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# Good practices in using partnerships for the delivery of employment services in China

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Guangzhe Tian

Employment  
and Labour  
Market Policies  
Branch



International  
Labour  
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EMPLOYMENT Working Paper No. 229

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## Preface

The primary goal of the International Labour Organization (ILO) is to work with member States towards achieving full and productive employment and decent work for all. This goal is elaborated in the ILO Declaration on Social Justice for a Fair Globalization (2008), which has been widely adopted by the international community. Comprehensive and integrated perspectives on achieving this goal are embedded in the Employment Policy Convention, 1964 (No. 122), the Global Employment Agenda (2003) and – in response to the 2008 global economic crisis – the Global Jobs Pact (2009) and the conclusions of the recurrent discussion reports on employment (2010 and 2014).

The Employment Policy Department (EMPLOYMENT) is engaged in global advocacy and in supporting member States' efforts to place more and better jobs at the centre of economic and social policies and growth and development strategies. Policy research and knowledge generation and dissemination are essential components of EMPLOYMENT's activities. The resulting publications include books, country policy reviews, policy and research briefs, and working papers.

The Employment Policy Working Paper series is designed to disseminate the main findings of research on a broad range of topics undertaken by the various branches of the Department. The working papers are intended to encourage the exchange of ideas and to stimulate debate. The views expressed within them are the responsibility of the authors and do not necessarily represent those of the ILO.

Sukti Dasgupta  
Director a.i.  
Employment Policy Department



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## Foreword

This paper was prepared by the ILO as part of a global study to look at the emergence of partnerships between public employment services and other providers seeking to promote access to employment. Across the world, such partnerships are becoming instrumental in delivering these services and active labour market programmes (ALMPs) to help employers and job-seekers adapt to change, and to cope with labour market transitions in increasingly complex labour markets.

Several factors may contribute to this policy trend regarding partnerships. Firstly, it is no longer either efficient or practical to rely exclusively on traditional governmental actors for the creation of more and better job opportunities. Secondly, while conducive policy and regulatory frameworks are necessary preconditions for inclusive growth and improved employment prospects, more downstream action is required to translate these into desirable outcomes – and such action can be supported by partnerships. Thirdly, human resources and fiscal capacity constraints on public administrations require collaboration with other actors.

This paper explores the mechanisms and preconditions that are contributing to these emerging partnerships to keep employment situation stable in China. The Employment Promotion Law and the 12<sup>th</sup> Five-Year Plan (hereinafter referred to as FYP) for economic and social development (2011-15) mark a turning point in the operation and delivery of publicly funded employment services, which the 13<sup>th</sup> FYP for economic and social development (2016-20) takes further, putting inclusiveness and responsiveness as a priority on a local level. The authors have analysed progress made over this period, viewing the work that the Ministry of Human Resources and Social Security (MOHRSS) has undertaken with various stakeholders in setting up a policy framework conducive to partnering and collaboration.

The paper also presents three case studies which cast light on the key factors that prompt the formation of partnerships and the ways in which the challenges of working with external providers have been addressed. The analysis also aims to establish whether there are transferable lessons which could be replicated by other provinces with similar economic conditions and recruitment challenges.

This paper intends to help employment services to explore new approaches to service delivery to meet increasing demand. Partnerships should not be a substitute for the proper funding of public employment services. On the contrary: collaborative partnerships offer the possibility of combining the experience, knowledge, and resources of a variety of actors in implementing solutions that respond to local needs.

Sukti Dasgupta  
Chief  
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## Abbreviations and acronyms

ALMPs	Active Labour Market Programmes
CETTIC	China Employment Training Technical Instruction Centre
CBU	Central Budget Unit
CNY	Chinese Renminbi
GSP	Generalized System of Preferences
GDP	Gross Domestic Product
FDI	Foreign Direct Investment
FYP	Five-Year Plan for economic and social development
GPL	Government Procurement Law
LNLI	Lotus Neighbourhood Labour Institute
MOF	Ministry of Finance
MOHRSS	Ministry of Human Resources and Social Security of the People's Republic of China
NCEPC	New Century Employment Promotion Centre
NPC	National People's Congress
PES	Public Employment Service
PPP	Purchase Power Parity
PrEAs	Private Employment Agencies
SOEs	State-Owned Enterprises
SSO	Social services outsourcing
WEC	World Employment Confederation



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## Executive summary

China has undergone profound structural change and rapid socio-economic transformation. In the last 40 years, it has risen from being a low-income to a middle-income country. China has experienced a demographic transition from rural to urban living, and a significant drop in fertility rates. The year 1978 saw a turning point in Chinese policy making as the Communist Party committed to market-oriented reforms, and opened China to the global economy. This fundamental decision led to massive structural changes in its economy, with significant impacts on the labour market. The rapid transition from a mainly rural population (concentrated in the primary industry) into an increasingly urbanized country (with the highest Gross Domestic Product (GDP) contribution from the tertiary sector) has allowed for a widening of employment opportunities. China's new position in the world economy has come with an increased demand for new skills and more efficient job matching. Policy-makers are open-minded with regard to the introduction of partnerships between the Public Employment Service (PES) and private employment agencies (PrEAs) as a way to meet the changes in the country's labour market needs.

The system for the delivery of employment services in China is based on a nationwide system comprising public, private, and not-for-profit employment agencies. The participation of various providers has enabled the Government to expand provision across provinces, municipalities, and the community level. By the end of 2015, the PES system had 12,000 employment centres operating in provinces and municipalities and 33,000 access points more serving clients at the community level. In 2014, the PES system served 45.5 million workers and placed 42 per cent of them in jobs.<sup>1</sup>

China's Employment Promotion Law and its 12th Five-Year Plan (hereinafter referred to as FYP) for economic and social development (2011-15) encouraged partnerships between public and private providers of employment services. Over this period, the Ministry of Human Resources and Social Security of the People's Republic of China (MOHRSS) has worked with various stakeholders in setting up a policy framework conducive to partnering and collaboration. Efforts in this direction are taken further by the 13<sup>th</sup> FYP for economic and social development (2016-20) by putting inclusiveness in service provision as a priority.

Partnerships for improving the accessibility and quality of employment services are slowly emerging in some cities in China, such as: Shenzhen, Tianjin, Suzhou, and Chengdu. However, there is a clear intention to move from a coexistence of different providers towards partnerships. The mechanisms for implementation are still being shaped and tested. In some cases, the introduction of government procurement of employment services and embryonic performance monitoring tools have helped to overcome certain operating aspects of non-governmental providers partnering with the PES. These emerging practices have had a modest but positive impact on the delivery capacity of the PES and are providing a sound basis for implementation in other parts of the country.

This paper is structured in three parts:

**Part I, "Situation analysis and background information"**, presents a brief overview of the current status of China's labour market and policy context regarding the operation of the PES and PrEAs. The organization of the PES system is explained, including its

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<sup>1</sup> Latest available data from the MOHRSS, 2015.

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governance, scope of services, main outcomes, and performance management and evaluation system.

**Part II, “Partnerships in employment services and ALMP”**, introduces the reader to the basic principles shaping partnerships between public, private, and non-governmental partners. These partnerships are arranged to deliver services based on non-contracted-based cooperation and on contracted “purchaser-provider” relationships. There is also a brief overview on existing procurement process regulating the operation of private providers, as well as its challenges and initial results.

**Part III, “Case studies: partnerships for the delivery of employment services”**, showcases three different examples of partnerships arrangements between the PES and non-government providers: (1) Wujiang District in Jiangsu Province looks at the pilot partnership launched to contract the delivery of employment services to PrEAs by using government procurement; (2) Shenzhen, a major city in the Guangdong Province, analyses an innovative multi-partnership model for the delivery of employment services at the grass-roots level: the Lotus Employment and Entrepreneurship Supermarket; and (3) Tianjin, one of the five National Central Cities of the country, explores the approach used to address acute shortages of qualified workers, involving a combination of government procurement and cooperative partnerships to recruit workers from neighbouring regions. This is followed by Conclusions on existing practices and lessons learned.

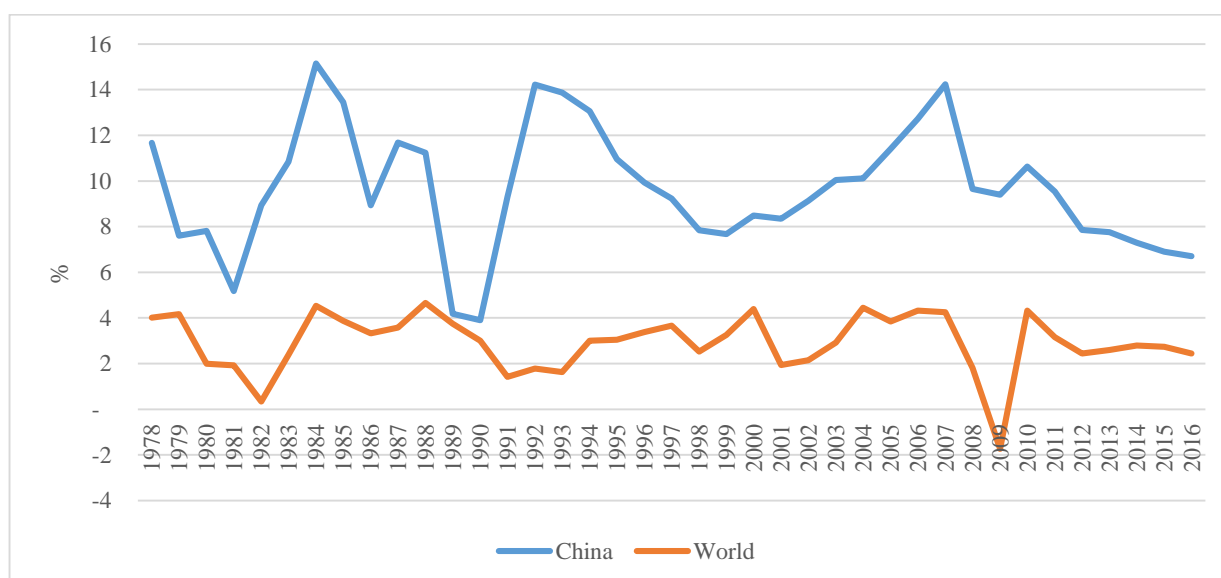
## Part I: Situation analysis and background information

### 1.1. Economic and employment situation

#### 1.1.1. Economic growth

Forty years of rapid economic growth have placed China as the world's second largest economy. China experienced an annual GDP growth rate of over 8 per cent from 1991 to 2012, exhibiting a slight slowdown towards a rate of 6.7 per cent for 2016. The total GDP of China in 2016 was 74.4 trillion Chinese Renminbi (CNY) (11.2 trillion dollars), second to the United States total GDP of 18.6 trillion dollars in the same year.<sup>2</sup> In 2016, the resident's income growth rate was 7.4 per cent, higher than economic growth rate. China maintained a high growth rate during the two financial crises that impacted Asian markets. During the 2009 financial crisis, when global GDP registered negative growth, China experienced a 9.3 per cent growth rate in its GDP (see figure 1.1.).

Figure 1.1. China Gross Domestic Product Growth from 1978 to 2016



Source: Authors with data from World Bank Group (2017a) Employment and unemployment rates.

#### 1.1.2. Employment and unemployment rates

China's working-age population (aged 16-59) increased from 650 million in 1990 to 800 million in 2015. Nevertheless, this trend has started to reverse, and the population in this age range is expected to decline to 830 million by 2030 (World Economic Forum, 2016). However, the new labour force yet-to-be employed in urban areas is still in its peak period, growing as high as 16 million new entrants on an annual basis.<sup>3</sup>

<sup>2</sup> Adjusted GDP for the purchase power parity (PPP) yields to a GDP in international dollars of 21.4 trillion, higher than the one of the United States (18.6 trillion) (World Bank Group, 2017a).

<sup>3</sup> Employment Plan 2014, China.



Despite this, employment creation has remained strong with the rapid economic growth experienced since the late 1970s. From 2011-15, in particular, 12 to 13 million new jobs were created on a yearly basis across urban areas. The total increase over the period led to a total of 64.31 million new jobs (GPRC, 2015). In 2015, the employment rate stood at 56.4 per cent and the participation rate was at 58.3 per cent. In turn, unemployment levels (in urban areas) remained relatively low across the country. From 2011-15, the urban unemployment rate stood at around 4.1 per cent with a slight decrease 0.05 per cent in 2015 (see table 1.1).

**Table 1.1. Employment and unemployment growth, 2011-15**

	2011	2012	2013	2014	2015
Total population*	134 735	135 404	136 072	136 462	137 462
Economically active population in urban and rural areas*	78 579	78 890	79 300	79 690	80 091
Employed people in urban and rural areas	76 420	76 704	76 977	77 253	77 451
Unemployment rate in urban areas (%)	4.1	4.10	4.05	4.09	4.05

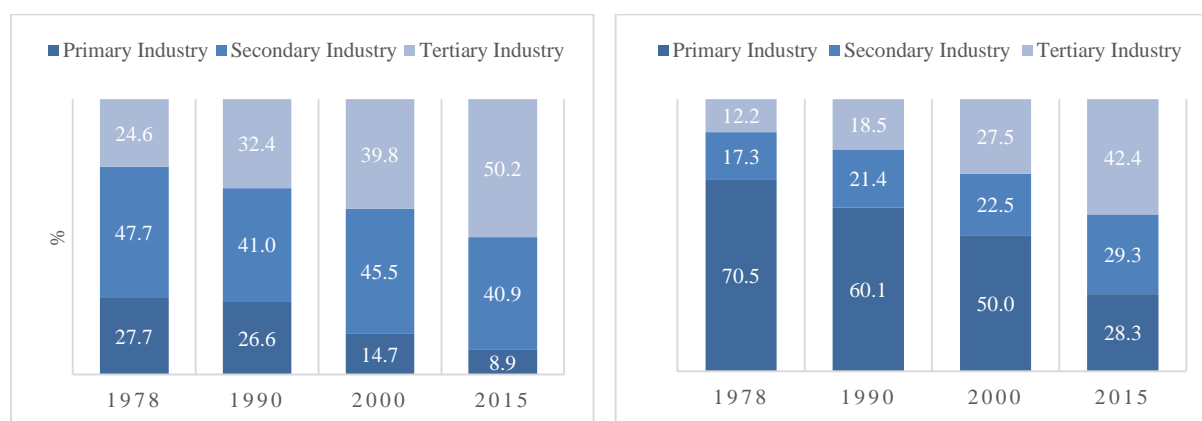
\* 10,000 of people.

Source: China Labour Statistical Yearbook 2016, National Bureau of Statistics, China.

### 1.1.3. Employment by sectors

Sectoral employment shows a strong shift of jobs from agriculture to both industry and services. The services sector and small private enterprises have therefore developed rapidly, at present accounting for more than half of the country's GDP. Meanwhile, some traditional industries have halted. In 2015, the tertiary sector employed a total of 42.4 per cent of the working population (see figure 1.2). The primary sector accounted for 28.3 per cent of total employment in 2015, which was almost two and a half times lower than in 1978 when the primary sector offered jobs to 70.5 per cent of the working population. Moreover, in 2015, the tertiary sector contributed to the total GDP in a proportion of 8.9 per cent, while in 1978 the same sector was contributing to the GDP in a proportion of 27.7 per cent.

