

**Service:** EMPL A4 **Ref.:** Annual Conference EC-CASS (Chinese Academy of Social Sciences)

## Mission report

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**Purpose** : EC-CASS Annual Meeting on Supply-Side Structural Reform, Employment Upgrading and Skills Improvement

**Place** : Zhengzhou, China (Henan Province)

**Date** : October 24-25, 2016

**Author** : ██████████ (A4)

**Participants**: Detlef ECKERT, ██████████ I (E2), ██████████ (D3), ██████████ (E3), ██████████ (Eurofound)

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Since 2008, DG EMPL has been meeting regularly with representatives of the China Academy of Social Sciences (CASS) in order to discuss at detailed technical level policy issues associated with structural reforms in both the EU and China. The 2016 meeting was held on 24 and 25 October in Zhengzhou , China.

The CASS is a government think-tank directly under the State Council. It has the rank of a Ministry and is the country's highest academic research organization in the field of social sciences. High-level leaders of CASS and several other research institutions and political bodies were present in the meeting. Those include, among others: ██████████, director of the Institute of Population and Labor Economics at CASS and ██████████ from Zhengzhou University, Party secretary of the Communist Party.

The focus of this year's meeting was (1) on the economic transformation in China and the current economic outlook for the EU and (2) skills development in both places.

The Chinese presentations and comments revealed that the country is yet to find its equilibrium within the tradeoff between guaranteeing continuous and fast economic expansion on the one hand and 'social balance' on the other hand. **Speakers were surprisingly open** and outrightly named some of China's most severe problems:

- **Shortcomings of government planning** that led to over-capacities in some branches, shortages in others.
- **Institutional shortcomings** include red tape that represses firms' innovation capacities, but also the restrictions imposed by the *hukou* registration system on migrant workers. In order to curb migration to the mega-cities, *hukou* was introduced in the 1950s. It ties people's access to services and social rights to their residential status. Currently, there are some 280 million intra-country migrant workers in China. However, as intra-country migration is also needed to fuel growth, *hukou* is seen more and more critical as it contributes to institutional segregation of society and hinders economic growth.
- **Significant societal segregation** with poor working conditions and social problems disadvantaging rural migrant workers (RMW) in particular. This is reflected by a high number of low-quality jobs (85% of RMW have to work more than 44 hours a week; only a minority has signed a contract) and low coverage of RMW by social security due to *hukou*.
- **Shortcomings in the educational system:** In the light of the speed at which China's universities produce graduates, the educational infrastructure seems to lag behind and the quality of education differs greatly across the country's universities. On the other

side, even if the education system still seems productive: following a PIAAC-like skills survey, 80% of Chinese adult people seems to lack fundamental literacy skills – making it necessary to invest also beyond tertiary education.

- **"Chaotic" financial markets** had led to segmentation at the expense of firms in rural areas that suffer from under-funding.
- **Growing inequality:** China is now amongst the more unequal countries in the world. The Gini coefficient has risen from just above 0.2 in the early 1980s to around 0.5 now. Many of the presentations drew attention to a shift in policy more recently to be less tolerant of conspicuous wealth and to emphasise more ‘harmony’, welfare and social cohesion / stability. In the earlier years of the Chinese economic miracle (1978-1995), state policy was more explicitly growth-oriented (‘efficiency first, equity second’) and more accepting of the distributional consequences (‘let some people become prosperous first’, Deng Xiaoping).
- **Demographic trends:** a/ the consequences of the one-child policy (in place from 1978-2013) has been a declining working age population since 2012; the decline will speed up in the course of the 2020s – after having risen by over 70% between 1978 and 2012. That is, conditions for growth will be different from what was seen in the recent past. b/ the reserve of rural labour that has fuelled the huge migration from urban to rural areas is beginning to play out. That is, even in a country with 800m employed persons, there is growing concern that labour will become scarce.

Seemingly, the criticism was motivated by the growing concern over China's slowing growth rate which is down to below 7% this year and expected to be so also next year. However, the official line is still to come down from past two-digit growth rates by emphasising more strongly sustainability, improving quality of life, and safeguarding social justice.

EMPL representatives presented

- the economic outlook for the EU showing that the EU's economy and labour market have been moderately recovering since 2013;
- the employment polarisation in the EU with more and more jobs being created in the lowest and the highest wage deciles;
- the EU's experience with intra-EU mobility and migration (ESDE 2015), demonstrating that mobility helps to better allocate labour across the EU and that external migrants' less favourable labour market performance is due to a large extent to factors that have little to do with their individual profile (discrimination, non-recognition);
- On the issue of human capital development, DG EMPL presented evidence on three main topics: information and data on why skills matter for employability based on the Staff Working Document supporting the New Skills Agenda for Europe; evidence on the skills situation in Europe; some actions proposed in the Skills Agenda to tackle, in particular, the low skilled needs, the visibility of skills, including those of migrants, and the provision of better services for users and stakeholders, including real-time labour market intelligence.
- the latest results from PIAAC and other instruments to monitor skills in the EU; an overviewing of key indicators used in the EU to assess skills supply and demand; weaknesses of existing skills instruments and indicators and potential avenues for their further development.

The atmosphere at the meeting was open and friendly. The Chinese side was noticeably keen to learn more about the EU's experiences especially in the areas of migration and improving educational and skills outcomes. A presentation of an external expert raised particular attention: [REDACTED] from the Summa College in Eindhoven, Netherlands, showcased how the College became the Netherlands' leading organisation for vocational training by supplying students with highly relevant skills on the job, closely cooperating with local businesses. It was informally agreed to hold the 2017 meeting in the Netherlands that would include a visit of the learning facilities provided by the College.