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Analysis on the Effects of Promoting Employment from the Unemployment Insurance System in China

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Abstract: At present, China is facing long-term serious employment pressure. The unemployment insurance system, as the most important institutional arrangement for workers to obtain employment, is one of the fundamental means to reduce unemployment. The key to easing employment tension is how to improve the construction of unemployment insurance system and achieve the effects of promoting employment. This article analyzes the unemployment insurance system's effects of promoting employment from the following aspects: vocational training subsidies, job introduction subsidies and balance of the unemployment insurance fund, whose results contribute to perfecting the unemployment insurance system and promoting employment.

Keywords: unemployment insurance system, employment, effect

1. INTRODUCTION

At present, the expenditure structure of the unemployment insurance fund includes unemployment insurance, medical subsidies, funeral allowances and compensation payment, vocational training and subsidies and other expenditures. Among them, the unemployment insurance system achieves its effect of promoting employment through vocational training and job introduction. Great efforts to develop vocational training agencies and job introduction agencies can effectively promote the reemployment of the unemployed and reduce the burden on the state and society, building a solid foundation for harmonious society. Therefore, this article analyzes the unemployment insurance system's effects of promoting employment from the following aspects: vocational training subsidies, job introduction subsidies and balance of the unemployment insurance fund.

2. ANALYSIS ON THE VOCATIONAL TRAINING SUBSIDIES' EFFECTS OF PROMOTING EMPLOYMENT

Developing the vocational training service is one of the main ways to realize the effects of promoting employment. The government encourages and supports the establishment and development of high quality vocational training agencies through financial grants. According to the Regulations on Unemployment Insurance, the vocational and technical education and training agencies appointed by the competent authorities are responsible for the vocational training service. Currently, such agencies seek support from vocational institutes or some designated teaching agencies so as to successfully conduct all kinds of vocational training service. The

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unemployed who wish to be newly employed can register in qualified agencies and receive professional training. If the unemployed can obtain vocational qualification credentials after finishing the training course, they can get some training subsidies and subsidies of qualified vocational skill according to their performances. If the enterprise can absorb some unemployed people who have gained the junior or above vocational qualification credentials through the vocational training and provide pre-post training for them, they can also gain some training subsidies^[1]. For those who cannot afford to continue their education, they can not only receive the legal training subsidies but also some basic living allowances. After participating in the vocational training, the unemployed may make great improvements in psychological quality, scientific and cultural quality as well as skills, who are more competitive and can meet the needs of labor market, making themselves more likely to be newly employed.

Nowadays, the vocational training agencies are advancing vibrantly, whose function for promoting employment should not be underestimated. Through participating in the reemployment training, the unemployed can learn to master modern professional techniques, improve their level of knowledge and obtain more vocational skills, thus enhancing their competitiveness in the labor market. Therefore, the unemployed should be fully supported to receive all-round vocational training, in order to encourage them to participate in employment. Table 1 shows that the number of vocational training agencies increased from 19,139 in 2003 to 19,287 in 2011, which can be seen that the state funds invested in vocational training agencies is increasing year by year^[2]. From Figure 1, it can be seen that China's vocational training agencies reduce after growth which is instable. The reasons lie in that the vocational training agencies were established and operated without sufficient experience and normative mechanism at the very beginning, which led to the separation between the development of vocational training agencies and the unemployment insurance's effects of promoting employment. Meanwhile, the data in Table 1 showed that the funding of vocational training subsidies increased from 370 million RMB in 2003 to 1.62 billion RMB in 2011, with an annual growth rate of 42.2%. As can be seen from Figure 2, along with the greater investment in vocational training subsidies, vocational training agencies develop very quickly, with more people taking part in the vocational training. The number of people participating in the vocational training grew from about 5.67 million in 2003 to 12.54 million in 2011, with an increase of about 6.87 million and an average annual growth rate of 15.2%. It is worth mentioning that the trend in Figure 2 clearly shows that the number of those who are newly employed is growing along with the increase of vocational training subsidies. Along with the increase of vocational training agencies, the successful employment rate rose from 58.5% in 2003 to 83.9% in 2011, with an average annual increase of three percentage points in the period.