**Figure 1.2. China's GDP and employment share by type of sector in 1978, 1990, 2000, and 2015**



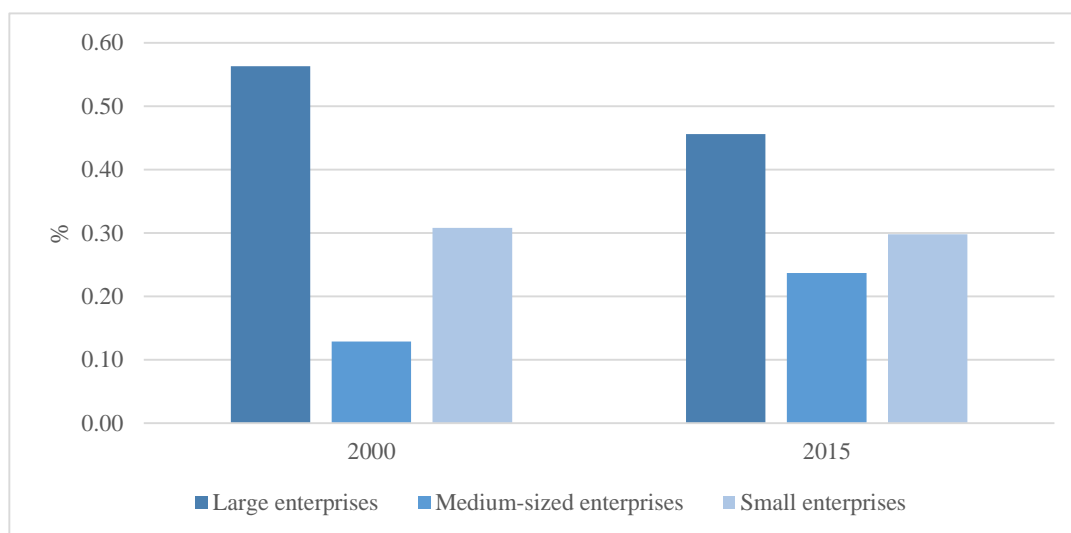
GDP decomposition by industry

Labour employed by industry

Source: China Statistical Yearbook 2016, National Bureau of Statistics, China.

The current employment structure<sup>4</sup> is a direct response to the industrial transformation process of China's economy: there are lower rates of rural employment in the total economy, stable employment in the manufacturing industry, and an increasing rate of employment in the services sector. The mid-1980s to 2011 was a period associated with high-speed economic expansion based on labour-intensive manufacturing. This process ran parallel with the reform of state-owned enterprises (SOE) and an increased demand for new skills and qualifications due to the shift from the manufacturing industries to services. During the 1990s, in particular, China received high amounts of foreign direct investment (FDI) that resulted in the development of large enterprises and growth-led employment industries. More recently, China has experienced a relative decline of SOEs while the role and significance of small and medium enterprises continues to grow (see figure 1.3).

**Figure 1.3. Composition of assets of industrial enterprises, 2000 and 2015**



Source: *China Statistical Yearbook 2016*, National Bureau of Statistics, China.

Furthermore, industrial transformation has also led to a high level of internal labour mobility, in particular from rural areas into urban areas.<sup>5</sup> By 2015, permanent urban residents accounted for 56.1 per cent of the total population (GPRC, 2015). Internal migration, however, has accentuated large regional disparities in terms of economic development, industrialization, and insufficient effective labour supply, making the overcapacity and additional pressure on employment created by rural workers in urban areas more visible.

The employment arrangements have also diversified towards a coexistence of wage salary, self-employment, and flexible employment, including in the informal employment sector: part-time and short-term work, seasonal work, daily paid workers, dispatch workers and home workers are paid per task or hour. In China, workers in these forms of employment account for about one third of the total number of the urban working population. Throughout the 12th FYP implementation period in particular, policies focused on improving employment quality and introducing adequate mechanisms to ensure the protection of workers' rights.

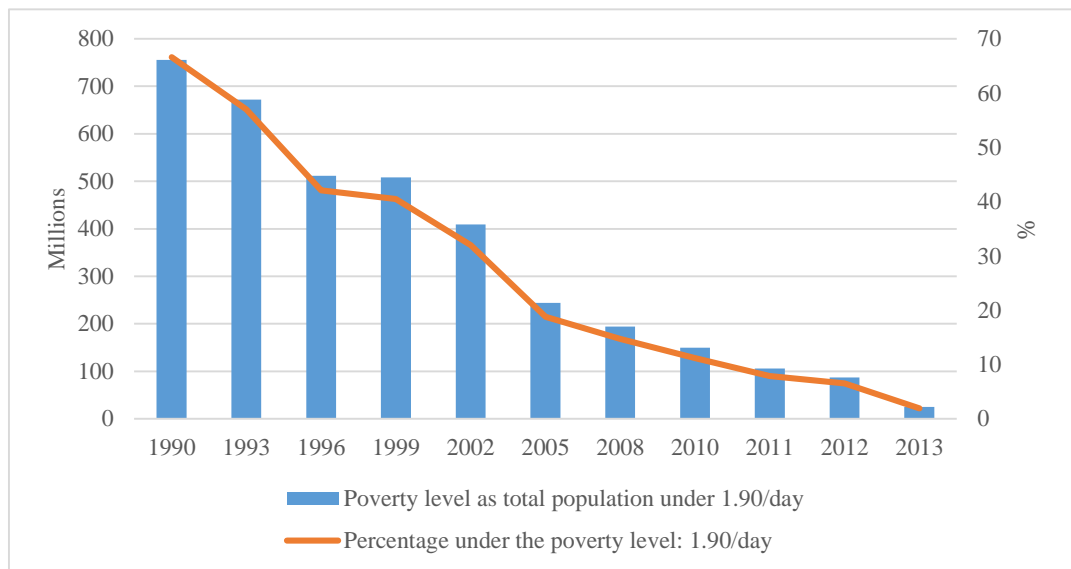
<sup>4</sup> Employment structure means the way in which the workforce is divided up between the three main employment sectors - primary, secondary, and tertiary.

<sup>5</sup> Up to the 1990s, migration regulations were very strict; subsequently, rural-rural migration regulations relaxed. In the second stage, rural to urban areas were allotted. Before this time, migration was controlled and citizens had different types of living permits based on where they were born: rural or urban areas. Only in 1990s was general migration allowed.

### 1.1.4. Human capital: poverty decline and skills development

Since the mid-2000s, net increases in per capita and wage income -- as well as reductions in poverty levels -- have helped sustain China's domestic demand and generated new markets. Consumer spending has continued to rise, and the cost of labour has also increased. These economic changes have significantly impacted income distribution and levels of inequality in Chinese society, and poverty has decreased dramatically over time (see figure 1.4).

Figure 1.4. Poverty and equity in China, 1990-2013



Source: World Bank Group (2017b).

The emergence of high-tech industries and other strategic industries has given place to a more intense demand for higher skill levels, creating a mismatch between job openings and job-seekers. In recent years, highly productive sectors in some provinces report a higher number of vacancies over job applicants matching the required skills. The job vacancy to applicant ratio has increased to 1.5:1 post, and the ratio for senior technicians is even higher, reaching 2:1.<sup>6</sup> The structural shift from a low-cost export economy into one that relies more on domestic consumption has driven China's policies in skills development to expand secondary and higher education (see box 1.1).

<sup>6</sup> Employment Plan 2014, China.

### **Box 1.1. Policy priorities in skills development in China**

The overall level of knowledge and skills in the Chinese labour force is still very low. In 2010, only 4 per cent of the adult Chinese labour force was considered highly skilled, and only half of the workers in urban enterprises could be classified as skilled. According to the Central Government, the main targets established by the 12th FYP regarding expanding access to and improving the quality of basic education, were met. For example, the nine-year compulsory education completion rate reached 93 per cent, and the upper-secondary education gross enrolment rate stood at 87 per cent.

Nonetheless, improving China's education system continues to be a top priority. In secondary education, China's National Plan for Medium and Long-term Education Reform and Development (2010–20) strengthens vocational education through cooperation between schools and enterprises to train skilled workers. According to the National Plan, the number of students in secondary vocational schools should stand at 23.5 million by 2020, adding 1.7 million students to the baseline in 2009. Similarly, the number of higher vocational colleges is planned to absorb 14.8 million students by 2020, which represents an increase of students of 2 million between 2009 and 2020. The National Plan also aims to achieve upper-secondary education graduation rates of 90 per cent by 2020, and foresees that some universities will be transformed into vocational schools, and that a few others will meet world standards.

An apprenticeship policy is also targeting unemployment graduates from secondary vocational schools in remote areas: industrial, regional, and some selected poor counties. The PES system is also called to strengthen support for college graduates facing difficulties to find a job, particularly those from poor families, and those who are disabled.

Source: Authors based on GPRC (2015); ILO (2015); State Council (2017).

In 2016, university graduates accounted for 7.65 million people. However, quality in education is not yet at the same level across the country and thus unable to effectively meet China's economic needs and labour market demands (State Council, 2017). The domestic job market is also confronted with a high number of current and future university graduates for whom competition for job vacancies is likely to intensify. In addition to the millions of new entrants into the labour market every year, a considerable workers' surplus from rural areas has exacerbated the challenges related to employment, training, access to the labour market, and workers' rights. Migration from rural to urban areas has increased the available workforce in urban areas, but also resulted in skills shortages in the rural sector.

## **1.2. The employment policy and legal framework**

### **1.2.1. Employment policy**

China has pursued a deliberate active employment policy and a pro-employment macroeconomic policy stance since the beginning of the structural and industrial reforms in the 1990s, culminating in the Employment Promotion Law of the People's Republic of China to institutionalize the national employment policy framework (ILO, 2015a). The Law was adopted by the National People's Congress (NPC) on August 30, 2007 and entered into force in 2008, placing job-led growth at the intersection of economic and social development. With the promulgation of the Law, all levels of government assumed responsibility for promoting employment and entrepreneurship in accordance with regional and local conditions; and for the formulation and implementation of proactive employment policies, focused on five streams of action:

- (a) Macroeconomic policies for employment growth;
- (b) Employment support policies for disadvantaged groups;
- (c) Employment services and active labour market policies;
- (d) Vocational education and training policies; and
- (e) Labour and social insurance policies to promote flexible employment.

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The Employment Promotion Law is the cornerstone of China's active labour market policy and nails down market-oriented employment promotion mechanisms to improve the functioning of the job market. In this regard, the PES became central to the promotion of labour market participation, in particular, for people facing obstacles to employment and those who are disadvantaged in the labour market — e.g., people with disabilities, unemployed college graduates, and migrant and rural workers. The Law not only strengthens the legal mandate of the PES but also encourages the development of other providers of employment services -- including PrEAs and non-profit-making organizations — to expand and improve job-search capacity (see box 1.2).

**Box 1.2. Policy direction for employment services 2007-16**

The Employment Promotion Law and other relative regulations stipulate that governments at all levels should:

- Expand availability of publicly funded employment services and make budgetary provisions for the implementation of active labour market measures (information, counselling, placement, and support to job-seekers and employers); and
- Improve governments' capacity to regulate PrEAs and other non-governmental providers by means of establishing the conditions and procedures for their operation in the labour market, promoting cooperation with the PES and making available adequate remedies, including penalties in case of violations to laws of regulations in force.

Source: Employment Promotion Law, 2007

Throughout the 2008-16 period, the implementation of the Employment Promotion Law evolved positively. However, challenges remain regarding the coordination of policy interventions, evaluation and monitoring systems, accessibility and service readiness — especially at the grass-roots levels. Efforts and investments at all levels of government have concentrated on the following priorities:

- Ensuring that the provision of free-of-charge employment services is available to all workers and employers;
- Improving quality and relevance of services;
- Encouraging all types of non-governmental employment agencies to expand delivery in urban and rural areas;
- Establishing a unified labour market information system of PES at all levels of government;
- Expanding availability of job-searching tools and online job-matching services;
- Strengthening the expansion of PES at neighbourhood and community levels; and
- Among college graduates, promoting work in medium-, small-, and micro-sized enterprises and social organizations.

The 13th FYP (2016-20) takes the implementation of the Employment Promotion Law further, with the aim of making the access to employment services and active labour market programmes (ALMPs) increasingly equitable. The 13th FYP deepens the public administration reform by building a service-oriented government with a greater understanding of the real needs of local citizens. The plan also seeks to address the imbalances and insufficient provision of public services (including employment) throughout the country, and aims to make equalization in service delivery a goal to be reached by 2020. In adopting this plan, the provision of employment services and ALMPs have become part of the policy means of the Chinese administration to pursue the central goal of reducing the risk of an increase in the unemployment levels, and to facilitate transitions in the labour market, including of people facing disadvantage (GPRC, 2015).

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In April 2017, the State Council<sup>7</sup> issued its opinions on the Promotion of Employment and Entrepreneurship, thereby instructing all provinces, autonomous regions, and municipalities directly under the Central Government to adhere to the strategy of prioritizing employment and pro-active employment policies. In the process of rolling out the 13th FYP, the following priorities to strengthen the PES system were established:

- Reduce overcapacity in specific areas of the country, including making support services available to find jobs in other regions for workers in remote, resource-exhausted mining areas and to develop the human capital market in the West and North-East regions;
- Make services increasingly equitable by giving unemployed rural workers who have migrated to urban areas access to all available services, including public employment service centres located in their new area of residence;
- Implement measures to help the poor migrant population find jobs, particularly those participating in relocating programmes for poverty alleviation;
- Support for both job-seekers in finding diversified forms of employment in the new economy and employers paying social insurance contributions for workers taking these jobs;
- Expand the availability of career guidance and counselling, encouraging unemployed college graduates to participate in entrepreneurship promotion programmes and take job positions in medium- small-, and micro-sized enterprises and social organizations benefiting from preferential recruitment activities;
- Provide job-seeking support for socially disadvantaged groups and target populations including: laid-off workers from SOEs, people with disabilities, families covered by the minimum living guarantee system, and resettle demobilized military officers; and
- Strengthen the management and monitoring systems to measure performance and accountability mechanisms.

### **1.2.2. The legal framework**

The legal and regulatory framework for the provision of free-of-charge employment services in China is underpinned by the Labour Contract Law of the People's Republic of China, adopted by the NPC on June 2007 and the Employment Promotion Law. Both instruments work in combination with other regulations to govern the operation of private and not-for-profit employment agencies and agency worker organizations, known as labour dispatch agencies. China has not yet ratified the international labour standards on employment services: the ILO Employment Service Convention, 1948 (No. 88) and the ILO Private Employment Agencies Convention, 1997 (No. 181), however, basic principles on the organization, scope of services, and protection of workers are present in existing regulations governing: (1) labour dispatch agencies; (2) providers of employment services, intermediary services, skills training, and talent markets; and (3) providers managed by non-governmental organizations and other stakeholders (e.g. trade unions, youth leagues, universities, and educational centres). This last category is subject to the specific conditions laid down in agreements concluded with the MOHRSS.

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<sup>7</sup> The State Council is a high-level governance body, responsible for setting national labour and employment policy standards and regulations, and for managing the national social security system.

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### *Employment Promotion Law*

The Employment Promotion Law establishes the functions and responsibilities for the PES:

- i. Designing medium- to long-term employment service planning, and the annual employment service work plan in accordance with the employment priorities set up by the Central Government.
- ii. Implementing national and local laws, administrative regulations, and relevant policies for employment promotion; and participating in the formulation of national and local employment policies;
- iii. Providing free employment services to all workers in rural and urban areas;
- iv. Providing special employment assistance to disadvantaged groups;
- v. Providing recruitment services for all employers;
- vi. Carrying out employment and unemployment registrations, labour resources surveys and statistics, and the daily management of the unemployment insurance fund;
- vii. Disseminating labour market information for job-seekers and employers, such as labour market supply and demand information, information on wages, and working conditions as well as on vocational training; and
- viii. Establishing conditions for the provision of employment service and vocational training with the participation of private providers, both profit-making and not-for-profit.

### *Labour dispatch*

On December 28, 2012, the NPC adopted the decision to amend the Labour Contract Law of 2008 to regulate the system of labour dispatch.<sup>8</sup> As a result, The Interim Provisions on Labour Dispatch came into effect on March 1, 2014. These provisions establish three categories: temporary, auxiliary, and substitute positions, restricting the number of dispatched workers that can be used by an employer to no more than 10 per cent of its total workforce. The rules of labour dispatch were tightened and apply to legally-established partnership organizations such as accounting firms and law firms, foundations, private non-enterprise entities, and other organizations. The following are exempted from these provisions: international ocean seafarers engaged by employers in the form of labour dispatch; and dispatched workers used by representative offices of foreign enterprises or foreign financial institutions in China, including Hong Kong, Macau, and Taiwan. Legal obligations for labour dispatch agencies are established as indicated in table 1.2.

