

WORKSHOP ON 2015 RESEARCH TOPICS PERSPECTIVE TOWARDS THE XIIIITH FIVE-YEARS PLAN

Component 1

20 JANUARY 2016, JINDIYA HOTEL, BEIJING

The China-EU Social Protection Reform Project Component 1 Workshop on 2015 Research Topics - Perspective towards the Thirteenth Five-Year Plan was held on 20 January 2016 to conclude the research activities in 2015. Some 40 participants, including representatives from NDRC, Ministry of Human Resources and Social security, Ministry of Finance, ACFTU and other Chinese stakeholders,



the EU Delegation in Beijing and the project team took part in the discussions. Mr Pu Yufei, Director General of NDRC Employment and Income distribution department, and Mr Jean-Victor Gruat, EU Resident expert for Project component 1, jointly chaired the Workshop.

The programme and list of participants are attached.



Mr. **Pu Yufei**, Director General from Department of Employment and Income Distribution of NDRC presents the opening speech, in which he offers a brief summary of the major achievements during the year of 2015. He stresses that in 2016 there will be two important high-level conferences that involved high-rank government officials from both the EU and China. Mr Pu Yufei also suggests that in 2016, the research on the NDRC side will focus on the top-designs of social security and the pension system in particular. In addition, he emphasises that in 2016 there should be more in-depth study on the specific mechanisms by

which the pension systems work, and more focused research that put under spotlight the problems of affordability and other complex issues, together with more extensive investigations the scope of which is broad enough to attend to issues such as employment and social distribution.

The opening speech is then followed by the brief address from Mr. Jean-Victor Gruat, SPRP C1 Resident Expert. He speaks highly of the research findings during the past year especially among the NDRC experts. He also dedicates the welcome to the colleagues from MOF and MOHRSS, as wells from prominent research institutes including CASS, RUC and BNU, indicating that the broader audience of the workshop speaks of how interesting the project is and the potential of the research being disseminated beyond the small circle of project experts.



Moving into the first session, three experts presented their findings and reflections on their research. Mr. **Tan Zhonghe** from MOHRSS presents his report on XIIIth Five-year Plan for pension insurance in China. He first provides a brief overview of the development trajectory of the pension system reform in China, addressing some of the prominent achievements especially in terms of the coverage and benefit level. He also proposes that during 2016 there should be more detailed investigation on various key notions of the pension system reform. For instance, what is ‘full coverage’ needs clarification, and how it should be achieved shall be further explicated. Additionally, his presentation also draws attention to more urgent problems including the declining ratio of salary to income, and the increasing dependence of the local government on the central state. As a concluding remark, Mr. Tan emphasises the

general guiding principle of sticking to the specific conditions in China when promoting the pension system reform.



Following upon Mr. Tan’s report, Mr. **Wang Zeying** from Institute for Social Security Research, MOHRSS elaborates on the achievements of the reform as well as the problems and issues, and proposes a range of policy recommendations accordingly. In terms of achievements, Mr. Wang highlights the general improvement in the overall planning and in the management service system, and the standardisation of the transfer and continuation of pension insurance. However, problems are still quite evident: the system is yet to be further integrated and improved, the overall planning level remains low, policy of transfer and continuation should be improved, the capacity of operative management is in need of enhancement, and the outdated information system no longer serves the operational practices. In order to deal with these issues, Mr.

Wang offers several policy proposals. First, the basic pension insurance system should be further integrated. In particular, the systems for urban enterprise employees and for the public sector should be merged together. Second, measures ought to be taken to make more consummate pension insurance policies, by encouraging voluntary participation in the basic pension system, by facilitating integration between the rural and urban systems, by improving the transfer and continuation mechanism, by up scaling the overall planning, and finally by raising the capacity of operation and management as well as the information service.



Ms. Zhang Yinghua delivers the final presentation in the first session from Centre for International Social Security of CASS. Her focus is on the pension reform for the public sector initiated in 2015. She especially points the reform can provide valuable experiences and lessons for the reform of the pension system in the private sector, since the employment model of the public sector is the most standardised and follows the same institutional setup with the urban pension system. In delineating the trajectory of the pension system of the public sector, she highlights the rationale behind the 2015 reform. For one thing the public discontent towards the pension disparity has become more and more severe. As the data from Shaanxi Province suggests, pension subsidies constitutes 47% of the income, which is not enjoyed by urban enterprise employees. This further leads to the impediment on the labour movement between public and

private sectors. On the other hand, the financial burden is very severe. Another issue concerns with the revenue and expenditure of the central and local governments. There will be an increased dependence in the local on the fiscal transfer from the central government. Additionally, Ms. Zhang also provides an in-depth prediction and evaluation of GOPI pension system reform, and brings the attention to the issues of demographic change and ageing and the resulting pressure on fiscal sustainability. In response to these, she offers a set of policy proposals that prioritise the overall fairness of the pension system and attend to the portability, fiscal sustainability as well as investment performance of the pension system.

In the second session, two renowned Chinese experts present their reports.



