

Analysis of the Employment Promotion Function of China's Unemployment Insurance System

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Abstract—The unemployment insurance system concerns people's livelihood and is an integral part of a country's social security undertakings. China's unemployment security system has been established for many years, but in the actual implementation process, unemployment insurance system's employment promotion function has always been overlooked or not implemented effectively relative to its income security function. This paper looks into the current situation of the employment promotion function of China's unemployment insurance system from three perspectives, i.e. system design, system implementation and employment service, analyzes the existing problems and corresponding reasons, and puts forward corresponding policy suggestions.

Index Terms—employment, function, system, unemployment insurance

I. INTRODUCTION

China's unemployment insurance system has gone through the process of growing out of nothing to obtaining gradual development. In 1986, the Interim Regulations on Unemployment Insurance for Staff and Workers of the State-owned Enterprises promulgated by the State Council marked the formal establishment of China's unemployment insurance system. In 1993, the Regulations on Unemployment Insurance for Staff and Workers of the State-owned Enterprises adjusted the unemployment insurance system of state-owned enterprises. In 1999, the new Regulations on Unemployment Insurance was formally introduced. The above are the three important reforms of China's unemployment insurance system, which makes China's unemployment insurance policies give play to an increasingly important role in safeguarding and stabilizing China's macro economy, gradually become integrated into international conventions in terms of system design and implementation management, and adapt to the development tendency of the global unemployment insurance system.

Western countries put forward the ideas such as "employment is the best security" and "from welfare to work" and take unemployment insurance as the transformation of social welfare, which makes unemployment insurance a safeguard measure but also a means of employment promotion[1]. Many Chinese

scholars support unemployment insurance's role in promoting employment and have made a lot of research, whose findings indicate that China's unemployment insurance system mainly adopts the relief system after event, lays emphasis on the system's function of safeguarding the basic living conditions of unemployed people, but pays little attention to and makes small investment in its employment promotion function.

II. STATUS ANALYSIS OF THE EMPLOYMENT PROMOTION FUNCTION OF CHINA'S UNEMPLOYMENT INSURANCE SYSTEM

Employment is vital to people's livelihood, so actively giving play to unemployment insurance's employment promotion function, promoting the re-employment of unemployed people and preventing and reducing unemployment should be the development goal and direction of unemployment insurance system. The current situation of China's unemployment insurance system is mainly manifested in the following aspects:

A. System Design

The design of unemployment insurance system mainly includes the following contents: To determine the coverage area of unemployment insurance system; establish the collection and payment mechanism and the overall planning system to maintain the normal operation of funds; formulate the system of granting unemployment insurance benefits that can safeguard the basic living conditions of unemployed people, establish the employment promotion mechanism to promote the active employment of unemployed people, etc. China's unemployment insurance covers the enterprises and public institutions in cities and towns and their employees, and provides them with unemployment security and employment support.

The current unemployment insurance system stipulates that migrant workers may take part in the unemployment insurance scheme, but their ratio of individual contribution and way of claiming for unemployment insurance benefits are quite different from enterprise employees'. According to the collection and payment mechanism of China's unemployment insurance premiums currently in effect, work units shall pay 1% while individual shall pay 2% and such proportion remains unchanged [2]. For the industries and personnel with high unemployment risk, the unemployment risk may be transferred to unemployment

insurance premiums, so they have a strong willingness to be insured. On the contrary, it is hard for the industries and personnel with low unemployment risk to enjoy unemployment insurance benefits and other benefits, so they often have low enthusiasm about getting insured, which influences the income of unemployment insurance funds. Social insurance emphasizes the balance between rights and obligations, but the current payment system of unemployment insurance is not conducive to arousing the enthusiasm of high income group and low unemployment risk group about getting insured, thus restricting unemployment insurance's employment promotion function. The current standard of unemployment insurance benefits is independent of the amount paid, but relates to the payment years and the level of local unemployment insurance benefits.

Through a comprehensive analysis, main factors that influence unemployment insurance's employment promotion function include the range of application, items of expenditure, and pressure of payment of unemployment insurance funds, etc.

