

# Report of the Investigation of the EU-China Unemployment Insurance Project based on a Visit to Spain

*Written by Lan Chen, Investigation Team of the EU-China Unemployment Insurance Project*

As arranged by the schedule of the EU-China Social Security Reform Cooperation Project, the Ministry organized a team to visit Spain from June 9 to June 13 in 2008 to conduct an investigation specialized in issues concerning unemployment insurance and employment promotion. The investigation team successively visited the National Employment Service Bureau of Spain, the Labour and Employment Training Office of the Autonomous Region of Murcia, the National Vocational Training Centre of Chemical Industry of Spain and etc. Through this investigation, more information about Spain's unemployment insurance system, its employment promotion policies, measures and their implementation has been attained. Our expected goals have been achieved, and information gathered is reported as follows:

## **I. Overview of Spain's unemployment insurance system and promotion of employment**

The area of the territory of Spain is approximately 506,000 square kilometres, and its population is more than 45 million. The whole country is divided into 17 autonomous communities, 50 regions and more than 8,000 towns and cities.

Spain is a moderately developed country. In 2007, its GDP was 1,410 billion USD, with the GDP per capita 30,820 USD. The number of employees was 22.405 million, with the labour force participation rate 60% while unemployment rate 8.6% (evidently higher than the average unemployment rate 6.8% of the 27 member states of the EU).

The Ministry of Labour and Social Affairs of Spain is in charge of issues concerning labour and social security of the State. The National Employment Service Bureau is an independent organization subordinate to the Ministry with a separate legal identity. The Bureau takes charge of execution of national employment policies, offering legislative suggestions in the field of employment, conducting surveys, studies and analysis upon labour market status, providing services covering vocational and occupational training, job referral services and unemployment insurance. Besides the National Employment Service Bureau itself, a regional employment service bureau has been established in each of the 50 Regions in the country.

### ( 1 ) Unemployment insurance scheme and its management mechanism

Spain's unemployment insurance first came into existence in 1967 and is compulsory. In Chapter III, t 3 of the Social Security Law issued in 1994, there are particular provisions of the unemployment insurance, including a general provision, level of contribution, level of benefit, unemployment benefit system, public finance management system, violation of law and punishment, and etc.

According to the stipulation of the Law, there are mainly two levels of administrative organizations in Spain with specialized functions of employment and unemployment insurance: one is the Central Government, actually the National Employment Service Bureau, which is mainly in charge of labour legislation and developing labour policies, administrating and supervising the distribution of unemployment insurance allowance, and etc.; the other is the regional governments of 17 autonomous communities, which take charge of the execution of relevant policies and management, where noticeably the granting of unemployment insurance allowance is managed only by the Central Government. There is an independent sector in each subordinate employment service centre to the Regions, and in this sector an official appointed by the Central Government is specially in charge of issues concerning the distribution of unemployment insurance allowance and so on. Similar distribution agencies have been established in the 50 Regions in the State, with more than 700 subordinate offices and nearly 6000 officials engaged in this work.

### ( 2 ) Unemployment insurance allowance, unemployment benefits and active employment allowance

There are mainly two kinds of measures to protect unemployed population in Spain: one is to receive the UI allowance while the other is to get unemployment benefit or active employment allowance. The former is based on contributions, while the latter mainly takes into account household financial circumstances and is essentially a kind of assistance.

1. The UI allowance, recipients of the UI allowance must be unemployed persons covered by the unemployment insurance scheme and have made payment of contributions for a period of time more than 360 days prior to being unemployed, and unemployment must not be due to voluntary termination of employment contracts. Conditions for receiving the UI allowance are as follows: first, unemployment must be registered; second, recipients must have worked for at least more than 1 year; third, the circumstance of unemployment is legitimate, i.e., the recipient is willing to actively seek for a new job, and has signed an active employment agreement with an employment service centre; fourth, recipients should be aged over the retirement age. Unemployed persons must apply for the UI allowance within a period of 15 working days after the termination of the contract, and any later application is deemed as a waiver of the allowance.

