

EMPLOYMENT POLICY IMPLEMENTATION MECHANISMS IN CHINA¹

The ILO and its constituents have made significant progress in developing national employment policies (NEPs). However, unless appropriate institutional arrangements can be put in place to ensure their timely and effective implementation, even sound policies may not produce the desired results. To respond to the increasing requests from its constituents for NEP implementation, the ILO launched a research project on “a comparative analysis of employment policy implementation mechanisms in selected countries”. Case studies² and a synthesis were published as working paper. Based on those studies, this research brief looks at the mechanisms for target-setting, budget allocation, planning, coordination, and monitoring and evaluation in support of employment policy implementation in China.

1. Active employment policy (AEP)³ in China: An overview

China first established its active national employment policy (AEP) in 2002. The purpose was to address the challenge of re-employing around 30 million laid-off workers as a result of the nationwide reforms of state-owned enterprises (SOEs) since the mid-1990s. The AEP included a range of policies and measures, such as: sectoral policies to promote labour-intensive manufacturing and services; fiscal and financial policies to develop entrepreneurship and encourage the recruitment of workers; active labour market policies (ALMPs) and employment subsidies to assist vulnerable groups. Box 1 shows the main elements of the AEP.

The AEP has been renewed five times since it was established in 2002. The first revision in 2005 was based on an evaluation of policy implementation. In 2008, the AEP was improved in order to take up the unemployment challenge of university graduates: The AEP target group was extended from laid-off workers in SOEs to all jobseekers to align with the requirement of the Employment Promotion Law enacted that same year. In 2009, the AEP was renewed once again in response to the global financial crisis. In 2015, against the backdrop of supply-side reforms and the economic “New Normal” of lower GDP growth, the AEP was renewed again, putting entrepreneurship development at the core of job creation efforts. The latest version of the AEP was launched in April 2017 which focused on pro-employment macroeconomic policies, entrepreneurship and innovation. In each new version, the basic framework and the lifespan/term (three years) of employment policies remained the same, but the policy contents, priorities and target groups were adjusted to take into account the changes in the labour market (see Table 1).

Box 1. Pro-active national employment policy 2002⁴ in China

- Analyse the dynamics between economic growth and employment growth. Macroeconomic, sectoral, international trade, investment, rural development policies should take due account of two employment targets: (i) the number of new jobs created and (ii) the unemployment rate. Preferential tax and fiscal policies should be made to promote labour-intensive and traditional services sectors.
- Promote entrepreneurship and self-employment. A jobseeker who run his/her own business is given an annual tax deduction of 8000 Chinese Renminbi (RMB), an exemption from administrative fees for three years, and a micro-credit amounting to 20,000-100,000 RMB for two to four years.
- Encourage recruitment. An employer who recruits a targeted unemployed person is given an annual tax deduction of 4,800 RMB per person recruited, as well as social insurance subsidies.
- Internal labour market policy for large SOEs. Tax exemption and employment subsidy policies are given to large SOEs who redeploy underemployed workers within the enterprise, rather than laying them off.
- Promote flexible employment, for instance through tax deductions, social insurance subsidies, and salary subsidies.
- Expand ALMPs, such as public employment services, vocational training allowances, and labour market information system.
- Establish an unemployment prediction and pre-warning system.
- Make use of pro-employment social security policies.
- Coordinate through implementation mechanisms such as the Inter-Ministerial Meeting, special employment funds, and the responsibility system.

Source: MOHRSS (2012), Implementing Pro-active Employment Policy (Beijing, China Labour and Social Security Publication).