B. System Implementation

At present, the management and service system for China's unemployed people is not complete and the phenomenon of unregistered employment is serious, so how to strengthen the management of unemployed people is particularly important. Firstly, there are a large number of unemployed people who have not made unemployment registration at the grassroots labor security service platform. China currently adopts the registered unemployment rate in cities and towns to measure the unemployment situation. That is to say, only the unemployed people who have made registration can enjoy certain preferential policies and be offered with job introduction and professional training for free. That some unemployed people do not make the said unemployment registration narrows down the statistical range of unemployed people and leads to unbalanced service for them. Secondly, after some unemployed people obtain employment once again, they don't make employment registration at the street or community labor security service platform, which keeps unemployment insurance agencies in the dark about the employment status of unemployed people. As a result, those who have realized re-employment may still claim for unemployment insurance benefits, which causes the loss of unemployment insurance funds and gives rise to new unfairness. Thirdly, the informationized management tools of unemployment insurance agencies urgently need to be strengthened. Along with economic development and social progress, the unemployed people have increasingly high expectations for unemployment insurance.

C. Employment Service

An important function of unemployment insurance is to promote the re-employment of unemployed people. In the process of promoting employment, unemployment insurance can supplement the insufficient funds with

employment funds or financial funds, and it earnestly gives play to its employment promotion function as an important fundraising channel.

Employment and unemployment are the two sides of a coin. Unemployment insurance increases the expenditure on employment through unemployment insurance funds to promote employment and prevent and reduce unemployment, which contributes to the formation of market-oriented employment mechanism. Employment service promotes the re-employment of unemployed people through various forms of vocational guidance, vocational training and job introduction, and it is one of the main functions of the human resources market.

To sum up, the employment promotion function of China's current unemployment insurance system is inadequate and the corresponding supporting system is also incomplete.

III. UNEMPLOYMENT INSURANCE SYSTEM'S MAIN PROBLEMS EXISTING IN EMPLOYMENT PROMOTION

A. The Coverage of Unemployment Insurance is Narrow

At present, China's unemployment insurance system only covers the employees of enterprises and public institutions in cities and towns, not covering the flexible employment personnel in cities and towns, self-employed individuals and agricultural laborers. Unemployment insurance is a kind of social public product which features the equality of social services [3]. However, the equality of unemployment insurance's social services is not played effectively. Although the Regulations on Unemployment Insurance prescribes that migrant workers may participate in the unemployment insurance, the difference in the ratio of individual contribution and way of claiming for insurance benefits weakens migrant workers' enthusiasm about getting insured. Furthermore, the reasons relating to system design lead to low rate of joining insurance among migrant workers and the flexible employment personnel unable to get insured, which prevents the unemployment insurance's employment promotion function from being brought into play.

B. The Design of Unemployment Insurance Benefits is Not Reasonable

Currently, the payment standards and the period of claiming of China's unemployment insurance benefits are related to the granting standards and payment years of local unemployment insurance benefits, but have nothing to do with the payment base of unemployment insurance premiums. This inevitably results in the low enthusiasm among high income group about getting insured and influences the accumulation of unemployment insurance funds. In addition, the employees in the industries with low unemployment risk pay the unemployment insurance premiums with the same payment base. However, this part of people may never be unemployed all their life and may not enjoy unemployment insurance benefits, so their enthusiasm about getting insured is not high, which

reduces the accumulation of unemployment insurance funds and prevents unemployment insurance's employment promotion function from being played.

C. The Expenditure Structure of Unemployment Insurance Funds is Not Reasonable

Since the promulgation of the Regulations on Unemployment Insurance, the expenditure on safeguarding living conditions accounts for a large part of the total expenditure on unemployment insurance funds, but the expenditure on vocational training, vocational guidance and career counseling service is seriously scarce. Consequently, the effective public employment service cannot be provided and unemployment insurance's function of promoting employment and preventing unemployment cannot be played effectively. Let's take Jilin Province as an example. Since 2000, the expenditure on unemployment compensation has accounted for a larger and larger proportion of Jilin's unemployment insurance funds, from 36.8% in 2000 to 55.8% in 2004 and 79.2% in 2009. The total expenditure on unemployment insurance funds reached 663 million Yuan in 2009, but the expenditure on promoting employment was only 192 million Yuan, less than 20% of the total expenditure. Although the expenditure on promoting employment only accounts for a small proportion, the surplus of unemployment insurance funds is increasing year by year and a large number of such funds are idle. According to statistical data, the cumulative surplus of Jilin's unemployment insurance funds was 324 million Yuan in 2002, and the figure for 2005 and 2009 was 1,043 million and 2,706 million respectively.