Table 1. The number of vocational training agencies and vocational training subsidies in 2003-2011

Year	Number of vocational training agencies	number of people taking vocational training	Subsidies of vocational training (hundred million)	number of successful reemployed people	Successful employment rate (%)
2003	19,139	5,666,541	3.27	3,314,249	58.5
2004	21,425	7,410,045	5.49	4,311,309	58.2
2005	21,389	8,043,752	5.53	5,577,680	69.3
2006	21,462	9,551,818	9.14	7,464,084	78.1
2007	21,811	10,380,217	11.74	7,184,380	69.2
2008	20,988	11,041,154	13.26	7,510,151	68.0
2009	20,854	11,047,391	13.92	7,820,818	70.8
2010	20,144	11,556,951	12.0	7,291,335	63.1
2011	19,287	12,537,757	16.2	10,523,200	83.9

Data from *China Labor Statistical Yearbook* (2004-2012)

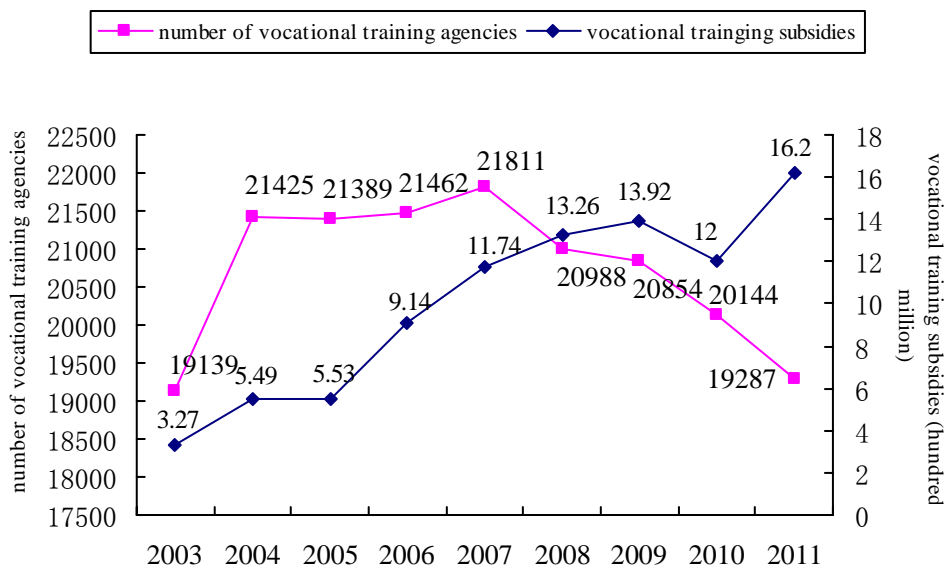


Figure 1. The number of vocational training agencies and vocational training subsidies in 2003-2011
(drawn by the data from Table 1)

