



International
Labour
Office
Geneva

**Employment Policy Department
EMPLOYMENT Working Paper
No. 173**

2015

Pro-employment budgeting in China:

Linking employment to national and
local budgets

Ying Zhang
Xiangwei Li
Yutian Zhang

Employment and
Labour Market
Policies Branch

Copyright © International Labour Organization 2015
First published 2015

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: pubdroit@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit <http://www.ifro.org> to find the reproduction rights organization in your country.

ILO Cataloguing in Publication Data

Zhang, Ying; Li, Xiangwei; Zhang, Yutian

Pro-employment budgeting in China : linking employment to national and local budgets / Ying Zhang, Xiangwei Li, Yutian Zhang ; International Labour Office, Employment Policy Department, Employment and Labour Market Policies Branch. - Geneva: ILO, 2015 (Employment working paper ; No. 173)

ISSN 1999-2939 (print); ISSN 1999-2947 (web pdf)

International Labour Office; Employment and Labour Market Policies Branch.

promotion of employment / public finance / employment policy / national plan / regional plan / China

13.01.3

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: <http://www.ilo.org/publns>

Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,¹ and which has now been widely adopted by the international community.

The comprehensive and integrated perspective to achieve this goal are embedded in the Employment Policy Convention, 1964 (No. 122), in the Global Employment Agenda (2003) and, in response to the 2008 global economic crisis, in the Global Jobs Pact (2009) and in the Conclusions of the recurrent discussion on Employment (2010).

The Employment Policy Department (EMPLOYMENT) is fully engaged in global advocacy and in supporting countries placing more and better jobs at the centre of economic and social policies and of inclusive growth and development strategies.

Policy research, knowledge generation and dissemination are an essential component of the Employment Policy Department's action. The publications include books, monographs, working papers, country policy reviews and policy briefs.²

The *Employment Policy Working Papers* series is designed to disseminate the main findings of research initiatives on a broad range of topics undertaken by the various branches, units and teams in the Department. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

Azita Berar Awad
Director
Employment Policy Department

¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

² See <http://www.ilo.org/employment>.

Foreword

The need to promote employment creation has gained ground globally and is atop the political agenda in most countries. The financial and economic crisis in particular brought back centre-stage the need for more effective public action to address the constraints and opportunities faced by women and men in the labour market. The renewed concern about employment led many countries to mainstream the employment dimension in National Development Frameworks and to implement National Employment Policies. Despite differences across countries, there seems to be a clear trend away from addressing employment challenges through active labour market policies only towards developing and adopting comprehensive national employment policies that bring together various measures, programmes and institutions that influence the demand and supply of labour and the functioning of labour markets. More and more countries are now setting ambitious and measurable employment targets in addition to traditional economic ones.

The challenge is to further translate those global and cross-cutting employment strategies and ambitious employment objectives into actions and concrete results. Although employment is always present in the political discourse and employment policies are adopted at the highest level of the Government, there are concerns emerging because employment targets that have been announced are not given the same treatment as other economic targets, and are not sufficiently integrated into the national budget. This affects the actual implementation of national employment policies. At the same time, better integrating employment in the national budget is challenging because of the multi-sectoral nature of employment (as gender or environment issues) and because of the various actors which are involved in generating employment.

There is a growing demand from ILO's constituents to strengthen their capacities to be in a better position to put employment at the core of the budgeting process and be better equipped to advocate for funds to implement National Employment Policies. ILO staff and constituents must be able to make effective use of budgeting systems to ensure that "employment" features high in the public budget.

A series of case studies has been launched to better understand how to efficiently link employment objectives to budget allocations and expenditures. This Working Paper is the first of the series. The experience of China is interesting for three main reasons: the employment strategy promotes an employment-friendly economic development model; since 2002, a system to finance employment policies has been efficiently functioning; and the 2008 Employment Promotion Law established an employment fund with linkages to the national and local budgets. Fascinating lessons emerge from this experience.

Iyanatul Islam
Chief
Employment and Labour Market Policies Branch

Acknowledgement

This research was commissioned by the International Labour Organization (ILO). Mr. Yadong Wang and Ms. Eléonore d'Achon from the Employment Policy Department of the ILO provided important comments and suggestions on the framework, contents and research method during our research. Mrs Qu Li, Division Chief of the Department of Social Security of the Ministry of Finance, People's Republic of China, gave many specific suggestions on the framework and contents of the paper, and provided related material. Mrs Danhua Liu, Director of the Department of Employment Promotion of the Ministry of Ministry of Human Resources and Social Security, People's Republic of China, Claire Harasty of the ILO Employment Policy Department and Sukti Dasgupta of the ILO Regional Office for Asia reviewed the paper. We hereby express our thanks.

Contents

	<i>Page</i>
Preface.....	iii
Foreword	v
Acknowledgement.....	vii
Abbreviations	xi
Introduction	1
1. Concept and funding channels of the special employment funds	2
1.1 Concept	2
1.2 Funding channels	2
1.3 How the special employment funds were included in the budgets	2
<i>First phase: the productive support fund</i>	3
<i>Second phase: the basic living standard guarantee for laid-off workers from SOEs</i>	3
<i>Third phase: the special employment fund</i>	4
2. Budget input to the special employment funds	4
2.1 Budgeting of the special employment funds.....	5
2.2 Method of allocation of the special employment funds by the central financial authority ...	5
2.3 Challenges to budget planning and countermeasures	7
3. Management of the use of the special employment funds	8
3.1 Regularizing the use of the special employment funds.....	8
3.2 Strengthening supervision of the special employment funds.....	11
3.3 Evaluating the performance of the special employment funds	13
4. Results and problems of the special employment funds	15
4.1 Results.....	15
4.2 Problems	17
5. Summary	18
References	19
Additional sources	19

List of Figures

Figure 1:	Budgeting and authorization of the special employment funds at ministry level	5
Figure 2:	Income sources of the special employment funds, 2012	7
Figure 3:	Proportion of the special employment funds sourced from the central government and local governments, 2008–2012	7
Figure 4:	Application and monitoring of special employment funds	12
Figure 5:	Expenditure of the special employment funds and number of people receiving subsidies, 2012	16
Figure 6:	Expenditure of the special employment funds, 2012	17

List of Tables

Table 1.	Specific elements of the special employment funds	10
----------	---	----

List of Boxes

Box 1	Calculation formula for allocation of special employment funds by the central financial authority in 2013	6
Box 2	Performance evaluation of the use of special employment funds in Anhui Province.....	14

Abbreviations

CPC	Communist Party of China
HRSS	Human Resources and Social Security
ILO	International Labour Organization
MOF	Ministry of Finance (PRC)
MOHRSS	Ministry of Human Resources and Social Security (PRC)
PRC	People's Republic of China
SOE	state-owned enterprise

Introduction

Employment is crucial to the people's well-being and the country's stability. It is the fundamental goal of socio-economic development to expand employment and reduce unemployment. It is also an important responsibility of every government. The People's Republic of China (China) is a developing country with a large population and labour force. It is a long-term, complicated and difficult task to solve employment issues. The Government of China pays great attention to employment, and insists that to promote employment is the first priority so as to ensure and improve the people's well-being.

The Government has established the strategy of giving top priority to employment, develops and implements a proactive employment policy with Chinese characteristics and achieves outstanding results. During the process of implementing a proactive employment policy, the Government used public finance to set up special employment funds to support and assist urban and rural workers to gain employment or start their own business, to finance public employment services and training, and to facilitate the participation of employers and those in other social sectors by providing subsidies and purchasing services. The practice has proved that it was necessary for China to eliminate employment pressure, carry out the Government's responsibility, and promote employment and business startups. The Chinese Government also received support from the International Labour Organization (ILO) on how to manage the funds. In September 2008, the ILO and China's Ministry of Human Resources and Social Security (MOHRSS) co-hosted an international seminar on management of employment funds, which provided us with important information.