Maximum duration of receiving the UI allowance is dependent on the accumulated period of contribution over the last 6 years prior to being unemployed, and ranges from 4 months to 24 months (Table 1). The UI allowance is 70%—60% of the reference wage prior to being unemployed. Presently, monthly per capita UI allowance received by the unemployed is 750 EUR. However, amount received by individual unemployed workers may vary due to different situations. Besides receiving the UI allowance as stipulated, the State also pays contributions for the unemployed to get them covered by other kinds of social security including endowment insurance, disability insurance, medical care insurance, childbirth insurance, maternity insurance and etc. These two types of benefits covered by the State cost 1300 per person per month, and are entirely financed by the UI fund.

The employment service centres are in charge of inspecting and reviewing situations of recipients of the UI allowance at intervals. Recipients

are required to update registration information every 3 months, and need to check in at the employment service centre on a regular time basis (every other week or every 3 weeks) for training and employment information.

Table 1: Duration of the UI contribution and duration of the UI benefits

Duration of UI contributions ( days )		Duration of UI allowance ( days )
From	To	Maximum Duration
360	539	120
540	719	180
720	899	240
900	1.079	300
1080	1.259	360
1260	1.439	420
1440	1.619	480
1620	1.799	540
1800	1.979	600
1980	2.159	660
2160	.....	720

2. The unemployment benefits. The unemployment benefits are fixed subsistence allowance for the unemployed of certain ages with family dependants and difficulties in finding jobs. The recipient mainly include those: whose entitlement to receive the UI allowance has expired but still remains unemployed and has household financial burden, and; who is not eligible to receive the UI allowance, such as who has worked for less than 1 year, and; those with special difficulties in gaining access to employment, such as persons released after completion of a sentence, returned migrant workers and disabled persons.

The duration of benefits is generally 6 to 18 months. This can be properly extended to 24 months as a maximum for those aged over 45 and to until retirement for those over 52. The unemployment benefit is dynamic and is adjusted in accordance with factors including price level, development of economy, standard of living, and etc. Generally speaking, the unemployment benefit is equal to 75% of the minimum wage. In 2008, it is 413 Euros per person per month. Along with the contribution of medical care and endowment insurance paid by the State, it totally costs 490 Euros per person per month.

The employment service centres also monitor recipients of the unemployment benefits at intervals. Recipients are obliged to update their information such as family dependants and age on a regular basis.

3. The active employment allowance. Pilot trials were started in 2000. In 2006, it was approved and brought into effect. The aim of this allowance is to encourage the unemployed to seek for job opportunities. Its recipients mainly include people of five types: first, unemployed persons aged over 45, including those who have never get employed; second, long-term unemployed; third, disabled persons; fourth, abused women; fifth, immigrants (must have worked abroad for at least 6 months during the last 12 months and also satisfy other stipulated conditions). To get qualified for the active employment allowance, it is generally required to meet the following basic conditions: the applicant must be registered as unemployed during the last 12 months with no interruption; not be receiving any UI allowance or unemployment benefits or gaining any earnings from land; with personal income less than 75% of the minimum wage; with per capita household income less than 75% of the minimum wage.

Applicants for the active employment allowance must sign an agreement with an employment service centre. The content of this agreement include: providing of relevant supporting documents and information; active participation in all kinds of stipulated employment promotion activities with an effort to improve professional competence; participation in employment and recruitment activities as required and accepting any appropriate job offer; obligation of reporting any changes in personal information to the employment service centre; informing the employment service centre job-seeking events and providing relevant documents within 5 days after occurrence; active job hunting; refunding of active employment allowance where payment turns out to be not inappropriate.

