

Analysis on the Unemployment Prevention Function of Unemployment Insurance in China

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Abstract: After years of active exploration, the unemployment prevention function of unemployment insurance in China has expanded into rich and diverse forms and carried out profound practice. Using the literature research method, by sorting out the relevant documents of unemployment insurance and the published data, this paper found that the challenges facing the prevention function of unemployment insurance in China are as follows: the low level of coordination is not conducive to regulation; the payment rate is fixed; the dynamic monitoring system of unemployment is not perfect; and the payment level of unemployment insurance fund is low. In response to these challenges, China should establish the provincial pooling of unemployment insurance as soon as possible, implement the floating rate system of unemployment insurance payment; improve the dynamic monitoring system of unemployment; and reasonably increase the expenditure scope and intensity of unemployment insurance fund for unemployment prevention. The research of this paper can provide reference for perfecting China's unemployment insurance system and perfecting the unemployment insurance system.

Keywords: Prevent Unemployment Function; Prevent Unemployment; Unemployment Insurance Fund; Unemployment Insurance; China.

1. Introduction

The function of preventing unemployment is one of the three functions of the unemployment insurance system, which plays an important role in maintaining social stability and fairness. However, China's exploration of the function of preventing unemployment is still in progress. By using the method of literature research, this paper studies the challenges faced by the

prevention function of unemployment insurance in China at present by sorting out the relevant policy documents of unemployment insurance and various data published by the government, and puts forward some suggestions, hoping to provide reference for exploring the prevention function of unemployment and perfecting the unemployment insurance system in China.

2. The Relevant Concepts and Significance of Unemployment Prevention

2.1 The Relevant Concepts of Unemployment Prevention

Unemployment insurance is an important part of the social security system, and it plays an important role in maintaining social stability and fairness. China's Ministry of Human Resources and Social Security unemployment insurance department in 2020 to "unemployment insurance" interpretation: "our unemployment insurance is enforced by the national legislation; the involuntary unemployed workers provide a certain period of financial help and reemployment employment service system". It can be seen that the unemployment insurance system stipulated by China's current law has two functions, respectively, "protecting daily life" and "promoting employment", while the current unemployment insurance in the world generally has three functions, in addition to the above two functions, but also has "preventing unemployment" ^[1].

"Protecting daily life" refers to unemployment insurance provides financial support for eligible unemployed, guaranteeing their basic life for a certain period of time, and then helping them through the life difficulties during unemployment, so as to find a job matching their work skills more calmly ^[2]. "Promoting employment" refers to the unemployment insurance fund funded, and various employment service centers and social organizations provide various employment promotion services such as training activities and recruitment activities for

the unemployed, so as to encourage the unemployed to return to the labor market as soon as possible ^[3]. "preventing unemployment" refers to the creation of certain rights or obligations for employers or workers through the design of the unemployment insurance compensation payment system or the floating rate system of unemployment insurance, so as to better guide employers to reduce layoffs and stabilize employment ^[4].

The means to prevent unemployment mainly include the return of stable posts, include the return unemployment insurance premiums after stable employment post, skill upgrading subsidies, and the floating rate system of unemployment insurance payment.

"The return unemployment insurance premiums after stable employment post" refers to the return of the unemployment insurance premiums paid in the previous year for the insured enterprises facing temporary business difficulties with no layoffs or fewer layoffs, so as to help the enterprises stabilize their employment positions and effectively prevent unemployment.

"Skill upgrade subsidy" refers to the enterprise employees who have participated in unemployment insurance for a certain period of time and have obtained the corresponding vocational qualification certificate or vocational skill level certificate, who can apply for the skill upgrade subsidy according to the regulations, and the required funds are provided by the unemployment insurance fund. The main purpose is to encourage the employees of the insured enterprises to improve their skills, enhance their employability, and improve their employment stability.

"Floating rate system of unemployment insurance payment" refers to the floating rate system for an industry or a single enterprise, which implements high rate for industries or enterprises with high unemployment risk, in order to stabilize employment and give play to the function of unemployment insurance to prevent unemployment. In China, represented by Guangdong Province and Shenzhen City, the floating rate system of unemployment insurance for individual enterprises is being piloted.

2.2 The Significance of Unemployment Prevention

The function of unemployment prevention plays a very important role in the unemployment insurance system and even the whole society.

First of all, adding the function of unemployment prevention can not only guide enterprises to not push employees to the society when temporary difficulties occur and enhance social stability, but also transform the unemployment insurance system from passively guaranteeing life to actively resolving the potential unemployment risk and increase the guaranteed ability of the unemployment insurance system.