This research uses several methods, such as literature collection, data comparison, case analysis and site visits to government departments (e.g. financial departments). The research paper contains five parts. The first four illustrate: 1) the concept and funding channels of the special employment funds; 2) budgeting of the special employment funds; 3) use and management of the special employment funds; and 4) results and problems of the special employment funds. The fifth part presents a brief summary. We expect that the research and this introduction to China's experience will provide information for other countries on promoting financial budgeting to realize employment targets.

1. Concept and funding channels of the special employment funds

1.1 Concept

“The special employment funds” refers to the special funds which, in accordance with China’s Employment Promotion Law, people’s governments at or above the county level, in light of the employment situation and the goal set for the work concerning employment, are required to appropriate from their budgets for employment promotion.

1.2 Funding channels

There are three main funding channels: central budget, local budgets and the unemployment insurance fund. The Employment Promotion Law states that “the State implements the fiscal policies which are favourable for the promotion of employment, increases the input of funds and improves the employment environment in order to increase employment. People’s governments at or above the county level shall, in light of the employment situation and the goal set for the work concerning employment, appropriate from their budgets special funds for employment promotion”. Notice on doing the work of promoting employment issued by the State Council (Guofa [2008] No. 5) requires that “People’s governments at or above the county level shall, in light of the employment situation and the goal set for the work concerning employment, increases the input of funds, and appropriate from local budgets special funds for employment promotion.”

Besides the financial budgets, the unemployment insurance fund is another channel of funding. According to the Unemployment Insurance Regulation, the unemployment insurance fund in China is from the unemployment insurance contributions paid by enterprises and individuals. The fund can be used for paying unemployment insurance benefits, and for subsidies for the unemployed who are receiving unemployment insurance benefits to obtain vocational training and services to help them find jobs. Based on the analysis of collection and payment of the fund and the balances of the fund, the Government carried out a pilot expanding the scope of expenditure of the unemployment insurance fund in Beijing, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong and Guangdong from 2006, with a view to considering the overall organization of employment funds. In these seven pilot areas, the unemployment insurance fund can be used for expenditure on social insurance subsidies, job subsidies (i.e. on wages/salaries) and interest on small guaranteed loans. The pilot promoted the stability of the employment situation in these areas, made up for the deficiency of the special employment funds sourced from the financial budgets, and formed a set of long-term projects and specially supported groups. The pilot provided important experience in setting up a long-term mechanism for preventing unemployment and promoting employment through unemployment insurance.

1.3 How the special employment funds were included in the budgets

The Chinese Government has long used its national and local budgets to promote employment. The special employment fund has been set up gradually since the start of the economic reforms and the opening up of the economy. The various phases are described below.

First phase: the productive support fund

With the start of the economic reforms in 1980, the contradictions between the job-allocation mechanism under the planned system and job re-allocation needs emerged. Many educated urban youth returned from the countryside and mountain areas¹. They needed to be employed in urban areas, but it was hard to supply enough jobs for them at that time. Therefore, the Chinese Government designed the “three-in-one” employment policy. It consisted in maintaining a key role for the State in employment creation, while promoting the emergence of a labour market and encouraging private entrepreneurship. Employment services were created to create jobs and organize production, job-brokering and training.² For this purpose, the Government allocated funds which were targeted at the educated urban youth. This was known as the “productive support fund”.

The productive support fund was a turnover fund, which was mainly used to provide long-term loans. The term of loan was from one to three years, and the loan was to be repaid by the borrower. During the nine years from 1980 to 1988, the total amount allocated to employment by financial departments was 3.3 trillion Yuan, of which 0.84 trillion Yuan came from the central budget and 2.46 trillion Yuan from local budgets.³

Second phase: the basic living standard guarantee for laid-off workers from SOEs

In the 1990s, with the deepening of economic restructuring and reform of the state-owned enterprises (SOEs), and with the influence of the Asian financial crisis, the issue of unemployment of former SOE employees became more and more pressing. In response, the Chinese Government decided to guarantee the basic livelihood and re-employment of those workers. It implemented the system of the basic living standard guarantee for laid-off workers from SOEs, which required that all SOEs with laid-off workers must set up re-employment service centres to provide basic living allowances, withhold social insurance fees, and organize vocational guidance and re-employment training for the laid-off workers. There were three sources of funding – the so-called “three-three system”: one-third came from the national and local budgets, one-third from SOEs and one-third from social funding (mainly from the unemployment insurance fund).

Regarding funding coming from the budget, if the enterprises were governed by the central government, funding would be drawn from the central financial authority; if the enterprises were governed by a local government, funding would be drawn from the local finances. For those areas experiencing financial difficulty, in middle-west China and the old industrial bases, the central financial authority would provide some additional support by means of transferred payment to the local authorities.

¹ In the 1960s and 1970s, many urban junior and senior high school students left cities to live and work in rural areas, with the aim to try and eliminate the differences between the workers and the peasants, between the urban and the rural, and between physical and intellectual work (Tse-Tung, M. 1964).

² At the beginning of the reform and opening up of the economy, in order to deal with the problem of employment, the Chinese Government proposed that local governments set up employment. In general, they were in charge of managing people waiting for re-employment and other workers qualifying for social assistance, and offering job placement services to them.

³ Ministry of Labour, Department of Labour Force Management and Employment. 1993.

From 1998 to 2001, there were 25.5 million laid-off workers from SOEs, most of whom entered the re-employment centres and received the basic living allowance. The fund disbursed 84.7 trillion Yuan of which 43.4 trillion (51 per cent) from the national budget.⁴

Third phase: the special employment fund

During the process of solving the issue of re-employment of laid-off workers from SOEs, the Chinese Government found that, although the basic living guarantee system protected the basic livelihood of the laid-off workers, the level of income was low. And there was a time limit to staying in the re-employment centre. After a certain time, if they could not find jobs with assistance from the service centres, workers had to leave the centres and find jobs themselves in the labour market. But it was difficult for them to find new jobs. So the Government had to change the policy from guaranteeing their livelihood to promoting their re-employment.

From 2002, the Government made and implemented a whole set of active employment policies, including reduction of and exemption from taxes, interest subsidies for small guaranteed loans, subsidies for social insurance, jobs, vocational training, employment services and assistance with seeking employment. In 2002, a notice issued by the Central Committee of the Communist Party of China (CPC) made it clear that “the governments at each level (from the central government to county governments) should adjust the expenditure structure of their budget to increase the financing devoted to employment, and include funds for re-employment promotion into the financial budgets. The sub-account subject of employment subsidies should be added in Governmental Budget Revenue and Expenditure Subjects.”⁵

The re-employment funds were established formally in 2003. The formal funds of the basic living standard guarantee were merged into the re-employment funds. The Employment Promotion Law, effective in 2008, upgraded the proactive employment policy to the level of law and regulation, and changed the focus of policy from settling issues left by the reform of SOEs to overall planning for urban and rural employment and employment of different groups of people. Thus, the re-employment funds were adjusted to become the special employment funds. This means that the Government provides the legal guarantee to support employment from public finances. It also marks a new chapter on employment in China’s history.

2. Budget input to the special employment funds

As regulated by the proactive employment policy, since 2003 the governments at all levels allocate the special employment funds in the local financial budgets to promote employment. Meanwhile, the central budget provides appropriate allowances to the provinces through special transfer payments, according to the level of economic development and the financial situation of the province. For example, the central budget allocates higher amounts to middle-west China and the old industrial bases, which have less developed economies and are in a poor financial situation.