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<sup>8</sup> Dispatch work falls within the non-standard forms of work. In essence this means that private employment agencies or authorized entities provide services consisting of employing workers with a view to making them available to a third party, who may be a natural or legal person ("user enterprise") which assigns their tasks and supervises the execution of these tasks.

**Table 1.2. Legal obligations of labour dispatch agencies in China**

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<ul style="list-style-type: none"><li>• concluding written labour contracts with dispatched workers for a fixed term of two years or more in accordance with applicable laws within one month from the date when the employee begins to work;</li></ul>
<ul style="list-style-type: none"><li>• informing the dispatched workers on matters prescribed in the Labour Law regarding: remuneration, working conditions, work contents and location, occupational safety and health and social security entitlements, or other relevant information (e.g. non-competition clauses or confidentiality agreements);</li></ul>
<ul style="list-style-type: none"><li>• providing training on job-related knowledge and safety education;</li></ul>
<ul style="list-style-type: none"><li>• making full payment of labour remuneration, which shall not be lower than the minimum complying with social insurance contributions;</li></ul>
<ul style="list-style-type: none"><li>• complying with social insurance contributions;</li></ul>
<ul style="list-style-type: none"><li>• urging the employers to provide labour protection, occupational safety, and health conditions for dispatched workers;</li></ul>
<ul style="list-style-type: none"><li>• respecting statutory restriction on the termination of labour contracts with dispatched workers as those enjoyed by regular employees;</li></ul>
<ul style="list-style-type: none"><li>• adhering to provisions for the compensation to dispatched workers in case of occupational accidents or diseases, and in case of insolvency and protection of workers claims;</li></ul>
<ul style="list-style-type: none"><li>• guaranteeing female employees protection in accordance with the law during the period of pregnancy, maternity leave, and nursing.</li></ul>

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Source: Interim Provisions on Labour Dispatch, 2014.

Another major contribution of the Interim Provisions was the introduction of remedies and penalties in the event of violation of existing regulations by dispatching agencies. The Labour Inspection Bureau of MOHRSS was also entrusted with the responsibility of warning and ordering the dispatching agency to rectify misconduct. The employer using the services of the dispatching agency became liable of any violation causing damage to dispatched workers and for the corresponding compensation.

*Non-governmental service providers of employment services, intermediary services, and talent markets*

In May 2015, the MOHRSS amended a number of regulations on the administrative requirements for employment and talent intermediary agencies as well as on occupational skills training institutions and programmes. The new provisions were aimed to enable these organizations to further adapt to changing market conditions and to offer flexibility to private enterprises while ensuring protection to workers. The regulations amended included:

- Administrative Measures for Sino-Foreign Cooperative Operation of Occupational Skills Training
- Interim Administrative Provisions on Establishment of Sino-Foreign Equity/Cooperative Joint Venture Employment Agencies
- Interim Administrative Provisions for Sino-Foreign Joint Venture Talent Intermediary Agencies
- Provisions on the Administration of Talents Markets

The MOHRSS requires such agencies and institutions to hold a business license to obtain authorization to operate and meet minimum operational standards, for example, proving sufficient funds, qualified staff and adequate facilities and equipment (see table 1.3). Many of these providers are involved in the organization of job fairs and prior to May 2015, they were required to request approval from the MOHRSS to carry out such activities. To simplify delivery of services through job fairs, this approval from the MOHRSS is no longer needed (Cole and Sun, 2015).



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**Table 1.3. Obligations of private providers of employment services in China**

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<ul style="list-style-type: none"><li>• Provide free-of-charge basic employment services to all job-seekers;</li></ul>
<ul style="list-style-type: none"><li>• Obtain a license to operate from the MOHRSS, including for placement or workers abroad;</li></ul>
<ul style="list-style-type: none"><li>• Maintain authorized licenses visible to clients;</li></ul>
<ul style="list-style-type: none"><li>• Prove to have minimum registered capital to sustain operations;</li></ul>
<ul style="list-style-type: none"><li>• Have a team of professional and qualified staff;</li></ul>
<ul style="list-style-type: none"><li>• Ensure accessibility to premises as per service requirements;</li></ul>
<ul style="list-style-type: none"><li>• Inform clients about service regulations, procedures, and contents;</li></ul>
<ul style="list-style-type: none"><li>• Ensure job offers comply with statutory labour law, and social security;</li></ul>
<ul style="list-style-type: none"><li>• Make information on the labour market, including job vacancies, entrepreneurship and vocational training opportunities, publicly available;</li></ul>
<ul style="list-style-type: none"><li>• Provide targeted support to disadvantaged groups;</li></ul>
<ul style="list-style-type: none"><li>• Comply with regulations for the protection of clients' personal data;</li></ul>
<ul style="list-style-type: none"><li>• Have an internal software and operating system that meets PES basic requirements; and</li></ul>
<ul style="list-style-type: none"><li>• Regularly report on activities to update authority for statistical purposes.</li></ul>

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Source: Authors with information from the MOHRSS.

### **1.3. PES: organization, governance, and service scope**

#### **1.3.1. Organization and governance**

The PES system is organized as a decentralized structure forming a five-level system, comprising the national, province, municipality, county and grass-roots (townships, sub-districts and communities) levels. The competences and responsibilities of this five-level system are divided into two layers of governance:

- (1) the policy and management layer covers the national level, provincial and municipal regions; and
- (2) the implementation and service delivery layer involves cities, counties and the grass-roots level, which includes sub-districts, townships, communities, and administrative villages.

The central, provincial, and municipal levels are responsible for establishing policy priorities, planning, budgeting, and coordination mechanisms for ensuring availability of employment services (e.g., information and management systems), while the cities, counties and grass-roots government levels are mainly concerned with implementation and service delivery, e.g., basic employment services, active labour market measures, and services related to social security benefits. This governance structure is the result of a process of fiscal decentralization and decision-making power devolution from the Central Government to sub-national governments (Carrillo et al., 2017).

The competences and responsibilities of each of the five levels integrating the PES national system are as follows:

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## **Level 1 - National**

The MOHRSS is the highest body at national level. The focus of the tasks with active labour market policy and employment services is executed through the Employment Promotion Department. It sets the overarching policy objectives, supervises and evaluates the activities of the PES, and approves fundamental financial decisions. Efforts and decisions on building cooperative relations also take place at the central level, for example: the mobilization of non-governmental organizations and other partners delivering employment support services at grass-roots levels, including trade unions, women's organizations, the federations of disabled people, and the youth leagues and universities. The Employment Promotion Department has a very active role in encouraging enterprises and employers to use and work in cooperation with the employment service agencies.

Work is also coordinated with the China Employment Training Technical Instruction Centre (CETTIC) attached to the MOHRSS and responsible for providing support to the PES regarding technical guidance and vocational training work and for organizing occupational skills testing all over the country. CETTIC sets up the national strategy in collaboration with the Employment Promotion Department. In addition, the MOHRSS builds links between the PES system and the Human Resources Market Information Monitoring Centre of MOHRSS. All these structures are replicated, and unfold policy at the second and third levels of government: provinces and municipalities.

## **Level 2 - Provincial**

The provincial governments are first-level local state administrative organs in China and exercise unified administration regarding human resources and social security. This level of government is represented by the human resources and social security departments responsible for the divisions of employment promotion and the bureaus of employment services. The provinces are responsible for the promotion of employment and formulating local employment development plans, including policies for the promotion of urban and rural employment and for the implementation of the PES system connected with relevant services, including:

- the overall talent development;
- the information and monitoring systems;
- the employment policies for college graduates, including employment-related guidance and services;
- the employment of the secondary vocational school graduates in the province; and
- the vocational skills qualification system and migrant-workers-related work, including overseas talent.

The conditions for the provision of employment service and vocational training by private providers — both profit-making and not-for-profit — are also established at the provincial level, whether these involve cooperative work with the PES or contracted services relationships. Aligning the interventions on non-government providers towards employment promotion objectives is also the responsibility of the provincial level of government.

## **Level 3 - Municipalities**

Municipal governments have the right to exercise unified leadership over the work of the districts, cities, counties, townships, and towns, and exercise unified administration over human resources and social security matters. The municipalities replicate the same structure of the provincial division of employment promotion and the bureaus of employment services. The municipal level also deals with skills training, entrepreneurship services, specialist services, and information and data centres covering cities.

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#### **Level 4 - County**

Counties cover relatively small areas; some with a relatively strong rural landscape. At this level, policies for human resources and social security are implemented -- including the implementation of specific public employment services in these jurisdictions -- through PES agencies.

#### **Level 5 - Townships, sub-districts, and communities**

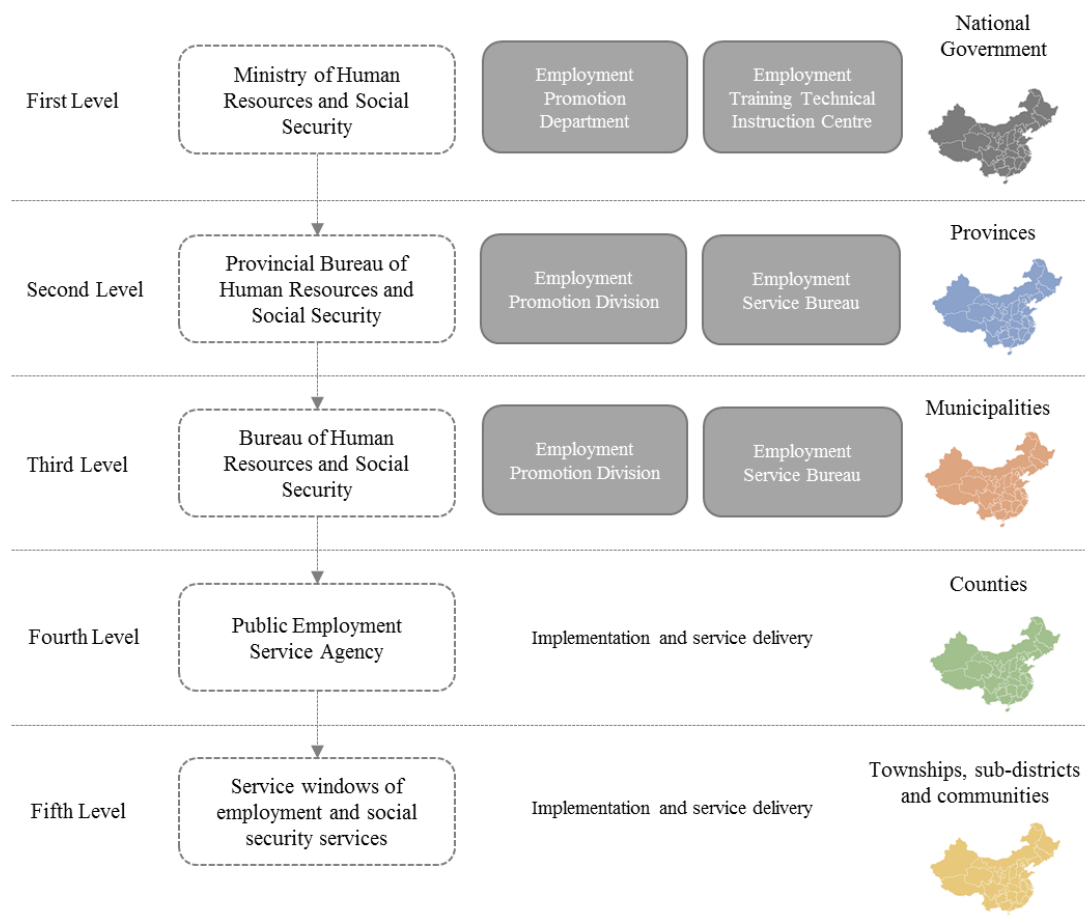
Governments of townships, sub-districts, and communities are grass-roots governments in urban and rural areas. At this level, the human resources and social security departments operate through service points and service “platforms”.

The PES at the fourth and fifth levels of government are mainly involved in the implementation and delivery of employment services and social security-related support.

The range of services and support is large, including:

- human resource surveys;
- the managing of information on labour market statistics and administrative registries on the employed and unemployed, and the provision of employment services, e.g. job information, vocational guidance and job matching services;
- labour mobility schemes for rural migrant workers;
- referrals to vocational education, entrepreneurship training, and vocational skills appraisal;
- business guidance and starter loans aimed to help the unemployed launch a business; and
- social insurance subsidies (see figure 1.5).

**Figure 1.5. Governance structure of the PES system in China**



Source: Authors, based on information from the MOHRSS.

### 1.3.2. The integration process of institutions within the PES system

Given China’s scale and diversity, there are visible regional variations in the implementation and arrangements of employment services. Currently, there is a wide variety of public institutions providing employment services, which include: centres for employment services, career guidance, job centres, vocational training, employment services “platforms”, and service points, to mention a few. Each of them provides a specific array of services and targets different groups of the population. The national PES system is undergoing a process of reform, and integrating the different institutions and administrative structures involved in the delivery of employment services, career guidance, skills training, and social security aids across all levels of government.

Integration is taking place both horizontally and vertically. Vertical integration consists of aligning policies, objectives, and resources, and clarifying mandates of the different institutions involved in the provision of publicly funded employment services to ensure that they unfold from the central level of government to the grass-roots level. Horizontal integration makes references to the interconnection of service providers to coordinate or complement the offer of services and support available to different clients in a given jurisdiction.

In particular, provincial and municipal governments have played an active role in instilling coherence and clarity in the roles and scope of intervention of each institution.

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Likewise, they have a strong responsibility for making the PES system more inclusive and accessible to all workers. In 2015, there was a primary integration of resources and service connection was achieved on a basic level at the provincial and municipal level; however, at the county and grass-roots levels, this process has yet to be completed (see box 1.3).

**Box 1.3. Integration process of service providers across five PES levels of government**

This wide variety of structures for service provision dates back to before the creation of the MOHRSS in 2008. The Ministry resulted from the merger of the former Ministry of Personnel and the Ministry of Labour and Social Security, which had their own mandates and scope of intervention. Both ministries, however, bore responsibility for providing employment services but had different target populations. Under the Ministry of Personnel, these services were called “talent markets” and were provided to university students and cadres, while services for enterprises and employers were provided by the former Ministry of Labour and Social Security under the name of “labour markets”.

With the creation of MOHRSS, the Central Government started to promote the vertical and horizontal integration of the “talent markets” and the “labour markets” and their corresponding delivery structures. The first phase of integration was launched in 2009 with the issuance of the Guidance on Further Strengthening the Establishment of Public Employment Service System for the provincial and municipal levels. As a result, the public employment personnel service centres emerged facilitating the link between job-seekers and employers. A second phase followed in 2013, with the issuance of the Opinions on Accelerating the Integration of Human Resources Market, which required speeding up the integration of public employment personnel service institutions, this time involving the county and grass-roots governments.

Source: ILO, 2015b.

With the launching of the integration process, the MOHRSS has gradually established the conditions and incentives for PES providers at all levels of government to invest in the movement towards a computer-based system, the introduction of standardized service processes, and the professionalization of staff — including career counsellors, instructors delivering training, personnel organizing skills testing, and information analysts. For example, a nationwide information system for employment services currently operates in a network fashion, and supports the management of job-matching related transactions: from the registration of job vacancies and job-seekers (e.g. the issuance of certificates of employment and unemployment status, and other operations connected with social security entitlements), to processes linked to the administration of active labour market interventions.

Furthermore, at the provincial, municipal and city levels, many of the employment services centres have been upgraded, their facilities improved, and the offer of services have been extended beyond basic provision (see figure 1.6). In 2014, in 90 per cent of districts and counties, the employment centres were equipped with standardized service facilities, specialized service windows, and business counters; and 95 per cent of neighbourhoods operated standardized service points with corresponding improved service facilities. Nevertheless, the capacity and level of provision is not homogeneous across the PES system. As local governments are responsible for funding the provision of free-of-charge employment services, wealthier provinces and municipalities are better able to meet policy guidelines by the Central Government than those with lower own financial resources (Carrillo et al., 2017).