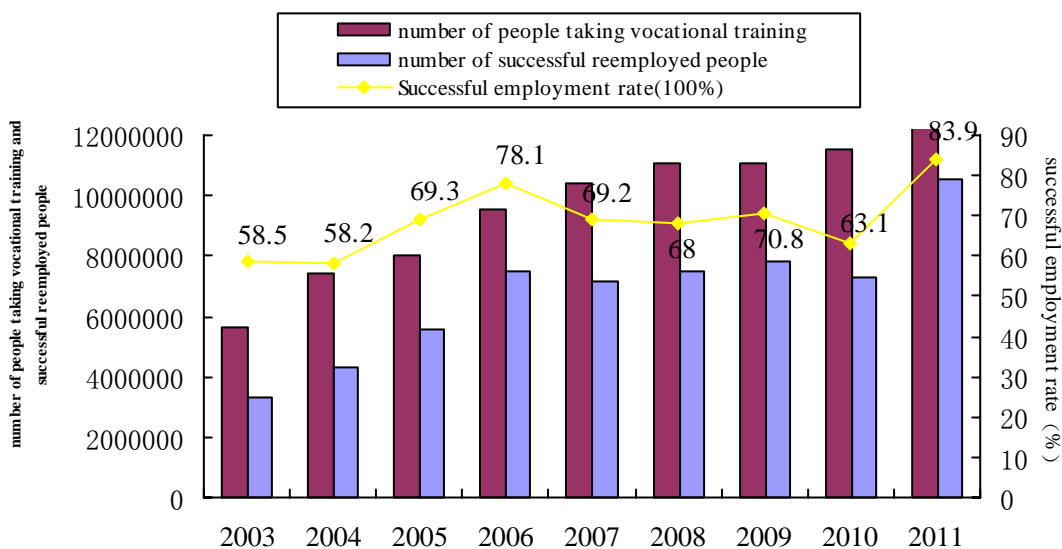


Figure 2. The number of people taking vocational training and successful reemployed people
(drawn by the data from Table 1)

From the above analysis it can be known that the subsidies of vocational training have positive impacts on the unemployment insurance for promoting the entire employment rate. From the country's overall perspective, the growth of the number of unemployed people participating in the vocational training is in favor of reducing the number of unemployed people in society and creating more opportunities for the unemployed to be reemployed, thus enhancing the overall employment rate. The previous data analysis fully proved that vocational training service can motivate the unemployed to participate in the reemployment, and effectively help them to find new jobs. Moreover, it can better play the role of the unemployment insurance system to promote employment. So the government should pay attention to the healthy development of vocational training and increase vocational training fund, ensuring the effects of vocational training to promote employment from all

levels. But it is worth noting that from the perspective of technique, the curriculum, quality and the outcomes of vocational training do not meet the needs of social and economic development. The vocational training is lack of clear purpose in terms of training content and mode, which cannot timely adjust the content and structure of vocational training according to the needs of the labor market and the needs of enterprises. All these lead to the lack of effectiveness of vocational training. The unemployed who have received vocational training are not competitive as expected. Thus, the effect of vocational training in China is falling behind that of the developed countries.

The governments should fully understand the importance of vocational training to promote the employment for whole society and increase the investment in the vocational training and put them in place. For those economically developed areas, the government can raise funds to subsidize vocational training, allocate the capital expenditures rationally and strengthen the management and supervision, so as to ensure that the funds can be used rightly, providing a healthy environment and formal channels for the unemployed to gain vocational training^[3]. Each region should actively respond to the call and support the development of vocational training, sticking to the idea of market-orientation and fully carrying out the construction of vocational training courses, teaching materials as well as professional workforce.

3. ANALYSIS ON THE JOB INTRODUCTION SUBSIDIES' EFFECTS OF PROMOTING EMPLOYMENT

According to the Regulations on Unemployment Insurance, the unemployed can not only enjoy the unemployment insurance pension, but also can receive the job introduction service and the corresponding subsidies. Each year, Chinese government set aside a certain percentage of the fund to finance the job introduction project that can achieve the effects of promoting employment via providing job introduction service. The job introduction subsidy refers to the fund that various job introduction agencies can apply to receive from the relevant authorities after providing a series of free vocational introduction service. In addition, the registered urban unemployed persons, rural unemployed workers and other job seekers can enjoy a free job introduction service and the relevant agencies that provide free job introduction service can obtain the corresponding subsidies according to the regulations^[4].

Job introduction agencies act as a bridge in helping the unemployed to reenter the workforce. They should maintain close contact with the market, keeping market-oriented to understand and master the vacancies in the market as well as the number of labor needed. Also, the agencies should communicate well with the registered unemployed people, acquiring the necessary information, such as their job requirements and personal conditions. By matching the needs of the market and job seekers, the agencies can provide opportunities for the unemployed to be newly employed^[5]. In addition, job introduction agencies are responsible for supplying scientific and rational vocational education, vocational guidance services as well as professional employment counseling services to help the unemployed improve their abilities, returning to work as soon as possible. From Table 2 it can be seen that since 2003, the number of job introduction agencies has increased from 31,109 in 2009 to 37,123 in 2009, with an average annual growth rate of 3.2%, which indicated a very slow growth trend. It can be inferred that the Chinese government increased capital investment in job introduction agencies year by year, but the increase is negligible. Figure 3 shows that the number of people who have registered in the job introduction agencies grew from 30.603 million in 2003 to 51.253 million in 2011, with an annual growth rate of 8.5%, which showed that the number of those who turn to job introduction agencies for help presents a constant rising trend. On one hand it manifests that a growing number of people remain unemployed and the employment pressure stays at a high level. On the other hand, it indicates that job seekers have recognized the importance of job introduction agencies for promoting employment. Meanwhile, the number of those who have successfully

