

# Research on the Coverage Expansion and Optimization Strategy of Unemployment Insurance System Based on the Comparison between China and Britain

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**Abstract.** A multi-level social security system is being proposed by the Chinese government, and all social insurance systems must meet the requirements of universality and ensure full coverage. However, in the field of unemployment insurance, the problem of unbalanced development still exists. The system's effectiveness is insufficient, the unemployment benefit rate is low, the expansion space is huge, and the participation rate for unemployment insurance is poor. Utilizing both qualitative and literary analysis, it is evident that, in contrast to the UK, China's unemployment insurance system expansion process is less targeted and serves the needs of economic construction, which is closely related to the challenges the country's unemployment insurance system has faced. To address this issue, this study can create a system of unemployment insurance that centers around employment promotion, support legislation to increase coverage, and enhance policy targeting through structural reform. By doing so, China's social security and unemployment insurance systems will be further improved, better able to meet the country's citizens' increasing demands for a better quality of life.

## 1 Introduction

### 1.1 Research background

As a social "safety net", "shock absorber" and "regulator", the social security system has played a huge role in ensuring people's basic livelihood, equitable income distribution, stable economic development, etc. A modern social security system has been established in China since the 1990s. The deeper economic structural reform has resulted in China's remarkable progress in building its social security system. A multi-level social security safety net and the world's largest social security system have been put in place at present [1]. The Chinese government has put forward and attached great importance to the requirement of "a sound multi-level social security system covering the whole people, coordinating urban and rural areas, fair and unified, safe and standardized, and sustainable", which also points out the development direction of China's future social security system. Among them, "covering the whole people" reflects the inclusive requirement. This means that it is aimed at the entire population. All kinds of social insurance systems should be fully insured [1]. For example, in terms of unemployment insurance, its coverage has been expanding, and the number of insured people has been increasing, reaching 196 million in 2018 [2]. However, the problem of unbalanced and inadequate development of the unemployment insurance system still exists. The proportion of people covered by

unemployment insurance is still low relative to the total number of people with jobs in the town, and only 25.3% of the urban employed population participated in unemployment insurance in 2018 [2]. Under the background that China's economic growth is slowing down, the development environment is facing various pressures, and new employment forms are constantly emerging, how can the unemployment insurance system overcome difficulties and achieve full protection, which has important social value.

### 1.2 Literature review

Song analyzed that with the gradual improvement of the labor market, all urban employees will have the problem of unemployment, and civil servants will also face the problem of unemployment, so unemployment insurance should not only include the civil servants of the government but also all employees should be included, and the unemployment insurance system should be established for all urban employees [3]. Li et al. found that a large number of new professional groups such as self-employment, flexible employment and freelancers have emerged in the process of fast development of the socialist market economy with Chinese characteristics. Influenced by China's unique urban-rural dual structure, the unemployment insurance system that follows the employment relationship cannot cover farmers and new urban freelancers. Meanwhile, New workers have no employer, and agencies cannot determine whether they

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are involuntarily unemployed and eligible for unemployment insurance [4]. Deng & Yang proposed that the main constraints of the social insurance relationship of flexible employment groups come from the lack of special regulations and corresponding social security supporting measures, the negative incentive effect of the current policy system, the lagging information construction of social security institutions, and the serious imbalance between the structure of insured personnel and the actual employment structure [5]. Yang & Ding sorted out the history of the establishment and evolution of the unemployment insurance policy in the UK and pointed out that the current employment security in the UK has the characteristics of classification of employment services, perfection of employment services laws, diversification of employment services, and so on [6].

Most scholars have studied the expansion process and development status of the coverage of unemployment insurance systems in China and the United Kingdom, but few scholars have compared the expansion process of the coverage of the two.

### 1.3 Research framework

Therefore, this study will first sort out the progress of the coverage expansion of the unemployment insurance in China and Britain and summarize their respective development characteristics. Secondly, from the perspective of insurance participation rate and unemployment rate of return, it will point out the outstanding problems existing in the current unemployment insurance coverage in China. Finally, based on the differences in the coverage expansion characteristics of the unemployment insurance in China and the UK, the paper puts forward feasible measures and suggestions to optimize the coverage of China's unemployment insurance based on the experience of the United Kingdom.