Normally, unemployment insurance funds should not have a great long-term surplus because it will influence the service efficiency of the funds and also lead to many problems. The best operation mode is to have slight surplus and implement pay-as-you-go. Therefore, it is appropriate and necessary to use part of unemployment insurance funds to promote employment and prevent unemployment and to mitigate the current employment pressure, and that also provides a rare opportunity for the development of unemployment insurance system. The unemployment insurance ought to make a difference against the vigorous employment policies.

D. The Unemployment Insurance System Weakly Stimulates the Re-employment of Unemployed People

China's unemployment insurance system stipulates that the period of claiming for unemployment insurance benefits may be 24 months at most, which is too long. Besides, the amount of insurance benefits claimed in different periods is the same, which goes against arousing the unemployed people's enthusiasm about getting a new job. The Regulations on Unemployment Insurance currently in effect explicitly stipulates the conditions of claiming for and stopping granting unemployment insurance benefits, but in the process of implementing such

stipulations, it is hard to affirm the situations such as "suspend the employment not at one's own will" or "have job requirements", and there is a large uncertainty and a lack of effective operation reference and means. In addition, the "re-employment" can only be confirmed by whether an official labor contract is concluded, and it is difficult to track and serve other flexible employment personnel who don't sign labor contracts, so unregistered employment is inevitable.

IV. REASON ANALYSIS OF UNEMPLOYMENT INSURANCE SYSTEM'S PROBLEMS EXISTING IN EMPLOYMENT PROMOTION

A. The Large Increase in the Number of Unemployed People

In the economic construction for the past decades, China adopts the policy of "high employment and low salary", which makes enterprises accumulate an increasing number of surplus staff [4]. As the reform of the economic system goes deeper, enterprises change from government-oriented to market-oriented. At the same time, the economic growth pattern also shifts from the extensive form to the intensive economic growth that mainly depends on scientific and technological progress, improvement of management, increase in the efficiency of resource allocation and the quality of the workforce. Under such a situation, enterprises must reduce cost, raise labor productivity and lay off their surplus staff so as to survive. The continuous development of market economy and the optimization and upgrade of industrial structure both cause some enterprise employees to lose their job and join the group of unemployed people. Because of the implementation of enterprise reform, state-owned enterprise reform and merging pilot policies, a large number of employees of state-owned enterprises terminate the labor relationship with their enterprises and some employees become unemployed. Meanwhile, the development of science and technology, improvement of management level and extensive use of computers reduce the number of workers and lower labor cost. The migrant workers flooding into cities in quantity constantly increase the employment pressure in cities, which is bound to cause a high unemployment rate.

B. The Insufficient Financial Input in Unemployment Insurance Funds

Article 8 of the Regulations on Unemployment Insurance stipulates that, "If unemployment funds in areas where overall planning is conducted are not enough for use, adjustment funds of unemployment insurance may be used as adjustment and local finance may be used as subsidies." But in actual operation, the amount of the overall planning funds raised is small and the local financial input is limited, so the number of the people claiming for unemployment insurance benefits is reduced and the pressure is relieved mainly by granting social insurance subsidies to the

unemployed people and encouraging the unemployed people to apply for flexible employment. This limits unemployment insurance's employment promotion function to a large extent.

C. The Little Importance Attached to Unemployment Insurance's Employment Promotion Function

China attaches particular importance to employment issues and the central finance allocates a large number of funds each year for public employment service agencies to carry out employment services and promote the employment of workers. However, no equal importance has been attached to improving the unemployment insurance system and giving play to unemployment insurance's employment promotion function. After the international financial crisis took place, China introduced the Notice on Taking Positive Measures to Lighten the Burden on Enterprises and Stabilize Employment to cope with the impact caused by the crisis on employment, which Notice proposes that unemployment insurance has the function of stabilizing employment and that job posts may be stabilized by granting post allowance and social insurance subsidies. To stabilize employment is to keep the job posts of enterprises and prevent employees from losing their job, which promotes employment from another perspective.

D. The Overall Quality of Unemployed People Remains to be Improved

In the group of unemployed people, those who were born in 1940-1950 account for a large proportion, most of who are laid off in state-owned enterprise reform and structural adjustment. These people are old and have single skills, and it is difficult for them to adapt to new jobs' high requirements for labor quality and realize re-employment. In addition, the quality of current vocational training and job introduction is not high and people seldom master professional skills after the training, so it is very hard to stabilize employment.

