

## **Unemployment Insurance Study Tour Report Sweden and Hungary**

In accordance with the arrangements of EUCSS Project plan, Wang Zhe, Inspector & Deputy Director General of the Unemployment Insurance Department of MoHRSS (Ministry of Human Resources and Social Security) led the delegation to Sweden and Hungary from October 11 to 22, 2009. The delegation studied two countries' unemployment insurance systems and achieved its intended purposes. The report is as follows:

### **I. Basic introduction**

Members of the delegation were from Unemployment Insurance Department, Policy Research Department, International Cooperation Department of MoHRSS, and Human Resources and social security department (bureau) of Jiangsu, Sichuan, Liaoning, Jilin and Tibet Autonomous Region. Meanwhile, we also invited the division chief of international economic and trade relations department of Ministry of Commerce, a professor of Renmin University and a professor of Capital University of Economics.

In Sweden, the delegation visited Swedish Ministry of Employment, the Swedish Unemployment Insurance Board, and in the field visited the Public Employment Service – Head Office. In Hungary, the delegation visited Hungarian Ministry of Social Affairs and Labour, National Labour Market Fund (UI Fund), National Employment Public Foundation; a field trip to grass-roots public employment service centres, and had talks with Parliamentary Committee on Employment and Labour Affairs.

By intercommunication with relevant government officials, experts, scholars in field trips, the delegation were impressed deeply by the two countries' unemployment insurance systems, active Labour market policies, as well as the promotion of employment in response to the financial crisis. During the period of October 15 to 16, all members of the delegation also took part in the Fourth EU-China High Level Round Table Meeting on Social Security. Professor Yang Weiguo of Renmin University and Professor Lv Xuejing of Capital University of Economics, two members of the delegation, made presentations respectively on the Round Table. They gave speeches on their experience in their introductions of China's policies and measures on how to increase employment and reduce unemployment in order to cope with the international financial crisis.

### **II、 Experience and Enlightenments**

Through our visit to the unemployment insurance systems including active Labour market policies, public employment service agencies of Sweden and Hungary, we

found that although there is a big difference in national conditions between China and Sweden and Hungary, we still can learn a lot from them. The good practice of these two countries gave us a lot of revelations, such as in the field of unemployment insurance system building, fund-raising and management, concepts of solving the unemployment problem, active Labour market policies, public employment services organisation and management, especially the measures to deal with the impacts of the international financial crisis.

These two countries set good examples for us and what we learned can be used to help improve China's unemployment insurance system:

*(1) The coverage of China's unemployment insurance should be expanded to benefit all workers and this insurance should become a basic insurance.*

The main purpose of establishing an unemployment insurance system is to enable all unemployed people to enjoy basic life security and corresponding employment services (job search) in the period of unemployment. During the inspection, we found that the unemployment insurance systems in Sweden and Hungary are more advanced. For example, in Sweden, the government combines basic insurance having a wide coverage with voluntary insurance, providing maximum protection for the basic livelihood of the unemployed at various working-ages. Like other EU member states and developed countries, the unemployment insurance of Hungary also covers the entire urban and rural employments and government employees. The system ensures that the unemployed are able to enjoy unemployment insurance benefits.

Since the establishment of this unemployment insurance system in China, we have made great progress, but the number of participants in insurance from urban enterprises and institutions workers is only 1.2 million, accounting small percentage of total employees all over the country. The insurance coverage is quite small and also the fund pooling level is not at a high level. Compared with developed countries, there is big gap between China's socio-economic development, people's needs and the goal of establishing the unemployment insurance system.

There are many reasons to explain this situation, while the main one is: on the one hand, the situation is subject to the long-term existing dualistic economic structure; on the other, is China's unemployment insurance system was established late and the design is not yet perfect.

In view of this, we should amend, supplement and improve the existing unemployment insurance system and the relevant regulations by integrating the "Social Insurance Law" formulation with the "Regulations on Unemployment Insurance". We should put efforts to break urban-rural boundary, and bring all the employees into the unemployment insurance system, such as, employees from

different natures of enterprises and institutions, individual industrial and commercial households, other employees, self-employed, as well as rural migrant workers and flexible employees.

At the same time, different entry conditions (such as rate, duration, etc.) should be set specifically for different units and the employees with different characteristics. More efforts should be put into constantly expanding the scope of unemployment insurance coverage to ensure that the employees of enterprise and workers will attain basic life insurance during periods of unemployment and corresponding employment service. Unemployment insurance should be a basic insurance for all workers in urban and town.

*(2 ) Unemployment insurance should be changed from providing protection negatively to positively and should be closely integrated with employment promotion*

The so-called “passive” protection is aimed at basic life protection. The “active” protection is aimed at employment promotion by taking effective measures. During the inspection, we found that, from the current unemployment insurance systems and counter measures to the financial crisis of Sweden and Hungary, concepts of these two countries in unemployment insurance system building has changed.