## 2 Method

This study mainly adopts literature analysis and qualitative comparative analysis to study the expansion of the coverage of unemployment insurance systems in China and the UK. Therefore, this is also the research object of this study. Among them, Literature analysis refers to a research method that obtains information related to the topic by fully collecting and sorting out the literature related to a certain research topic and conducting detailed analysis on the content of the literature to form a correct understanding of the problem under study [7]. This study will use the literature analysis method to collect, sort out, and analyze the relevant literature materials on the unemployment insurance system in China and the UK since its establishment so as to understand the expansion process of the coverage of the unemployment insurance system in the two countries in history, the current development situation, as well as the previous research methods and research results. Qualitative comparative analysis,

proposed by Charles C. Ragin in 1987, is a research method based on case studies and combined with relevant theories [8]. In the process of collecting literature materials, this study will also use qualitative comparative analysis to summarize and compare the similarities and different characteristics in the process of expanding the coverage of unemployment insurance systems in China and the UK, and then analyze the historical sources and realistic factors that cause the differences between the two countries. On this basis, the paper concludes the shortcomings in expanding China's unemployment insurance system and proposes an optimization strategy to solve them.

## 3 Result

### 3.1 History and characteristics of unemployment insurance coverage expansion in China and Britain

#### 3.1.1 History and characteristics of expanding coverage of unemployment insurance system in China

Starting from the covered objects, the development process of China's unemployment insurance system can be divided into the initial construction stage and the standardized development stage of the unemployment insurance system.

The initial stage of the unemployment insurance system (1986-1998) mainly includes the Interim Provisions on Unemployment Insurance for Employees of State-owned Enterprises and the Provisions on Unemployment Insurance for Employees of State-owned Enterprises, which have distinct characteristics of The Times. The Provisional Provisions on Unemployment Insurance for Employees of State-owned Enterprises state that the people covered by unemployment insurance are employees of enterprises declared bankrupt, employees of enterprises on the verge of bankruptcy who are reduced during the statutory reorganization, workers whose labor contracts are terminated or terminated by enterprises, and employees dismissed by enterprises. The insurance benefits they receive are called "unemployment benefits" [2]. This regulation was issued in response to China's ongoing state-owned enterprise reform at the time [9]. On the other hand, the provisions on Unemployment Insurance for employees of State-owned Enterprises extend the coverage to employees of enterprises that have been abolished or dissolved, employees that have been downsized, and employees that have been removed or expelled from enterprises. The "state-owned enterprise" in this regulation conforms to the trend of the establishment of China's modern enterprise system [2].

In the standardized development stage of the unemployment insurance system (1999-), China's national unemployment insurance system made a breakthrough, and the function of unemployment insurance was continuously deepened. In 1999, China

promulgated the Regulations on Unemployment Insurance, marking the basic establishment of a modern unemployment insurance system. Under the regulations, unemployment insurance covers all enterprises and institutions in urban areas. In 2000, China proposed to "promote the integration of basic living allowances for laid-off workers from state-owned enterprises into unemployment insurance", and unemployment insurance is fully responsible for the living allowances of the unemployed. The positive role of unemployment insurance in reducing the burden on enterprises, promoting employment, and reducing poverty has been achieved by the implementation of China's first Social Insurance Law in 2011. It can be seen that the expansion process of the coverage of China's unemployment insurance system presents two obvious characteristics: one is to serve the needs of economic construction, and the other is not high aiming degree. The development process of China's unemployment insurance system has basically kept pace with the needs of China's economic development since the reform and opening up, and unemployment insurance has played a role in reducing the fluctuations of economic reform and escorting economic construction. Its coverage was initially for the original state-owned enterprise employees and later extended to all urban enterprises and institutions. Compared with the real high-risk groups of unemployment, their work and income are relatively stable, but they are the first to enjoy the unemployment insurance treatment.

### 3.1.2 History and characteristics of expanding coverage of unemployment insurance system in Britain

When the National Insurance Act was enacted in 1911, the unemployment insurance scheme allowed all manual workers over the age of 16 to be insured only if they were engaged in industries where there was a serious risk of unemployment, namely mechanical engineering, ironmaking, shipbuilding, construction, vehicle construction, and sawmilling [10]. After the First World War, munitions workers, ex-soldiers, and other ordnance workers were unemployed in large numbers. In 1918, the government launched a cause donation program to address the cause of former war service personnel. In 1920, the Unemployment Insurance Act made unemployment insurance available to all workers engaged in manual labour in general, as well as non-manual labor, who earned less than £250 a year. The Unemployment Insurance Act of 1934 introduced unemployment benefits to agricultural workers. In 1946, the National Insurance Act provided that all workers, with the exception of self-employed persons, married women who paid reduced social insurance contributions and widows of insured persons, were covered by unemployment insurance provided that they met the conditions for contribution. Workers in all trades were covered by unemployment insurance coverage under the Unemployment Insurance Act of 1955, without any distinction made between specific trades [11]. It covers

employees earning more than £62 a week, as well as the self-employed and married women and widows who pay reduced pension contributions.