The maximum duration of the active employment allowance is 11 months, and the allowance is set as 80% of per capita income. If the claimant has 1 minor, the percentage is 80%, while 2 minors 107% and 3 or above 133%. When the recipient has entered into any full-time employment contract or been engaged in any individual operating activity, 25% of the active employment allowance can still be received for a duration of 180 days. If the recipient works under an employment contract or is self-employed or works abroad for less than 6 months, the receiving of the active employment allowance will be ceased. Under circumstances where the recipient has been awarded any kind of scholarship or assistance due to his/her participation in any vocational training plan organized and conducted by the State, or where the beneficiary is engaged in any job with income in spare time, he can still receive the active employment allowance. But in the case of a part-time job other than his full-time one, this subsidy will be reduced in the same proportion as the number of hours worked.

The UI allowance, unemployment benefits and active employment allowance are integrated to enable the unemployment insurance system to function both as insurance and assistance. It well balances the interest among all kinds of unemployed collectives and realizes an organizational transition. Therefore, Spain's unemployment insurance plays an important role in the whole social security system.

### ( 3 ) Coverage, financing and fund expenditures of the unemployment insurance

According to the Constitution of Spain, the State adopts a prevalent social security model that comprises two kinds with and without contribution respectively. The social security model with contribution covers all wage-earning workers including self-employed workers, and is compulsory. The unemployment insurance system almost covers all kinds of employees, including agricultural workers. But the following three collectives need not join the unemployment insurance: employers of private business. This kind of people have to join the employer's insurance; some kinds of employees such as domestic workers and employees who have signed training contracts; public officials.

Spanish unemployment insurance fund is jointly financed by employer and employee contributions. For employees, contributions vary due to difference in the type of labour contracts. At present, contribution made by employees under permanent contracts is 7.3% of wage base, among which 1.5% is paid by the employee while 5.8% by the employer, while for employees under temporary contracts is 8.3% of the wage base, where 1.6% by the employee and 6.7% by the employer (Table 2). Contribution rates are adjusted annually in accordance with changes of demand and unemployment in the labour market. Adjusted rates are approved by the Parliament and then brought into force. The proportion payable by employees are deducted and paid by employers on their behalf.

Table 2 UI contribution rates under different types of contracts ( % )

	Company	Worker	Total
Permanent contract	5.75	1.55	7.30
Permanent contract ( new rules effective since July 1 2008 )	5.50	1.55	7.05
Temporary contract (full-time)	6.70	1.60	8.30
Temporary contract (part-time)	7.70	1.60	9.30

Basically, the unemployment insurance fund is self-balanced in its revenue and expenditures. In fact, unemployment insurance used to be jointly contributed by the State, employers and employees. Since 2000, contributors have been reduced to only employers and employees, because expenditures on the UI allowance payment and running organizations can be fully covered by contributions made by these two parties. In 2007, the UI allowance payments and operating expenses of organizations amounted to 15.1 billion Euros of the whole country, which takes up 1.5% of the national income. Of all the expenditures of UI fund, 63% was spent on the UI allowance payment while the rest 37% on unemployment benefits and active employment allowance. Expenditures for internal administration of organizations are mainly made up of office expense, staff wage, equipment maintenance expenses and etc., taking approximately 1.63% of the total expenditures.

### ( 4 ) Other employment promotion policies and solutions

The fundamental principle of Spain's unemployment protection policy is: not only to pay unemployed workers subsistence allowance but more importantly, to help them enhance their career competence in order to enable themselves to get adapted to changes in the labour market as a result of swift economic growth, industrial structure adjustment and technical reforms, and to make themselves more competitive when looking for new employment.

Measures for employment promotion mainly are: first, fulfilling day-to-day work of employment promotion including career guidance, job referral, and etc.; second, improving national employment policies such as encouraging the committing to permanent contracts, hiring of women, returned migrant workers and persons released after completion of a sentence, helping weak collectives such as disabled persons and women to find jobs; third, encouraging self-employment; forth, providing all kinds of training to improve workers' skills and strengthen the stability of employment.