found a new job through job introduction agencies grew from 15.860 million in 2003 to 23.668 million in 2011, showing an increase of only 7.808 million people within six years and an annual growth rate of only 6.2%. It can be deduced that the growth rate of the number of those who have successfully found a new job is smaller than that of the number of those who have registered in the job introduction agencies. Besides, it is worth noting that the rate of the amount of those who have successfully found a new job is not stable. It increased from 51.8% in 2003 to 53.6% in 2007, but then decreased to 46.2% in 2011. As can be seen from Figure 3, the subsidies that the government has invested in the job introduction are not enough.

Table 2. The number of people taking job introduction service and being reemployed in 2003-2011

Year	Number of job introduction agencies	Number of registered unemployed people (ten thousand)	number of successful reemployed people (ten thousand)	Successful employment rate (%)
2003	31,109	3,060.2	1,586.0	51.8%
2004	33,890	3,582.8	1,837.7	51.3%
2005	35,747	4,128.9	2,165.3	52.4%
2006	37,450	4,735.9	2,493.0	52.6%
2007	37,897	4,938.6	2,648.6	53.6%
2008	37,208	5,532.0	2,764.3	50.0%
2009	37,123	5,805.7	2,839.8	48.9%
2010	—	5,388.5	2,552.0	47.4%
2011	—	5,125.3	2,366.8	46.2%

Data from *China Labor Statistical Yearbook* (2004-2012)

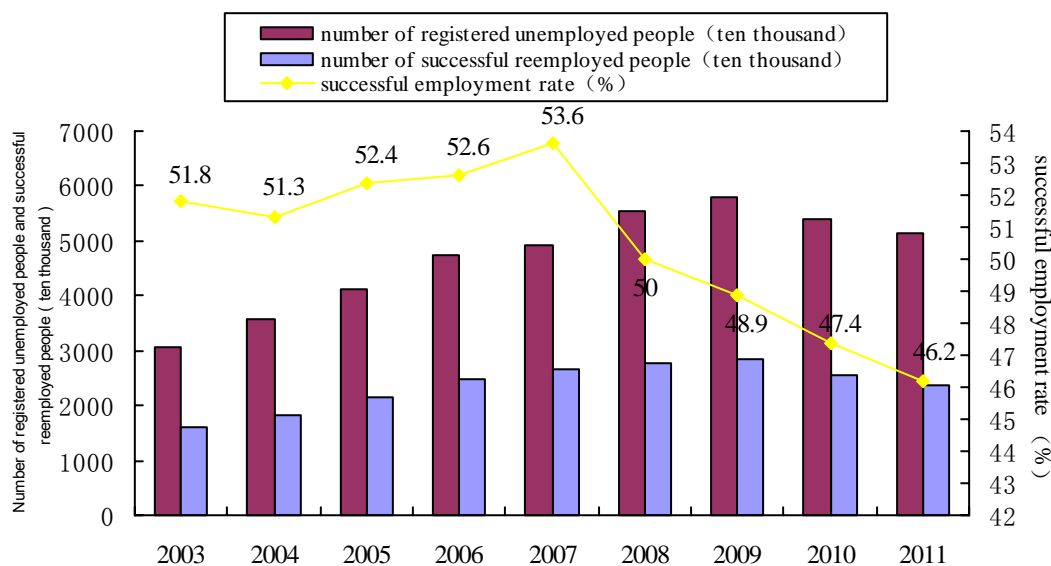


Figure 3. The number of people taking job introduction service and being reemployed in 2003-2011
(drawn by the data from Table 2)