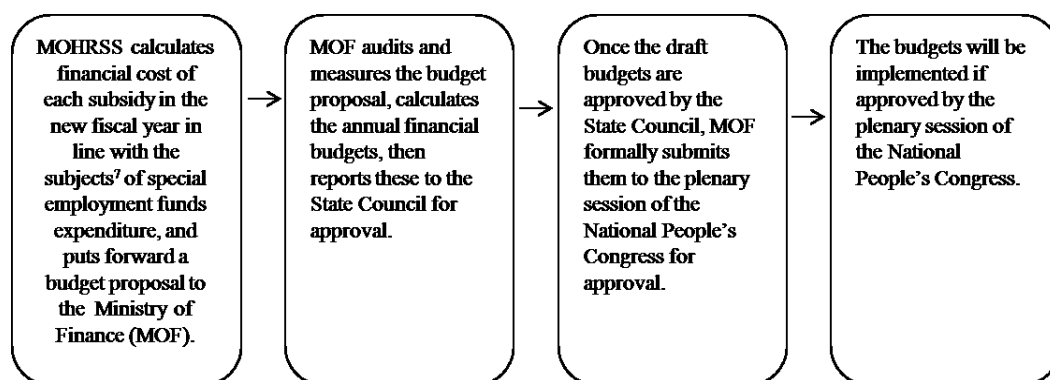
⁴ Office of the State Council’s Inter-ministerial Conference on Employment. 2008.

⁵ Notice on further implementing re-employment of the laid-off workers and the unemployed issued by the CPC Central Committee and the State Council (Zhongfa [2002] No. 12).

2.1 Budgeting of the special employment funds

The Employment Promotion Law and related regulations on budget management by local financial authorities set out the process of budgeting for the special employment funds to be undertaken by governments at and above the county level. First, a human resources and social security (HRSS) department provides its projection of the employment situation in the coming year and proposes the employment targets⁶ and proposed expenditures (in order to fulfil employment targets and for policy implementation) for the following fiscal year. The HRSS department then provides a budget proposal to the financial department, giving consideration to the balance of the special employment funds. After auditing the budget proposal, the financial department includes it in the draft annual local government budget which is put forward to the People's Congress at the appropriate level, after being approved by the local government. If the Congress approves the budget, the government will implement it (Figure 1).

Figure 1: Budgeting and authorization of the special employment funds at ministry level



2.2 Method of allocation of the special employment funds by the central financial authority

The special employment funds are subsidies to the provinces and are allocated by a factor method. Each year, the factors concerned are adjusted according to the focus of the year's employment work. At present, there are five main factors concerned:

- Expenditure performance of the employment funds.* This factor reflects whether the local governments spent the funds rationally and in line with the regulated requirements of the central government. The key points are: whether local expenditures increased and by how much; the level of local (county, municipal and provincial) government input into employment; whether the expenditure structure was rational; the extent to which the funds were used efficiently, and so on.
- Difficulty of provincial finance.* The key points are the level of difficulty experienced by the provincial financial authority, its financial situation, and so on.
- Performance of employment work.* The key points are results of employment policy implementation, job creation, changes in numbers of people receiving unemployment insurance and people receiving minimum living standard allowances, and so on.

⁶ Employment targets include urban job creation, re-employment of the unemployed, employment of those who have difficulty finding employment, reduction in the number of long-term unemployed with the capacity to work, and reduction in the number of people receiving the guaranteed minimum living standard allowance. The local HRSS department defines its own targets based on its situation but also coordinates with higher departments to align with theirs.

- iv. *Results of vocational training.* The key points are the increase in subsidies for vocational training, employment rate after training, and so on.
- v. *Supply and demand of workers.* This factor is to adjust the allocation of funds according to the age distribution of local people of working age and the country-wide distribution of university graduates.

Initially, the central financial authority allocated the special employment funds at the beginning of the year, made a comprehensive appraisal in the middle of the year, and traced and examined the main aspects throughout the whole year. In order to improve the integration of local budgeting and hasten the expenditure of the funds at local level, the central government changed the process of funds allocation as of 2010. The central government now informs the local governments before the end of September of the amount of the special employment funds to be disbursed through the special transferred payment in the coming year. It then allocates funds equal to 80 per cent of the current year's budgets to the local financial departments in advance (generally in September). Once the draft budgets have been approved by the plenary session of the National People's Congress, the central financial authority calculates the actual amount of the funds to be transferred to the local governments according to the factor method, and allocates the remainder before the end of June of the following year. At the same time, the central financial authority asks the financial departments at and below the provincial level to allocate the central funds together with its own funds to related departments at lower levels.

Box 1

Calculation formula for allocation of special employment funds by the central financial authority in 2013

In 2013, the calculation formula for the allocation of the special employment funds by the central financial authority was the following:

amount of funds allocated to one province = total amount of funds planned for allocation × distribution coefficient of the province in 2012 × adjusting coefficient of the province.

In the formula, the adjusting coefficient of the province = coefficient of fund expenditure performance × 30% + coefficient of fiscal difficulty × 20% + coefficient of results of employment work × 15% + coefficient of vocational training × 20% + coefficient of labour supply and demand × 15%.

Among the coefficients, the coefficient of fund expenditure performance is mainly decided by the coefficient of expenditure increase in 2012 (to compare the rate of increase of the special employment funds in 2012 with the average national rate of increase), the coefficient of rational degree of expenditure structure (to compare the ratio of the year's training subsidies, job-broking subsidies, vocational skill evaluation subsidies, public employment service expenditure and internship subsidies with national rates) and the coefficient of efficiency of the fund's usage (to compare the ratio of cumulative balance to total expenditure with that of the nation).

The coefficient of fiscal difficulty refers to the ratio of standard personnel costs and standard public service costs to standard financial capacity (provided by the MOF).

The coefficient of results of employment work is mainly decided by the coefficient of employment and re-employment results (to compare the proportion of job creation in the year to the numbers of people receiving unemployment insurance and people receiving minimum living standard allowances with the national average proportion), the coefficient of local financial efforts (to compare the proportion of local special employment funds spent to total special employment funds spent with the national average proportion).

The coefficient of vocational training is mainly decided by the coefficient of employment rate after training (to compare the proportion of the number of people being employed after training to the number of people receiving training subsidies with the national average proportion), the coefficient of increase in vocational training (to compare the rate of increase in vocational training expenditure with the national average rate).

The coefficient of labour supply and demand is calculated based on the local working-age population and the number of new university graduates in 2012.

Some coefficient may change over time to adjust to changes in the employment policy's priorities. The Ministry of Finance is in charge of the calculation formula and of fixing the coefficients.

2.3 Challenges to budget planning and countermeasures

If we look at the raising of the special employment funds, we can see that the local governments do not have much interest in pumping funds into the special employment funds. Some local governments, especially at the county level, have nearly no input, even if the employment fund allocated to them by the higher levels of government will be reduced accordingly, and the local government's political performance will be impaired if its employment targets cannot be met, especially if there is unemployment-related unrest. On a national scale, although the total inputs from local financial authorities increased in value from 2008 to 2010, the proportion of local funds input relative to the total amount of the special employment funds decreased from 34 per cent to 29 per cent. In 2012, the local proportion rose to 32 per cent, but it was still far lower than the central proportion (56.5 per cent) (Figure 2). In 2012 there were seven provinces which invested less than 10 per cent, and some even had no input.⁷ The main reason is that these provinces are in a poor financial situation.

