

Lessons from Europe: Where Should the Social Security Systems in China Go?

Reporter: WANG Danni



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It's a very good context in Asia, especially in China. It is important to have collaboration and cooperation between the different countries.

Reporter: The EU has established itself as a leading role in collective social security system, however, the social security system in each EU member state is not completely the same, how did all the different systems collaborate with each other?

Arno Bokeloh: They are completely different, actually. All the different systems collaborate with each other, the role of EU provisions is to make sure the coordination is in order and to avoid disadvantages of people working in more than one member states. One of its mechanism: aggregating periods. If you have been working in Germany for 10 years and in France for thirty years, the periods will be aggregated, and after that, you can get the pension from both France and Germany. Periods of insurance are aggregated, this is one of the most important mechanism of coordination. And there is also a provision called “full export of benefits in cash”, which does not focus in which Member State you live. For example, a person from Denmark, they normally don’t export at all, spent his retirement in Spain, this often happens, the European export regulations ask full export to all other member states, e.g., to Spain, to Italy, to Greece, or to Germany. The EU law prescribes where you are insured. It gives importance to the country where you work, this is also the country of insurance. Let me give you an example: if a person from Belgium lives in France, has the nationality of the Netherlands, and works in Germany, so he is insured according to German law. Only where his work in fact is carried out matters. This mechanism can avoid the disadvantages of migrant workers.

Michael Schmidt: The differences of social security systems in the different countries in Europe are the results of historical development, and it’s impossible to say if in the next 20 or 30 years they will be the same. So here we are talking about coordination, but not harmonization.

Reporter: What do you think is the hardest aspect in the negotiation process?
How did all the member states reach a consensus?

Arno Bokeloh: The Administrative Commission, which is a European Institution, discusses how to improve the coordination

Reporter: What role do the "fund"(ESF) and "institution" play in the collective

social security system? Is it the basis for the collective system?

Arno Bokeloh: The fund does not subsidize the system, but it aims to promote unskilled people to work. But it would be a misunderstanding if you took it as subsidizing the system.

Michael Schmidt: It is another aspect of the European collaboration.

Reporter: The fund, (ESF) has intended to be an effective solution in reducing jobless rate, what might be the most plausible reason behind the current high jobless rate in EU member states such as Italy, Greece, etc?

Arno Bokeloh: That's the problem of the structure of the country, their economic structure.

Reporter: Then why don't these jobless people in Italy or Greece come to Germany to work?

Michael Schmidt: They are, actually, many people do so. They are entitled to work in Germany or other European countries, they don't need any special permission.

Arno Bokeloh: We have the internal market, and one of the most important elements of the market is the freedom of workers and self-employed. If you are a worker or self-employed person e.g., in Italy, and you do not have a contract there, you can just go in each other Member State and try to find a job.

Michael Schmidt: Because the situation in Germany is quite good, the unemployment rate is under 7%, 6.7% actually. But that in Greece can be 20%, and in Spain 25%, the rate for young people in these countries has been reached 50% already. In the last 2 years, Germany has a net immigration of 400,000 people, most of them

came from the other European countries.

Reporter: As the influx of jobseekers from other parts of Europe into Germany, how does Germany government react to those problems?

Arno Bokeloh: Companies in Germany need skilled workers, such as IT Specialists. People from other parts in the Europe can come, and under certain conditions people from China or India can come, too. Those people will need a special permission. Highly skilled workers have good chances to get such a permission.

Reporter: What kind of social and political problems will be brought to Germany?

Michael Schmidt: There are a lot of new people in our country, it is a very big chance, and a very big challenge, too. Because the new people have to learn the language, but they bring to us new culture. I think it is more an important chance for Germany. Because Germany is a very multi-cultural and multi-national country, 16% of our people have international background. And I think the German government has done a lot of things to get them engaged. It has signed many bilateral agreements with others, for example, our chief of the ministry of social security has meetings and memorandums with the Spanish government to reduce the unemployment rate in Spain. And help those new-comers with the job training and practice. This is the field Germany has advantage in, because it has the combination of theories in school and practices in companies.

Reporter: Will there be any social problems caused by this mechanism? Since I found the new job-seekers sometimes stay in the lower status in the society.

Arno Bokeloh: If they are unemployed, there are problems. We have free mobility for workers, but not free mobility for everyone. If they have no job in their home country,

they can try to find one in Germany, but if they fail in it, they won't be subsidized.

Michael Schmidt: But actually, the young people from Greece, or Spain, who come to Germany to work, are very motivated. They want to work, they want to study. They want to do something, not to be unemployed. The problems are not for Germany, the problems are for the country they come from. Very good people from Greece have come to Germany, leaving its homeland not enough specialists, and there will be economic problems caused by this.