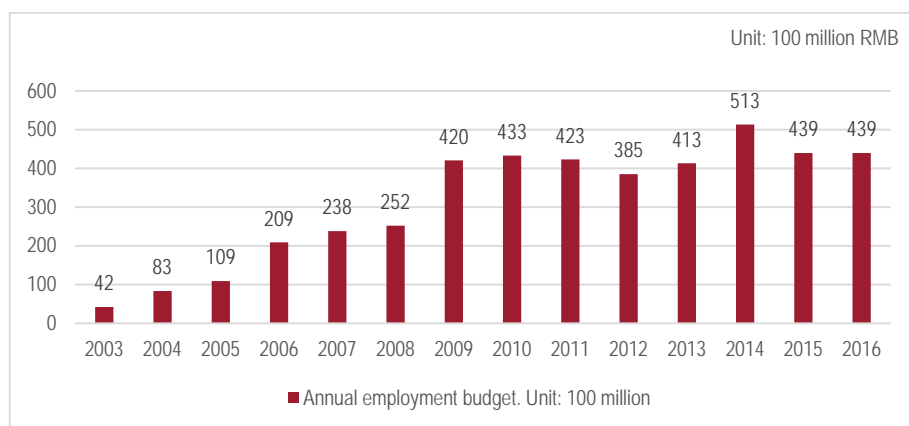
2. The implementation framework

2.1 Employment targets, budget and work plans

The AEP includes four key targets: (i) new jobs created, (ii) re-employment of the unemployed, (iii) re-employment of the vulnerable group, and (iv) the unemployment rate.⁵ The targets are set by four government departments: the Ministry of Human Resource and Social Security (MOHRSS),⁶ the National Development and Reform Committee (NDRC), the Ministry of Finance (MOF); and the National Bureau of Statistics (NBS) – in collaboration with the provincial governments. The State Council (SC) established the inter-ministerial coordination mechanism, the responsibility and accountability system, and the employment fund to implement the AEP. Local governments set local targets in addition to the four national targets, referred as 4+x in Figure 2.

It was integrated in the AEP and regulated by the Employment Promotion Law (EPL) that governments at all levels shall allocate an employment budget in support of employment policy implementation. The national budget for the AEP is proposed by the MOF and MOHRSS, approved by the National People's Congress (NPC), and then distributed to the provinces and cities that have difficulties in self-financing policy implementation (see Figure 1). Local governments are required to allocate a matching budget. The share of the matching budget in local annual revenue is proposed by local government and approved by the Local People's Congress (LPC). The MOF and MOHRSS are accountable for the use of the employment budget; the National Audit Office (NAO) has the responsibility to audit its use. The budget is allocated based on the calculation of the cost of employment policy implementation in achieving the employment targets.

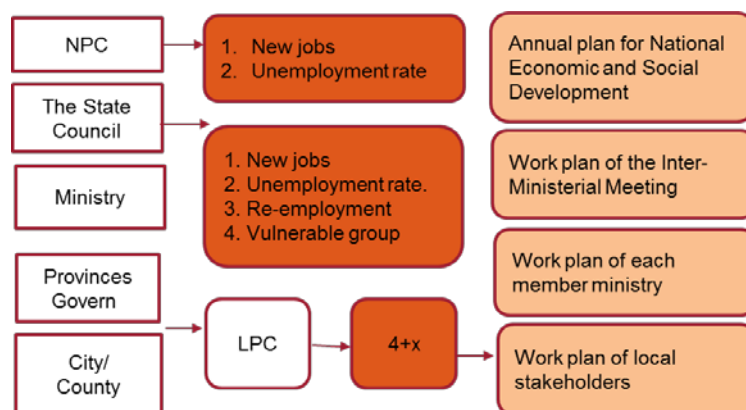
Figure 1. Employment budget of central government⁷



Source: the Author

The responsibility of the related ministries, social partners, local governments, and other stakeholders in AEP implementation are clearly divided. In the coordination mechanisms, the Government and its social partners are required to make annual work plans to support the AEP implementation (Figure 2). The work plans are made based on the targets to be achieved and the approved budget. The work plans are reviewed on a quarterly basis.

Figure 2. Employment targets, budget and work plans



Source: the Author

2.2. Operational measures to translate AEP into implementation

The AEP 2002 was issued at the highest levels of the Central Government by the Central Committee of the Communist Party of China (CCCCP) together with the State Council of the Chinese Government. Employment policies were translated at the national level, into 21 specific operational measures by the relevant ministries and social partners within three months after the AEP was issued. At the local level, all the provinces were required to formulate, within six months, their local employment policies to implement the AEP. These approaches, constitute a comprehensive nationwide employment policy framework as outlined in Table 2.