The process of expanding the coverage of the unemployment insurance system in Britain shows obvious social policy and precision. The expansion process of its coverage objects was in line with the social needs at that time in order to solve social problems, maintain social stability, and build a safety net for vulnerable groups at that time. At each stage, the increased coverage targets are newly added groups in need of government help and facing high unemployment risk. The policy setting has a high precision, which is conducive to promoting social equity and justice.

## 3.2 Development status of unemployment insurance coverage in China

### 3.2.1 The participation rate is low and the space for expansion is large

**Table 1.** China's employment, unemployment insurance participation and participation rate from 2013 to 2022

Year	Number of people participating in unemployment insurance (ten thousand)	National employment (ten thousand)	Rate of joining insurance (%)
2013	16417	76977	21.33
2014	17043	77253	22.06
2015	17326	77451	22.37
2016	18089	77603	23.31
2017	18784	77640	24.19
2018	19643	77586	25.32
2019	20543	77471	26.52
2020	21689	75064	28.89
2021	22958	74652	30.75
2022	23807	73351	32.46

Data source: Statistical Bulletin on the Development of Human Resources and Social Security Undertakings 2012-2022.

Taking into account the national employment number, the insurance participation rate is the proportion of individuals who participate in unemployment insurance. Based on the availability of data, this paper replaces "the number of people receiving unemployment insurance benefits at the end of the year" with "the number of people receiving unemployment insurance benefits at the end of the year".

Table 1 shows that, in contrast to other social insurance schemes, the present unemployment insurance participation rate in China is only approximately 30%. The national basic pension insurance program will have a participation rate of over 99% by 2022, according to data from China's Ministry of Human Resources and Social Security, whereas the unemployment insurance program still has a low participation percentage. It has, nevertheless, been expanding recently. China's unemployment insurance coverage therefore still has a lot of room to grow. A large number of people are facing the risk of unemployment but are not enjoying unemployment insurance benefits, which still exist.

### 3.2.2 The benefit rate is low and the effectiveness of the system is insufficient

**Table 2.** China's unemployment, number of people receiving unemployment benefits and benefit rate from 2013 to 2022

Year	Number of people receiving unemployment insurance benefits (ten thousand)	Total unemployment (ten thousand)	Unemployment benefit rate (%)
2013	197	926	21.27
2014	207	952	21.74
2015	227	966	23.50
2016	230	982	23.42
2017	220	972	22.63
2018	223	974	22.90
2019	228	945	24.13
2020	270	1160	23.28
2021	259	1040	24.90
2022	297	1203	24.69

Data source: China 2012-2022 Human Resources and Social Security Development Statistical Communique, National Bureau of Statistics.

The unemployment benefit rate measures how many people are receiving unemployment insurance benefits out of the total unemployed population. Based on the availability of data, this paper uses "the number of people receiving unemployment insurance benefits at the end of the year" instead of "the number of people receiving unemployment insurance benefits at the end of the year" and "the number of urban registered unemployed people" instead of "the number of unemployed people".

It can be seen from Table 2 that in recent years, the benefit rate of China's unemployment insurance has remained at 24%, which is far from the international standard of 50%. It can be seen that its aiming degree is not high, and the effectiveness of the system is insufficient. The main reason for this phenomenon is that the people covered by China's unemployment insurance system do not match those at high risk of unemployment. The people who enjoy the benefits of unemployment insurance are usually those with a low unemployment rate and relatively stable employment. In contrast, those who are really vulnerable to unemployment and unstable employment are not covered. In China, the people with high unemployment risk are mainly migrant workers, flexible employment groups, and fresh college graduates [2]. Among them, the data released by the National Bureau of Statistics of China shows that the number of migrant workers in 2023 is 297.53 million, and the number of migrant workers is 176.58 million. The main risk faced by this huge group of people is unemployment, so unemployment insurance is an indispensable type of social insurance. Under the influence of the platform economy and related policies and other factors, the number of new types of employees in China far exceeds that of other countries in the world, and due to the particularity of their employment forms, the traditional unemployment insurance system based on formal employment and standard employment mode is no longer applicable to them. They are also faced with greater unemployment risk. In order to avoid and

promote employment of recent graduates, the unemployment insurance system must be used. These workers' steady employment is crucial to social stability and economic growth.