Funds for the implementation of the policies aforementioned are financed 30% by financial subsidies from regional governments and 70% by the Central Government. Funds collected from these two sources are combined in use. The part given by the Central Government mainly comes from the unemployment insurance funds and social development funds approved and subsidized by the EU in forms of various projects.

1. Career guidance and job referral services. Career guidance and job referral services are in the charge of regional employment service centres and they are the two main forms of employment promotion.

Career guidance is conducted with a focus on individual conditions of workers and the status of the labour market. The willingness of workers and possibility of employment have been fully considered. Career guidance is carried on from 3 spheres respectively: first, psychological guidance for work and employment is given to students aged between 12-16 at schools; second, social career guidance is offered to train newly-graduated students prior to entering the labour market, which is a part of the formal education; third, there are work trainings for all workers existing in the labour market (including jobless and employed workers).

Job referral links together the demand and supply in the labour market. Both public service agencies established by governments and private agencies are engaged in this kind of service, but in the case of private agencies, they must be non-profit and have been recognized by the labour department. For individuals, it is optional to find jobs via either a public or private agency, with one exception that jobless people must first choose a public job agency. Services rendered by public job agencies are completely free, while private agencies can charge job seekers at any rates but strictly restricted to the amount as much as not surpassing that to afford their daily operation.

2. Guidelines of national employment policies. Enterprises are encouraged to sign permanent contracts with their employees. If a permanent contract has been entered between the employer and the employee, the UI contribution rate will then be 7.3% of the wage base. In contrast, the contribution rate is 8.3% of the wage base in the case of a temporary contract. From that 1% difference, although slight, the policy tendency is clearly outlined. In the region of Murcia, subsidies for companies committed to using permanent contracts during

recruitment vary between 5,400 and 9,000 Euros considering characteristics of jobless people they hired. In the case of hiring disabled workers, maximum subsidy can reach 12,000 Euros.

There is assistance aiming at helping women to conciliate their family and working lives, such as subsidies for taking care of children of working mothers; if women cannot manage to work for normal hours because of their minors, companies are subsidized to guarantee that substitute personnel can be timely recruited; nursery schools or crèche services are available for minors of women at work and are free of charge.

Various kinds of assistance are available for disabled people to get jobs. For example, in employment training centres of the disabled, 50% of the wage of disabled workers are subsidized, and meanwhile is 100% exempted from contributing to the Social Security. Another example is for companies which engage personnel with disabilities. They are entitled to several subsidies which vary in accordance with the kind of contracts and personal characteristics, as well as reduction in the contribution to the Social Security to different extent.

To help immigrants cope with difficulties with survival and finding jobs, measures mainly are: to provide free air tickets to encourage them to go home; to offer them trainings and urge them to transfer to a different sector to find new employment.

3. Utilization of funds and technical support to encourage self-employment. One way is to grant interest-subsidy within a quota of 3,000 Euros for jobless people who set up as self-employed workers and therefore applying for bank loans. Second, technical support is given to unemployed workers. Counselling service as to how to start a business is provided to unemployed persons who are to set up small companies (with 25 or less employees), and its labour costs of counsellors and work expenses are paid by the National Employment Service Bureau. Third, jobless persons can collect their UI allowance in a lump sum as the fund to start their own business if they intend to do so. Within the duration of receiving their UI allowance, 50% of the business tax is exempted by the Central Government. Fourth, disabled persons who are self-employed are subsidized for 50% of the Social Security within 3 years since the start-up of their business, apart from those mentioned favourable policies. Fifth, jobless persons who set up as self-employed workers can apply for self-employment subsidies from the government and receive subsidies varying between 6,000 and 9,900 Euros if approved and qualified.

4. Vocational and occupational trainings. Vocational training in Spain is divided into formal and non-formal education, where the non-formal education refers to work and employment training and comprises two forms respectively organized and fulfilled by companies or provided by the government.