3. Coordination structure: the Inter Ministerial Meeting of Employment

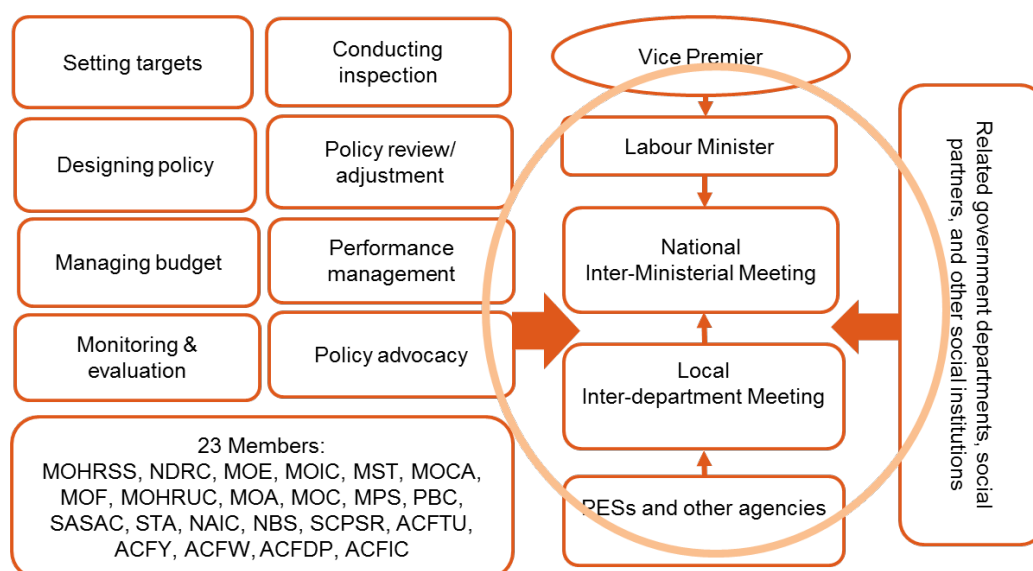
Although the relevant ministries and social partners were involved in the AEP formulation in 2002, the MOHRSS found it difficult to implement the AEP alone in early 2003. Therefore, a proposal was made to the State Council to create a coordination structure, not only for policy formulation but also for implementation. The structure is called the Inter-Ministerial Meeting and was set up at the national level in May 2003 (see Figure 3). This coordination structure was further stipulated in the EPL 2008 and replicated in the provinces and cities: governments at all levels were asked to set up inter-institutional mechanisms to coordinate policy formulation and implementation.

According to the Rules of Procedure of the Inter-Ministerial Meeting regulated by the SC, the Meeting is chaired by the Minister of Labour, while the 23 vice ministers from relevant ministries and social partners are the members, whose responsibilities are divided clearly. The Meeting is held every six months, with the Vice Premier and officials from the SC attending. The Provincial governments are also participate in the Meeting once a year. The policy effects, targets achieved, budget used and employment challenges faced are reviewed and discussed in the Meeting. Activities such as policy research, workshops, monitoring and evaluation exercises, and assessments of the AEP implementation are organized by the Meeting. Other institutions concerned, such as academic and business organizations, are invited to participate in the related activities (see Table 3).

An Executive Office (the circle in Figure 3.) was set up in the Department of Employment Promotion, MOHRSS. The Office is headed by the Vice Labour Minister and its members include the heads of departments in charge of employment policies in seven key ministries and social partners (MOHRSS, NDRC, MOF, PBC, STA, NAIC, ACFTU). The core function of the Office is to implement the decisions made by the Meeting, to organize the monitoring and reporting of policy results, and to coordinate between ministries and local government. Normally, all the coordination is conducted at the level of the Executive Office. When the Office fails to reach agreement, proposals are submitted to the Meeting. The final decision will be made by the SC with regard to the major issues of the AEP.