Figure 2: Income sources of the special employment funds, 2012

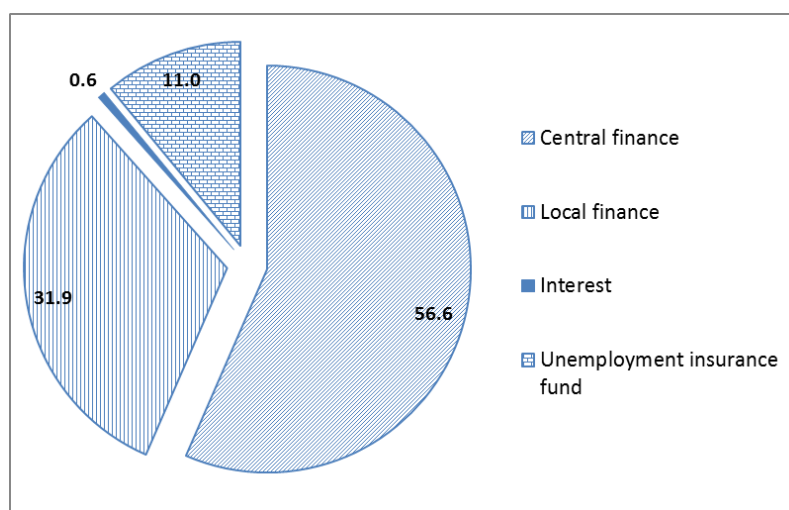
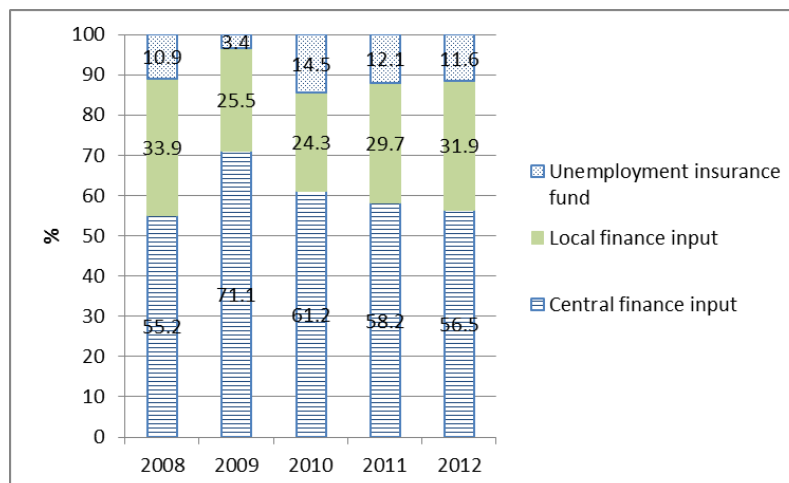


Figure 3: Proportion of the special employment funds sourced from the central government and local governments, 2008–2012



Source: Ministry of Finance. Financial statement (internal material between the MOF and the MOHRSS), 2009–2013.

⁸ Ministry of Finance. 2013. Financial statement.

In order to change this situation and encourage local governments to allocate more funds to employment, the Chinese Government has taken a number of measures. First, there is the legal basis: the Employment Promotion Law at the national level, and employment promotion regulations at the local level. There are also many documents about employment promotion at all levels of government. All of these laws, regulations and documents establish the institutional arrangements for governments at all levels to increase input to the special employment funds, and require that the people's governments at and above the county level allocate the special employment funds in their financial budgets to promote employment. For example, some local governments clearly set the proportion of the special employment funds within the local budget, and some give the final say on special employment funds input to the cities and counties.

Second, the central government has set up a powerful monitoring and evaluation mechanism. On the one hand, it set up the employment target responsibility system. Since 2003, the central government has set clear employment targets focusing on urban job creation, unemployment rate, re-employment of the unemployed, employment of those who have difficulty finding employment, reduction in the number of long-term unemployed people with work capacity and reduction in the number of people receiving the guaranteed minimum living standard allowance. Similar targets are designed at local level as part of the target responsibility system. On the other hand, the central government uses the special employment funds input situation and whether the funds have been allocated at the provincial, municipal and county levels as an important indicator to evaluate a province's implementation of the Employment Promotion Plan, and assigns this indicator a score of 6 per cent. The central government then compares the ratio of one province's funding with the average ratio over the whole country, and grades the province according to one of four levels.

Third, we monitor and instruct the local governments. The MOF and MOHRSS analyse the financial statements of the special employment funds of each province every year, and provide information on the situation of funds collection and use, to remind the provinces that have low levels of funding to increase their input. Moreover, when it allocates the special employment funds, the central government will compare the proportion of special employment funds in the total expenditures of the local budgets with the average proportion of the whole country, and use this as the coefficient of local financial efforts to stimulate the enthusiasm of local governments to increase their inputs.

3. Management of the use of the special employment funds

The use of the special employment funds is clearly regulated in the Employment Promotion Law and the Notice on doing the work of promoting employment issued by the State Council (Guofa [2008] No. 5), which states in particular that "the method of use and management of the special employment funds should be made by the financial department and labour and social security department of the State Council." According to this requirement, the MOF and MOHRSS have improved the method of use and management of the special employment funds several times since the implementation of the proactive employment policy in 2002. The method makes clear statements on the organization of the fund, use of the fund, implementation of the budget, process to apply for the fund, payment from the fund, final accounts, management of accounts and monitoring. The local financial departments also make detailed rules and regulations governing implementation so that they have laws to abide by and rules to follow.

3.1 Regularizing the use of the special employment funds

The employment issues in China are very complicated. They include the issues of laid-off workers and unemployment caused by the SOE reform, new entrants to the labour market such as university graduates, and the transferred employment of rural workers.

Therefore, the proactive employment policy is a multi-level employment policy system, and each specific support policy and its subsidy funds have specific assistance targets. The policy design and use of funds have a different focus at different times. Currently, the use of special employment funds has the following characteristics:

It covers all matters. At present, the employment assistance policy covers nearly all channels for workers to obtain employment, such as starting their own business, being employed by enterprise, assistance with seeking employment, flexible employment and so on. The Government uses the fund subsidies to stimulate workers to gain employment through multiple channels. For example, to encourage workers to start up their own business, the Government provides a small guaranteed loan and subsidizes the interest payable on the loan. To encourage enterprises to employ more people, the Government provides them with subsidies for social insurance, subsidies for employment internship, small guaranteed loans and interest subsidies. For those who have difficulty finding employment, the Government provides subsidies for social insurance and wages/salaries in government-developed jobs. The Government also improves the rational match of supply and demand on the market through the subsidies for vocational training, job-broking, etc. Besides, the Government considers that different provinces have different employment situations and employment assignments, with unbalanced socio-economic development. So the method states clearly that if the local financial and HRSS departments need to add new expenditure items, they must obtain the approval of the provincial people's governments, and place this on record in the MOF and MOHRSS. This rule provides the local departments with more decision-making power. It is favourable for the local departments to implement central government policy as it enables them to make good and full use of the special employment funds according to their actual situation and conditions.

It covers nearly all kinds of people. Since 2008, with the extension and improvement of the proactive employment policy, it has covered all kinds of target groups, including graduates, transferred rural workers, those who have difficulty finding employment, etc. All these workers can get relevant support. Some policies and subsidies have general application (i.e. are for all people), reflecting the equity of the policy and equalization of services. For example, the target groups for subsidies for job-broking and vocational training include all registered unemployed people and rural workers who enter urban areas seeking work, and employment internship subsidies cover all graduates who have left university unemployed and who obtain internships in all kinds of enterprises. The policy covers elderly people, people with disability, those receiving the guaranteed minimum living standard allowance and those experiencing long-term unemployment. These people find it difficult to find jobs, have a heavy burden to bear to support their families, and live in difficult conditions. They need the government to provide special assistance. Therefore, the government provides more preferential policy for them, such as subsidies for social insurance, subsidies for the wages/salaries in government-developed jobs, etc.