**Figure 1.6. Employment service centre in Zhengzhou City, Henan province**



Source: The MOHRSS.

### **1.3.3. PES objective and type of services**

China’s PES national system supports the implementation of a full employment policy framework as per the 13th FYP. The main objective of the PES is to match labour supply and labour demand to smooth labour market transitions for all workers in rural and urban areas, and to ensure the supply of workers to private enterprises and industries. The services of the PES system are broadly organized in a basic offer of services available in most of the contact points and employment agencies and complementary services, including active labour market interventions (see table 1.4).

**Table 1.4. Basic and complementary employment services**

Basic employment services	Complementary services
<ul style="list-style-type: none"> <li>• Registration of job-seekers and vacancies;</li> <li>• Job-search activities, e.g. career guidance and counselling, job fairs, and placement;</li> <li>• Vocational guidance and job matching;</li> <li>• Labour market information, including job offers, skills requirements, and wage levels;</li> <li>• Provision of advice and guidance to employers;</li> <li>• Process unemployment insurance and related subsidies for unemployed people*</li> </ul>	<ul style="list-style-type: none"> <li>• Vocational training and retraining of redundant workers in light of the changes in skills demand arising from structural reforms, migration of rural surplus labour, and increasing labour market entrants;</li> <li>• Entrepreneurship training and business start-ups to promote the tertiary sector;</li> <li>• Employment subsidies, including tax exemptions or reductions, vocational training subsidy, discounted interest loans for qualifying small- and medium-sized enterprises, and social security subsidies</li> </ul>

\* The PES is responsible for processing the unemployment insurance and related subsidies of unemployed people. At the grass-roots level, the employment centres and social insurance services for the unemployed are delivered under the same roof. The use of unemployment insurance funds is limited to enterprises and individuals who fulfil eligibility requirements, including: payment of contributions for at least one year; job loss for reasons other than the worker’s own fault; being registered as unemployed with the PES; and engagement in an active job-search in an employment centre.

Source: Authors with information from the MOHRSS.

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This range of services and active labour market interventions can be delivered directly by the PES or through non-governmental organizations on the basis of non-contracted-based partnerships. For this purpose, the institutional system to deliver employment services is organized in two main streams:

- (1) A comprehensive service system providing free employment services to all workers in rural and urban areas, such as employment advice, vocational guidance, subsidies for vocational training, vocational skills appraisal for the registered unemployed, and entrepreneurship. In this system, the PES services mainly include local workers within their jurisdiction, but sometimes they extend their support to workers from other jurisdictions. The institutions delivering employment services register employers and workers in the national employment and unemployment registration system and issue a registration certificate, which allows the holder to access available services in any of the institutions delivering free employment services, irrespective of their area of jurisdiction.
- (2) Special service system for disadvantage and target groups such as university graduates, professionals, technicians, rural migrant workers, women job-seekers, and people with disabilities. Usually, the targeted delivery is offered by non-governmental organizations and other stakeholders on the basis of non-contracted-based partnerships with the PES. For instance, the University Graduates Employment Guidance Centres are managed by educational departments at the level of the county, township, sub-district, and community governments, and they provide employment services for university graduates. The Women's Employment Service Agencies are run by women's federations and provide employment services for women, and the Disabled Employment Service Agencies are held by disabled federations and provide special employment services for persons with disabilities.

As part of the services to disadvantaged groups, the PES system operates the employment-aid system to provide special assistance to help the zero-employment families to have access to job opportunities through the neighbourhood service points of employment and social security services. This is carried out mainly through name registration and home visits to guarantee that at least one member of the family is in stable employment, including families covered by the minimum living wage guarantee system. Other disadvantaged groups served by the PES system are demobilized military officers who need to be resettled, and workers laid off from the SOEs. Services for target populations include job-search support, occupational guidance and employment training, mobility schemes, guaranteed loans to start small businesses, social insurance subsidies, employment subsidies, basic living subsidies, and tax reduction.

#### *Special activities by the PES system*

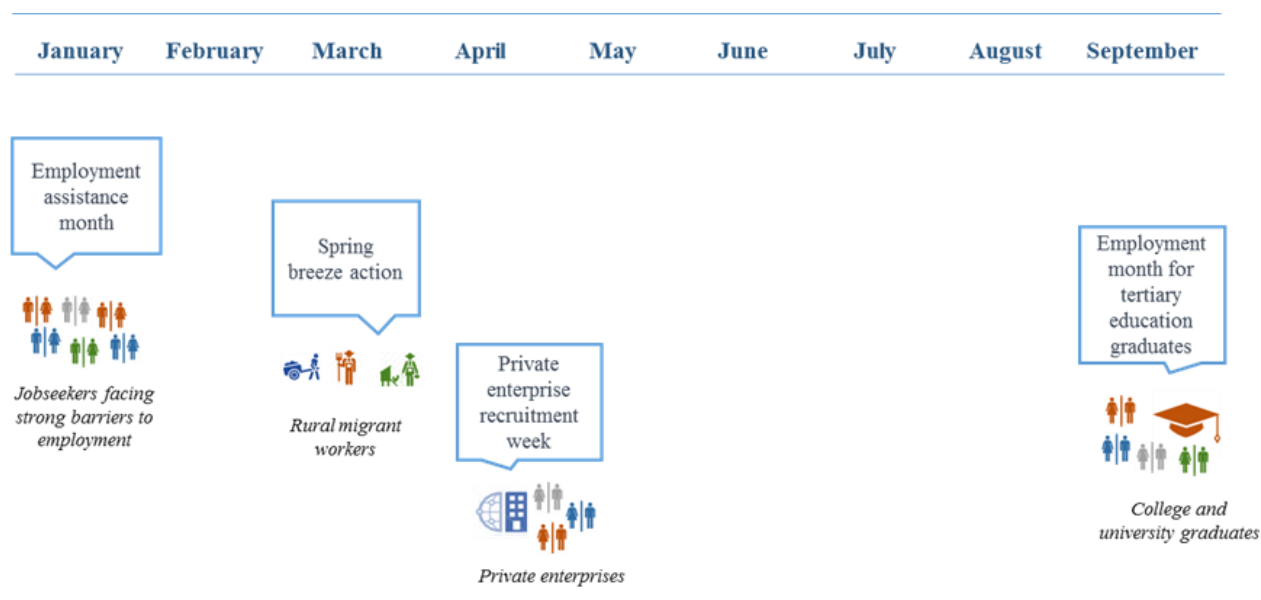
The PES system organizes special activities tailored to specific target groups, including employers in private enterprises, which are delivered in different months and seasons of the year (see figure 1.7). These tailor-made interventions are organized on a large scale and delivered at the grass-roots level to four specific groups:

- Employment assistance month targets job-seekers facing several barriers to employment. This event is organized nationwide by PESs in January each year during the New Year and Chinese Spring Festival holidays. Employment counsellors at the grass-roots levels deliver one-to-one support and provide job-seekers with access to all employment services.
- The Spring Breeze Action serves the specific needs of rural migrant workers and is held every March. A diverse range of enterprises located across the country participate in this event to advertise job opportunities and recruit workers through job fairs run by grass-roots providers of the PES system. Rural migrant workers, in

particular those from poor areas, receive basic employment services and training so that they may be placed in non-agricultural sectors. Enterprises participating in the Spring Breeze Action have access to training subsidies, including pre-employment training, skills-upgrading, and tailored short-term training courses for job candidates. Enterprises also received advice on recruitment procedures to promote compliance with labour rights, e.g. working time, statutory social security benefits, and other working conditions. Other disadvantaged job-seekers in rural areas can also benefit from services delivered in March, and together with rural migrant workers are offered entrepreneurship training.

- Private enterprises recruitment week is organized to help enterprises easily reach out to potential job candidates, including university graduates and rural migrant workers in April every year. The range of services offered to employers include the massive dissemination of job vacancies, job fairs, and general information sessions on how to access a wider range of active labour market interventions in the employment offices at the grass-roots level.
- Employment month for tertiary education graduates, including college and university graduates who find it difficult to complete the school-to-work transition. Activities are organized with the participation of employment service centres run by the PES partners from tertiary education institutions and universities. All graduates participating in the employment month are registered in a dedicated database, which can also be accessed by the PES with a view to improving the initial assessment needs, one-to-one counselling and guidance, and consecutive follow-up services. Services delivered throughout September also have the purpose of helping enterprises to adapt job profiles and recruitment requirements to graduates. All employment services, in particular, entrepreneurship and training, are available during this event. Priority is given to young job-seekers with disabilities, graduates from ethnic minorities, and poor households in rural and urban areas.

**Figure 1.7. Special activities for target groups organized by the PES and non-governmental partners**



Source: Authors with information from the MOHRSS.

As a result of the policy to make publicly-funded employment services increasingly equitable and to professionalize the PES system, 90 per cent of the counties and districts have employment centres with standardized service facilities, service windows, and business counters; and standardized service stations with corresponding service facilities have also been set up in 95 per cent of neighbourhoods. A unified telephone consulting service system with a toll-free number is also available at the provincial and municipal levels, covering 90 per cent of the metropolitan areas. The information system for employment services operates



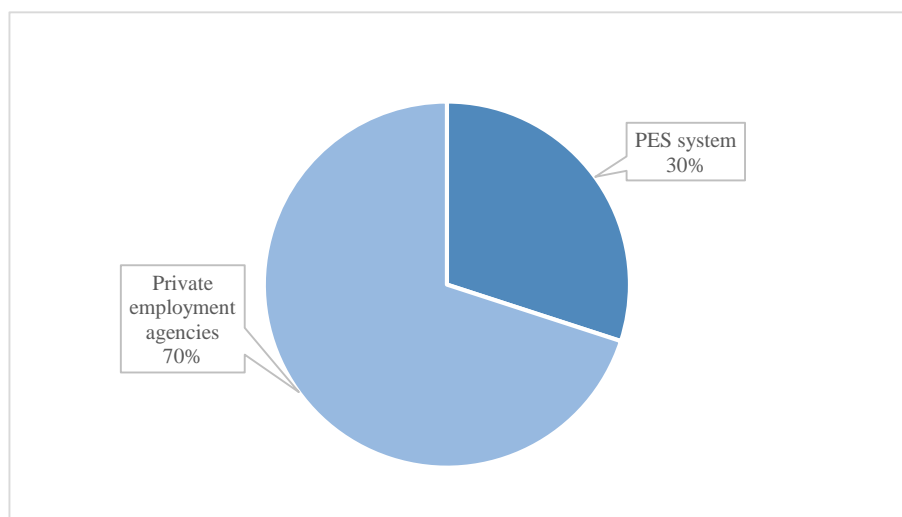
in a network fashion, and supports the management of job-matching related transactions: from the registration of job vacancies and job-seekers (e.g. the issuance of certificates of employment and unemployment status, and other operations connected with social security entitlements), to processes linked to the administration of active labour market interventions.

### 1.3.4. Service scope and main outcomes

The PES in China is based on a system supported by a variety of public institutions and non-governmental employment agencies operating in partnership with the MOHRSS and the other levels of government. The participation of various providers has enabled the Government to expand provision across all levels and to cover urban and rural areas. In 2014, grass-roots level service provisions covered 98 per cent of the sub-districts, 69 per cent of townships, and 95 per cent of the communities.

By the end of 2015, the PES system had 12,000 employment service centres nationwide, with a total staff of 200,000 employees, and there were 33,000 additional access points to support grass-roots level provision. The MOHRSS estimates that the PES system covers 30 per cent of the job market in China, while the rest of the market is served by a variety of non-governmental employment services agencies (see figure 1.8).

Figure 1.8. Job market coverage by PES system and PrEAs, 2015



Source: Authors with latest available data from the statistics of the MOHRSS, 2015.

In 2014, all the five levels of the PES system registered 45.5 million job-seekers and successfully placed 19.13 million jobs. Forty-two per cent of the total were registered, and among them, 8.3 million were women (43.4 per cent of total job-seekers) (see table 1.5). Entrepreneurship guidance was also delivered to 4.14 million people, of whom 1.42 million were women (34.3 per cent of total job-seekers). In the same year, 1.77 million workers facing several barriers to employment received job-search support, and 300,000 people with disabilities benefited from job counselling and vocational guidance.

**Table 1.5. PES system: main outcomes by level of government, 2014**

PES's levels of government	Registered job-seekers	Job placements (persons)	Placement rate (%)
Provincial and municipal	15 461 005	4 834 744	31.3
County	22 297 854	10 164 379	45.6
Townships, sub-districts, communities	7 796 088	4 134 136	53.0

Source: Statistics of the MOHRSS, 2015.

In 2016, the special activities delivered by the PES system in cooperation with non-governmental organizations and other stakeholders produced the following results:

- **Employment assistance month (January):** A total of 607,000 job-seekers were registered as facing several barriers to employment and 311,000 of them were placed in jobs of a different nature nationwide. In addition, 38,000 enterprises recruited 172,000 long-term unemployed persons who also received job subsidies and social insurance benefits. There were 409,000 registered with disabilities receiving one-to-one job-search support (see table 1.6).

**Table 1.6. Outcomes: employment assistance month, 2016**

Services delivered	Number of job-seekers or enterprises
Total registered job-seekers	607 000
Placed job-seekers	311 000
Participating enterprises	172 000
Long-term unemployed hired	172 000
Registered disabled job-seekers	483 000

Source: Statistics of the MOHRSS, 2015.

- **The Spring Breeze Action (March):** Basic employment services were provided for 23.09 million people, among which 10.30 million were women. Entrepreneurship services were delivered to 680,000 people of whom 280,000 were women (41.2 per cent of total job-seekers). The Spring Breeze Action placed 6.99 million in local enterprises of whom 3.70 million were women (52.9 per cent of total job-seekers). During this event, 5.45 million more people found jobs in other areas outside of their home towns, of whom 2.23 million women (40.9 per cent of total job-seekers). Vocational skill training was also organized for 2.31 million people (690,000 women) as well as entrepreneurship training for 190,000 people. Furthermore, training subsidies were approved for 570,000 people, and legal assistance in labour rights protection provided to 1.42 million people, of whom 550,000 were women (38.7 per cent of total job-seekers). In addition, 22,700 special recruitment side events and job fairs were organized, and 47.29 million pieces of "spring cards" and other promotional materials were distributed (see table 1.7).

**Table 1.7. Outcomes: The Spring Breeze Action, 2016**

Services delivered	Total number of job-seekers	Women job-seekers
Basic employment services	23 090 000	10 300 000
Entrepreneurship services	680 000	280 000
Placed in local enterprises	6 990 000	3 700 000
Placed in areas outside home towns	5 450 000	2 230 000
Vocational skills training	2 310 000	690 000
Entrepreneurship training	190 000	n/a
Training subsidies	570 000	n/a
Services delivered	Total number of job-seekers	Women job-seekers

n/a = not available

Source: Statistics of the MOHRSS, 2015.

- Private Enterprise Recruitment Week (April):** A total of 174,000 private enterprises participated in this recruitment week, and 861,000 job-seekers had the opportunity to get in contact directly with them and had initial job interviews. Of these, 357,000 were university graduates, 329,000 were rural migrant workers, and 100,000 were people experiencing difficulty in finding a job (see table 1.8).

**Table 1.8. Outcomes: private enterprise recruitment week, 2016**

Private Enterprise Recruitment Week	Number of job-seekers or enterprises
Participating enterprises	174 000
Job-seekers doing initial job interviews	861 000

- Employment month for tertiary education graduates (September):** A total of 710,000 college and university graduates registered nationwide and benefited from general information on jobs and the labour market situation. There were 2.02 million job vacancies advertised and only 200,000 of the job-seekers participating in the event were placed. Of these, 170,000 graduates received job-search support, and a further 270,000 graduates were referred to vocational skills or entrepreneurship training programmes (see table 1.9).

### 1.3.5. Funding sources

China's PES system is mainly financed by local governments and the Employment Fund. The fund is fed by three different sources: local budgets approved by provincial, and municipal levels; Central Government employment subsidy funds; and allocations earmarked from the unemployment insurance fund.