At the bottom of the coordination structure, there are the local governments and government agencies – such as public employment services, taxation office, commercial and industrial administrative office, bank office - that are in charge of delivering the employment policies and collecting data on its implementation.

Figure 3. Coordination structure of AEP: Inter-Ministerial Meeting



Source: the Author

4. Responsibility and accountability system

The driver of the coordination mechanism is the dynamic responsibility and accountability system, which is embedded also in the AEP. This system comprises seven elements: (i) key indicators that are integrated in the national development plan (NDP), (ii) the annual work plan, (iii) budget management, (iv) monitoring and evaluation, (v) social supervision, (vi) statistics and reporting, and (vii) adjustment and improvement (see Figure 4).

Figure 4. Responsibility and accountability system

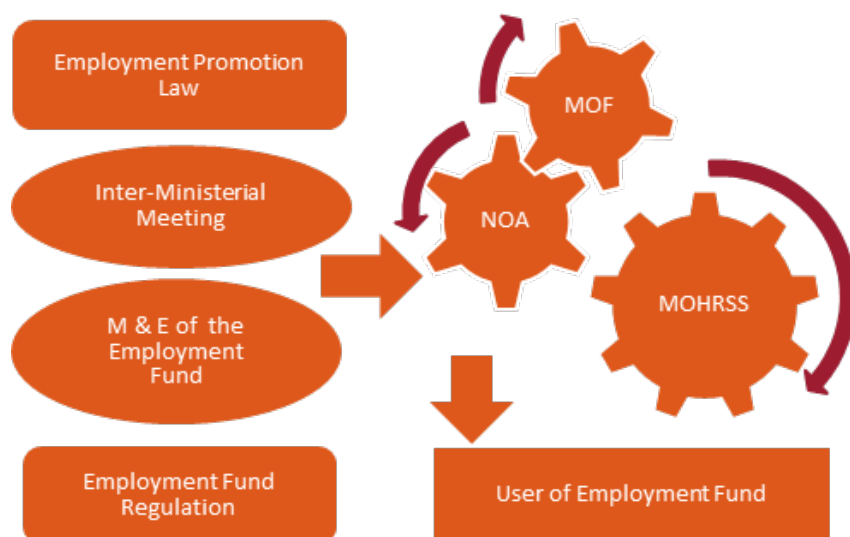


Source: The Author

Two employment targets – number of new jobs created and the unemployment rate – have been integrated into the NDP since 2003, and are required to be taken into account when developing macroeconomic, sectoral, and trade policies; they are also reported regularly to the SC and the NPC by the Inter-Ministerial Meeting. The four employment targets are set each year by the Inter-Ministerial Meeting, and defined at the province and city level. In addition, a set of indicators on AEP implementation have been put in place to monitor the AEP effects on a quarterly basis. The targets and indicators in Table 5 show how closely they are linked to the AEP for monitoring and evaluation purposes.

The Employment Fund was institutionalized by the 2008 Employment Promotion Law and administrative regulations; it is managed by the relevant ministries and used by government agencies and social partners (see Figure 5). The Fund is used for subsidies for employment services, skills appraisal and training, social insurance, public work wages, employment internships, vulnerable group employment, the micro credit guarantee fund, and technological upgrading of the public employment services. The Employment Fund cannot be used for the labour costs of government agencies or operational costs such as business cost, mission cost, meeting costs, and purchase and rent of office buildings and transportation vehicles. The employment budget plan is calculated based on the analysis of the macroeconomic and labour market situation, employment targets, performance appraisal of government agencies in the previous year (such as employment targets achieved), employment policy effects, and the employment financial balance.