The State has taken measures to encourage companies to organize trainings, i.e. to provide subsidies for those trainings. In Spain, a certain proportion (presently 5.2%) of the Social Security contributed by companies for their employees is specifically reserved for training purposes. If companies provide trainings to employees, this part of contribution can be refundable to them. Companies can organize and develop trainings by themselves and apply for subsidies, and also can let their employees get trained from outside of the company and apply for subsidies to compensate for consequent reduction of working hours. In fact, trainings inside of companies take up only a very small proportion in the whole training system. In 2007, cost of training organized by companies took up only 40% of the total cost. The rest 60% was used for trainings organized by the government.

Trainings organized by the government include trainings for: employed persons; unemployed persons; special training programs (collectives with special difficulties such as immigrants and disabled persons) and self-employment training. All trainings are free of charge and trainees are subsidized according to their situations. For example, there are transportation and meal allowance and accommodation supplement for unemployed participants of the training programs; specified subsidies can be received by collectives with special difficulties for participating in trainings; for trainees with family dependents, there are subsidies for looking after their elders or children. Training subsidies are distributed to training organizations in different industrial sectors according to their number of employees.

#### ( 5 ) Challenges confronted

1. Low labour productivity. Though the past more than 10 years have seen the efforts which have created millions of job opportunities for the society, a majority among these increased posts belong to the kind of low added value and low wage, such as those in the construction industry and the service industry. This leads to a rather low output per unit of labour input.

2. Low quality of workers. The average level of education received by Spanish workers is lower than that of the EU. Moreover, many workers lack professional skills, or are equipped with single skills, making them inferior in competitions in the labour market.

3. Unstable employment. One problem is that only a small proportion of women have got employed, namely, less than 50%; another problem is that the stability of employment is weak. 1/3 of people presently employed have their labour contracts signed with a term less than 3 months, so the risk of losing job again when the contract terminates is rather high.

4. Outstanding issues with immigrants. Recent years have seen a large number of immigrants flooding into Spain. The number of immigrants have soared from 400,000 in 2000 to over 2 million currently, Immigrants make up of almost 10% of the working population. Qualities of immigrants are generally not good and unemployment rate for these people has exceeded 12%. Their jobs are mostly low-end with low wage and poor working conditions. These problems tend to become increasingly severe.

## II. Main characteristics of Spain's unemployment insurance and employment promotion

### ( 1 ) Differentiated duration of the UI allowance adopted to urge unemployed persons to actively find employment

Spain's unemployment insurance system adopts differentiated UI allowance, i.e. the shorter the unemployment duration is, the more UI allowance can be received. There are 2 levels of the UI allowance. In the first 6 months, an amount equal to 70% of the UI contribution base can be received, while since the 7th month it will be reduced to 60%, where the maximum duration is 24 months. The objective of the differentiated duration of the UI allowance is to on one hand ensure the subsistence of jobless people, and on the other hand to stimulate recipients to try their best to shorten unemployment duration and get employed.

### ( 2 ) Restrictive conditions of receiving the UI allowance adopted to ensure recipients to invest on preparing for active job-seeking

For recipients of the UI allowance or unemployment benefits, some restrictive conditions and obligations have been added, and this is an important measure to avoid turning the unemployment assistance into welfare and over-dependence on the unemployment insurance. In Spain, if unemployed people intend to apply for the UI allowance or unemployment benefits, they are confronted with several restrictive requirements, such as registration in a corresponding level of employment centre, providing of legitimate proof of unemployment, signing of an active employment agreement, participation into all kinds of employment promotion activities, training or retraining, active hunting for new jobs, engagement in preparation for active employment, and etc. These restrictive qualifying conditions increase obligations upon recipients and make the receiving of allowance harder, and hence impose pressure and restriction on unemployed persons to ensure the UI allowance or unemployment benefits can be received by those with real troubles.

### ( 3 ) Integration of unemployment insurance and unemployment assistance

In Spain, the UI allowance, unemployment benefits and active employment allowance are closely combined and jointly function to integrate short-term unemployed, long-term unemployed and other collectives with problems with job seeking into the coverage of unemployment insurance and unemployment assistance. This not only provides sordid support for the subsistence of unemployed population, but also effectively prevents collectives who are with family financial burden or below subsistence from falling into poverty.