Professor **Dong Keyong** from the Department of Public Administration, PRC elaborates on the ‘multi-tier design’ of pension systems. Before going into the details, he first lays out the general theoretical stance, which consists of their components. First, from long-term strategic perspective, it is important to take into consideration issues such as demographic change and ageing whose impacts on pension systems will become more and more evident. Second, taking an integrative perspective, it is essential to ‘jump out of the box’ of pension system so as to engage with a wider range of processes such as urbanization and the formation of the capitalist market. The third component points to the expanding notion of ‘urban employees’ and in particular the “citizenisation” of migrant workers. Specifically, Professor Dong points out that the current structure of China’s pension system is untenable and unsustainable, since it relies too heavily on the basic pension, which is mainly funded by the central government. In the discussion of the reform objective and approaches, he emphasises that the four basic principles which are fiscal sustainability, full coverage, benefit adequacy, and equality and fairness. By way of conclusion, he also comments on the model Nominal Individual Account, and contends that the institutional foundation for implementing such model is still in lack in the Chinese context.



Mr. **Song Xiaowu** from China Institute for Income Distribution, BNU focuses on the theoretical aspects and the general direction in his report ‘Facing the XIIIth Five: Debate on Major Issues of the Social Security System in China’. To begin with, he first manages to break the popular ‘myth’ that the major problem of China’s social security system is the high benefit level. Mr. Wu demonstrates through sets of data that in fact the current social security expenditure rates are quite low in China, which is quite evident in the case of migrant workers. Then he moves on to stress that the major problem of social security is its weakening effects on social redistribution, which is the essential attribute of social security. This fundamental function is overlooked as too much emphasis has been put on the incentive effects of social security. Another important point Mr. Song makes regards the expansion of individual accounts. He alerts that in doing so the redistributive function of social security system will be further weakened. Additionally, he offers a careful examination of the incentive mechanism that advocates ‘more payment for more gain’. Specifically, he points to the inherent contradiction of such design, between the principle of ‘full account’, which provides positive incentives, and the design of ‘the balance of individual account shall not be inherited’ that provides negative incentives. Furthermore, Mr. Song also criticises the over reliance on actuarial balance, claiming that it is far from the principle of social insurance but of commercial insurance. He argues that social security and its level of payment should be the result of negotiation among different social groups, which is the essential nature of social security. According to him, it is entirely misleading to focus only on the technical details.



The thought-provoking reports encourage many experts in the audience to share their own opinions and perspectives in the discussion session. Mr. **Lu Haiyuan**, suggests the project pay more attention to the urban-rural pension system. He emphasises that the system has covered 0.5 billion people which is unprecedented in the world. Furthermore the system will provide useful experiences and lessons for other developing countries. As a matter there have already been 72 countries that adopt the pension system resembling to China's model. Mr. Lu also indicates that it is important to note that foreign models and principles are not quite directly applicable here in China, for instance actuarial balance and principle of equivalence. Hence it is really important to have a theoretical revolution based on the specificities of China's conditions, suggesting the pension system should seek the solidification of basic protection, full coverage, flexibility transferability as well as sustainability.

Ms. Li Huizhe Division director from the Department of Social security of the Ministry of Finance also provides her opinions from the financial perspective. First she acknowledges that, despite the crucial effects of the pension system especially on the maintenance of social stability, social security in China nowadays indeed is confronted with various challenges. One of them is the issue of fiscal sustainability. She suggests that in order to address the issue, there should be a transparent and understandable information system, allowing people to see there how much they pay and get. Additionally, the central-local financial responsibilities should be more clearly defined.



The final discussant Mr. **Koen Vleminckx**, EU Short-term Expert, elaborates on the redistributive function of social security, which is brought up in Mr. Song Xiaowu's presentation. According to Mr. Vleminckx, there are different forms of income redistribution that can be achieved by the pension system and all of them are important to the new conditions of China. First, from the individual perspective, there is the redistribution of personal income across the lifetime. There is also the redistribution among different income groups, between the rich and the poor, and between the richer and poorer regions. It is worth nothing that all the objectives can be achieved at the same time in one single system that is well balanced. In this regard, the experience from Netherland provides the perfect illustration. Netherland adopts the system that combines the universal basic system, which guarantees the low poverty rate, and occupational individual accounts, under which the replacement rate is very high for high-income group. Both the low and the high-income groups are satisfied with the system, which further strengthens the legitimacy of the system.



The discussion is then followed by the address from Mr. **Lars Gronvald**, EU Delegation in Beijing. He first dedicates sincere appreciation to Chinese colleagues for their support and efforts in making the first year of the project extremely fruitful. The research in 2015 has focused on the pension system. The project has also involved various activities including seminars, study tours to Europe. The research results presented today cover a wide range of issues, pointing to the broadness and complexities of the task. Mr. Gronvald emphasises that in fact many European experiences are very worthy of

being referenced in China, but he also acknowledges that various difficulties remain to be tackled, especially with regard to how to make the match between the two different systems and two sets of experiences.