Figure 5. Institutionalization of Employment Fund



Source: the Author

5. Monitoring and evaluation: The supervision system, and the statistics and reporting system

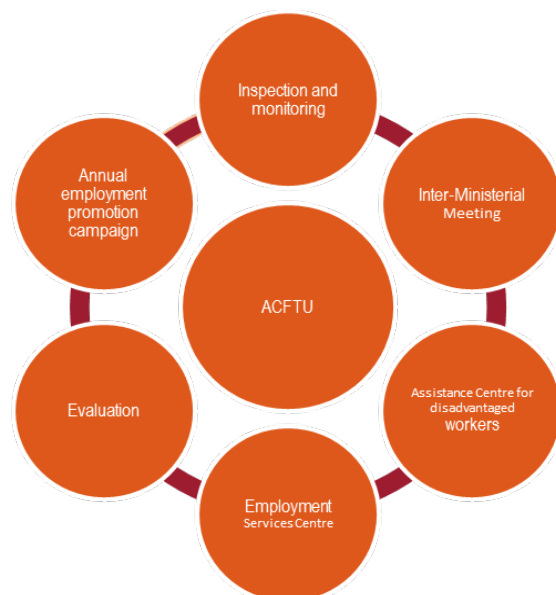
A strict supervision system of AEP implementation was established involving the Government, social partners, and – by invitation – academia, enterprises and jobseekers. There are four types of supervisions:

- *Top-down inspection.* Conducted by the Inter-ministerial Meeting on behalf of the SC, or by the local inter-departmental meeting on behalf of the local government. It examines government performance in and the progress of the AEP implementation by checking performance records and statistics reports.
- *Bottom-up social supervision.* The Government at all levels establishes open hotlines, public websites and mail boxes to collect opinions concerning the policy from all sections of society.
- *Special inspection.* Organized at all levels of government, this focuses on slow progressed and poorly performing regions to provide guidance to resolve problems, by interviewing various stakeholders, such as different departments, universities, institutions, enterprises, and unemployed people.
- *Independent supervision.* Conducted by the All-China Federation of Trade Unions (ACFTU), the All-China Federation of Industry and Commerce (ACFIC) and other social partners.

The responsibilities of data collection and analysis are divided among the MOHRSS, NBS and NAIC. The MOF, PBC and STA also collect data on the policy results through their outreach agencies respectively. The MOHRSS consolidates and reports to the SC on the progress of implementation, as well as the results of the inspection and evaluation process.

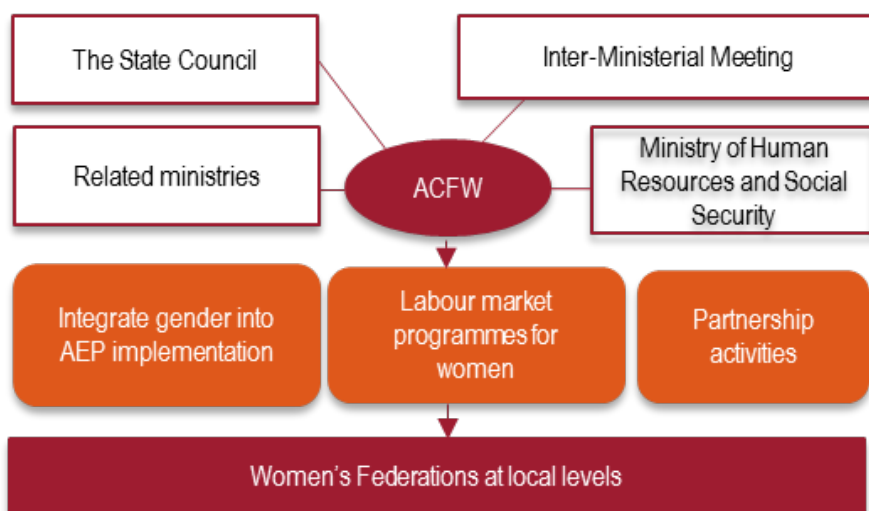
Social partners have a strong voice in employment policy formulation and implementation. They are involved in activities together with other institutions or independently to implement employment policies. The ACFTU conducts their own independent inspection and evaluation of policy implementation, and reports to the SC directly. Figure 6 shows the role of the ACFTU in employment policy implementation. Another institution worth mentioning is the All-China Federation of Women (ACFW), which has developed a range of programmes to integrate gender into employment policy (see Figure 7).