From the above analysis it can be known that with the development of job introduction agencies, an increasing number of unemployed people have returned to the workforce through job introduction service, which suggests that the subsidy of job introduction has imposed positive effects on promoting employment. For the country, the increase of the people who have participated in job introduction employment is conducive to the

reduction of the number of the unemployed and the growth of the employment rate. It is worth noting that the actual effects of job introduction is not satisfactory—the rate of reemployment fluctuates around 51% for a long time and decreased below 50% after 2009^[6]. The reasons lie in that job introduction agencies in China are not normalized enough and the long-term mechanism for job introduction has not been built yet, leading to the poor matching degree of job introduction. The job seekers cannot meet the needs of the labor market or are not well informed of the requirements of the labor market, thus slowing down the effects of job introduction.

So, governments at all levels should be aware of the importance of job introduction agencies in promoting employment and give full play to the positive effects of job introduction agencies, increasing capital investment in job introduction projects to improve the employment rate. Great efforts should be made to accurately grasp the dynamic needs of the unemployed and the labor market, find out the basic conditions of the unemployed and the specific requirements for jobs and build up two-way mechanism to achieve rational allocation of human resource in order to improve the effects of job introduction.

4. ANALYSIS ON THE BALANCE OF UNEMPLOYMENT INSURANCE' EFFECTS OF PROMOTING EMPLOYMENT

Since the reform and opening up, the unemployment insurance system in China has experienced further development and its revenue and expenditure structure has also changed. Unemployment insurance fund is accumulated to prevent itself from running into deficit at unemployment peak, ensuring that the unemployed can maintain normal basic living in difficult times for social stability.

The overall unemployment rate is closely bound up with the development trend of the market economy. If the level of economic development rises, the overall unemployment rate will decline. Otherwise, the unemployment rate will go up^[7]. The market economy is developing periodically, the peak of unemployment rate is appearing in the same way. Therefore, according to the actual conditions of the unemployment insurance fund, a certain percentage of the fund is accumulated in case of the risk of high unemployment rate.

Table 3 shows that the sum of the unemployment insurance fund increased from 24.95 billion RMB in 2003 to 92.31 billion RMB in 2011, with an increase of 67.36 billion RMB and an average annual growth rate of 33.8%. The rectangular arrangement in Figure 4 indicates that the unemployment insurance fund is growing year by year, indicating that a greater number of people are covered in the unemployment insurance system. Besides, along with the quick development of market economy and the improvement of living standard, people can afford to purchase the unemployment insurance. Since 2003, the expenditure of the unemployment insurance fund first increased and then declined. It increased from 19.98 billion RMB in 2003 to 21.10 billion RMB in 2004, then decreased to 19.80 billion RMB in 2006 and gradually increased to 43.28 billion RMB in 2011. It indicates an unhealthy developing trend for that the expenditure of the unemployment insurance is much smaller than the revenue. The market economy in China is in a healthy stage of development and the number of people purchasing unemployment insurance grows year by year, while the number of people receiving unemployment insurance benefits doesn't increase at the same time^[8]. Figure 4 shows that the balance of unemployment insurance fund is rising year by year, increasing from 30.35 billion in 2003 to 224.02 billion in 2011, with an average annual increase of 24.2 billion and a high average annual growth rate of 79%. The constant increase of the balance provides a powerful financial support and strong economic base for the unemployment insurance system. But the national employment rate didn't increase with it, which fluctuated between 97% and 98% in a long time and reached historically low level in 2010.