It subsidizes individuals directly. Unlike other countries' employment funds, which offer subsidies to institutions, the special employment funds in China provide subsidies directly to the policy's target groups. The MOF and MOHRSS together design different subsidy styles according to different employment assistance and aid elements; the Department of Employment in MOHRSS is responsible for policy design and the Department of Employment Protection in MOF is responsible for fund management. The subsidies for vocational training and for vocational skills upgrading are paid out by way of reimbursement, providing subsidies which directly benefit the people who are targeted and who qualify under the policy. In its implementation, the policy stresses the connection with the worker's employment result when providing subsidies. For example, if a person obtains employment after receiving vocational training, he/she can then apply for the subsidies for vocational training. The social insurance subsidies are provided according to the principle of subsidies after contributions, which means that a person must first pay the social insurance contributions and thereafter can receive the subsidies. For example, if a person who has difficulty finding a job obtains flexible employment and pays his/her social

insurance contributions fully and in a timely manner, he/she can apply for the subsidies for social insurance. This can ensure that the funds really promote the benefits of employment.

Table 1. Specific elements of the special employment funds

Element	Main content
Subsidies for job-broking	If an intermediary job-broking institution, which is registered in industrial and commercial administrative departments, helps registered unemployed people to find employment through its employment service, it can apply for the subsidies for job-broking from local HRSS departments based on the number of employed people it has created.
Subsidies for vocational training	Four categories of people, namely, the urban registered unemployed, rural transferred workers, university graduates in the year of graduation, and new graduates from junior and senior high schools who do not proceed to a higher level of education, can apply for the subsidies for vocational training from local HRSS departments if they take part in employment skills training or business start-up (SYB) training. If new graduates from junior and senior high schools who do not proceed to a higher level of education take part in training under the labour reserve system, the training institutions can apply for the subsidies on behalf of the graduates. People from rural areas or urban families under the guaranteed minimum living allowance system can also receive living allowances. If a person in one of these four categories is employed by an enterprise and signs a labour contract for six months or more, and their employer carries out pre-employment skills training in their own training institution or a government-accredited training institution within six months of the signing of the labour contract, the local government will give the employer a certain level of subsidy for training, according to the implementation of the labour contract after training. The levels of subsidies are regulated by the local governments.
Subsidies for appraisal of vocational skills	Four categories of people, namely, the urban registered unemployed, rural transferred workers, university graduates in the year of graduation, and new graduates from junior and senior high schools who do not proceed to a higher level of education, can apply for the lump-sum subsidies for vocational skills evaluation from local HRSS departments, if they pass the vocational skills evaluation and obtain vocational qualification certificates or special vocational capacity certificates for the first time.
Subsidies for social insurances	All kinds of enterprises (employers) which employ people who have difficulty finding employment, sign labour contracts with them and pay their social insurance contributions can receive subsidies for basic pension insurance contributions, basic medical insurance contributions and unemployment insurance contributions, according to what they actually pay these people. Employers who employ those who have difficulty finding employment, in government-developed jobs, ⁸ can also receive such subsidies. If a person who has difficulty finding employment pays his/her social insurance contributions on gaining flexible employment, he/she can also receive a certain amount of such subsidies. The term of subsidies for social insurance is no longer than three years. Employees with less than five years remaining to reach retirement age can receive the subsidies until they retire.
Subsidies for public employment targeted at the vulnerable unemployed	Employers who employ people who have difficulty finding employment, in government-developed jobs, can receive subsidies for those appointments in accordance with the actual number of people employed. The term of subsidies for employment in government-developed jobs is no longer than three years. Employees with less than five years remaining to reach retirement age can receive the subsidies until they retire.
Internship subsidies	Employers who provide employment internship to university graduates who have left university but have not yet been employed, and who pay the basic living allowances to the interned graduates, may apply for internship subsidies from local HRSS departments.

⁸ Positions created by the government for the purpose of meeting the public interests of local communities and residents in terms of management and services. These positions are mainly used to solve the employment issue of people who have difficulty finding employment.

Element	Main content
Small loan guarantee funds and interest subsidies	Those registered unemployed people, demobilized soldiers, university graduates and people who have difficulty finding employment who start up their own business can apply for a small guaranteed loan (from 50,000 Yuan to 100,000 Yuan). The loan interest rate starts at 3 per cent above the benchmark lending rate published by the People's Bank of China. The central financial authority will provide a financial discount to low-profit projects. For a partnership operation, the scale of the loan can be expanded accordingly. Small labour-intensive enterprises which recruit new employees who qualify under certain conditions (e.g. laid-off SOE workers, those needing to be redeployed because of the bankruptcy of the SOE, laid-off workers from collectively owned factories, the registered unemployed, people who have difficulty finding employment, demobilized soldiers and university graduates) and sign labour contracts with them of longer than one year, and where the number of newly recruited employees comprises 30 per cent of the enterprise's total employees, can apply for a loan of up to 2 million Yuan according to the actual number of newly recruited employees. The local financial department may give the enterprise a 50 per cent discount on the loan interest, based on the benchmark lending rate (not including the part of the rate that is over the benchmark). In addition, the local financial department may give the bank handling the loan a subsidy for its service charge, equal to 0.5 per cent of the loan. If a local government's guarantee funds increase by 5 per cent or more, the central financial authority will award to the local government 5 per cent of the increased amount of the funds. In addition, the central and local financial authorities will give 1 per cent of the total loan newly issued at the local level as reward subsidies.

Source: Notice on further strengthening management of special employment funds, issued by the Ministry of Finance and the Ministry of Human Resources and Social Security (Caishe [2011] No. 64).

3.2 Strengthening supervision of the special employment funds

An important premise to ensure the implementation of the proactive employment policy is that we must strengthen the supervision on the special employment funds and improve the efficiency of their use. The Chinese Government adopts the following measures to strengthen its supervision of the special employment funds.

Measures to improve the management system. The Chinese Government pays great attention to the institutional arrangements for the use and management of the special employment funds. It continues to improve the method of their use and management, and the method of application of each subsidy. The Government states clearly that the special employment funds must be used for their specialized purposes only. The scope, level and procedure for use of the funds are strictly regulated. The special employment funds can not be used for the personnel expenditures, public funds, business travel, meeting expenditures and so on of government departments or institutions. It is forbidden to use the funds directly or covertly for buying or constructing buildings, renting, buying vehicles or other such kinds of expenditure. At the same time, the Government has set up the disclosure system on funds allocation, the supervision system on funds use, the public notification system on funds appropriation, the reporting system on funds expenditure, and the inquiry and accountability system on funds supervision. We have improved the funds budget and settlement management system and related financial and accounting systems, and strengthened the internal control mechanism. All these measures ensure the regulated use of the funds and avoid management flaws caused by systemic weakness.

Measures for carrying out supervision and examination. There are three different mechanisms to monitor and audit the use of the special employment funds. First, local financial departments and HRSS departments at each level often carry out regular self-checks, mutual checks and random checks. Professional institutions are entrusted with examining the self-checking. Mutual checking is organized between regions. For example, one province may entrust the financial department and the HRSS department from one county to examine the use of funds by another county. The results of examination are publicized and are subject to public scrutiny. Central government departments (mainly the

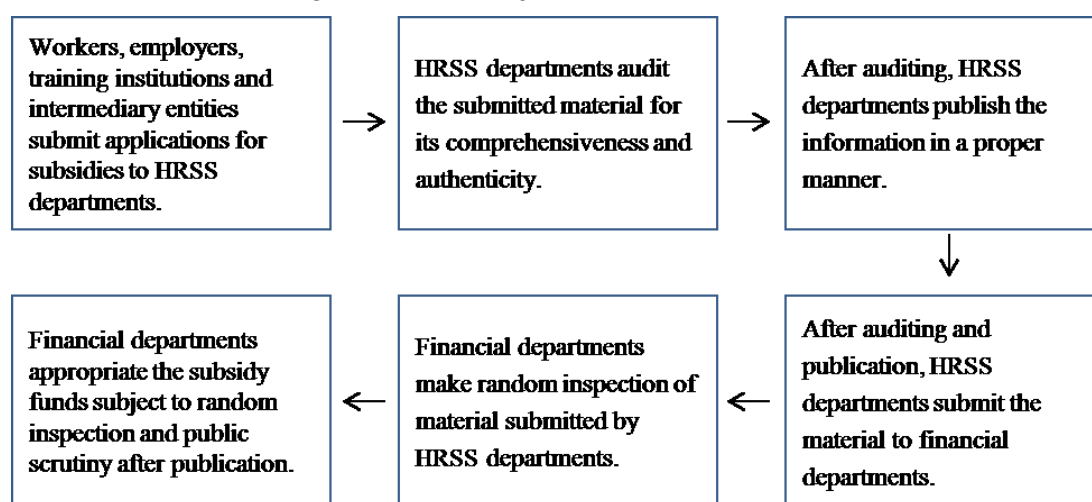
National Audit Office, MOF and MOHRSS) also carry out random checks of local governments.