## 4 Discussion

Lastly, the paper proposes workable solutions and recommendations to maximize the coverage of China's unemployment insurance system based on the experience of the United Kingdom, taking into account the variations in the coverage expansion features of the unemployment insurance systems in China and the United Kingdom.

### 4.1 Establish an unemployment insurance system that focuses on promoting employment

China's unemployment insurance system should strengthen its social policy attributes and promote the employment of vulnerable groups in society. Economic development can be positively impacted by the proper use of social security policies. The desire for a better quality of life is growing stronger as China's economy develops and residents' living standards improve. Therefore, social security policies should gradually shift to the attributes of social policies and pay attention to the needs of people's livelihood rather than merely becoming a vassal of economic development. At present, most of the people who face higher unemployment risk and lack unemployment insurance in China are migrant workers, new types of employees, fresh college students, etc. Greater attention should be given to their needs as China's unemployment insurance continues to develop. At the same time, the design of the system should pay attention to the incentive of their enthusiasm to look for work rather than simple cash payment.

### 4.2 Promote unemployment insurance legislation to expand coverage

Enhance the legal impact, make it obligatory in China's unemployment insurance system, and reduce the occurrence of non-insured. The Social Insurance Law was promulgated in China in 2011, but it only contained temporary provisions and regulations for unemployment insurance. As a result, China's relevant provisions on unemployment insurance are only basic norms in this field rather than basic laws. They have not reached the height of legislation by China's top legislature and, therefore, lack certain legal effects in the process of implementation. This leads to the occurrence of some missing protection phenomena. Britain, on the other hand, introduced the National Insurance Act and the Unemployment Insurance Act earlier. Therefore, in view of the low participation rate of unemployment insurance in China, the legislative process of unemployment insurance can be promoted from the perspective of legislation, and the compulsory means of law can be used to promote the expansion of its coverage.

### 4.3 Provide policy visibility through structural reforms

Through structural reform, China's unemployment insurance system should pay more attention to people at high risk of unemployment, improve the unemployment benefit rate, and enhance the effectiveness of the system. As migrant workers in China move frequently and change their workplaces quickly, it is difficult for them to pay unemployment insurance premiums in the same area for a long time. Therefore, the requirement for one-time unemployment subsidies during the insured period can be reduced. One-time unemployment subsidies will be provided to migrant workers who have participated in the insurance period for a short time. Unemployment insurance benefits will be provided to those who have reached the payment period. For flexible employment personnel, the establishment of an unemployment insurance individual account system, by the individual contribution to the account and the unemployment insurance fund to subsidize the account, thus forming a stable fund. When flexible employment personnel lose their jobs, they can draw funds from the account to meet the basic needs of life. Fresh college students are slightly different from unemployed students. The fresh college students focus on providing jobs, while the unemployed people promote re-employment. Therefore, a stipend system can be established for fresh college students, and the unemployment insurance fund can provide subsidies for enterprises to encourage them to provide internship positions to college students, thus providing more opportunities for college students to gain practical experience. The college students targeted by this system have no obligation to pay, so the treatment period should be shorter than the unemployment insurance.

## 5 Conclusion

China and the UK have distinct characteristics when it comes to the expansion process of their unemployment insurance system. Compared with the social policy and accuracy shown in the history of the coverage expansion of unemployment insurance in the UK, the expansion process of unemployment insurance in China mainly serves the needs of economic construction and has a low policy aim. Based on the characteristics of its coverage expansion, the development of unemployment insurance in China is also faced with the problems of low participation rate, large expansion space, low unemployment benefit rate and insufficient system effectiveness. In particular, migrant workers, flexible employment personnel, fresh college students, and other groups are currently facing a high risk of unemployment in China, but they do not enjoy adequate unemployment insurance treatment. With reference to the development experience of British unemployment insurance, it can improve China's unemployment insurance from three aspects: building an unemployment insurance system with employment promotion as the core, promoting unemployment insurance legislation to expand coverage, and improving policy targeting through structural reform.

From the perspective of coverage, this study puts forward suggestions for the further optimization of China's unemployment insurance system, which will help China's unemployment insurance system to adjust more in line with current social needs, protect the interests of more vulnerable groups in society, and promote social stability and harmony. However, at the same time, this study only puts forward a general approach to system optimization, and enough data do not support the rationality of relevant policy suggestions. The relationship between unemployment insurance coverage and employment rate has not been demonstrated in detail, which may be the direction of future research.

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