Figure 6. The role of All-China Federation of Trade Union (ACFTU)



Source: the Author

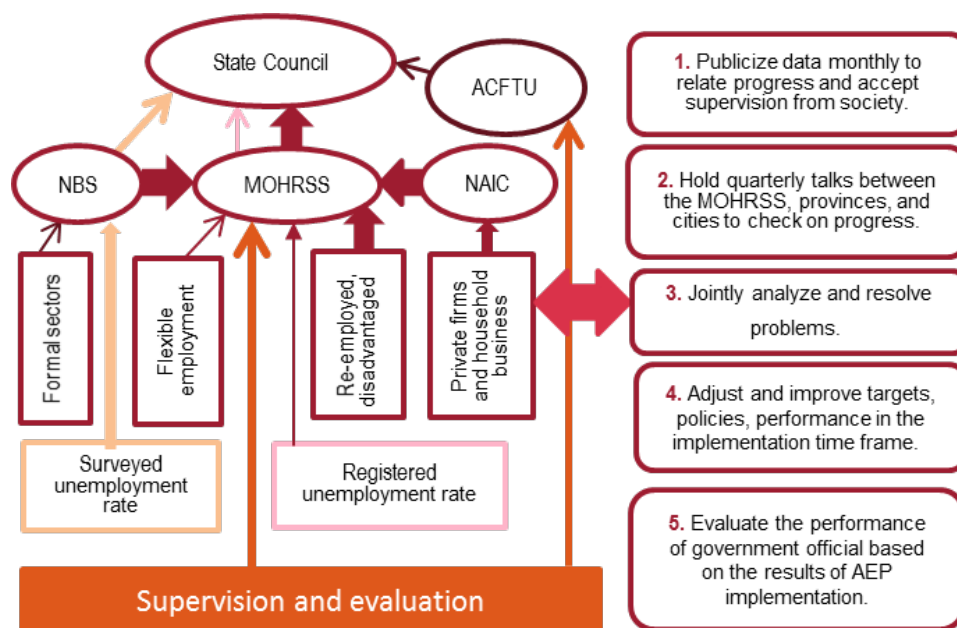
Figure 7. The role of All China Federation of Women (ACFW)



Source: the Author

As follow-up activities to the monitoring, inspection and evaluation, the progress with the AEP implementation are publicized and challenges identified. The ministries, provincial governments, and city administrations hold meetings to address these challenges and time-bound policy adjustments and improvement are made, along with performance management assessments (see Figure 8).

Figure 8. The monitoring and evaluation system of AEP in China



Source: the Author

6. Summary

Although it is hard to evaluate the AEP's contribution to reducing the unemployment rate as a whole, statistics showed that from 2003 to 2007 about 25 million laid-off workers found re-employment through its various measures.

The following elements are critical to the AEP implementation in China:

- The AEP comprises not only economic and labour market policies, but also coordination and implementation arrangements.
- The different ministries' commitment is as important as the Central Government's political will on employment promotion. The MOHRSS, NDRC, MOF, PBC, ACFTU, and their peers are the core members of the coordination structure.
- A strong responsibility and accountability system ensures AEP implementation, although the monitoring and evaluation methodologies need to be improved and made more independent.
- All stakeholders have clearly divided responsibilities in AEP formulation and implementation, which are reflected in the AEP, EPL and the Rules of Procedure of the Inter-Ministerial Meeting.
- The social partners and civil society are involved in the process of employment policy implementation and improvement.
- The institutional arrangements ensure a permanent structure for AEP coordination and implementation.
- The AEP is supported by operational policies and measures; more importantly, they are translated into local employment policies with local employment targets and budgets that are closely linked to the national ones.