Secondly, with the function of unemployment prevention, the establishment of skills training subsidies and stable employment position subsidies in the expenditure items of unemployment insurance funds and incorporated into the budget management. On the one hand, this helps to improve the use efficiency and payment capacity of the unemployment insurance fund; on the other hand, it also expands the expenditure of the unemployment insurance fund from guaranteeing basic living to improving vocational skills, and the beneficiaries from the unemployed to the insured workers. This situation is conducive to expanding the benefits of unemployment insurance, so as to promote more enterprises and their employees to participate in unemployment insurance, and further expand the coverage of unemployment insurance ^[5].

Thirdly, join prevent unemployment function, the introduction of industry or single enterprise floating unemployment insurance rate system, high unemployment risk industry or enterprises high rate, low unemployment risk of low rate, not social unified rate, don't let the unemployment risk low risk premium, to promote social equity.

3. China's Exploration of Unemployment Prevention Function

Obviously, China has also fully realized the importance of unemployment prevention function, so China has actively explored it for a long time. In 2006, the Ministry of Labor and Social Security issued the document "Notice on Issues related to the Appropriate Expansion of the Scope of Unemployment Insurance Funds" to increase the exploration of expenditure on unemployment prevention. The economic work conference in 2008 further made it clear that we should give full play to the role of unemployment insurance funds to prevent unemployment. By 2012 and 2013, China had put forward the requirements for strengthening

the function of the unemployment insurance system to prevent unemployment and promote employment.

By 2017, China has summarized the exploration of these years, formally put forward the "Unemployment Insurance Regulations" (revised draft for comments), and officially put the function of unemployment prevention into China's unemployment insurance system on the agenda. Although the draft has not yet taken effect, China is still in practice and improvement after 2017. In 2018, the Department of Human Resources and Social Security issued a document "Notice on the Implementation of Unemployment Insurance to Support Skills upgrading", promoting the localities to deepen the implementation of the subsidy policy of unemployment insurance to support skills upgrading. In 2019, the Ministry of Human Resources and Social Security issued a document "Notice on Unemployment Insurance to Support Stable Employment in enterprises" to increase support for stable employment. In 2019, Guangdong Provincial People and People's Social Security issued the document "Notice on the Implementation Measures for phased Adjustment of the Floating Rate of Unemployment Insurance in Guangdong Province", which piloted the floating rate system of unemployment insurance for a single enterprise in Guangdong Province.

After the occurrence of major public health emergencies in 2019, China has even enriched the practice of preventing unemployment. In 2020, the National Development and Reform Office issued a document "Notice on Supporting and Encouraging Workers to Participate in Online Vocational Skills Training" to explore new forms of online vocational skills training. In 2021, the Ministry of Human Resources and Social Security issued a document "Notice on carrying out the special action of 'Welcome the New Year and sending warmth, stabilizing post and retaining work'", giving workers many work subsidies and resources for skill upgrading. In 2022, the Ministry of Human Resources and Social Security issued a document to strengthen efforts to stabilize its posts. The 2023 Work Report of the Chinese Government proposed to "strengthen policy support for stabilizing employment and expanding employment... to delay the payment of social insurance premiums for enterprises in difficult industries, significantly increase the proportion of

unemployment insurance funds for stabilizing employment and increase subsidies for stabilizing employment and expanding employment".

In short, China after years of exploration to prevent unemployment function, has expanded a variety of forms, such as reducing unemployment insurance rates, pilot single enterprise unemployment insurance payment floating rate, delay pay social security, social security subsidies, establish unemployment monitoring system, job-transfer training subsidies, skills upgrading subsidies, key projects and holiday subsidies, transportation subsidies for returning to work, enterprise worker living allowance, etc.

4. Analysis of the Difficulties of Unemployment Prevention Function in China and Its Causes

4.1 The Low Pooling Level Is Not Conducive to Regulation, and Is Not Conducive to Providing Sufficient Funds for Unemployment Prevention

At present, China's unemployment insurance pooling level has not yet been established at the provincial level, 17 of China's provincial administrative regions will be established or established provincial pooling, nine of which will not be implemented until 2023, and 14 have yet to be established.

The lower level of fund pooling makes the large differences in the use and pooling of unemployment insurance funds, and the proportion of funds used to prevent unemployment is also very different, resulting in the situation that unemployment insurance funds are too scattered and independent. Specifically, there are two following points.

Firstly, originally regional fund bear ability is weak, if the fund as a whole level is low, once the regional economy obvious landslide or massive unemployment risk, the unemployment insurance fund is difficult, plus if the local government has no financial ability to make up, eventually will make the unemployed basic life security affected, let alone the implementation of preventing unemployment function ^[6]. After all, ensuring the realization of a basic life is more urgent than preventing unemployment.