V. SUGGESTIONS ON IMPROVING UNEMPLOYMENT INSURANCE'S EMPLOYMENT PROMOTION FUNCTION

A. Expand the Coverage Area of Unemployment Insurance

The design of social insurance system follows the "law of large numbers". The wider the coverage area is, the more the fund income and the stronger the ability to resist risk will be. At present, China's unemployment insurance system only covers the employees of enterprises and public institutions in cities and towns, not covering national public servants, flexible employment personnel, migrant workers, land-lost peasants, etc. In order to expand the coverage area of unemployment insurance, it is necessary to gradually incorporate national public servants, flexible employment personnel and migrant workers into the unemployment insurance system.

B. Improve Policy Measures

Establish unemployment insurance's policy system to promote employment in combination with actual conditions. Change the current "unemployment insurance benefits" to "jobseeker's allowance" in due time. In the basic concept, changing the current security for unemployed people to the security for job seekers reflects the unemployment insurance's system design idea of actively promoting employment. Expand the scope of expenditure on unemployment insurance's employment promotion items. Under the prerequisite of ensuring the granting of unemployment insurance benefits, it is necessary to encourage adopting various methods to use unemployment insurance funds to promote employment and prevent unemployment.

C. Improve the Unemployment Insurance's Training Function to Promote Employment

From quantity-oriented training to quality-oriented training:

- 1) Conduct diverse training: Firstly, the training contents should keep up with market requirements. Conduct regular surveys to master the requirements for occupations in the human resources market, analyze and collate the survey findings, and announce the results to the public. The human resources market should predict the relevant occupational demand on a regular basis according to the supply and demand situation of job posts, and guide employment training departments to formulate training plans and conduct targeted training. Secondly, the training methods should be flexible and diverse. Career training should highlight practicability and emphasize training effect. Unemployment insurance agencies should investigate the needs of unemployed people through various means, divide them into different groups, and adopt flexible and diverse methods to conduct training according to the conditions of human resources market so as to increase the re-employment rate after training.
- 2) Establish a multi-level training system: Enterprises should conduct training on a regular basis according to employees' knowledge structure and job requirements to improve employees' professional skills and comprehensive quality so as to adapt to job requirements.
- 3) Encourage establishing private training institutions: Encourage and support private training institutions to conduct re-employment training, and lay emphasis on training effect and re-employment rate. By doing this, the defects of enterprise and government training can be corrected. Governments should also strengthen the guidance and management for private training institutions, and grant those with good training effect and high employment rate training subsidies to arouse their enthusiasm about participating in the re-employment training for unemployed people.

D. Improve the Unemployment Insurance System's Information Service Ability to Promote Employment

Provide job information for unemployed people for free. Unemployment insurance agencies should work closely with the public job introduction service agencies set up by the governments at all levels to hold job fairs regularly to provide unemployed people with job information and posts, and public job introduction agencies should set up a platform for free for unemployed people and employers to communicate and exchange information. Strengthen the employment information transfer among different regions and the information transfer among public job introduction agencies in different regions, and regularly organize extraterritorial enterprises to conduct on-site recruiting in the labor-exporting places to reduce the job search costs of job seekers.

Establish a web publishing system for the supply and demand information of job positions. The public job introduction agencies under governments should establish a system to publish the information of enterprises and job seekers through the website to form two-way interaction, reduce job search costs and improve job search efficiency.

E. Increase the Fund Investment in Promoting Employment

Strengthen unemployment insurance funds' support in promoting employment. Under the prerequisite of granting unemployment insurance benefits, unemployment insurance funds should allocate more funds to promote employment. It should be stipulated that unemployment insurance benefits shall be granted within 6 months, and

the remaining part of unemployment insurance funds shall be mainly used for promoting the employment of unemployed people. Strengthen the coordination and cooperation between unemployment insurance agencies and public employment service agencies. With the support of unemployment insurance funds, provide employment services such as re-employment training and job introduction for unemployed people for free and promote the re-employment of unemployed people. The above measures shorten the time of claiming for unemployment insurance benefits for unemployed people, reduce the expenditure of unemployment insurance funds, and are conducive to the stable operation of funds.

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