- Local budgets** are appropriated for capacity and infrastructure development (e.g. operating facilities and the information system), staff costs, and operating charges. A part of the local budgets is set aside to fund employment promotion programmes and related incentives, such as employment and vocational training subsidies, social insurance subsidies, and public welfare subsidies. Other expenses within the PES's own scope of activity are covered by local budgets, including the organization of large-scale special activities delivered in certain periods of the year (e.g. the Spring Breeze Action and the private enterprises recruitment week). The budgetary capacity among provinces and municipalities differs greatly, and those provinces with budget

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constraints, for example, experience difficulties in delivering services corresponding to existing demand.

- **Central Government employment subsidy funds** are mainly used to support national flagship programmes for employment promotion, for example, entrepreneurship training. Central Government funds also subsidize selected local employment promotion projects in line with national related policy, including subsidies for vocational training and skills appraisal; social insurance subsidies for encouraging enterprises to hire unemployed people registered with the PES; and small loan subsidies for individuals interested in self-employment or starting a small business. Following the adoption of a pro-active employment policy, the Central Government has increased investment in the employment subsidy funds; for example, from 2011 to 2015, the fund purse has reached CNY 40 billion per year.
- **Special allocations from the unemployment insurance fund** subsidize job placement and re-employment training of long-term unemployed workers, and help private enterprises to preserve existing job positions.

### **1.3.6. Performance management, monitoring and evaluation**

The internal performance management, monitoring, and evaluation of the PES system is still in the initial stages. Part of the problem lies in the absence of basic definitions, criteria to measure performance, and methods of evaluation. Existing practices differ greatly from one province to another, making it extremely difficult to form unified national service standards. This leads to another major constraint: the standardization processes of service delivery protocols across all public institutions which provide employment services still exhibit great variation. These differences are partly related to the diverse economic conditions prevailing across provinces, and the capacity of these provinces to invest in the PES. Furthermore, the lack of efficient, scalable, and flexible technologies to control service provision across all five levels of government make it extremely challenging to collect timely and reliable administrative information, in order to accurately assess nationwide performance.

Nonetheless, in recent years, the MOHRSS has actively promoted the standardization of services and work methods across the PES system, issuing basic principles to guide service provision nationwide such as the “Catalogue on terminology of the Human Resource Service” and the “General principles of the PES System”. These principles stem from the following:

- **Essential services:** Free employment services are essential to the promotion of full employment and an efficient utilization of the workforce;
- **Sustainable development:** Governments at all levels should allocate public funds to ensure the effective management and functioning of the public employment centres. Priority is given to developing monitoring mechanisms for accountability; innovation in service delivery; the introduction of competition mechanisms among providers; and improving service quality;
- **Equal coverage:** Ensuring access to employment services for all urban and rural workers is the governments’ primary responsibility at all levels. The level of support and quality should be the same across the country (ILO, 2015b).

While it is important to acknowledge the progress made by provinces and municipalities regarding the integration of delivery structures, the standardization of service processes, and the professionalization of staff, the practice is incomplete at the county and grass-roots levels. Here, service provision effectively becomes more staff-intensive.

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However, the MORHSS and some provinces with higher operating capacities (e.g. budgets, IT systems, and dynamic job markets) have been attempting to develop performance indicators responding to their specific local context. A small number of indicators common to these pioneer provinces can be identified, which mainly measure qualitative and quantitative aspects of service provision, including:

- Service attitude, ethics, and integrity of staff;
- Achievement of set goals regarding delivery of basic services, e.g. the registration of job-seekers and vacancies, job placement, and vocational guidance;
- Efficiency of services, e.g. the frequency of completed job placements, quantity and quality of the collection of information on labour market supply and demand; and
- Effectiveness of services, e.g. the customers' satisfaction.

In addition, four specific practices for performance management and evaluation of the PES system have been piloted. They are as follows:

- **Commissioning of independent external evaluations** by the Central Government and provincial governments to measure the performance of employment service centres and staff against set targets. This practice mainly relies on methods based on structured interviews with randomly selected managers and staff and customers' satisfaction surveys.
- **Service quality evaluations based on the ISO 9000 certification management system standards** have been introduced in several employment services centres and they assess selected service types with a customer-based approach. The objective of the ISO 9000 system is to ensure that the employment services centres meet the needs of clients, both job-seekers and employers. For example, results in Chengde, a prefecture-level city in the Hebei province, primarily reflect that the ISO 9000 methodology favours a clear definition of strategic objectives, a functional office structure with standardized operational process, improved staff service attitude, and increased capacity to deliver services consistently overtime. These changes have also created a more satisfied clientele. Although effective in improving the overall performance of employment services centres, scaling up this practice has proven challenging — given that ISO 9000 certification fees and audits are paid by the local financial budget.
- **Conducting inter-departmental supervision based on internal investigations, customer satisfaction surveys, and customer complaints.** This entails the integration of working teams from third party organizations commissioned to analyse administrative data, and customer satisfaction surveys, as well as complaints filed by job-seekers and employers. Recommendations for improvements are issued based on findings. However, analysis is based on final results and not the specific processes and protocols for service provision. The inter-departmental nature of this approach can make it difficult for the participating actors to carry out periodical assessments and prompt continuous improvements.
- **Promoting performance management through the standardization of public employment services.** This requires the providers of the PES system, particularly at the county and grass-roots levels, to adapt service provision to national standards. Work in this area is extremely important to allow the gradual introduction of standard performance indicators nationwide.

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## Part II: Partnerships in employment services and ALMPs

### 2.1. Non-government providers of employment services

Over the past decade, China's PES system has shifted from the provision of publicly funded employment services put in place by the government, to mechanisms introduced via public-private cooperation. Since the enactment of the Employment Promotion Law in 2007, the PES system has pursued three key objectives: expanding the availability of employment services; improving the quality and relevance of delivery; and making services increasingly equitable, particularly to groups facing disadvantage in the labour market, e.g. those with disabilities, migrant and rural workers, and unemployed college graduates. In the fulfilment of these goals — and as a response to an increasing demand from employers and workers alike — the PES system has explicitly promoted the development of non-government providers of employment services.

Policy directions instruct the operation of non-government PES with the following three core objectives, to which these providers are expected to contribute:

- improve job-search capacity in urban and rural areas;
- provide professional services responsive to the needs of job-seekers and employers; and
- deliver services and active labour market interventions on behalf of the PES system through collaboration agreements or the government's procurement system.

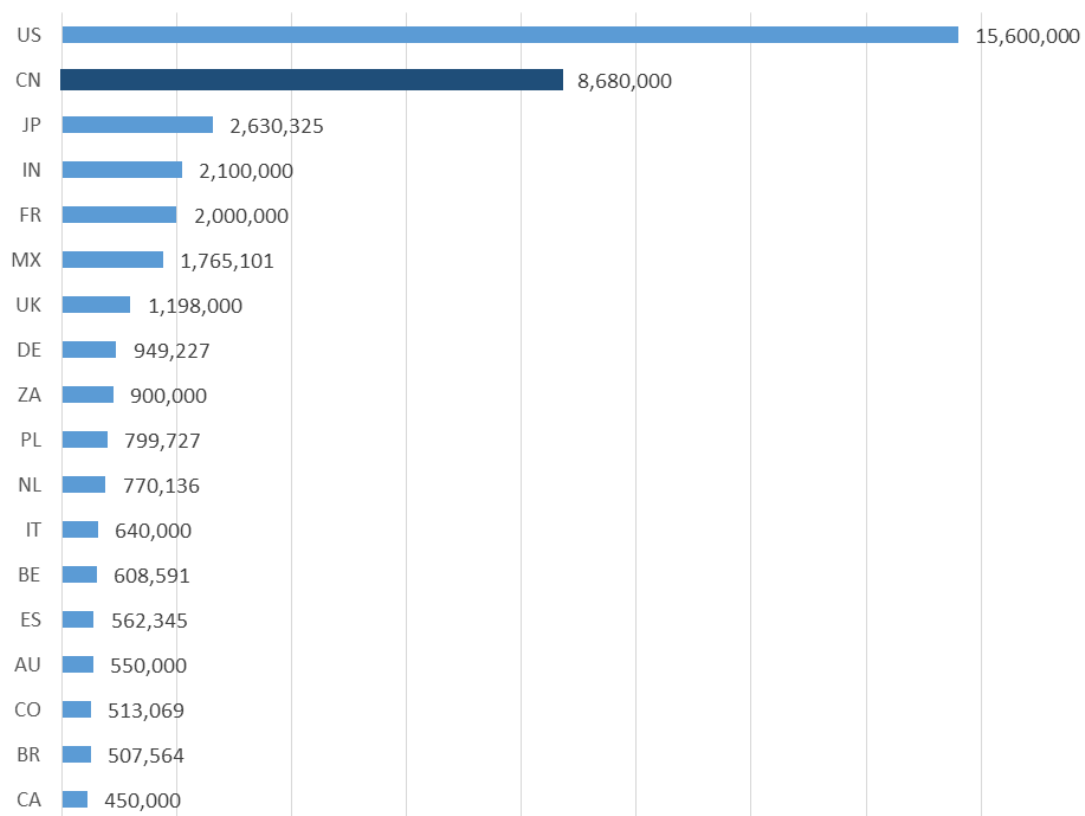
The policy of encouraging the participation of non-government providers responds to the overall reform process of moving the production of public goods to the market-economy, while the government maintains responsibility for allocating funds, establishing policy priorities, coordination, and oversight. Employability services, job-matching, and recruitment have become an important and growing area of China's proactive employment policy: they have attracted increasing interest from policy-makers and other labour market actors.

Following the enactment of the Government Procurement Law (GPL) in 2002 and the modernization of the regulatory framework governing the operation of non-government providers of employment services (see section 1.2.2.), the demand from private enterprises and job-seekers has kept growing, and the industry has continued expanding. In 2015, China was responsible for 17.5 per cent of total placements of the PrEAs global industry, just behind the United States which was ranked first and accounted for 31.2 per cent of total placements (see figure 2.1). Globally, the PrEAs industry gathered 169,000 employment and recruitment agencies and achieved a €417 billion turnover in 2015. As a whole, this industry helped 50 million people access the labour market worldwide.<sup>9</sup>

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<sup>9</sup> Data corresponding to affiliates of the World Economic Confederation (WEC), which is present in 50 countries (WEC, 2017).

**Figure 2.1. The private employment industry: global job placements, 2015**



Source: Authors, based on WEC (2017).

Non-government providers authorized to operate in China are broad in scope, and involve:

- non-profit-making employment agencies run by non-governmental organizations and other stakeholders;
- collective or state-owned employment services;<sup>10</sup>
- PrEAs, both fee- and non-fee charging;<sup>11</sup>
- cooperative joint venture employment agencies;
- joint venture talent intermediary agencies;
- administrators of talents markets; and
- Sino-foreign equity/cooperative joint venture employment agencies.<sup>12</sup>

<sup>10</sup> State-owned human resources enterprises refer to human resources companies run by the public sector, for example, the foreign talent agencies. State-owned employment services do not receive funds from the MOHRSS.

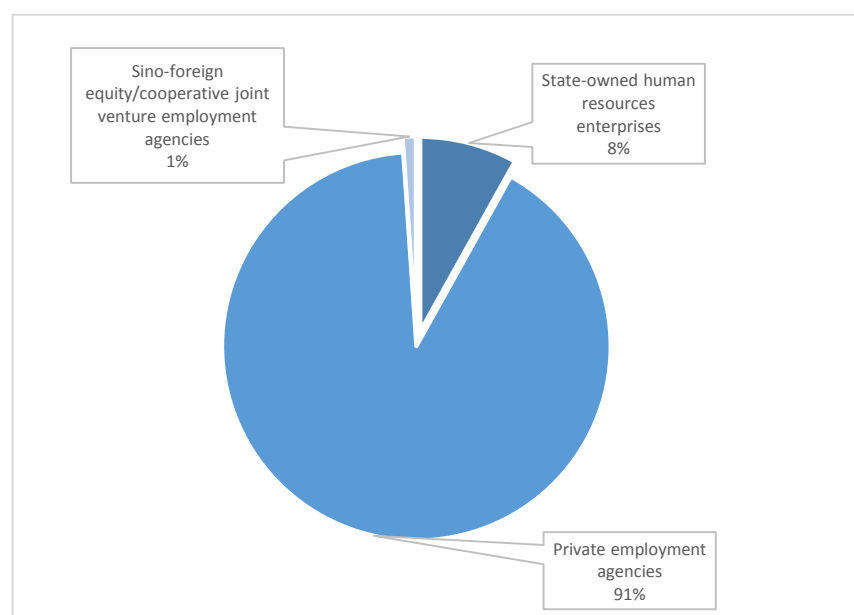
<sup>11</sup> In China, non-government providers of employment services do not charge any fees to workers. Fee-charging to employers, however, is authorized.

<sup>12</sup> A Sino-foreign joint venture is a limited liability company which has the status of a Chinese legal person. It is one of the most common types of foreign investments in China, and it differs from the cooperative joint ventures in that it can be structured as either a limited or unlimited-liability enterprise, giving the foreign company much more flexibility than a Sino-foreign equity joint venture.

This industry offers a variety of services ranging from the provision of basic job information; vocational guidance; career management; vocational training; job matching and direct recruitment services to labour dispatch; talent assessment; head hunting; HR outsourcing; HR consultancy; and HR management.

As of the end of 2015, there were 20,528 licensed non-government providers of employment services staffed by 450,000 professional employees operating across the country. Among them, there were 1,660 state-owned human resources service enterprises, 18,646 PrEAs and 222 more of the private-owned agencies were Sino-foreign equity/cooperative joint venture employment agencies in Hong Kong, Macau and Taiwan (see figure 2.2).

**Figure 2.2. Licensed non-government providers of employment services, 2015**



Source: Authors with latest available data from the statistics of the MOHRSS, 2015.

According to the MOHRSS, China's employment services industry is helping to enhance labour market dynamism and expand service provision by professional staff, mainly through online delivery channels and one-to-one recruitment services. In 2015, non-government providers delivered basic job information to 415 million job-seekers of employment services, advertised 206 million job vacancies, and organized 236,000 job fairs across the country.

## **2.2. Public-private cooperation for delivering employment services**

The participation of non-government providers has become a legitimate and growing practice for public service delivery in China. Following the reform of SOEs in the 1990s, public-private cooperation and outsourcing were the last stage in the move towards an open-market economy (Jing, 2008). Decentralization policies -- transferring responsibility to local governments for the provision of publicly-funded employment services — have further motivated government actors to partner with external providers (Carrillo et al., 2017).



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Although public-private cooperation for the delivery of free employment services has increased in importance, this practice is still being developed.<sup>13</sup> Unlike most Western countries, China's use of non-government providers has not been driven by an urgent need for efficiency and cost-cutting, but by an increase in service demand and a limited public supply capacity. The combination of strong economic growth (from 1978 to 2004) and the respective market and governmental reform, has led to the need for externalizing the production of public services (Jing, 2008). Market competition mechanisms (purchasing and outsourcing) have become legitimate means to improve the use of government financial expenditure and public services to address public service shortage (Qi and Guo, 2017). Chinese public administration at the central and local levels has invested in learning and adaptation; since then, government purchasing of public services has gradually emerged, including for the delivery of employment services and ALMPs.

Partnering in China is mostly shaped at the local level and is often dependent upon PES managerial capacities to establish strategic service design and contracting, funding levels, and the availability of labour market intelligence. Such resources and capabilities differ greatly across regions. It is mainly the provinces with the more prosperous labour market conditions and capabilities that initiate partnering.

Within this context, on a basic level, partnering takes place between the PES and authorized non-governmental providers of employment services in modalities involving:

- non-profit-making providers:
- non-contractual relationships based on cooperation agreements
- social services outsourcing (SSO)
- licensed PrEAs
- contractual services based on hierarchical “purchaser-provider” relationships.