Secondly, at present, the development of different regions in China is not balanced, there are great differences in the level of economic

development, and the structural contradictions of unemployment insurance funds among different provinces and cities are increasingly prominent. Some provinces have large fund balances and sufficient funds for unemployment prevention; but some underdeveloped provinces have high expenditure pressure on unemployment insurance funds, which have scarce funds for unemployment prevention.

The lower level of fund pooling will not only lead to the scale effect of the centralized adjustment of China is not fully brought into full play, it is not conducive to having sufficient fund guarantee to prevent unemployment, and produce its due role; but also, easy to make the imbalance of unemployment insurance protection among different regions, which is not conducive to the realization of social equity.

4.2 Payment Rate is Fixed, Unemployment Insurance Cannot Have the Role of Preventing Unemployment

China's current unemployment insurance system implements a unified collection rate mechanism, so that for the industries or enterprises with small unemployment risk and stable employment relationship, due to the small opportunity for employees to receive unemployment benefits, the unemployment insurance premium paid by the unit has become a one-way compensation provided to the industries or enterprises with high unemployment risk. But the industries or enterprises with high risk of unemployment do not bear the additional risk of firing workers and can arbitrarily discharge unemployed people into society. Obviously, unifying the collection rate of unemployment insurance does not play a role in preventing unemployment and reducing unemployment.

4.3 The Imperfect Dynamic Monitoring System of Unemployment Leads to the Negative Impact of the Unemployment Prevention Policy

One of the criteria of unemployment prevention policy is the low layoff rate, such as the "the return unemployment insurance premiums after stable employment post" policy, enterprises can receive relevant subsidies without layoffs or fewer layoffs; for example is the unemployment insurance floating rate system implemented in Guangdong and Shenzhen, which is also the enterprise layoff rate is lower, the proportion of unemployment insurance premium paid by the

enterprise is lower.

At present, the reference of the layoff rate in China is the unemployment insurance application rate, or the reduction ratio of the number of employees at the end of the enterprise compared with the beginning of the year. In these references, voluntary resignation is not included in the calculation of the layoff rate, because voluntary resignation is the normal number of layoffs, so they cannot get unemployment insurance compensation. Therefore, in order to obtain stable job subsidy or pay less insurance premium, enterprises want workers to leave voluntarily; but on the contrary, employees want to "passively terminate the labor relationship with the enterprise", because they can be eligible to receive unemployment insurance compensation.

One side wants the employees to take the initiative to be competent, and the other side wants to be laid off, which eventually leads to a conflict of interest and confrontation between the employees and the enterprise.

In order to make themselves meet the conditions of receiving unemployment insurance compensation, get unemployment insurance compensation, some employees will use passive sabotage, absenteeism and other means to make the enterprise actively dismiss themselves. For the sake of profit, enterprises adopt "cold violence", that is, the enterprise only pays basic wages to employees, or transfers employees to positions that are obviously not consistent with their wages, so as to force employees to resign independently.

The fundamental reason is that the dynamic monitoring system of unemployment in China is not perfect, and the function of real-time monitoring of the layoff rate of enterprises is not perfect, so that the layoff rate can only be determined by the insurance application rate and the reduction ratio of the number of employees at the end of the year compared with the beginning of the year. However, these data are provided by enterprises, and the initiative is in the hands of enterprises, making the enterprises and employees become both sides, and negatively affecting the unemployment prevention policy which should have positive feedback ^[7].

4.4 The Payment Level of Unemployment Insurance Fund is Low, and the Function of Preventing Unemployment is Insufficient

China's unemployment insurance fund implements the pay-as-you-go system, abide by the principle of "deciding fees according to expenditure, balance of income and expenditure, and the fund have a little surplus" [8]. According to China's Human Resources and Social Security Development Statistics Announcement from 2016 to 2019, By 2019, the cumulative balance of China's unemployment insurance funds has reached an astonishing 581.7 billion yuan. After the massive consumption of various exemptions, subsidies and return policies during the epidemic period, there is still 289.23 billion yuan left. This situation is not consistent with the principle of "the fund has a little surplus".

The excessive balance of social insurance funds under the pay-as-you-go system is a serious waste, which not only increases the management risk of unemployment insurance funds, but also may bring about the problems of embezzlement and corruption. And when inflation occurs, the unemployment insurance funds will depreciate. The unreasonable huge fund balance means that the function of unemployment insurance system has not been effectively played, and the function of unemployment prevention is included.

