

MOHRSS POLICY MAKERS



Social Security Reform Co-operation Project
中国 - 欧盟社会保障合作项目

SOCIAL SECURITY AND FINANCIAL CRISIS

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Social Security and Crisis

- WHAT CRISIS?
- Due to the collapse of manufactured exports, Chinese GDP growth rate from 11-13% during 2004-2007 to 0.4% in 2010 and 8-9% in 2015
- China will end up the strongest position of emerging economies in the wake of crisis
- Growth rate relatively rapid
- Surplus in current account
- Government debt relatively low

(SOAS University of London March 2009, State economy model Fr Cripps)

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- 2008 to 2013 black years
- Under 8 % growth rate china destroy employment
- China economy strongly dependant of manufactured exports
- China have to develop the internal market to maintain the growth
- Social Security one of the main tool for the wealth redistribution

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- Foreseen growth for 2009
- USA - 1,8%
- UK - 2,5%
- Japan - 2,5%
- Spain - 2,1%
- Germany -2,3%
- France - 1,4

(Societe Generale 5th of March)

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- EU unemployment rate from 6, 8% 04/08 to 7,6% 01/09
- Spain 13,9% to 18,7 % in 2010
- Ireland over 10%

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- Impact of the crisis

	Contributory	Funded	State administrated
Health insurance	Lack of resources will impact the level of benefit and renounce care due to the deductible tool (FR)	Individual account not sufficiently charged	Free access to care no impact (UK)
Pension	No impact on the value and service	High risk to loose value sustainability	Civil servant no direct impact
Unemployment	High impact on unemployment		Better sustainability

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The Social Protection stabilizer in the crisis

- Reform the Social Security systems
- Enhance the coordination (portability)
- Preserve the economy actors' resources with short term policy
- Use the European social funds to facilitate the reemployment and seniors
- Improve the health care access

“If the social protection systems are robusts they are the absorber of the crisis”.

- The sustainability is guaranteed by solidarity basis
- (European Commission and council common report March the 9th)

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- **Why and how the Social Protection absorbs the impact of crisis**
- To pay social benefits maintains the revenues
- The social benefit redistribute wealth and reduce inequities (F 65%)
- The enhancement of social benefit higher than the GDP growth maintain the household revenues
- S.B. preserve the people of un-employability

- DSS March 2009

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- Why and how to resist the crisis impact through social policy?
- To develop the internal consumption and dynamism with the birth policy:
 - impact on construction and infrastructure market,
 - impact on rate between active and retired people to consolidate the (pay as you go),
 - guaranty of life level based on repartition.

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- Social protection/GDP rate in Europe
- UK 26,6 %
- Italy 26,9 %
- Austria 28,5% 4,5% difference = 85 Bn E
- Germany 28,7% 3 plans for economic revival
- Denmark 29,1%
- Nederland 29,3%
- Belgium 30,1%
- France 31,1%
- (cnuced 07)

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- The sustainability of the “pay as you go” retirement benefit
- Fr 23 % of household taxed resources
- Independent of the value of auction market
- No funds in stock under the pression of the market
- Guarantees the consumption of the older people and their standard of life

(cnuiced 2007)

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- Pension : The weakness of pension funds
The financial crisis proof that the main part of the pension benefit should be based on pay as you go system and funded pensions remain an complementary adjustment.
- (etude du COR 02 2009)

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What to do?

- Reduce the impact of the crisis (pensions)
 - Extend the minimum years of contributions
 - Maintain seniors at work
 - Delay increasing contributions rate

Social Security is a automatic stabilizer in the
Keynesian analysis

- ISSA Conference 09:

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What to do? (pension)

- To support the return of growth
 - Reduce the income taxes for poorer
 - Distribute vouchers for services
 - Enhance the minimum benefit

- ISSA conference 2009

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What to do for employment?

□ Reduce the impact

- Support the failing enterprises
- Distribute exceptional benefit for new recruits
- Best rate of replacement for part time unemployment

ISSA Conference 09

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- To support the return of growth(employment)
- Facilitate the fitting between offers and demands
- Prepare the future workers to find job
- Training for potential sectors
- Support the mobility

EUCSS team analysis



Information prepared by G. Clarke Fund Management expert

- **Main factors influencing Social Security Development**
- The Social Insurance law for achievement in 2020
- The current financial crisis reducing contributions
- Health care reform increasing the state funding

EUCSS team Analysis

- **Financial crisis**
- Increasing demand for reduction of contributions combined with UI benefits demand and employment measures impose pressure on UI funds
- Planned reduction in co-payment for medical insurance and decreasing revenues impose pressure on MI funds

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- **Financial crisis**
- Significant risk of fraud to cover needs
- Low return on bank deposits depress the return of individual pension and effect on replacement rate
- Administration costs will not receive the highest priority

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- **Unemployment**
- 20 millions migrant workers loosing their job due to the economic down turns.
(weak figures)
- Many enterprises turned to export fail down
- Significant decreasing of job opportunities for lower qualified workers weakly protected

EUCSS analysis



- **Old age insurance**
- Increased breaks for unemployed in contribution records affect eligibility for old workers and 50th
- Impact of lost income for unemployed migrants
- Impact of low bank interest rates on the accumulation of the individual account
- Negative impact on enterprises annuities (2nd) pillar

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- **Medical Insurance**
- Lower contribution and less medical services benefits
- Coverage of workers from enterprises insolvent
- Transfer from BMI to RMCS for migrants
- More subsidies from government for medical insurance