Second, institutions such as the People’s Congress, audit departments and supervision departments at each level may, in accordance with their responsibility, carry out supervision and inspection of the special employment funds from the perspective of supervision of government performance, audit of financial funds, and disciplinary inspection of administrative departments and their staff. For instance, the National Audit Office conducted special inspection on the use of the special employment funds in nine provinces and municipalities in 2010, reported to the State Council and released the results to the public.

Third, any citizen can exercise public inspection and supervision. The government can receive tip-offs from members of the public and media exposure through an informants’ telephone hotline or letters of complaint on illegal use of the special employment funds, and trace the accountability of relevant staff. As a sanction, the central government will deduct subsidy funds from any area found to be illegally using the special employment funds, when allocating the special employment funds for the following year.

Ensuring basic work is done well. The first element is maintaining basic records. The basic records for the issuing of each subsidy from the special employment funds have been set up in each province. The records register all workers who are engaged with the employment policy, and check the information on targeted people to ensure that each item of expenditure is well documented. The second element is to produce information on funds management. Based on the public employment service information network and the employment information monitoring platform, we include the processes of acceptance, audit and subsidy payment, monitor information management and ensure the transparency of information. The third element is timely exchange of information. Through production of statistics and regular meetings, the financial departments and HRSS departments strengthen information sharing and exchange between departments and between their internal business units, and carry out regular information examination to guarantee the immediacy, accuracy and effectiveness of information and ensure the funds are operated safely and efficiently.

Figure 4: Application and monitoring of special employment funds



3.3 Evaluating the performance of the special employment funds

In 2009, in accordance with the general requirements of the central government on strengthening the management of government performance and budget performance, and to enhance refined, research-based management of the special employment funds, the MOF, financed by the World Bank, commissioned colleges and universities to conduct research on an indicator system for performance evaluation of expenditure of the special employment funds.⁹ In 2011, the MOF and MOHRSS jointly issued the Notice on performance evaluation pilot on special employment funds (Caishe [2012] No. 17) and began the pilot. The Notice requires that each province choose two cities (or counties) to carry out the pilot, improve the indicator system in the course of the pilot, accumulate experiences and expand the pilot. The pilot is ongoing.

Performance evaluation of the special employment funds means that upper-level financial and HRSS departments conduct comprehensive quantitative evaluation of the results of collection, use and management of special employment funds by the financial and HRSS departments at the lower level. The focus of performance evaluation of the special employment funds is mainly on fund collection, fund use and allocation, overall expenditure and expenditure on key projects.

Specifically, the evaluation system is comprised of four first-grade indicators and 12 second-grade indicators. The first-grade indicators are:

- i. *Funding of the special employment funds.* This indicator mainly examines the ratio of the special employment funds collected by a local financial department to the total special employment funds collected, the proportion of the special employment funds to local financial expenditure, and the rate of increase of the special employment funds collected by the local financial department relative to the previous year.
- ii. *Use and allocation of the special employment funds.* This indicator mainly examines the real expenditure ratio of the special employment funds, and the proportion of expenditure on implementing central policy to the total expenditure of the special employment funds.
- iii. *Employment promotion results.* This indicator mainly examines the number of people promoted to employment per 10,000 Yuan expended, and the urban registered unemployment rate.
- iv. *Outputs of expenditure of key projects.* This indicator mainly examines the numbers of people promoted to employment per 10,000 Yuan of subsidies for job-brokering, vocational training, social insurance, government-developed jobs and interest on small guaranteed loans.

To avoid simple comparison of performance evaluation, all these indicators are corrected in accordance with local economic development and price levels.¹⁰

⁹ Performance evaluation of the special employment funds is different from the employment target responsibility system (section 2.3). The employment target responsibility system examines a government's performance, focusing on the fulfilment of employment work. The performance evaluation of the special employment funds mainly evaluates the use of the funds, and focuses on the results of and improvement in the use of the funds.

¹⁰ Notice on performance evaluation pilot on special employment funds issued by the Ministry of Finance and the Ministry of Human Resources and Social Security (Caishe [2012] No. 17).

The performance evaluation of the special employment funds insists on the basic principle of “scientific method, independent subject, open process, available data, useful results”, and uses the method of quantitative evaluation. The local financial and HRSS departments are responsible for making and publishing each separate indicator’s performance standard and weighting coefficient, preparing a detailed evaluation work plan and organizing an expert group, selecting an independent evaluation institution to implement the plan. At the same time, the departments have to collect and regulate basic materials and related data, and clear up and check problem data. The intermediary entity or expert group, through data collection, investigation and verification, and field investigation, further checks related data, calculates the scores of each basic indicator, weights the scores and writes the final comprehensive performance evaluation report. The report contains the key information, performance objectives and their foundation, management methods and implementation results, summarizes achievement of the performance objectives, identifies existing problems and their causes, and proposes comments and suggestions for improvement.

Box 2

Performance evaluation of the use of special employment funds in Anhui Province

The Department of Finance and Department of Human Resources and Social Security of Anhui Province elaborated a method of performance evaluation of the special employment funds transferred to the province in 2013. The aim was to strengthen and regulate the allocation procedure and management of use of the funds at municipal and county levels, and to realize scientific, standard and regulated allocation of the special employment funds.

The method states the principles of performance: (i) *objective oriented*, meaning the allocation of funds is connected with annual employment objectives; (ii) *performance priority*, meaning the allocation of funds is connected with the completion of employment assignments and results of performance evaluation of the use of funds; (iii) *rewarding or sanctioning motivation*, meaning the allocation of funds links to the undertaking of employment work, policy implementation and completion of assignments, and inclines towards areas in which good work and better results from the use of funds are evident; (iv) *scientific and reasonable*, meaning weighting is scientific and the coefficients are reasonable.

The specific measure is: the allocations to cities and counties by the province = total transferred payment funds of the city or county × (the coefficient of annual employment objectives and assignments × 0.5 + the coefficient of performance of fund management and use × 0.2 + the coefficient of employment objective responsibility evaluation × 0.2 + the coefficient of the situation of socio-economic development × 0.1).

The coefficient of annual employment objectives and assignments mainly examines the comparison between local urban new job creation objectives, skills training objectives, start-up training objectives, vocational skills evaluation objectives, employment internship objectives in respect of university graduates and the number of people receiving the subsidies for social insurance.

The coefficient of performance of fund management and use mainly accords with the score produced in performance evaluation of the management and use of the special employment funds in the previous year.

The coefficient of employment objective responsibility evaluation mainly accords with the score produced in performance evaluation on the local government’s employment objectives and assignments in the previous year.

The coefficient of the situation of socio-economic development is mainly set according to the level of difficulty experienced by the local financial authority and in the supply of labour.