Table 3. The revenue, expenditure and balance of the unemployment insurance fund and the national employment rate

Year	Revenue (hundred million)	Expenditure (hundred million)	Fund balance (hundred million)	National employment rate (%)
2003	249.5	199.8	303.5	97.8
2004	291.0	211.0	386.0	97.9
2005	340.3	206.9	519.0	97.4
2006	402.4	198.0	724.8	98.2
2007	471.7	217.7	979.1	98.4
2008	585.1	253.5	1310.1	98.1
2009	580.4	366.8	1523.6	97.8
2010	649.8	423.3	1749.8	97.1
2011	923.1	432.8	2240.2	97.2

Data from *China Labor Statistical Yearbook* (2004-2012)

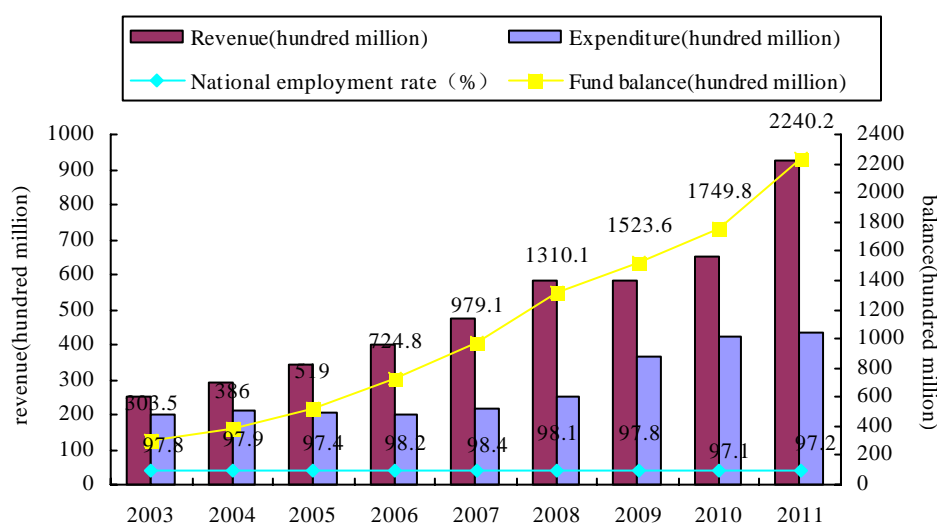


Figure 4. The revenue, expenditure and balance of the unemployment insurance fund and the national employment rate (drawn by the data from Table 3)

According to the above data analysis, it can be known that too much of the unemployment insurance fund balance does not promote the national employment rate. On the contrary, it restrains the effects for employment to some degree. The constant increase of the balance is due to the unreasonable structure of the expenditures in unemployment insurance system. From the social effects of unemployment insurance, encouraging job training and introduction as well as adding some spending projects rationally can contribute to achieving the effects of promoting employment^[9]. Too much balance and unreasonable structure of the expenditures shows that the unemployment insurance fund doesn't operate effectively and efficiently. What's more, the fund cannot maintain and increase value as expected.

Therefore, governments at all levels should take practical measures to carry out scientific and reasonable management to the unemployment insurance fund, such as enhancing the management efficiency of the unemployment insurance fund management, grasping its dynamic situation and adding expenditure projects, to promote employment in the end. In addition, further efforts should be made to optimize and adjust the structure

of expenditures for unemployment insurance fund and increase rational capital investment in promoting employment. Furthermore, an internal supervision mechanism should be built to administrate the budget, ensuring that the fund can be effectively implemented and finally promoting employment^[10].

From the above analysis, the existing problems of the unemployment insurance system in China can be seen in the following aspects: the legislative level is not high enough and the coverage area is not wide enough; the rate of the unemployment insurance system is not scientific and rational; the overall level of unemployment insurance is not high enough and the fund balance is too large; vocational training and job introduction is short of incentive and restraint mechanisms.

5. RECOMMENDATIONS

The 18th CPC National Congress proposed to improve the employment service system and strengthen the effects of unemployment insurance in promoting employment. Just as pension insurance and medical insurance system, unemployment insurance system plays a significant role in protecting workers' rights, promoting the reemployment as well as maintaining social harmony and enhancing economic development. In order to alleviate the heavy employment pressure, it's essential to improve the unemployment insurance system's function in promoting employment and set up reemployment security system so as to reform the existing social security system. In conclusion, it is of great significance to achieve the effects of promoting employment by improving the unemployment insurance system in China.

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