### ( 4 ) Passive protecting measures combined with active protecting measures

There are mainly two kinds of measures to protect unemployed persons and promote employment in Spain: one is passive protecting measures, i.e. benefits are received by unemployed persons by means of financial aids, including the UI allowance or unemployment benefits. The subsistence of jobless people are well secured through this way; the other includes measures to actively promote employment, including career guidance, self-employment counselling, vocational and occupational trainings, job referral, and so on. Among them, the implementation of the active employment subsidy policy encourages jobless people to try hard to find jobs and rehabilitation of employment. This implies the fundamental standpoint of offering financial assistance and support to the unemployed in their job seeking. In real practice, while the traditional UI allowance system continues running steadily, organizational innovations and policy support for employment promotion are carried out, where passive financial aids and active protecting measures are rationally integrated to work successfully.

### ( 5 ) Full functioning of the UI fund on employment promotion

Besides providing the UI allowance or unemployment benefits, the unemployment insurance functions in terms of employment promotion by taking various measures.

1. Unemployment insurance used for job referral. Employment and training services rendered by employment centres include: unemployment registration and its improvement, statistics and recording of job opportunities offered by companies, career guidance, employment trainings and so on. A comprehensive range of free employment promotion services is provided to citizens by public employment service organizations in Spain.

2. Unemployment insurance fund used for vocational and occupational training. Vocational training of unemployed workers is a most effective way to promote employment. In Spain, training is conducted for not only unemployed persons, but also for working people and those with difficulties in finding jobs. This is a significant solution for both promotion and quality assurance of employment.

3. Unemployment insurance fund used to encourage companies for engagement of unemployed workers.

This is a common practice of employment promotion. In the case of companies hiring jobless people, employers will be granted a certain amount of subsidy by the government based on the characteristics of unemployed workers. If companies hire women aged under 30 or over 45 and meanwhile convert short-term contracts to long-term ones, there will be subsidies ranging between 2,700 and 3,000 Euros.

4. Unemployment insurance fund used to stimulate self-employment. Another effective way of employment promotion is to financially support unemployed persons with relevant abilities to set up small and medium-sized enterprises when conditions permit. In Spain, it is stipulated that if unemployed workers join any cooperation or get engaged in any form of self-employed activities, the UI allowance can be received in a lump sum as initial investment to start the business. Generally, 40%-100% of the UI allowance can actually be withdrawn in advance based on the situations of the unemployed.

### ( 6 ) Establishment of a working mechanism that boosts local initiatives

The Spanish government has its policy objectives focused on guaranteeing equality of opportunity in accessing employment for all citizens with professional competence, effective protection against situations of unemployment, active employment promotion of unemployed

persons and effective prevention against unemployment, as well as ensuring free movement of labour force. Within a working system and mechanism centered with provisions embedded in the Constitution, it falls to the Central Government to take overall charge of establishing relevant standards concerning employment promotion, to manage and monitor the granting of unemployment insurance benefits, to draw up policies and plans for employment with the participation of the Regions, to coordinate the execution of labour policies, and to cooperate with local employment service agencies of the Regions. Among all these functions, the most noticeable one is the delegation of power regarding employment promotion down to the Autonomous Communities in their territorial sphere to creatively develop employment promotion by taking into account their local dimensions, which greatly foments local initiatives. When it comes to employment promotion, the Autonomous Communities have the authority to develop and execute their employment policies, including drawing up labour-related legislation, regulations and executive summary of the Communities. Also, the design of these policies, the adoption of the measures, and the organization of projects of employment promotion should take into account local characteristics of the Autonomous Communities. Good results can be obtained when tackling with local conflicts and problems of employment by virtue of local support.