In both cases, non-government providers working with the PES system deliver services for facilitating job-searching and facilitating matching people to jobs, such as: job advice; vocational and career counselling; skills assessments; and job fairs for target groups or specific types of private enterprises. While allowed to operate in the domestic labour market -- including placement of workers abroad — PrEAs offering services for the employment of workers (with a view to making them available to a third party or user enterprise, i.e. dispatched agencies) are not usually involved in public-private cooperation or service purchasing.

### **2.3. Partnerships with non-profit-making providers**

The PES system works with non-profit-making providers of employment services to outreach free services and engage whole communities in ensuring service delivery at the grass-roots level. Cooperation mainly focuses on responding to the specific needs of target groups, including unemployed university and college graduates, long-term unemployed, rural workers, women, and disabled job-seekers.

Non-profit making providers, typically involving public sector actors, non-governmental organizations and other partners, include:

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<sup>13</sup> Government procurement and cooperation for the delivery of employment services and ALMPs is still in its initial stages. However, this does not mean the absence of a policy framework and regulation. In general, the Chinese national and sub-national governments have been actively supporting, investing and encouraging innovation in this field.

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**University Graduates Employment Guidance Centres**

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- Operated by: universities and educational centres;
- Target population: graduates from college and universities during their the school-to-work transition;

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**Employment Assistance Centres**

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- Operated by: trade unions;
- Target population: active and unemployed workers facing barriers to employment;
- Services provided: basic job information and legal advice

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**Youth Employment Service Centres**

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- Operated by: youth leagues;
- Target population: young job-seekers in urban and rural areas;
- Services provided: basic job information, information on vocational training, entrepreneurship advice and referral services to complementary employment services

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**Women's Employment Services Agencies**

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- Operated by: women's federations;
- Target population: unemployed women;
- Services provided: basic employment services, vocational guidance and job counselling, and access to vocational training.

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**Employment Services Agencies for people with disabilities**

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- Operated by: federations of people with disabilities;
  - Target population: unemployed people with disabilities;
  - Services provided: advice and support to register as unemployed and manage paper work related to social benefits and unemployment insurance, job counselling and job-search support, employment rehabilitation training, and vocational skills qualification appraisals.
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The nature of these partnerships is based on non-contractual relationships and formalized through cooperation agreements. Joint consultation and coordination allow the parties to identify areas for collaboration and service delivery complementarities. In cooperative relationships there is no subordinate relationship, and the PES does not interfere with a daily partner's operation nor takes responsibility for bearing the consequences of its behaviour. Nevertheless, partners entering in cooperation agreements with the PES should respect basic standards for service provision, such as ensuring free employment services and guaranteeing that job-seekers will be treated fairly and without discrimination.

Cooperation agreements with non-profit-making providers can also be established for running specific projects and ALMPs for target groups on behalf of the PES system, such as the special activities which are delivered to job-seekers and employers in different months and seasons of the year, e.g., the Spring Breeze Action, employment assistance month, and the employment month for tertiary education graduates (see figure 1.7). In these cases, mechanisms for purchasing services and outsourcing programmes (as described in the cooperation agreements) can apply. When social and non-profit making organizations become contractors and produce services or deliver programmes on behalf of the PES, the partnership arrangement is based on SSO — a non-competitive contractual relationship (Hsu and Hasmath, 2017). In this type of partnership, governments at the provincial or municipal levels assume the role of regulator, and results are monitored and reported to the MOHRSS. Local governments also bear responsibility for planning and coordinating work with non-governmental organizations, involving other government actors and relevant stakeholders, and establishing rules and service standards. Additionally, they act as supervisory bodies and suggest improvements on implementation and service delivery.

There is ongoing experimentation in cooperative partnering and processes for purchasing and outsourcing services to non-profit-making providers to the extent permitted

by law. Cases are dealt with individually within the provincial-specific context; still, this trend has opened new possibilities for delivering employment services and expanding service provision to target and disadvantaged groups. In addition, it is important to note that local government SSO and purchasing typically started in the traditional areas of care services, disability services, youth services, and community services. These spheres have been gradually expanding and diversifying to also incorporate services such as employment services, job security, and social work services for poor and unemployed persons. Table 2.1 illustrates the recent move to more complex and broader forms of content by local government purchasing from social organizations and non-profit-making providers in the Guangdong and Yunnan Provinces.

**Table 2.1. The scope of government purchasing of public services from social organizations in the Guangdong and Yunnan Provinces**

Content	Guangdong Province	Yunnan Province
<b>The original government purchase public service content</b>	<b>2008</b> Industry management and coordination function, social affairs management and service function, technical service function and market supervision and three categories, 17 functions	<b>2009</b> Provincial administrative units hiring accounting, cost consulting, asset valuation, and public services
<b>The difference content of public service that local government purchased</b>	<b>2012</b> Public education, public health, public culture, sports, public transportation, livelihood security, housing, security, employment services, job security, health care, social security, social management, utilities, rights protection, living environment, environmental protection	<b>2015</b> Urban floating population social work service, AIDS-related services for old people, social work services for the disabled, special group social work services, disaster social work services, minority social work services, medical and mental health social work services, employment, social work services for the poor and unemployed, community social work services

Source: Adapted from Qi and Guo (2017).

The Guangdong Province is located in the developed Southeast coastal region where China's administrative reform is more advanced. Guangdong and Shanghai were pioneers in the field of government purchasing from social organizations. Prevailing local conditions in Guangdong — such as a buoyant economy and labour market and high fiscal revenues — have facilitated improvements in purchasing practices, such as the introduction of mechanisms for risk management allowing non-profit-making providers to develop and strengthen capacity. In turn, these providers are also expected to participate in investments in hardware and software construction, and they are constantly improving the quality of their services. Citizens show an openness to the participation of non-government providers in the production of public services.

The development path in Yunnan has been quite different. Firstly, the province is located in the Southwest part of China and has a common border with Viet Nam, Laos, and Myanmar. This region has a lower development level and an inferior financial capacity to that of other Eastern regions. Secondly, the social organizations present in Yunnan have, in general, less experience and capacity (e.g., skill and qualified staff) to produce services to the standard required by the local government. Additionally, citizens perceive the capacity

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of public service provision as insufficient and are more cautious about the participation of external providers in the delivery of public services. In recent years, however, the Central Government has been increasing its financial participation in the Western provinces (including Yunnan) with a view to advancing the process of public service equalization through SOS. This includes employment services and ALMPs for disadvantaged groups (Qi and Guo, 2017).

These two cases show that the capacity, sustainability, and potential efficacy of non-profit-making providers is often dependent on local conditions, fiscal revenue level, and a government's ability to mobilize non-government players in the service provision. In this respect, some scholars argue that the relations of non-governmental organizations and other stakeholders with the government under such arrangements also play a role in the performance level that these providers can achieve. In certain cases, scholars also claim that these relationships are more attuned to the co-optation and management of social stakeholders, with the risk of generating rent-seeking practices (Hsu and Hasmath, 2017; Qi and Guo, 2017). It is, however, generally recognized that the increasing use of partnerships constitutes a positive sign for improving the local PES's capacity, autonomy, and responsiveness, provided that the non-profit-making partners have the capacity to supply quality services. According to the MOHRSS, cooperative partnerships and SOSs have helped in decentralizing the administration of PES and expanded employment service coverage, mainly at the grass-roots levels. This has given place to a more diversified and multi-level employment service supply structure, which also incorporates PrEAs delivering on behalf of the PES system.

#### **2.4. Contracted services and purchasing of services to PrEAs**

The enactment of the GPL in 2002 marked a turning point in the production of public services in China, and paved the way towards the systematization and expansion of public-private partnerships based on externalization (Jing, 2008). The legislation allowed national and local governments in provinces, municipalities, and autonomous regions to outsource and purchase services from non-government providers. Prior to the GPL, government procurement was conducted without reference to a uniform set of rules. There was a lack of transparency and gaps in the mechanisms for establishing quality standards, addressing risks, and settling disputes. The enactment of this law represented a major step in establishing a comprehensive government procurement regulation system throughout the country. Currently, government procurement in China is under the regulation of two fundamental laws: the GPL of 2002; and the Tender Law of 1999, which standardizes tendering and bidding activities nationwide. This legislative framework also anchors the principles of transparency, fair competition, impartiality, honesty, and trustworthiness.

Government procurement under the GPL is referred to as the use of fiscal funds by government authorities, institutions, and social organizations to obtain goods, projects, and services that fall within the “centralized procurement catalogue”, or that are above the established purchase thresholds. For example, the threshold rules issued by the Central Budget Unit (CBU) for 2017-18 established a threshold procurement of CNY 1 million for goods and services, and CNY 1.2 million for projects (Chen and Qiao, 2017). In addition, local governments at the provincial and municipal level also issue procurement measures within their jurisdiction - for instance, their own procurement catalogues and threshold values for specific good and services, which are not listed in the centralized catalogue.

One decade after the enactment of the GPL, the 12th FYP further promoted the participation of non-government providers also in the production and delivery of free employment services and ALMPs. During this period — and in order to facilitate compliance with government procurement regulations in practice — the Ministry of Finance (MOF) at

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the central level issued a number of implementation rules: the Guidance for government purchasing public services with social organizations in 2013 and the Regulation for the government procurement and the Management measures for government purchase in 2014. On a basic level, these legislative measures provide overall guidance for the development of government procurement for sub-national governments (e.g., the directory/catalogue of purchasing public services, procedural management and purchasing thresholds) and clarify the rights and obligations of government actors and providers. They also pursue overarching goals, such as advancing the public administration reform, achieving public service equalization, and encouraging competition to improve the allocation of public funds. Innovation in government procurement policies has become increasingly important for Chinese policy-makers as a means of upgrading transparency and bringing higher quality results to citizens.

In this regard, the Government purchase service management approach (interim) -- also issued by the MOF later in 2014 -- makes five steps of government procurement mandatory at all levels of government. Government procurement for employment services and ALMPs is currently subject to the following process:

- Step 1: Preparing a procurement and budget plan
- Step 2: Registering the procurement plan with the supervision departments at the same level of government where transactions are taking place for record keeping
- Step 3: Publicly announcing details of the government procurement calls<sup>14</sup>
- Step 4: Awarding contracts
- Step 5: Measuring performance of contract implementation and final outcomes

Government procurement regulations allow the use of a variety of procedures by the contracting authorities, including: acquisition, lease, appointment, and employment of social organizations and external service providers. For specialized purchasing -- which often involves the production of employment services and some ALMPs by PrEAs, including through shared services and “in-house” arrangements – the GPL provides for the use of: 1) public bidding, 2) invited bidding, 3) competitive negotiations, 4) single-source procurement, 5) request for quotations, and other methods recognized by the State Council Government Procurement Supervisory and Management Department (Chen and Qiao, 2017). In practice, local governments also rely on mechanisms such as subsidies, contract awarding, service outsourcing, franchising, co-construction with agreement, land transference, public-private partnerships, small loans, and loan interest guarantees.

Within the PES system, the counties and townships, sub-districts and communities that represent the fourth and fifth levels of government are usually commissioned by local governments to carry out the procurement of employment services from private employment services providers. The practice and use of market mechanisms is wide in range, reflecting provincial differences regarding economic development, the dynamism of the job market, fiscal revenues and the PES capacity to manage government procurement.

Even after the issuance of implementing regulations on government procurement by the MOF in 2014, however, there are signs that the implementation at the local level is lagging. In general, the absence of detailed guidelines from the PES system at the central level makes practical implementation of government procurement difficult. China still operates in a top-down level fashion, an approach that suits the country’s size and complexity. Outsourcing and purchasing are reshaping this interdependence and power

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<sup>14</sup> Government procurement contracts should be publicly announced on media defined by the MOF, including the China Government Procurement Website ([www.ccgp.gov.cn](http://www.ccgp.gov.cn)).

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sharing; on the one hand, they are creating opportunities for service expansion and quality improvement; but on the other, they are increasing the requirements for specialized skills and knowledge in procurement management and calling for new capabilities from PES staff to build sustainable relationships with PrEAs, which also carries risks.

Competitive tendering for PrEAs still accounts for a limited portion of government procurement, due partly to the immaturity of the market. For a variety of reasons, the providers in some provinces are still limited in number or ill-prepared to respond to some technical requirements that the PES might have; as far as the GPL is concerned, these include, for example, technical skills and professional qualifications, past performance records, financial viability, and a track record of legal compliance. Other factors adding to the limited experience of competitive procurement practice have to do with the need for concrete implementation criteria from the central and provincial levels, especially in respect to risk mitigation to encourage a provider's investment, the evaluation of outcomes, and post-purchase services. Reporting operations from the provider to the administrative agency, and then to the supervisory agency at the municipal and provincial level, needs to be supported by a solid information system to manage performance and verify services and outcomes. The development of this system is ongoing, and it still has gaps to integrate performance results nationwide. The process of standardization or equalization of employment services at the grass-roots levels is advancing slowly, making it difficult to quantify service effectiveness. Local PES often set up a procurement process for service provision on an ad hoc basis, making it difficult to implement performance appraisal criteria in a systematic manner. The attention of PES managers often drifts away from core cost-effectiveness analysis, focusing instead on process control management.

Most of the existing practices in outsourcing employment service provisions rely on inviting bidding and other non-competitive means, e.g., single-source procurement and request for quotations. In practice, however, these approaches help the PES to address specific labour market challenges, for example, access to available expertise and technical advice from PrEAs to find solutions in a collaborative manner. Other practical advantages to this approach include allowing for the incremental development of providers with capabilities to respond to technical requirements, and investment capacity that might contribute to making service delivery more sustainable in the medium- to long-term. As well as non-for-profit providers, PrEAs partnering with the PES system become responsible for the investment in improving some aspects of daily operations (e.g. information systems, facilities, staff training) and service quality.

According to the MOHRSS, introducing market mechanisms such as public procurement into PES delivery has enabled that system to create a level playing field for a variety of providers, who participate in accordance with the rules of non-discrimination, gratuity, equity, and quality in service delivery. There are a number of emerging practices paving the way for the development of a sound public procurement for the delivery of employment services. Several important provinces such as Guangdong, Jiangsu, and Tianjin have demonstrated progress in the application and development of procurement for employment services.

Provinces showing particular progress in the implementation of public procurement for employment services provision have launched pilot projects fostering public-private service delivery based on:

- 1) connecting policy goals and contracted-based implementation criteria;
- 2) building a constructive feedback loop with implementing providers;
- 3) testing and measuring performance of contract implementation and final outcomes; and
- 4) embracing auditing and social supervision for the sake of transparency and accountability.

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For example, the Wujiang District within the jurisdiction of the Jiangsu Province has developed its own specific services procurement catalogue in consultation with the District's Department of Finance. The catalogue lists services that respond to identified needs of the PES to recruit locally for different occupational groups registering a high demand from employers. Other practices relate to the establishment of mechanisms to work with the Inspection Authority to deal with complaints, enforce compliance, and prevent fraud and any possible violation of workers' rights. Some of these provinces have also called upon providers to report to the Inspection Authority on their business record as a measure to ensure creditworthiness and avoid fraudulent financial declarations, which are punishable by suspension and blacklisting from government procurement.

Three case stories on the experience of innovative provinces in public-private partnerships for the delivery of employment services for: Guangdong, Jiangsu and Tianjin are presented in Part III of this working paper.

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## Part III: Case studies: partnerships for the delivery of employment services

### 3.1. Introduction

This section presents three case studies that illustrate different approaches to partnering between the PES system and non-government providers of employment services and ALMPs. Given China's sheer size, complexity, and diversity, it is important to underline that making any generalization from these case studies is unreliable. They do, however, provide a good indication of the trends and policy objectives that drive existing partnering practices, and whether they are carried through cooperation or government procurement. The use of external providers seems to be instrumental to: 1) expanding and diversifying service provision and the type of support available, in particular, for target and disadvantaged populations; 2) improving responsiveness to the needs of job-seekers and employers with very diverse needs by pooling together the resources, knowledge, and specialist services of other providers already operating in local labour markets with those of the PES system; and 3) increasing the sustainability of service provision — especially at the grass-roots level — by introducing market mechanisms and reducing dependency on government agencies and public funding.<sup>15</sup>

The selected case studies originate mainly from provinces where the administrative reform is more advanced and the institutional-related conditions are conducive to partnering. The analysis focuses on understanding the factors that influence the development of these partnerships, its mechanics, and whether these initiatives are achieving their set goals. This selection also examines whether there are transferable lessons that could inform the formation of partnerships in other provinces in China.