The Provincial Department of Finance and the Provincial Department of Human Resources and Social Security will make adjustments to the weightings, the coefficients and the results at appropriate times and in accordance with the actual employment situation.

As the method was finalised in 2013, no data is available yet.

4. Results and problems of the special employment funds

4.1 Results

The level of expenditure of the special employment funds has risen continuously since the initial setup of the funds. Total employment subsidies paid by the governments at all levels reached 446.9 trillion Yuan in the period from 2003 to 2012.¹¹ The number of subsidy items has increased from an initial five to more than 10. The number of beneficiary groups has also increased. The number of people in receipt of a subsidy under the policy has risen from about 1 million at the outset of the funds to nearly 100 million. The special employment funds provide a solid guarantee of the comprehensive implementation of the proactive employment policy and deepening development of employment work, and produce outstanding, positive socio-economic effects.

The proactive employment policy system has been created. Since its implementation from 2002, the proactive employment policy has been continuously adjusted, expanded and improved. The policy is not only encouraging the creation of employment jobs through promoting economic development and adjusting industrial structures but also encouraging entrepreneurship and employment by enterprises through reduction of or exemption from tax and fees, small guaranteed loans, subsidies for social insurance, subsidies for filling government-developed jobs and so on. The policy also strengthens employment services and vocational training, and creates a systemic culture favourable to stabilizing and expanding employment through subsidies for job-brokering and vocational training. To ensure the effective implementation of the proactive employment policy, the key is to continue to increase the special employment funds to guarantee that each policy is more targeted, and has higher value and better implementation results.

The scope of employment is expanding continuously. From 2003 to 2012, the total number of urban newly created jobs amounted to 110 million. The urban registered unemployment rate has remained at a low level, below 4.3 per cent. The employment structure has been improved. Workers have rapidly transferred from agricultural to non-agricultural industries. The number of rural migrant workers reached 263 million at the end of 2012, compared with only 111 million at the end of 2003. The ratios of people in the three main sectors of the economy (agriculture, industry and services) adjusted to 33.6: 30.6: 36.1 in 2012 from 50.0: 21.4: 28.6 in 2002. The proportion of employment in the service industry relative to other sectors rose and effectively expanded the scope of employment. All these achievements are closely related to the strong guarantee provided by the Government's special employment funds.

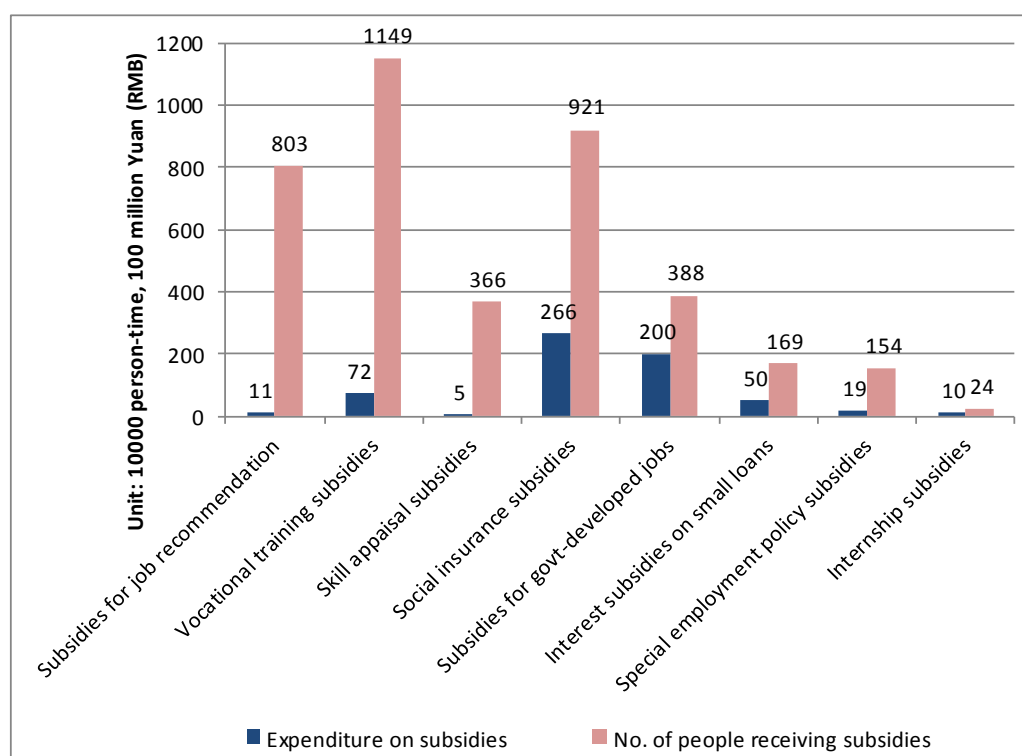
The proactive employment policy promotes the employment and entrepreneurship of different groups of people. The issue of re-employment of the workers laid-off in the reform of the SOEs has been solved by implementing the proactive employment policy. Of these workers, 30 million have been well supported; more than 28 million of them were re-employed smoothly. The support for and reemployment of these laid-off workers powerfully promoted the development of SOE reform and effectively safeguarded social stability. In recent years, to celebrate a new employment peak with growth in the numbers of new workers, and with an emphasis on university graduates, the Chinese Government has adjusted the work focus in a timely manner. It insists that the employment of university graduates is the top priority in current employment work. It has introduced a series of supporting policies to encourage graduates to work at the grassroots in small and medium-

¹¹ Ministry of Finance. 2004–2013. Financial statement.

sized enterprises and to participate in vocational training and employment internships and so on. All these initiatives create a good environment favourable to the employment of graduates. In the past five years, a total of 28 million graduates found employment. In the past three years, the average employment rate of graduates remained at over 90 per cent, and reached 94.8 per cent in 2012. The employment of graduates reduces the pressure of a new employment peak, and allows higher educated people to play their part in socio-economic development.

The Chinese Government successfully coped with the strong impact on employment caused by extraordinarily serious natural calamities and the international financial crisis. Since 2008, several extraordinarily serious natural calamities have occurred in China, including earthquakes in Wenchuan (Sichuan Province), Yushu (Qinghai Province) and Ya'an (Sichuan Province), and a mud-rock flow in Zhouqu (Gansu Province). In the post-disaster reconstruction, the Chinese Government tried to help local workers to find employment locally or to move to other places for employment, and provided additional employment funds from the central budget according to the number of victims, need for employment, and other financial support required under policy. For Yushu, the additional amount was 77 million Yuan, and for Zhouqu, 15 million Yuan. In coping with the international financial crisis, the Chinese Government implemented a more active employment policy, and quickly reversed the downward trend in urban new job creation in the second half of 2008. In the second half of 2009, the employment situation has been largely restored to the level before the financial crisis. In 2011 and 2012, the number of urban new jobs created reached 11.68 million and 12.66 million respectively. Compared with the situation in other countries with high unemployment rates and the need for recovery, it has been really difficult for China to obtain such employment results.

Figure 5: Expenditure of the special employment funds and number of people receiving subsidies, 2012



Note: Figures show the total expenditures of employment funds deployed by the governments at and above county level. Each item shows the actual annual expenditure. Because there are no targets set for each item, we can not show the performance of the employment funds.