### III. Experience and suggestions

Through this investigation, our general experience is that Spain's unemployment insurance system has been improving via adjustments, and has played an important role in securing subsistence of unemployed people. Meanwhile, its unemployment insurance has a quite flexible mechanism with respect to promotion of rehabilitation of employment for unemployed workers. Especially under the national policy frame, more space is left for the Autonomous Communities to make their own decisions, which enables them to closely combine the local employment status with real practice of unemployment insurance as well as the needs of unemployed persons with the situations in the labour market, so as to creatively perform all kinds of work and form a diversified pattern of employment promotion. On account of this, we bring forward the following ideas and suggestions:

#### ( 1 ) Establishing and further fortifying the philosophy of active promotion of employment by unemployment insurance

At the beginning of the establishment and execution of the unemployment insurance system, Spain's policy started from and stuck to providing financial aids to the unemployed. However, as the practice went further, since 1984 efforts have been made to explore a way of adopting policies and measures emphasizing employment promotion. They believe that the unemployment insurance as a social policy has already have an existing mature model of passive financial protecting measures, and therefore there is no need to work hard to make any material adjustments to it. Instead, the improvement of the unemployment insurance system should focus on studying and making active policies and measures of employment promotion, because only granting the UI allowance would not possibly solve essential problems, so it is necessary to consider the establishment of a more effective and active system of policies and measures of employment promotion, in order to engage recipients of the UI allowance in activities of active preparation for employment, by means of developing vocational and occupational trainings, career guidance, job referral and other kinds of employment assistance. Presently, a philosophy of active unemployment promotion by unemployment insurance has basically been formed in Spain, and will show its effect via specific policies and measures of employment promotion. While continuing to provide the UI allowance or unemployment benefits or other subsistence allowance to unemployed workers, the emphasis has been substantially shifted to the promotion of employment. A great many favourable and supportive policies and measures have been drawn up for this purpose, such as giving unemployed persons career guidance, free vocational occupational trainings and granting subsidies, encouraging enterprises to engage jobless persons, helping collectives with difficulties to find employment, and so on. Meanwhile, more funds are used for investment on promotion of employment to enable a closer combination between the unemployment insurance and employment promotion. The unemployment insurance policies currently effective in China though well secure the subsistence of jobless people, seem somehow weak in terms of employment promotion, and lack explicit institutional arrangement. So, our state should timely convert concepts and further establishes and enhances the philosophy of employment promotion by unemployment insurance, and embeds it into and throughout the practice of improving policies and measures of unemployment insurance.

#### ( 2 ) Continued strengthening of promotion of employment via unemployment insurance to extend its functions in terms of employment promotion and unemployment prevention

The objectives of the unemployment insurance are to ensure subsistence of unemployed workers under circumstances of involuntary interruption of employment, and to promote their rehabilitation of employment. Under the precondition that their subsistence has been secured, how to promote their reemployment should be more highlighted. As for the institutional arrangement and fund application of the unemployment insurance, we can learn from experience of other countries by linking it to the practice in our country, in order to keep on enhancing employment promotion by the unemployment insurance. Diversified incentive measures should be taken according to characteristics of unemployed workers to shift passive assistance to active services. There are examples of those encouraging measures, such as for those who receive trainings, meal and transportation allowance are provide; and for those under flexible employment, receiving of the UI allowance will not necessarily be ceased immediately depending on their exact income, or just be properly reduced. The purpose is to help them get experienced from work to finally find stable employment after a gradual transition to; With respect to restraining companies from dismissal of employees and maintaining stability of employment, particularly if economic depression or any emergency occurs which then causes voluntary reduction of working hours or wage due to risks confronted, the suggestion is to grant subsidies to offset the reduced wage as well as to properly reduce the contribution to the Social Security; For unemployed persons who set up as self-employed workers, it should be allowed to receive their UI allowance in a lump sum along with a certain amount of extra allowance according to specific circumstances, in order to reduce unemployment and stabilize employment.