**Case study 1** looks at the pilot partnerships project launched by the PES in the Wujiang District, located in the Province of Jiangsu, to contract the delivery of basic employment services to a PrEAs through using government procurement. The main objective pursued by this project was to reduce job mismatches by improving access for graduates of tertiary education to jobs through providing pre-training, job-search techniques, and good labour market information to guide their career choices.

**Case study 2** analyses an innovative multi-partnership model for the delivery of employment services at the grass-roots level, which combines government procurement mechanisms from one major supplier, and supplements provision from a variety of non-profit-making local providers: the Lotus Employment and Entrepreneurship Supermarket. The “Supermarket” serves a relatively small area of 9.6 square kilometres, but is located at the heart of Shenzhen City, an emerging megacity and financial centre in the Guangdong Province.

**Case study 3** concerns the Tianjin municipality, the fourth most populated city in China and still operating under the direct administration of the Central Government. To address the acute shortage of qualified workers, the PES opted for a combination of government procurement to recruit workers from other regions, consisting of non-government providers of job-matching services, cooperative partnerships with the neighbouring PES, and vocational training institutions.

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<sup>15</sup> Yet, dependency on the public purse has not effectively decreased; local and national policy-makers still have a hard time making decisions related to the type and quantity of services that can be purchased while maintaining sound public finances (see case study 3.2).



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## **Case 1: First steps in contracting out the delivery of employment services in Wujiang District**

### ***a) Background***

In some provinces in China, the PES has started to work in partnerships with PrEAs to address job mismatches and labour shortages. In November 2013, the Public Employment Service Centre of the Wujiang District, located in the Province of Jiangsu, launched a pilot project that contracted the delivery of basic employment services to a private provider, Suzhou Yin Courtney Human Resources Management Inc. While the PES maintained its role in service planning and design, delivery was fully outsourced, including the registration of job vacancies and job-seekers, job-search support, job matching and placement, and information services.

In 2015, the total employed population in the Wujiang District numbered 760,000 and the urban unemployment rate stood at 1.9 per cent. Besides its important manufacturing industry, the district has emerging industries in such sectors as clean energy, new construction materials, biomedicine, and food processing. All have an increasing demand for high-skilled workers, but many employers report difficulties in finding suitable skilled workers. At the same time, there is an increasing number of college and university graduates who have insufficient work experience to fill the available vacancies.

The PES acknowledged a pressing need to address these mismatches on a large scale, including improving responsiveness to employers' recruitment needs and providing better labour market information to guide recent graduates looking for jobs. The use of a private provider was expected to alleviate this situation, given that the PES in Wujiang had very limited operational capacity and too few personnel (it had only two permanent staff members and one part-time member).

### ***b) Contracting out employment services provision to a private provider***

The conversion of Wujiang from a city at county level to a district of Suzhou municipality in 2012 provided an opportunity to revitalize social and economic development. The current Government's strategic plan aims to develop a modern service sector and to improve the use of the potential labour force by tackling important imbalances between job requirements and workers' qualifications and level of experience.

The approach to bridging the gap in employment services provision by commissioning public services to a private provider was based on the principle that the district authorities and the PES retained final authority for planning the provision of services and for the use of public funds. The PES, in cooperation with the Department of Finance at district level, also took on the task of managing the contractual relationship with the private provider that held a license to give services for matching job-seekers to vacancies.

### ***c) Mechanics of the partnership***

The preparation and conclusion of the commissioning contract between the PES and the provider involved three main stages:

- **market research for possible service providers:** this involved the analysis of existing vendors and the compilation of a list of licensed PrEAs (which is publicly available) and a guide on purchasing services and payments processes;

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- **one-to-one discussion with the selected provider** to establish targets, delivery standards, service prices, level of investment by the provider, supervision mechanisms, liability and acceptance conditions; and
  - **the signing of the partnership with the selected provider**, which took place in November 2013.

The selected provider, Suzhou Yin Courtney, had substantial experience in the market and offered a range of proven capabilities in service provision, including running large-scale recruitment fairs, labour market intermediation and vacancy matching, integrating online and face-to-face services, and delivering services across a wide geographical area through its branches.

Performance indicators were formulated by both the district finance department and the PES; these included four evaluative dimensions to be measured on a monthly, quarterly, and annual basis, namely:

- implementation of job fairs;
- reporting of results to inform the PES of the private partner's activity;
- adequacy of office premises (e.g. space, equipment, property, ventilation); and
- customer satisfaction.

Joint meetings between the two partners took place regularly for consultation on critical issues as the contract progressed. A third-party agency was also appointed to evaluate the Government's pilot project for commissioning employment services.

This pilot exercise involved the co-design of some of the services. For example, job fairs were suggested as the best solution for job matching at a large-scale, including information sessions to provide an opportunity to raise awareness among both employers and job-seekers on the importance of investing in training. Two main performance indicators were agreed for these job fairs:

- they should be held twice a week (Wednesday and Saturday) with a target participation of over 500 job-seekers on Wednesdays and over 1,000 on Saturdays; and
- they should attain a job-matching success rate greater than 70 per cent.

The provider was also required to survey customer satisfaction at the end of each job fair.

One of the immediate changes observed in the PES centre in Wujiang was the private partner's allocation of 30 full-time professional staff members to implement the contract. A few of these remained at the central PES premises, with the majority working at the grass-roots servicing points. New staff conducted analyses of labour demand and labour supply in local enterprises, neighbourhoods, and communities, and delivered basic employment services at no cost to job-seekers and employers. Between 2014 (when service delivery under the contract began) and 2016, the provider organized 382 thematic job fairs, provided recruitment services for 12,089 enterprises, collected 103,168 job vacancies, and placed 54,688 job-seekers in formal employment. Results by the private provider were considered to be satisfactory overall; the most significant improvement was in service provision to employers. For example, the rate of vacancies filled increased from 41 per cent in 2013 (prior to the entry of the provider) to 70 per cent in 2016. Nonetheless, greater variation was observed in the job placement rate, which rose from 55 per cent in 2013 to 70 per cent in 2015, but then declined to 56 per cent in 2016 (table 3.1).

**Table 3.1. Outcomes: employment month for tertiary education graduates, 2016**

Year	Num. of job fairs	Job-seekers & employers receiving job information	Registered enterprises	Collected vacancies	Registered job-seekers	Placed job-seekers	Job placement rate	Vacancy filling rate
2016	119	41 071	4 005	17 913	22 331	12 523	0.56	0.70
2015	124	51 462	4 732	48 922	37 245	26 155	0.70	0.53
2014	139	36 333	3 352	36 333	24 411	16 010	0.66	0.44
2013*	83	4 481	1 719	25 578	19 189	10 601	0.55	0.41

\*Year prior to the entry of the private provider.

Source: Information from the MOHRSS, 2016.

#### **d) Lessons learned**

The project revealed the advantages of involving private providers in the design and delivery of employment services, particularly when the public provider is unable to ensure the provision of quality services on a massive scale. Overall, Suzhou Yin Courtney adhered to the contract’s terms and conditions and helped to expand service provision at a basic level. There were, however, other areas of service provision that the external provider could not develop further because they were not included in the contracted services, for example: a dedicated level of support for job-seekers, including those with low skills and complex barriers to employment.

As in other provinces in China, the co-design and purchasing of employment services is still an emerging area that needs further testing and refining. Even so, it is possible to identify certain lessons from the pilot project in the Wujiang. These include:

- **Partner selection.** While there were clear rules as to how the contract would be awarded, and the PES gave priority to providers with experience in the delivery of similar services, selecting a suitable partner proved to be challenging. Currently, the PES cannot use a competitive tendering model for the selection of providers, but must instead directly approach and negotiate a contract with a provider it considers suitable. A lack of suitable potential providers is also a problem, suggesting a need to develop a market locally in the delivery of these services.
- **The partner’s evaluation methods.** These should evolve and allow continuous improvements in delivery. The district’s administration and the PES need to develop new skills that enable them to evaluate programme effectiveness, to facilitate improvements, and to overcome operational problems that were beyond its control, for example: fluctuations in economic activity leading to lower demand for workers.
- **Flexibility.** The commissioning of services should allow for a more flexible and participatory role for the private partner in adapting services to changing circumstances. For example, the contracted services were limited to basic services and job fairs. This situation has since been corrected by introducing a clause allowing for the commission of additional services upon special request from the public partner.
- **Sustainability and development of private providers.** The provider has been delivering the services in the Wujiang District for more than two years, but with a lower profit margin than expected. Following the commissioning of additional services and improvements in the management and implementation of the contract by both parties, the provider expects to increase its margin in the future. Developing a long-term working relationship with partners helps to ensure financial sustainability while also maintaining quality and quantity standards.

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## **Case 2. The Lotus' Employment and Entrepreneurship Supermarket**

### ***a) Background***

China's PES system has invested substantially in extending service provision to the grass-roots levels. In 2014, 95 per cent of the neighbourhoods — the level where people work and make their daily life — operated standardized service points with corresponding improved facilities. Some provinces have taken further efforts to enhance provision in neighbourhoods, not only in terms of availability of services within reasonable reach of job-seekers and employers, but also in terms of responsiveness and sustainability. Such is the case of Guangdong Province, located in the developed Southeast coastal side of the country where China's administrative reform is more advanced.

The Lotus Neighbourhood is part of the Futian District, located in the sub-provincial city of Shenzhen. It has 12 communities covering a relatively small area of 9.6 square kilometres. The Population and Households Statistics of 2010 registered 210,000 inhabitants in the neighbourhood of which one fifth (45,000 persons) were rural migrant workers from other provinces or cities. Located in downtown Shenzhen — an emerging megacity and financial centre — the Lotus neighbourhood is a political, cultural and important business centre where local job creation has been generally stable. Two factors, however, are tightening the labour market. Firstly, a high rate of population concentration in the neighbourhood has increased demand for job-search support. Secondly, in recent years the business environment surrounding the neighbourhood has been populated by high-end industries balancing the industry structure away from intense-labour traditional industries. Rapid transformation in the demand for skills has widened the gap between available jobs and the skills of unemployed population, mostly composed of workers displaced from obsolete industries, and college and university graduates without the adequate training or sufficient work experience for available jobs. The number of rural migrant workers attracted by a buoyant economy creates additional pressure on the job market.

### ***b) Partnering for a responsive and flexible PES model***

In 2013, the MOHRSS issued the Notice on the further improvement of the PES system to encourage innovative delivery through the introduction of market competition mechanisms with the aim of professionalizing staff and diversifying service delivery methods. At the time that the MOHRSS issued the Notice, the Lotus Neighbourhood Labour Institute (LNLI) — to which the PES functions are attached — had been systematically confronted with shortages in public financial investment, an underdeveloped computer information system for service provision management, a lack of unified service protocols and limited trained staff (only 11 employees, who bore the double responsibility of delivering employment services and administering social security benefits). These constraints prevented the PES from responding adequately to the increase in the use and demand for services. To reverse this situation, a decision was taken to strengthen service delivery capacity through partnering with non-government providers present in the local job market.

A core objective in achieving this mission was to make service provision less dependent on government resources; not only because of financial reasons, but mainly to increase responsiveness by providing access to services produced beyond the traditional boundaries of employment offices, such as pre-training, entrepreneurship and other complementary services. This was particularly helpful for job-seekers facing several barriers to employment, e.g. long-term unemployed, rural workers, and low-skilled people. This approach entailed working differently with other non-government providers who had the capacity to supplement basic service provision at the grass-roots level.

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In 2013, as a result of sub-contracting basic employment services to a licensed non-profit-making employment services agency, service delivery was organized under the umbrella of a new model: the Lotus Employment and Entrepreneurship Supermarket.<sup>16</sup> Involved partners used the concept of the “supermarket”. Unlike a traditional employment centre, this delivery model is based on the idea of a self-service shop offering a wider variety of services and support to employers and job-seekers. Additionally, the employment and entrepreneurship supermarket brings together various other providers, including the non-profit-making partners typically cooperating with the PES system.

### ***c) Mechanics of the partnership***

To make the development and implementation of the “Supermarket” possible, local authorities worked together to create a conducive policy and legal framework to launch a cooperative partnership between the LNLI and a non-profit-making employment services agency. For example, the Government of Shenzhen City formulated specific implementation rules for purchasing community services, and the Futian District produced a procurement catalogue specifically for employment services.

Together with LNLI, the Futian District Bureau of Human Resources and Social Security prepared a procurement and budget plan, setting the requirements and targets for private providers. These included: demonstrating a good compliance with existing rules; having an adequate computer-based system and equipment; accessible facilities; qualified staff; and providing evidence of experience in organizing basic employment services provision, e.g. job information, large-scale job fairs, job counselling and career guidance, entrepreneurship promotion and vocational training activities.<sup>17</sup> A public call for bidding was launched, and the contract was finally awarded to the New Century Employment Promotion Centre (NCEPC), a non-profit-making employment services agency licensed to operate in Shenzhen. The provider who won the award and the local government counterparts found that the best way of formalizing the contract was to enter into a joint venture arrangement to allow the investor to generate a financial gain -- while benefiting the community.

According to the terms of the procurement contract, the Futian District Bureau of Human Resources and Social Security retains the responsibility for policy guidance, funds allocation, and overall supervision; while the LNLI oversees the design and set operation standards for the provider. The NCEPC was given responsibility for the daily operation and overall management of the “Supermarket”. One innovative element in the sub-contracting model was that the NCEPC could sub-contract the delivery of complementary employment services, (e.g. entrepreneurship support, career counselling, pre-incubation projects for start-ups) to other social and non-profit-making providers who typically partner with the PES system. This multi-party model for service delivery ensures a revenue for the main provider, the NCEPC, through renting its facilities at a considerably lower price than normal market rates, offering training venues free-of-charge, advertising, and other activities.

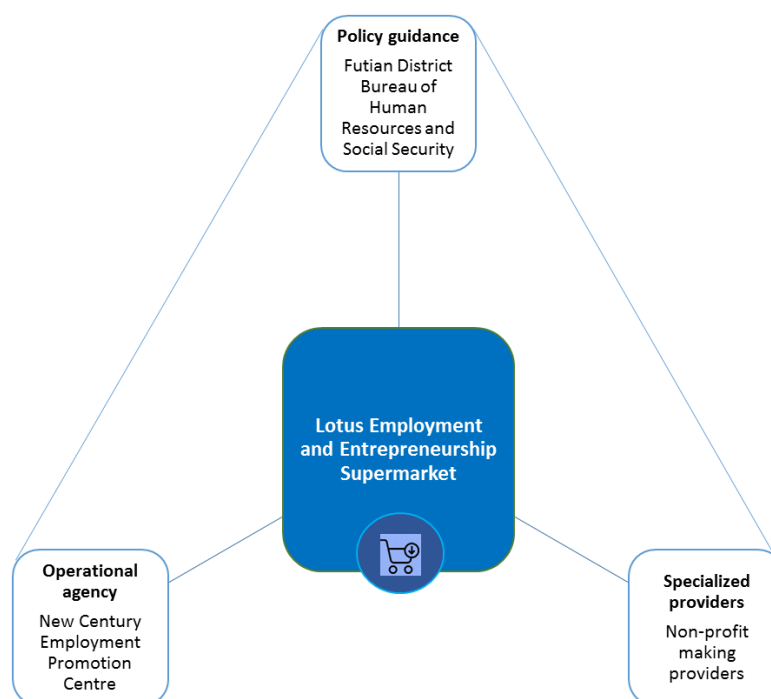
The resulting internal institutional architecture of the “Supermarket” is composed of three main partners with different capacities and a common objective. The Futian District Bureau of Human Resources and Social Security is responsible for providing policy guidance and supervision of the final outcomes. The NCEPC runs the “Supermarket” and the specialized providers bring additional services for target population (figure 3.1).