Table 1. The development of employment policy in China

Policy priority and period	SOE reforms (2002-2007)	Youth employment (2008)	Financial crisis response (2009)	Entrepreneurship development (2015)	Comprehensive employment policy (2017)
Economic policies to create jobs	Labour-intensive, traditional services	Services industry, new industries	4 trillion RMB investment.	Employment policy impact evaluation of macroeconomic and investment policy; linking of GDP with employment; quality employment.	Comprehensive employment policies focusing on pro-employment macroeconomic and sectoral policies as well as equality
Entrepreneurship	Tax deductions and exemptions; micro credit; financial support			100, 000 RMB micro credit; minimized administrative interventions; improved entrepreneurship zone; tax deductions and exemptions.	Policies extended to new forms of employment, support for SMEs and poverty reduction.
Recruitment	Tax deductions; social security subsidies				
Disadvantaged groups	Tax deductions; social security and wage subsidies		Postponed insurance payments; reduced insurance rates; wage subsidies.		
Job maintaining	No.	No.		Targeted the iron, steel and coal industries.	
Public employment services	Free services; job guarantees; targeted activities				
Skills	Training allowance; skills-training for technicians, and business startup training.		Special Training Scheme.	Education and training for business development; new apprenticeship scheme	New skills strategy; subsidy policy for apprentices and technicians.
Unemployment prevention	Unemployment prediction and pre-warning system.				
Social security	Expansion of social security coverage; employment conducive social security policies.				

Source: the Author

Table 2. The operational measures of the AEP issued by the State Council

Operational policies		Issued by	Issued date
1.	Outline of AEP for advocacy	PD, MOLSS	03.12.2005
2.	Guidance on AEP implementation	18 ministries, including ACFTU, ACFY, ACFW	20.01.2006
3.	Guidance on the administration of employment fund	MOF, MOLSS	10.01.2006
4.	Tax policy promoting re-employment for laid-off workers	MOF, STA	23.01.2006
5.	Operational measures to implement tax policy for laid-off workers	STA, MOLSS	18.01.2006
6.	Preferential fee charge policy for laid-off workers and young business starters	MOF, NDRC	13.01.2006
7.	Micro credit policy to promote re-employment	PBC, MOF, MOLSS	12.01.2006
8.	Strengthening the unemployment insurance to promote employment	MOLSS, MOF	11.01.2006
9.	Regulation on Certificate of re-employment for workers and enterprises	MOLSS	26.12.2005
10.	Establishment of regular statistical and reporting systems for re-employment	MOLSS	08.02.2006

Source: the Author, based on Zhang (2008), *The Reform and Development of China's Employment* (Beijing, China Labour and Social Security Publication)

Table 3. Functions and stakeholders of the Inter-Ministerial MEETING

Functions	Key stakeholders
1. Setting employment targets.	13 members in 2003: the MOLSS, NDRC, Ministry of Education (MOE), Ministry of Supervision (MOS), Ministry of Civil Affair (MOCA), MOF, Ministry of House and Rural Urban Construction (MOHRUC), State-owned Assets Supervision and Administration Commission of the State Council (SASAC), PBC, National Administration of Industry and Commerce (NAIC), STA, State Commission for Public Sector Reform (SCPSR), and All-China Federation of Trade Unions (ACFTU).
2. Formulating the AEP.	
3. Making work plans and taking actions to implement the AEP.	
4. Managing the employment budget.	
5. Monitoring and evaluating AEP implementation.	6 new members added in 2005: the Ministry of Civil Servant (MOCS), Ministry of Agriculture (MOA), Ministry of Commerce (MOC), National Bureau of Statistics (NBS), All-China Federation of Youth (ACFY), and All-China Federation of Women (ACFW).
6. Conducting assessments of AEP implementation.	3 new members added in 2008: the Ministry of Industry and Communication (MOIC), All-China Federation of Disabled Persons (ACFDP), and All-China Federation of Industry and Commerce (ACFIC).
7. Reviewing and improving the AEP.	2 new members added in 2012: the Ministry of Science and Technology (MST), and Ministry of Public Security (MPS).
8. Managing performance	1 member, the Ministry of Supervision (MOS), withdrew

Source: the Author, based on Zhang (2008) *The Reform and Development of China's Employment* (Beijing, China Labour and Social Security Publication).