Mr. Jean-Victor Gruat, SPRP C1 Resident Expert, gives the final conclusion. First of all, he speaks highly of the new and original findings reported on the workshop after two successful panel discussions. He suggests that progress is a continuous feature of this project, and new reflections and ways of thinking have continued to improve over time. Mr. Gruat also highlights the value of the project of volume compiled by NDRC. It definitely will contribute to the dissemination of research findings and results across China, which is another goal of the project. Additionally, he provides the overall plan for the research activities in 2016. Whilst the first year of the project has laid the drawn the picture for the pension system reform, in the second year it is important to make sure the structure and the system are robust and sustainable. Specific foci of 2016 include, first, the relations between social security and employment, second, the affordability and sustainability of pension system with reference to the issues of demographic issues, ageing, central and provincial, third, continuing profitability of benefits, together with the responsibility of government and rural-urban overall planning.

Summary prepared by Ms. Xu Chenjia,
Component 1 assistant
EU-China Social protection reform project

China-EU Social Security Protection Project (SPRP)

Workshop on 2015 Research Topics - Perspective toward the Thirteenth Five-Year Plan

Time: morning, January 20, 2016

Venue: Jindiya Hotel

Participants: NDRC, EU, relevant organizations, research institutions and universities.

Agenda

Chairpersons: Mr. Pu Yufei, Director General, Department of Employment and Income Distribution, National Development and Reform Commission (NDRC)
Mr. Jean-Victor Gruat, SPRP European Resident Expert

09:00-09:10 Opening remarks by Mr. Pu Yufei

09:10-10:10 Session 1, presented by (15 mins):

Mr. Tan Zhonghe

Mr. Wang Zeying

Ms. Zhang Yinghua

Discussion

10:10-10:30 Tea Break

10:30-11:30 Session 2, presented by (20 mins):

Mr. Dong Keyong

Mr. Song Xiaowu

Discussion

11:30-11:40 Remarks by Mr. Lars Gronvald, Head of Development and Cooperation Section,
Delegation of European Union in Beijing

11:40-11:50 Conclusion by Mr. Jean-Victor Gruat, SPRP C1 Resident Expert

Working lunch, offered by NDRC

Workshop on 2015 Research Topics

- Perspective toward the Thirteenth Five-Year Plan -

January 20, 2016, Beijing

Participants

Organization	Name	Position
Department of Social Assistance, Ministry of Civil Affairs (MOCA)	Zhang Jingjing	Deputy Division Director
Centre for Monitoring and Verification of Low Income Families, MOCA	Wang Guan	Official
Department of Social Security, Ministry of Finance	Li Huizhe	Division Director
Department of Social Security of Rural Areas, Ministry of Human Resources and Social Security (MOHRSS)	Lu Haiyuan	Deputy Division Director
Department of Pension, MOHRSS	Jia Zeyu	Official
Department of Guarantee Works, All-China Federation of Trade Unions	Wang Yonghua	Division Director
	Zhang Xuguang	Official
China Centre for International Economic Exchanges	Jiang Chunli	Vice Director, Department of Information
Delegation of European Union in Beijing	Lars Gronvald	Head of Development and Cooperation Section
	Yi Xiaolin	Programme Official
Department of International Cooperation, NDRC	Guo Xin	Deputy Division Director
International Cooperation Centre, NDRC	Song Gongmei	Deputy Director General
Department of Employment and Income Distribution, NDRC	Pu Yufei	Director General
General Office, Department of Employment and Income Distribution, NDRC	Jin Chao	Division Director
	Zheng Jinhua	Deputy Division Director
	Tong Siyun	Official
Division of Income Distribution, Department of Employment and Income Distribution, NDRC	Chen Jun	Division Director
Division of Social Security, Department of Employment and Income Distribution, NDRC	Zhang Xinmei	Division Director
	Niu Ming	Official
	Deng Jie	Official

Experts

Organization	Name	Position
China Institute for Income Distribution, Beijing Normal University	Song Xiaowu	Dean
School of Public Administration and Policy, Renmin University of China	Dong Keyong	Professor
Institute for Social Security Research, MOHRSS	Wang Zeying	Deputy Director General
Institute for Labor and Wage Research, MOHRSS	Tan Zhonghe	Deputy Director General
Centre of International Social Security Studies, Chinese Academy of Social Sciences	Zhang Yinghua	Associate Researcher
Belgian Federal Ministry of Social Security	Koen Vleminckx	European Short Expert

Project Team

Organization	Name	Position
Department of Employment and Income Distribution, NDRC	Ji Ning	Counsel C1 Project Leader
	Tang Ling	Division Director C1 Project Coordinator
International Cooperation Centre, NDRC	Chang Hao	Division Director C1 Project Coordinator
	Wang Yue	C1 Project Assistant
	Wang Yingsi	C1 Project Interpreter
SPRP Beijing Office	Jean-Victor Gruat	C1 European Resident Expert
	Marzena Breza	C3 European Resident Expert
	Fang Lianquan	General Secretary C1 Chinese Expert
	Zhang Guoqing	C1 Chinese Expert
	Xu Chenjia	C1 Project Assistant
	Zhang Caihua	C3 Project Assistant
	Lin Guowang	Interpreter
Interpreter	Lin Jinpan	