The key concept has changed from security-orientation, meaning systems have changed from protecting basic life insurance passively to promoting employment actively and combining the unemployment insurance with the promotion of employment. For example, standards for the unemployed receiving unemployment benefits are linked with length of period of receipt in order to shorten the duration of unemployment benefits paid; it requires the unemployed to be subject to the relevant regulations of the Labour market and accept vocational guidance and other employment services, actively participate in vocational training and look for work; the Government will provide certain subsidies or incentives for those who find jobs or start their own businesses in the period of receipt of unemployment benefits; Government also offers corresponding subsidies to enterprises that continue to create new jobs and attract more of the unemployed to be re-employed.

From China's present situation, on the one hand, the unemployment insurance system has yielded remarkable results in providing basic livelihood for the unemployed. On the other hand, there are some shortcomings in the design of China's current unemployment insurance system, which is weak at promoting employment. For example, there is no requirement for the unemployed who are enjoying unemployment insurance benefits to participate in training courses organised by employment service agencies; there are only principles but no concrete measures in place for the unemployment to accept recommended jobs, and there are no incentivised approaches to encourage the unemployed to seek jobs. At the same time, there is a lack of linkage between standards of the unemployed receiving

unemployment benefits and length of receiving period, neither appropriate incentives for enterprise to absorb the unemployed to be re-employed.

To explore actively and establish linkage mechanism between unemployment insurance and employment promotion, on the premise of maintaining providing basic livelihood for the unemployed, since 2006, China began to set up pilots in Beijing, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, 7 provinces (municipalities) to expand the scope of the unemployment insurance fund expenditures, allowing pilot regions to use the unemployment insurance fund for vocational training subsidies, employment service subsidies, social insurance subsidies, job subsidies and micro-guaranteed loans and other expenditure on the unemployed. Up to now, the pilots has achieved some success (this policy was due to be retained until the end of 2009).

Next, our key work is to continue to guide the east seven provinces (municipalities) to expand the scope of unemployment insurance fund expenditure, strengthen the linkage with employment promotion, summarise and assess the pilots, accumulate experiences, expand into other regions where conditions permit, and try to pass relevant laws and regulations to be formalised showing the unemployment insurance's principle of protecting life and promoting employment.

*(3) Unemployment insurance system development should supplement and improve employment stability and prevent unemployment*

Learning from the investigations conducted during the study tour and the fourth high-level Round Table meeting, EU member states including Sweden, Hungary, we are generally taking some positive measures in the current international financial crisis in order to ease the pressure of unemployment. For example, the Government continues to increase capital investment, by increasing the wage and other corporate subsidies, reducing the burden on enterprises, encouraging the creation of employment opportunities, creating more job opportunities, maintaining stable employment and creating jobs, strengthening skills training for unemployed workers to enable them to find new jobs.

The Swedish Government gives financial subsidies to the long-term employed workers as well as apprentices a certain percentage of time and wage subsidies. Allowing enterprises which are on the brink of bankruptcy to maintain business viability, while they can apply for unemployment insurance easement; appropriate subsidies are also provided for staff wishing to be self-employed. At the same time, the government organises various re-employment projects.

The Hungarian government is increasing investment in the national Labour-market funds. It attempts to keep a stable employment rate and prevent unemployment by providing wage subsidies to enterprises, increasing education and training,

appropriate adjustments of social welfare policy, increasing relevant social welfare subsidies, actively promoting the implementation of projects to promote employment, etc.

Since last year, in dealing with the international financial crisis, our government has introduced a series of policies to revitalise industry and plans to stimulate large-scale economic growth, which promotes the development of a healthy socio-economic climate. Working with Ministry of Finance and other departments, our Ministry has also introduced new policies including the use of unemployment insurance funds to alleviate the burden on enterprises in maintaining employment, which creates favourable conditions for prevention of unemployment. From the results of last year, the new policies will be kept till the end of 2009.

From international and domestic experience, there is now a consensus among all countries and it is also the objective of governments' macroeconomic policy, to constantly improve the social security system, increasing employment and training investment, taking various measures to stabilise employment and preventing unemployment, and creating more employment opportunities.

At present, China's unemployment insurance fund has some surplus balances which can play a greater role in stabilising employment and preventing unemployment, it also can fill in a gap on how to use special funds. With the further deepening China's of economic structural reform, improving the unemployment insurance system has become inevitable.

In the next step, we will keep progressing in different parts of China. We will seriously study practices of unemployment insurance against the financial crisis to form new long-term mechanisms and to establish and improve the unemployment insurance system with Chinese characteristics with three-dimensional features "protecting life, preventing unemployment and promoting employment".

*(4) Improving the Labour Market information network, to accelerate the establishment of dynamic monitoring system of unemployment*

During the inspection, we found that the Swedish Labour market information network and unemployment dynamic monitoring system works quite well. They now have a good technical performance, modern Labour market information services network. The public employment service system is excellent and the state public employment service centre at the grass-roots functions well. For example, through computer networks job-seekers in any region employment service centre in Sweden can find a variety of employment information, including the national demand for various occupations, industry trends, specific requirements for vacant posts and wages, training information, and surrounding environment. They also can consult online and submit applications and even do professional proficiency tests through the network.