Table 4. Indicators of AEP implementation

1. Re-employment supported by AEPs (quarterly report)	2. Employment subsidy programmes (quarterly report)
<ul style="list-style-type: none"> 1.1 Re-employed persons <ul style="list-style-type: none"> 1.1.1 Disadvantaged groups 1.1.2 Women 1.2 New business started <ul style="list-style-type: none"> 1.2.1 Assisted by tax policies 1.2.2 Assisted by the micro-credit policy 1.3 Number recruited by enterprises <ul style="list-style-type: none"> 1.3.1 Assisted by tax policies 1.4 Re-employed in public works programme 1.5 Number in flexible employment 	<ul style="list-style-type: none"> 2.1 Number of jobseekers who received free employment services <ul style="list-style-type: none"> 2.1.1 SOE laid-off workers 2.1.2 Registered urban unemployed 2.1.3 Rural-urban migrants 2.2 Vocational training subsidy (same categories as 2.1) 2.3 Skills testing subsidy 2.4 Social insurance subsidy beneficiaries <ul style="list-style-type: none"> 2.4.1 Recruited by employers 2.4.2 In flexible employment 2.4.3 Employed in public work
3. Expenditure of the Employment Fund (quarterly report)	4. Monitored employment progress (monthly report)
<ul style="list-style-type: none"> 3.1 Labour market construction 3.2 Vocational training subsidy 3.3 Employment service subsidy 3.4 Social insurance subsidy 3.5 Salary subsidy 3.6 Interest subsidy for micro-credit 3.7 Other 	<ul style="list-style-type: none"> 4.1 The newly employed <ul style="list-style-type: none"> 4.1.1 Assisted by AEP <ul style="list-style-type: none"> 4.1.1.1 Disadvantaged group 4.1.1.2 Women 4.1.2 Not assisted by AEP <ul style="list-style-type: none"> 4.1.2.1 Disadvantaged group 4.1.2.2 Women 4.2 The newly unemployed 4.3 Natural decrease in workers because of retirement, death, etc.

Source: the Author, based on Zhang (2008), *The Reform and Development of China's Employment* (Beijing, China Labour and Social Security Publication).

Endnotes

- ¹ This research brief was prepared by Yadong Wang based on Employment policy implementation mechanism in China (Xiangquan Zeng, 2014, Employment Working Paper, No.157, Employment Policy Department, Geneva: ILO). The Chinese Ministry of Human Resource and Social Security updated, Xiaochu Dai of the ILO Beijing Office commented and Aurelio Parisotto reviewed this research brief.
- ² The following countries are covered: Argentina, Bosnia and Herzegovina, Burkina Faso, Brazil, China, Republic of Korea, South Africa, and the European Union (EU) including the United Kingdom and Germany. Apart from Argentina and South Africa, the other countries mentioned here have ratified ILO's Employment Policy Convention, 1964 (C122).
- ³ In China, the national employment policy is called active employment policy.
- ⁴ MOHRSS, Implementing Pro-active Employment Policy. July 2012, China Labour and Social Security Publication.
- ⁵ The administrative registered unemployment rate, the data is collected by public employment services.
- ⁶ In 2008, MOLSS and MOCS were emerged into MOHRSS.
- ⁷ In 2016, US Dollar (USD) to Chinese Yuan (CNY) exchange rate average is 6.6423.
- ⁸ PD: Publicity Department; MOLSS: Ministry of Labour and Social Security, reshuffled in 2008 to be MOHRSS; ACFTU: All-China Federation of Trade Union; ACFY: All-China Federation of Youth; ACFW: All-China Federation of Women; MOF: Ministry of Finance; STA: State Taxation Administration; NDRC: National Development and Reform Committee; PBC: People's Bank of China.
- ⁹ Zhang Xiaojian, the Reform and Development of China's Employment, December 2008, China Labour and Social Security Publication.

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