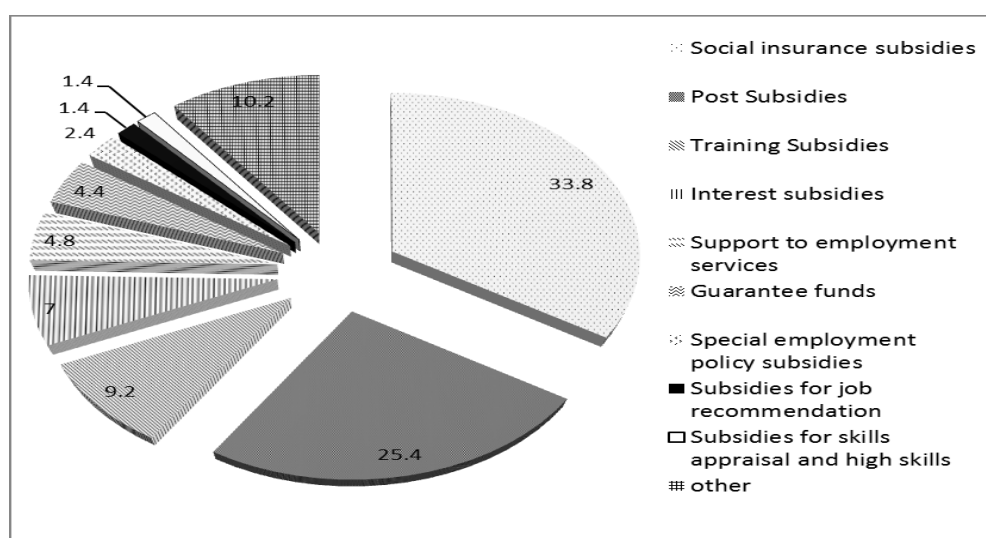
4.2 Problems

Needless to say, there are some problems and shortfalls in funds management which cannot be ignored, but which are emerging because of the efficiency of funds use and level of management. They are mainly as follows:

Fraud still sometimes occurs and affects the safety of the funds. The Chinese Government has established a much better system for the management of the funds, and has strengthened supervision and inspection regimes. However, there are too many types of subsidies, the numbers of workers, employers and institutions applying for subsidies are large, the process of application auditing is scattered and the level of information and data collection are insufficient. All these issues provide opportunities for a very few units and individuals to attempt to defraud money. On the basis of the problems we have identified or dealt with in recent years, we can find that some units and enterprises diddle subsidies by fabricating materials, giving false numbers of people or submitting repeat applications, and some operational agencies and staff even collude with the policy targets (potential beneficiaries) to defraud money. Their activities have seriously infringed upon the legitimate rights and interests of workers, affected the implementation of employment policy and damaged the credibility of the government.

Expenditure structure is still to be further optimized. On the basis of fund expenditures in 2012 (Figure 6), we can see that the proportion of the funds used for subsidies for social insurance, government jobs and “other” employment policy elements is high, while the proportion used for subsidies for job-broking, vocational training and vocational skills appraisal is relatively low. A lot of money is used to “buy posts” in the form of the subsidies for government-developed jobs and for social insurance. The Government’s inputs are high. It is easy to render a worker policy dependent. Furthermore, the sustainability of the policy is relatively weak.¹²

Figure 6: Expenditure of the special employment funds, 2012



Source: Ministry of Finance. 2013. Financial statement.

¹² Wang Jun. 2011.

5. Summary

It has been more than 10 years since the Chinese Government set up the special employment funds to promote employment. This has played a very important role in the stability of the employment situation in China and improved the local governments' understanding of employment issues, enforced their responsibility on employment promotion and strengthened the incentive for financial input. Through the special employment funds, the Government has accumulated many valuable experiences and determined employment development in accordance with the actual situation of China. We still need to summarize and analyse our experience, and continue to carry out and improve on these important experiences and effective measures.

Employment is crucial to the people's well-being and the fundamental right to live in peace and enjoy one's work. It relates to the long-term stability of the country. To expand employment and reduce unemployment is not only an important economic issue but also an important political issue. Moreover, it is a significant responsibility of the government. To solve the employment issue, we should depend on the fundamental role of the market and the adjustments it makes. The government cannot do everything. But it should promote employment. Especially to remedy the defects of the market, the government must carry out the proactive employment policy, increase inputs to employment funds and create an environment favourable to stabilizing and expanding employment.

Public financial input to employment should be sustainable. On the one hand, the government should strengthen input to employment in accordance with the real need of employment to improve people's livelihoods. On the other hand, it should fully consider the affordability of public financial input. Especially given the circumstance of a slowdown in financial income, the government must do its best within its capabilities. Otherwise, there will be potential risk to economic development.

The use and management of the special employment funds must focus on employment policy. Policy design and implementation must focus on the changes in the employment situation, targeted groups, employment objectives and workers' needs. In particular, the special employment funds must provide the safety net in policy related to people's livelihoods. It is important to ensure that employment policy is in line with the current level of economic development. The policy cannot overstep the stage of development. At the same time, we must maintain a bottom line, pay more attention to disadvantaged groups and focus groups, and ensure the limited funds are used for those most in need, so as to make policy and funding more targeted.

We must pay attention to the issue of increasing the funding of the special employment funds. But it is more important to improve the efficiency of use of the funds. We should always regard the security of the funds as the top priority. Through the improved system and strengthened supervision, the employment funds are in the spotlight, are regulated and can be managed wisely. At the same time, we have to scientifically adjust the expenditure structure, strengthen performance evaluation of the use of the funds, and improve the research base on the use of the funds and effectiveness of the policy itself.

References

- Ministry of Labour, Department of Labour Force Management and Employment. 1993. *Labour employment toward a socialist market economy* (Beijing, China Labour Press).
- Notice on further implementing reemployment of the laid-off workers and the unemployed issued by the CPC Central Committee and the State Council (Zhongfa [2002] No. 12).
- Notice on further strengthening management of special employment funds issued by the Ministry of Finance and the Ministry of Human Resources and Social Security (Caishe [2011] No. 64).
- Notice on performance evaluation pilot on special employment funds issued by the Ministry of Finance and the Ministry of Human Resources and Social Security (Caishe [2012] No. 17).
- Office of the State Council's Inter-ministerial Conference on Employment. 2008. *Employment is crucial to the people's well-being: Practice records of proactive employment policy* (Beijing, China Labour and Social Security Publishing Company).
- People's Republic of China. 2008. Employment Promotion Law of the People's Republic of China (Presidential Order No. 70 of 2007). Unofficial translation available at: <http://www.ilo.org/dyn/natlex/docs/MONOGRAPH/76984/81380/F1735089926/76984.pdf>
- Tse-Tung, M. 1964. *Quotations from Chairman Mao Tse-tung* (Beijing, Government of the People's Republic of China).

Additional sources

- Fu Boying. 2011. *Research on financial policies of employment* (Beijing, China Social Sciences Press).
- Implementation of proactive employment policy (2010–2012)*. 2012. (Beijing, China Labour and Social Security Publishing Company).
- Notice on deeply carrying out warning education and practically strengthening supervision on special *employment* funds (Renshetingfa [2011] No. 27).
- Notice* on doing the work of promoting employment issued by the State Council (Guofa [2008] No. 5).
- Notice* on further strengthening employment and reemployment work issued by the State Council (Guofa [2005] No. 36).
- Notice on pilot of SOE bankruptcy issues in selected cities issued by the State Council (Guofa [1994] No. 59).
- Notice on pilot of SOE merger and bankruptcy and reemployment of workers in selected cities issued by the State Council (Guofa [1997] No. 10).
- Wang Jun. 2011. "Raise the management level of special employment funds" [Chinese]. (Beijing, Ministry of Finance of the People's Republic of China). Available at: http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201109/t20110929_597178.html
- Zhang Xiaojian. 2008. *Employment reform and development in China* (Beijing, China Labour and Social Security Publishing Company).

Employment Working Papers

The Working Papers from 2008 to 2015 are available in
www.ilo.org/employment/Whatwedo/Publications/working-papers



Please scan the code

Employment Policy Department

For more information visit our site:
<http://www.ilo.org/employment>

International Labour Office
Employment Policy Department
4, route des Morillons
CH-1211 Geneva 22

Email: emp_policy@ilo.org