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<sup>16</sup> Hereinafter referred as the “Supermarket”.

<sup>17</sup> The Shenzhen NCEPC is a non-profit-making provider registered in the Shenzhen Civil Affairs Bureau. It is authorized to provide services for matching job-seekers with available jobs without becoming a party to the ensuing employment relationship.

**Figure 3.1. Partnership structure of the Lotus Employment and Entrepreneurship Supermarket**



Source: Authors based on information from the MOHRSS.

Cooperation underpins the working relationships between the various providers, without the NCEPC’s subordination to the Futian District Bureau of Human Resources and Social Security during the performance of the contract. This win-win approach has allowed the PES system to enlarge and diversify the offer of services at the grass-roots level and, in turn, partner providers are able to access other types of resources and capacities, e.g. funding, information, and a wider network of partners, including community social services. For example, the Futian District Youth Entrepreneurs Association and the Chaozhou Youth Federation provide approximately 10,000 jobs a year for university graduates, laid-off workers, and rural migrant workers. They have also brought into the “Supermarket” a large number of employment and entrepreneurial guidance experts who deliver legal advice, pre-incubation workshops, and referrals to other organizations providing financial support. The Youth Hostel run by the Communist Youth League, offers short-term accommodation and basic job information services to young job-seekers and rural migrant workers in need. Together with the local Chamber of Commerce, The Lotus Neighbourhood Business Association has been instrumental in enlarging the number of job vacancies available through the “Supermarket”, and in introducing pre-training to adapt the skills of job-seekers to those required by local employers. Upskilling for employers is also arranged through cooperative partnerships established with some local universities, such as the South China University of Technology and Nanchang University, both of which specialize in engineering combined with science, management, economics humanities, and law.

Another outstanding feature of joining the capacities of government, private, and non-profit-making providers was the visible transformation of the service delivery mode, deriving from the traditional segmented provision of basic services to interoperability and service diversification. Interconnection was facilitated by the introduction of the “One-pass employment system”. This is an interactive online catalogue of services available in the “Supermarket”. Clients and providers add and validate the services that better respond to individuals’ needs. With the introduction of this system, service responsiveness and acceptability — meaning the willingness of job-seekers and employers to use them — increased.

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The Lotus “Supermarket” is considered a partnership model that performs satisfactorily with the potential to be replicated at the grass-roots level in other provinces. Since its inception in 2013, it has held more than 200 entrepreneurship promotion fairs and other types of job fairs; provided employment and entrepreneurial counselling sessions for nearly 50,000 job-seekers; delivered vocational training activities for 10,000 unemployed young graduates; helped more than 2,000 laid-off workers find a job; and enabled over 160 people to successfully start their own businesses.

At the moment, performance evaluation is carried out through a combination of regular reporting on key indicators, including: general job placement rate; job placement rate for vulnerable groups; number of job-seekers registered and served; job vacancies collected; job fairs and entrepreneurship workshops organized; customer satisfaction surveys; and random on-site inspection visits. The main indicators have been reported as satisfactory. In 2016, the placement rate of difficult-to-place job-seekers was at 91 per cent, higher than the 80 per cent required by the Futian District Bureau of Human Resources and Social Security. The number of registered job vacancies also increased considerably, from 2,985 in 2012 (the year prior to the creation of the “Supermarket”) to 7,735 in 2014, one year later. The urban unemployment rate in the Lotus Neighbourhood was at 1 per cent in 2016, 2 points lower than the target of 3 per cent set by the Futian District Bureau of Human Resources and Social Security.

#### **d) Lessons learned**

- **Multi-partner schemes to diversify service provision.** In a local context, where the existing market of private providers is still emerging — like in China — finding a single-provider with the capacity to deliver all required employment services can prove challenging, especially at the grass-roots level. Allowing the participation of multiple providers in the same venture brings several advantages. One of them is access to specific knowledge and resources to supplement provision for clients, in particular those facing disadvantages in the job market. The multidimensional partnership at the heart of the Lotus “Supermarket” has greatly increased service resources and capacities, generating a win-win situation.
- **Flexibility and sustainability.** The internal institutional architecture of the “Supermarket” provides a great deal of flexibility, making it possible to integrate other stakeholders if the interest of the service requires it. Nonetheless, policy direction and oversight from government agencies continue to be crucial to create a stable market environment and ensure compliance with service standards. Yet, dependency on the public purse has not effectively been decreased; local and policy-makers still have a hard time making decisions related to the type and quantity of services that can be purchased while maintaining sound public finances. Additionally, public servants who used to be at the front desk and delivery services working directly with the public are now required to develop new management procurement skills. This process of adaptation and role changing is proving challenging.
- **Fluidity of the job market.** PESs are considered to be a policy instrument contributing to the achievement of full employment and to the job market’s fluidity. Innovation and flexibility in the organization of service provision increase the PES’s responsiveness to changing labour market conditions. This is confirmed in the case of the “Supermarket” institutional structure as job placement rates have significantly increased. This is particularly the situation for vulnerable populations with a positive indirect effect (reflected in a low urban unemployment rate of one per cent in 2016).

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## **Case 3. Addressing recruitment challenges through partnerships in Tianjin**

### ***a) Background***

Tianjin is one of the four municipalities under the direct administration of the Central Government, and the fourth most populated city in China, with 14 million people. Since 2010, the municipality has become a new growth pole and a hub of advanced industry and financial activity. The Tianjin economy has continued to grow at a steady and fast speed; however, in recent years, some emerging and labour-intensive industries have exhibited a significant increase in worker shortages, especially semi-skilled workers (e.g. assembly line workers, turner, fitter and electric welders) as they cannot recruit enough workers locally.

To address this problem, the Tianjin Municipal Bureau of Human Resources and Social Security, in line with national and municipal industrial development policies, launched a strategy to speed up recruitment through government procurement of job-matching services from PrEAs of various categories and non-profit-making-providers. In combination with government procurement, Tianjin also established a cooperative partnership with the PES in neighbouring provinces, easing barriers to geographical mobility of labour in response to demand. The participation of vocational training institutions in this effort also helped to adjust the skills of local unemployment graduates to open job vacancies and employer's medium-term needs.

### ***b) Mechanics of the partnership***

Taking advantage of the flexibility and the multiple service points of non-government providers, the PES designed an intervention scheme combining procurement and cooperative partnerships on a basic level, involving:

- PESs located in neighbouring provinces and municipalities;
- Non-profit-making employment agencies run by the PES partners, i.e. trade unions, women's federations and disabled federations, and different categories of PrEAs, including those licensed to provide job-matching services, but also agencies specialized in talent hunting and dispatch work; and
- Vocational education institutions and colleges, whether located in Tianjin or other provinces and municipalities, that have signed cooperation agreements with enterprises operating in Tianjin to jointly-run internship and short-term training programmes.

To coordinate work and ensure providers were in conformity with existing rules and legislation, the PES implemented a record system to confirm the eligibility of providers — both non-profit-making and PrEAs — to deliver job matching and recruitment services as per the type of license they held. This record system also registered local enterprises facing recruitment difficulties, ranging from labour-intensive industries to new industries with good growth prospects. This was a key mechanism, making it possible for the Bureau of Human Resources and Social Security to understand sectoral and occupational needs, as well as monitor changes in the supply and demand for labour in Tianjin.

The different types of cooperation or procurement arrangements were managed through the use of the following mechanisms:

#### ***i) Cooperation agreements of two kinds:***

- The conclusion of cooperative agreements between the Tianjin Municipal Bureau of Human Resources and Social Security and its counterparts, at the level of the



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city, district, and counties to work on vacancy advertisement, job matching, and the pre-screening of candidates. This cooperation scheme also admitted the participation of stakeholders already working with the neighbouring PES. The employment of seasonal workers was largely facilitated by PES networking with community organizations and other government agencies. This involved, for example, organizing 24-hour accommodation for rural migrant workers, establishing referral services with agencies responsible for administering social security benefits, or delivering special education arrangements to worker's children.

- Cooperation agreements with vocational education institutions and colleges running internship programmes based on jointly-decided curricula, duration, number of participants, conditions, and fund allocations to grant subsidies.

ii) Government procurement:

- Purchasing order of recruitment and job matching services with selected non-profit-making providers and PrEAs.

The Tianjin PES assumed new tasks and responsibilities to manage partnerships and contractual relationships with the providers. Coordination and monitoring capacities were central to this approach. Other new skills that were applied had to do with the formulation of commissioning services, targets, standards and indicators to measure performance and paying external providers. Developing labour market intelligence on labour supply and labour demand was also facilitated by continuous consultation and dialogue with local enterprises to identify workable solutions to improve job matching.

Performance standards and incentives were established for each of the different arrangements for cooperation as follows:

- **Cooperation with neighbouring PES and other government agencies** – Investments by PES in districts or counties within Tianjin for the construction or renovation of 24-hour accommodation for workers participating in geographical mobility; the Municipal Bureau of Human Resources and Social Security gives a subsidy of CNY 500,000 as a lump-sum bonus. The investor is also entitled to additional subsidies for counselling services based on the number of job-seekers successfully placed in jobs with local enterprises facing difficulties to recruit. Partner districts and counties simultaneously referring more than 50 pre-screened job candidates to enterprises in Tianjin might be entitled to an incentive of CNY 300 per effectively placed worker.
- **Procurement contracts with non-governmental organizations** – Incentives rewarded good performance by giving providers access to the government's special funds for employment promotion. Incentives were conditioned to satisfactory performance supported by: 1) evidence of employment services provided to an enterprise, for example, the labour contract signed by the enterprise with the worker referred by the private provider; 2) a satisfactory evaluation report given by the responsible administrative department of the Tianjin Municipal Bureau of Human Resources and Social Security; and 3) a cleared annual audit report given by the financial department of Tianjin City's government. In the case of procurement arrangements with non-profit-making and PrEAs, incentives were linked to specific performance indicators preventing undesirable effects, such as providers concentrating on ready-to-work individuals. For example, following the placement of 50 job-seekers facing barriers to employment with a local enterprise registered with Tianjin PES for a minimum of three months, the provider was paid CNY 300.

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- **Cooperation with vocational education institutions and colleges** – Following the placement of 50 students in a traineeship with an enterprise exhibiting labour shortages for a minimum of three months, providers are compensated with 1,500 CNY per placement. After the successful completion of a three-month traineeship period, if the trainee is hired by the enterprise due to the partner’s intermediation, a reward of 500 CNY is granted per person per month for a maximum of six consecutive months in employment.

Between 2012 (when this project was launched) and 2016, a total of 76,600 job-seekers were placed in enterprises registered with a Tianjin PES while facing shortages: Fifty-one per cent of them were placed by providers under procurement contracts; 21.5 per cent were referred and placed by neighbouring PES with cooperation agreements; and 22.5 per cent were trainees placed in enterprises by vocational education institutions and colleges working in cooperation arrangements.<sup>18</sup> Over the same period, CNY 80 million of incentives were disbursed from the local finances to smooth the functioning of the local labour market. Since the supportive policy was implemented, existing statistics show that the enterprises’ recruitment costs have been reduced by about CNY 38 million.

According to the Tianjin Municipal Bureau of Human Resources and Social Security, this intervention has saved up to CNY 38 million to local enterprises in recruitment costs. The PES provided effective access to available labour force through a network of partners covering 10 provinces, 23 cities, and 40 counties.

### ***c) Lessons learned***

- **The strengthening of the PES’s role and reputation.** The Tianjin PES was successful in mobilizing partners of different kinds to address recruitment challenges facing local enterprises. One important factor was that the PES gradually developed key competences for partnering effectively with peers in other provinces and non-government providers. These capacities included: building procurement knowledge; coordination; monitoring performance; setting policy priorities and service standards; as well as a continuous consultation and dialogue with enterprises and stakeholders. Another factor that also had a positive impact on the intervention was the policy alignment of labour market policies for rebalancing the match of labour supply and demand with local industrial development policies. The combination of these factors, in particular, allowed the PES to strengthen its role and reputation as a key player in Tianjin’s labour market.
- **Combination of procurements mechanisms and cooperation agreements.** Recruitment challenges are complex in nature and cannot be solved by using market mechanisms only. Cooperative partnerships can facilitate work across policy and programme silos to better integrate services and coordinate actions that support local economic development. For example, the participation of vocational education institutions and colleges was instrumental in facilitating school-to-work transitions and expanding vocational counselling services.
- **The linking of monetary incentives to strategic outcomes.** Monetary incentives were only awarded to providers who had successfully placed job-seekers facing difficulties in finding employment, or to partners who had invested on easing the geographical mobility of disadvantaged job-seekers, including rural workers. This measure prevented, in particular, non-profit-making providers and PrEAs from focusing on easy-to-serve job-seekers.

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<sup>18</sup> Figures from the Tianjin Municipal Bureau of Human Resources and Social Security, 2016.



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## Part IV: Conclusions

China's model for delivering publicly funded employment services has been evolving from provision borne by the Government alone to mechanisms of public-private cooperation. Over the past decade, the PES system pursues three policy objectives: 1) expanding the availability of services; 2) improving the quality and relevance of delivery; and 3) making services increasingly equitable, in particular, to groups facing disadvantages in the labour market. In the fulfilment of these key objectives, the participation of non-government providers has become a legitimate and gradually increasing practice in public service delivery.

Decentralization policies transferring responsibility to local governments for the provision of publicly-funded employment services have further motivated government actors to partner with external providers by using cooperative arrangements and government procurement mechanisms. Some public sector agencies, however, still consider it unnecessary to work with external providers, fearing that non-profit-making organizations and the private actors will displace public staff and dislocate public function. However, factors such as the administrative reform, the ageing of human capital in government agencies, the increasing demand of quality services, and the growing capacity of a variety of non-government actors will further propel public-private partnerships.

In addition to the aforementioned, the PES system is still in transformation. The capacity and level of provision is not homogeneous across the five different levels of government. Nonetheless, it is important to acknowledge that in 2014, 95 per cent of the neighbourhoods had a PES access point at reach. Partnering in China, however, is mostly shaped at the local level and often dependent upon PES managerial capacity to establish strategic service design and contracting, funding levels, and the availability of labour market intelligence. Given the sheer size and complexity of China, such resources and capabilities differ greatly across regions, and it is mainly provinces with more prosperous labour market conditions and capabilities that initiate partnering.

The Chinese PES system at central and local level has invested in learning and adapting to emerging public-private partnerships. In general, a majority of local level PESs exhibit a limited capacity to adjust to the new coordinating role and to quickly develop the capacities required for effective partnering. Some of the factors hindering this transition include the currently limited technical knowledge to guide the management of results-based contracting and cooperation, a lack of internal performance management mechanisms, and limited fiscal resources. In this regard, the sustainability of contracted-based cooperation and the purchasing of services from non-government providers is a concern for policy-makers operating at the grass-roots level.

There is, however, a great amount of innovation, testing, and experimentation taking place at the local level. In some instances, partnering initiatives are being supported by the Central Government directly. The existing evidence gradually emerging in China signals that the participation of non-government providers is generating three important changes. It is: 1) expanding and diversifying the offer of services and the type of support available, particularly for target and disadvantaged populations; (2) improving responsiveness to the needs of job-seekers and employers; and (3) increasing the sustainability of service provision — especially at the grass-roots level — by introducing market mechanisms in combination with cooperative arrangements, and to a lesser extent, reducing dependency on government agencies and public funding. While inspiring, it would be unreliable to generalize the positive effect of some of these emerging practices. Nevertheless, they offer a good insight into the challenges and specific factors that make partnerships work, including:

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- developing solid labour market information systems, clear rules, and regulations that facilitate the participation of non-government providers;
  - adapting cooperative arrangements and government procurement to the local context;
  - strengthening the capabilities of the PES, in particular, skills for coordination, supervision, contract management, dialogue, and consultation in order to find common ground among stakeholders and mobilize potential partners locally;
  - investing in developing performance management and monitoring systems; and
  - ensuring the sustainability of initiatives involving non-government providers by combining cooperative arrangements and contracting-based services.

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