5. Countermeasures and Suggestions

5.1 Establish the Provincial Pooling of Unemployment Insurance as Soon as Possible, and Strengthen the Control of Funds to Prevent Unemployment

In 2019, the Ministry of Human Resources and Social Security of China issued the document "Guiding Opinions on Provincial Coordination of Unemployment Insurance Funds" to promote the establishment of provincial pooling of unemployment insurance in provincial administrative regions, but a sudden major public health emergency interrupted the process. It was not until 2022 that China's situation improved that the Ministry of Human Resources and Social Security issued a document "Notice on Accelerating the Work of Unemployment Insurance" to accelerate the establishment of provincial overall planning.

China's provincial administrative regions should thoroughly implement the relevant state decisions and arrangements, should accelerate the establishment of a provincial-level unemployment insurance system with the unified unemployment insurance policy as the core, We should speed up the establishment of a

provincial-level unemployment insurance system with unemployment insurance policy to achieve the whole province unified as the core, the provincial unified collection and expenditure as the basis, the fund budget management as the constraint, the service management and information system as the support, and the fund supervision as the guarantee, fair, standardized and efficient [9]. In this way, we will strengthen the fund regulation of unemployment prevention, balance the fund burden between regions, enhance the ability of mutual assistance and mutual aid, ensure the orderly implementation of policies, and promote the high-quality development of unemployment insurance undertakings in all provinces.

5.2 China May Implement a Floating Premium Rate System for Unemployment Insurance Contributions

China should implement a floating rate system for unemployment insurance contributions for industries or individual enterprises. Industries and enterprises with higher unemployment rate and higher unemployment risk will have higher payment coefficient, while those with lower unemployment rate and lower unemployment risk will have lower payment coefficient.

For example, China's current pilot payment floating rate system in Shenzhen stipulates: when the average unemployment insurance application rate in the first five years is less than or equal to the average unemployment insurance application rate in the pooling area of the first five years of 60%, the payment coefficient is calculated at 0.4; when the average unemployment insurance application rate of the employer in the first five years is greater than the average unemployment insurance application rate in the first five years of the pooling area of 60% and less than or equal to 140%, the payment coefficient shall be calculated at 0.6; when the average unemployment insurance application rate of the first five years of the employer is greater than the average unemployment insurance application rate of the first five years of the overall planning area of 140%, the payment coefficient is calculated as 1.

5.3 China Should Improve the Dynamic Monitoring System for Unemployment

China should improve the dynamic monitoring system of unemployment, speed up the construction of a well-developed and

three-dimensional dynamic monitoring network for unemployment, and finally realize the full coverage of both employers and individual workers, so as to fully reflect and monitor the layoff rate of enterprises in real time. China should strengthen the supervision of data provided by enterprises to ensure the authenticity of data and use data to supervise the improper layoffs of enterprises to avoid the phenomenon of enterprises forcing employees to resign voluntarily.

5.4 China Should Reasonably Increase the Expenditure Scope and Intensity of the Unemployment Insurance Fund To Prevent Unemployment

In order to make the function of unemployment prevention can be effectively played and to avoid the excessive balance of unemployment insurance fund, China should reasonably increase the expenditure scope and intensity of unemployment insurance fund for unemployment prevention and explore more methods and means conducive to the prevention of unemployment. For example, the subsidies for improving the dynamic unemployment monitoring system can increase the funding subsidies for the development and maintenance of the required software, personnel training and information collection of monitoring enterprises^[10].

However, there is no need to expand the scope of the "return unemployment insurance premiums after stable employment post" policy, because the "return unemployment insurance premiums after stable employment post" policy can only be used for companies with temporary difficulties or major public crises. If this policy is also used in the normal economic cycle, it will make the unemployment insurance funds spend more, eventually causing the unemployment insurance funds cannot make both ends meet and putting the cart before the horse.

6. Conclusions

After years of active exploration of unemployment insurance and unemployment prevention function in China, it has expanded its rich and diverse forms and carried out profound practice. At present, the challenges facing the prevention function of unemployment insurance in China are as follows: the low level of coordination is not conducive to regulation; the payment rate is fixed; the dynamic monitoring

system of unemployment is not perfect; and the payment level of unemployment insurance fund is low. In response to these challenges, China should establish the provincial pooling of unemployment insurance as soon as possible, implement the floating rate system of unemployment insurance payment; improve the dynamic monitoring system of unemployment; and reasonably increase the expenditure scope and intensity of unemployment insurance fund for unemployment prevention, so as to improve the payment ability of unemployment insurance fund.

As the social security for workers from all walks of life is more and more perfect, the date of China officially writing the prevention function into the unemployment insurance regulations is getting closer and closer, to play the function of unemployment prevention will also be better and better. At the same time, it is believed that the level of unemployment insurance in China will be national in the near future, to achieve macro-control at the national level.

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