. **Ms Gang Shuyan**, who has been working at the Actuarial Department of MoHRSS since its establishment gave her insight and contribution to the discussion on the first topic. She mainly underlined four issues:

- 1) Legal requirements: there is no clear requirement by the law and regulation on where and how the actuarial dep. Of MoHRSS should provide actuarial reports. The Social Security department of MoHRSS made the requirement to submit monthly reports at central and provincial level.
- 2) Data: the quality of the data cannot satisfy the demand; issue of accessibility of the data, MoHRSS is not authorized to publish data and release them to the public.
- 3) Lack of professional experts both in the quality and in the quantity. We could improve the capability and skills of our staff through trainings, as experienced with the previous project.

Finally, Ms Gang underlined her interest to improve the cooperation in this project as MoHRSS is still facing many challenges and could improve its actuarial department with the collaboration of EU and Chinese experts.

C2 Resident Expert, Mr Stefano Patriarca, indicated that the work done by the expert is a fundamental base to start with the future work on the topics. The second step will be to identify some EU practices that could be interesting to be deeply analyzed.

For the Topic 2.2.2, we must consider the different management of the data in the actuarial departments of the EU and China, as they present different levels of management.

There are mainly three fields of cooperation that could be applied:

1. The “architecture” of the system (legal requirements- how are organized offices and departments in the EU)
2. Models: we could build experiences on models
3. Enhance human resources with some activities within the project

For Topic 2.1.2, Mel Cousins made some useful proposals of EU best practices that we will further discuss with the Chinese counterparts and will make some activities, as case studies to better study the field.

**Mr Di Donghui** made the final remarks of the Panel. First he expressed his appreciation and satisfaction on the discussion made with the experts, as well as on the activity performed in the previous day (Workshop).

The topics 2.2.2 and 2.1.2 analyzed in this panel are of crucial importance to MoF as the Social Security Department of MoF pays particular attention to these issues, given also that the actuarial balance was one of the themes contained in the 5<sup>th</sup> Plenary Session of the Central Committee. In the social insurance systems, the actuarial balance is necessary for the future sustainability and a precondition to determine subsidies. Hence, MoF needs more ideas and suggestions from EU experience. The issue of social insurance coverage on informal employment is also related to the fact that China lacks of incentives for informal workers to join the social insurance system. Our main concern is to improve policies on incentives and subsidies.

As for future activities and collaboration we will analyze concrete issues in follow up meetings. The project will need a good collaboration of both EU and Chinese side, including also the MoHRSS.



## EU-CHINA SPRP COMPONENT 2

### Panel Discussion on Models and Methodologies for the Social and Economic Sustainability Analysis in Social Protection System (topic 2.2.2) and Social security Coverage on Informal Employment: Methodologies and Tools of Analysis and Management (topic 2.1.2)

Wednesday, December 16<sup>th</sup>, 2015  
9:00-11:50 am

**Renmin University**  
**Mingde Building, Meeting Room No. 211**

#### Agenda

<b>9.00-09.10</b>	Welcome speeches Representative of MoF Mr Stefano Patriarca, EU Resident Expert Component 2
<b>Session 1: Topic 2.2.2 - "Models and Methodologies for the Social and Economic sustainability analysis in social protection system"</b>	
<b>09.10-9.40</b>	Analysis Report Presented by Professor Xiaojun Wang, Chinese Expert
<b>9.40-10.10</b>	EU best practices and comment on the topic submitted by Ms Legini, Statician and Actuary- Staff of General Director of the National Institute of Social Protection (INPS), Italy
<b>Session 2: Topic 2.1.2 - "Social security coverage on informal employment: methodologies and tools of analysis and</b>	
<b>10.10-10.40</b>	Analysis Report Presented by Ms. Zhou Xiao, Chinese Expert
<b>10.40-11.10</b>	EU best practices and comment on the topic submitted by Mr Mel Cousins, International Social Policy Specialist, Ireland
<b>Session 3: Open discussion involving all the experts and Conclusion</b>	
<b>11.10-11.40</b>	Comments on the two Topics by other Chinese and EU experts and specialists
<b>11.40-11.50</b>	<b>Conclusion and final remarks</b> Representative of MoF Stefano Patriarca, EU Resident Expert Component 2 Yi Xiaolin, Project Officer, EUD

## Name List of Participants

与会人员姓名 Name of the participants	机构/组织 Institution/organization
斯岱法诺·帕特礼雅尔卡 Mr Stefano Patriarca	中国欧盟社会保障改革项目，第二部分欧盟常驻专家/项目组组长 EU Resident Expert Comp 2 and Team Leader
梅恪行 Mr Mel Cousins	国际社会保障专家 International Social Protection Expert
安哲拉·黎纪倪 Ms Angela Legini	意大利国家社会保障署统计精算司长官 Statistician and Actuary- Staff of General Director of the National Institute of Social Protection (INPS), Italy
罗伯德·诺达礼思 Mr Roberto Notaris	意大利国家社会保障署社会福利领域分析家 Analyst of work processes in the field of pension benefits, the Italian National Institute of Social Protection (INPS), Italy
法必奥·安哲洛·马拉诺 Mr Fabio Marano Angelo	意大利国家社会保障署审计委员会成员 意大利劳动与社会政策部长官 Director general in the Ministry of Labour and Social Policies, Member of the Board of Auditors of the National Institute of Social Protection (INPS), Italy
李珍 Prof. Li Zhen	中国人民大学，社会保障研究所所长 Director of social security research institute, Renmin University of China
周宵 Ms Zhou Xiao	国际劳动保障研究所，人力资源和社会保障部 Institute of International Labour and Social Security, MoHRSS
王晓军 Prof. Wang Xiaojun	中国人民大学，统计学院副院长 Vice Dean of Department of Statistics, Renmin University of China
陈秉正 Prof. Chen Bingzheng	清华大学，中国保险与风险管理研究中心主任 Director of China Center For Insurance and Risk Management, Tsinghua University
杨再贵 Prof. Yang Zaigui	教授，中央财经大学 Professor, Central University of Finance and Economics
耿树艳 Mr Geng Shuyan	处长，人力资源和社会保障部 Division Director, Ministry of Human Resources and Social Security
邸东辉 Mr Di Donghui	财政部，社会保障司处长 Division director, Social Security Department, Ministry of Finance, China
岳林 Mr Yue Lin	财政部，社会保障司主任科员 Principal staff member, Social Security Department, Ministry of Finance, China
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林国旺 Mr Giovanni Lin	中国欧盟社会保障改革项目，翻译 Interpreter
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