Similarly, the employer can also select candidates through the network and arrange interviews. An improved Labour Market information network can promote the development of self-service employment, but also greatly improve working efficiency.

At the same time, mainly through the Labour Market information network or the implementation of special projects, the Swedish government can monitor the unemployment and employment situation. In the field of Labour Market situational analysis, research and monitoring, it has formed a relatively complete set of indicators to monitor the dynamic system and indicator analysis system, which in turn can create favourable conditions for the government to develop and implement active Labour Market policies.

From our perspective, on the one hand, our Labour Market has been rapidly developed recently and in most parts of China Labour market information networks and the public employment service systems have been set up. However, there is some uneven development in underdeveloped areas especially in Central and Western counties, and they have insufficient capital investment to build Labour Market information network platforms. Their facilities are outdated, networks do not work well and the information is not sufficient. In some places, despite having good hardware facilities no worse than the EU countries, there is still gap in network software, vacancy information, information sharing, service awareness, service quality, service content and efficiency, matching staff and market management, etc. It is like they have the correct appearance but without the necessary content and know-how.

We think we should increase investments in Labour Market information network construction, particularly in under-developed central and western regions to help them build an urban community-based information platform. At the same time, we should strengthen staff training, continuously improve the quality of personnel, improve service quality, and enhance efficiency for the large number of job seekers and employers. We will also constantly improve the Labour Market information network and the public employment service platform to realise an inter-operable network and share information construction. On the other hand, compared with Sweden and other EU countries, China has had a late start in monitoring the unemployed and unemployment situation. Our experience is relatively limited.

Since June 2008, our Ministry has carried out unemployment dynamic monitoring system in pilot locations such as Jilin, Jiangsu, Zhejiang, Fujian, Henan and Guangdong. This work has achieved remarkable success, especially since the international financial crisis occurred. It provides important data support for the development of stable employment, unemployment prevention and decision-making at different levels of government.

Practice shows that it is inevitable to speed up establishment of and improvements in

the dynamic monitoring systems for unemployment, which are very important and an effective means to make unemployment system work well. In the next steps, we will promote the dynamic monitoring of the unemployed system across China, sum up and accumulate experience. Learning from Sweden and other European Union member state's effective approaches, we will develop and improve our monitoring methods, increase monitoring content. We will also work hard on data analysis, information forecasting and information dissemination, and eventually lay a concrete basis for the establishment of unemployment pre-warning mechanism.

*(5) To actively support the development of vocational training and to implement various forms of employment promotion projects*

From actual situations in Sweden and Hungary, they emphasise the vocational training system. They apply various forms of skills training for the unemployed and employment promotion projects. The Governments invests a lot of funds resulting in the raising of employment capacity and re-employability. For example, in recent years, the Government of Hungary has implemented a "4 +1" days training project and "job-seekers on the road" project, as well as various employment promotion projects specifically for poorly-educated young people and school drop-outs.

In recent years, China has also developed and implemented active employment policies which achieved remarkable achievements. It should be noted that China's investment in vocational training is not sufficient and we did not establish special funds. In some places there is a lack of trainers, training venues, and facilities and conditions are still poor. Design of vocational training projects could not target our objectives and the rate of self-employment of unemployed persons is comparatively low not meeting the needs of employers and the community.

We think that China should increase investment in vocational training funds. We should set up special funds in employment, vocational training. Meanwhile, to meet the characteristics of the various types of unemployed person, we can develop specific training programmes and employment promotion projects to enhance the employability of the unemployed, and constantly to meet the needs of employers and society.

*(4) To mobilise all positive factors and non-governmental organisations in promoting the role of employment*

From our study, we find that the European Union states and other developed countries have attached great importance to non-governmental organisations in playing their role in promoting employment.

Such as in Hungary, besides the Ministry of Social Affairs and Labour and its affiliated national employment, social offices, national institutions as well as public

employment services, there are a number of non-governmental organisations participating in Labour Market management, public employment fund management, unemployment insurance funds operation, policy-making and policy-implementation as well as co-ordination of relevant issues. These non-governmental organisations play a great role in promoting employment, strengthening employment services, providing support to the Labour Market, as well as assisting the Government to promote policies, etc.

Over the years China has put great efforts in promoting employment, and the achievements are recognised by the world. All the success we get relies on all levels and enterprises who co-operate together to use measures and implement government policies. We need experience and effective measures in supporting non-governmental organisations to participate in the promotion of re-employment of unemployed more broadly and actively.

It is worth our serious consideration how to integrate all aspects of the force, especially how to support non-governmental organisations to carry out this work to promote employment. Through this study tour, we have learned and gained valuable experience and best practice from Hungary and Sweden.