#### ( 3 ) Implementing differentiated duration of the UI allowance and rationally increasing its payment and shortening the UI duration

Differentiated payment standards of the unemployment insurance are adopted in Spain, which means the unemployed workers can receive an amount equal to 70% of the contribution base of the last 6 months immediately prior to being unemployed within the first 6 months of unemployment, but since the 7th month on, the proportion changes to 60%. This differentiated duration and payment of the UI allowance aims at encouraging jobless people to try best to shorten unemployment duration for rehabilitation of employment while their subsistence

has been secured. Our country can take this as an example to set up relevant provisions in the unemployment insurance system. The maximum duration of the UI allowance in China is presently 24 months, and payment equals to 70%—80% of the minimum wage. Neither can this kind of policy with long duration and low UI allowance help to secure the subsistence of unemployed people, nor can it facilitate the promotion of employment. Therefore, it is necessary to properly increase the UI allowance to let it match the contribution base, and meanwhile to shorten the duration of the UI allowance. This kind of adjustment can better reveal the principle of integrating equity and efficiency of the unemployment insurance. It not only further secures subsistence of unemployed persons, but also adds pressure on recipients of the UI allowance.

( 4 ) Unifying rules concerning treatments of the unemployment insurance and leaving more self-determination on employment promotion for the Autonomous Communities

Nationwide uniform policies and regulations are implemented in Spain in terms of contribution and treatment of the unemployment insurance, which are vertically managed and monitored by the Central Government. It is said that this is the only authority not delegated by the Central Government to local governments. As a comparison, more tolerant, open-minded and flexible attitude can be seen when it comes to employment promotion by unemployment insurance, where the Central Government only makes the overall plan of employment promotion, while specific policies and measures of employment promotion are left to be drawn up and executed by the Autonomous Communities considering their local situations. During the investigation, we found that both the central and local governments appreciate the present working mechanism and effects of employment promotion in Spain and both believe that it is in line with the requirements of the employment development strategy of the State, since it completely evokes the creativity and initiatives of the Autonomous Communities in employment promotion, and also facilitates to provide human services of employment to every single jobless person. In this mechanism, flexible, safe and secured employment policies are implemented, and individualized jobs are offered to increase employment opportunities and to reduce the unemployment rate to an acceptable level. Our state is featured by its broad territory as well as severe and long-existing structural conflicts including regional imbalance in development, surplus labour force when compared to the demand, and the problem of labour quality not matching job requirements. As a result, it is extremely important to fully stir up local creativity and initiatives to solve the employment problem in China. For the unemployment insurance, policy making should be the sole responsibility of the Central Government, and the UI projects along with calculation and duration of the UI allowance should be unified to make the system more standardized and authoritative to indeed protect the legitimate rights of unemployed people. It should also be allowed to spare more authorities to regional governments in terms of employment promotion by unemployment insurance, because they are the subject of responsibility of employment and unemployment insurance, and therefore their power should match the obligations imposed on them. In this case, regional governments will be able to start from real practice and creatively develop their work to fully take advantage of the unemployment insurance to promote employment. With assistance of employment funds, stipulations in the Employment Promotion Law can then be implemented, and tasks and goals of employment can be comprehensively fulfilled. This can help to form conditions for a harmonious and stable society and sustainable development of the economy.

Spain paid great attention to our investigation and made very considerate preparations and arrangements. Wherever the investigation team arrived, we were warmly welcomed and friendly treated. In the Region of Murcia, very soon after we met the Director of the Labour, Employment and Training Office, the news and photos were published in several local newspapers and on the Internet. The Secretary-general in charge of training and employment of the Region also expressed that there should be enhanced cooperation in the area of unemployment insurance between the Region and China, and hoped that a long-term cooperative relationship could be established. We were also told that the Director of the Office was thinking about visiting China and our Department. We have already reported this to the International Department, and will assist them in subsequent work. Furthermore, the Office of the EU-China Unemployment Insurance Project has done a lot of work for this investigation. The whole investigation was accompanied by the foreign experts and officers from the Office. For this, we would like to express our gratitude.