Arno Bokeloh: I agree, the brain drain is a big problem. Let's say, a person from Romania, one of the poorest states in Europe. If a doctor from Romania comes to Germany, he can earn may be ten times as much as he would in Romania. But Romania needs the doctors probably. So it is a loss for Romania. And if they stay one time in Germany, they will never go back.

Michael Schmidt: And I know the situation is not only seen in Europe, also in other parts of the world. There are doctors from Africa who work in Germany, never go back.

Arno Bokeloh: Yes, and some states in Africa may have one doctor for 50,000 persons, Germany about one doctor for 500 persons, this causes problems to these states in Africa.

Reporter: Similarly, China has a high domestic labor population mobility, the influx cities such as Shanghai suffer serious pressure from immigrants from other area in China, what kind of experience can Germany give to China in terms of this question?

Arno Bokeloh: I would say, the social security is not the way to solve this problem. It is important to make the country more attractive. The trend to work in Shanghai,

Beijing, Tokyo, or Seoul, I think it causes many many problems. I think it is more important to build the infrastructure in the small cities.

Michael Schmidt: The problem is we have many immigrants from the countryside in China. I have been many times in China, there are nearly 150 million people immigrant to big cities. The current situation is very difficult for them. For example, a worker, from Anhui province, come to Shanghai, they do it from very rational thoughts. Because the situation in Anhui province is not so good as it in Shanghai. The worker is not stupid. He earns more in Shanghai, and every month he sends money to his family in Anhui. It is very complicated to stop this situation. From the former time, in the 50s and 60s, people earn social security only from the place they come from. The workers from Anhui cannot get it in Shanghai.

Reporter: Yes, this causes many problems. And their children are not able to get enrolled into schools in Shanghai.

Michael Schmidt: Yes, if you do not change the situations in Shanghai, the problem will not be solved. In my former presentations, I said about 75% of China's population stay in countryside, actually, more than 50% of them are living in big cities. I have heard in China, there are nearly 100 cities which is more than one million people. And the people on the countryside are less and less. But in the last years, there has been a great reform in the social security systems, I do hope these reforms can change the situation in the next years.

Reporter: What will be the most challenging part for Germany regarding social security realm in the next decade?

Arno Bokeloh: The biggest problems for Germany are aging and the low birth rate. The more aging people, the more pensions and the low birth rate.

Michael Schmidt: I think most countries in Europe have this problem. And as Arno has said, the demographic change has result in all social security systems: in health, in insurance systems, and the pension systems. And more, it is a question of long term care. Because in Germany, you get a long term care if you need this benefits. The long term care scheme was carried out in 1995, and beginning there were 1.6 million of our people in the program, and now we have 2.6 million, one million more in the past 20 years. And the perspective for the future, very realistically, we will have 3.6 people in the program in the next 20 or 30 years. And in China, it's the same, the average age in China, 75 for women and about 70 for men. Now we have a lot of people who are in long term care in China, too. There are many problems, you have the result of the one child policy. The old philosophy from the Confucius, the eldest son cares for the old in the families. It has problems, because you will have only one son or daughter. You are very stressed because you are caring for two old parents, and sometimes the parents of parents. It is foreseeable in the next 20 or 30 years, the families will be more broken, like in western countries.

Reporter: Will the EU or the globalization help to alleviate or aggravate it? How?

Arno Bokeloh: There are many different opinions towards globalization, in my opinion, there is more chance for Europe for improving the economy. There are also dangerous aspects, I think the positive ones prevails the negative effects. I think the idea in Europe is a certain kind of globalization. We have one internal market in Europe, 50 years ago, every state operated for itself, now we can export without any problem. And globalization helps to alleviate our problems. We have agreements with the many states, e.g., for import and export and taxation. And in relation to the United States - TTIP, we have to be very careful, we have to keep our standards.

Reporter: Globalization has engaged ever more actors in the problem solving process, it is no longer expectable for EU to consider its own problems only, how

shall EU interact with other parts of the world, especially for Asia?

Arno Bokeloh: I think there are interactions already, beginning with the social security agreement with China.

Michael Schmidt: You know, China has only until one or two years before today two social security agreements with South Korea and Germany. The agreement with Germany was from 2001. With this agreement, people for example from VW (Volkswagen), it has factories in China, if they are sending its workers to China, normally, he has to pay contributions to the German social security system and the Chinese system. But that is not good to pay double. Now he will only need to pay the ones in Germany. Germany has many specialists and scholars in social security system, if China would like some advice on its own social security system, Germany can send experts to China. It's a very good context in Asia, especially in China. It is important to have collaboration and cooperation, today and in the future.