

# Analysis on the Difficulties in the Reform of the New Social Pension Insurance System

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**Keywords:** New social pension insurance; Urban and rural planning; Population aging; Reform

**Abstract:** The establishment and reform of China's new social pension insurance system has gone through more than ten years. After years of exploration and practice, the fundraising model of “combination of social pooling and individual accounts” has gradually formed in the management of funds. Under the background that the urban-rural dual economic structure leads to the imbalance of urban and rural economic development, the different design of the urban and rural social endowment insurance system and the different levels of pension investment have caused great differences between China's current urban and rural real old-age security levels. Constructing a coordinated urban and rural social endowment insurance system is an important part of China's development in the new era and the only way for social development. Starting from the introduction of the related concepts of social pension insurance theory, this paper analyzes the current situation of urban and rural endowment insurance in China, explores the difficulties that hinder the current urban and rural pension insurance reform, and attempts to build a flexible urban and rural development based on the development of urban and rural areas.

## 1. Introduction

With the development of the economy and the aging of the population, further improvement of China's pension insurance system has become a common requirement of the society. Endowment insurance is related to the basic living security of urban and rural residents, related to social stability, and is inherent in building a harmonious society [1]. Social pension insurance is an important part of China's pension insurance system. The enjoyment of social pension insurance is one of the basic rights that the Constitution gives to workers. In the towns and the vast rural areas, there are still a large number of elderly residents who have not been included in the scope of old-age security for various reasons, and there is a “system gap” in the coverage of the old-age security system. Therefore, accelerating the construction of a sound old-age insurance system and covering the old-age insurance system to all urban and rural residents has become an urgent task. This paper studies the new social endowment insurance system from the perspective of urban and rural co-ordination [2]. Through the review of relevant research and theory, we find a reasonable research perspective and research methods, starting from the basic connotation, theoretical basis and institutional arrangement of urban and rural residents' endowment insurance system. Difficulties and feasibility of implementing the reform of the social pension insurance system under the current situation

## 2. Overview of the new social pension insurance system

### 2.1 Social pension insurance concept.

The term “coordination” was originally derived from the social security fund co-ordination office established in the 1970s in China. Originally, it refers to the overall management of the labor insurance system fund, and was later used by various social insurance projects. Internationally, the corresponding English term is “pooling”, which is the concept of the fund risk pool [3]. Therefore, the level of social insurance co-ordination can be understood from the executive management level, but

also from the scope of coverage of the population.

In theory, the social pension insurance system can be distinguished according to two major standards: the first standard for the pension standard is to determine the payment system or the payment system; the second standard is the fund circulation system for the pension fund. It is still pay-as-you-go. Determining the payment system means determining a standard of living standard for the employee in advance, calculating the replacement rate according to the standard, and determining the standard for paying the pension according to the replacement rate instead of the payment rate. The current state of the beneficiary (such as age, working years, health status, salary base, etc.) is formulated [4]. Determining the contribution system means obtaining a relatively stable payment standard through insurance actuarial to raise the pension fund and deposit it in the employee's personal account. After the employee retires, the accumulated amount on his personal account is used as the pension. The pay-as-you-go system is an institutional arrangement for paying a retirement pension for a generation of people who are working in the same period. It uses the horizontal balance of funds and expenditures in the current year or in the near future as the principle of fund raising and treatment. Endowment insurance income only meets the expenditure needs of the current budget period, and does not accumulate funds for future retention. The fund system refers to the fact that the laborer accumulates funds on the pension account at a fixed contribution rate during the work period, and the fund management institution conducts unified investment management on the private account. After the employee retires, the fund is collected from the individual account according to the amount of funds accumulated in the personal account.

## **2.2 The theoretical basis of the social pension insurance system.**

### **2.2.1 Social justice theory**

"After the emergence of human society, everyone can not be separated from social life, they must make a certain contribution to the society, and they will certainly enjoy the corresponding treatment from the society." According to the social fair concept proposed by Rawls, the level of people in society size, the talent gap and the different family environment will cause damage to the fairness of free competition, forming a vicious circle in which the poor are getting poorer and the rich are getting richer [5]. Therefore, when formulating a social system, we must first avoid the unfairness of this starting point and protect the interests of the weak in social competition and distribution, thus achieving social justice. Due to the restriction of the traditional urban-rural dual structure, China's social security system has many differences in capital investment and institutional arrangements. Even the citizens working in cities are bound by many factors and cannot be completely Participation in the basic pension insurance system for enterprise employees.

### **2.2.2 Urban and Rural Integration Theory**

Urban-rural integration refers to an equal, complementary and consistent state that urban and rural areas must achieve in the development of various social undertakings, while urban-rural integration refers to a method adopted to achieve this state of urban and rural areas; Integration refers to the process of merging multiple original independent entities into one another and gradually combining them into a single subject [6]. Coordination refers to unified and comprehensive planning and arrangement. An important issue facing China is to accelerate the process of urban-rural integration and quickly establish a road of urban-rural integration. The essence of social endowment insurance is the distribution and redistribution of national income realized under the control of the state, thus further promoting the realization of social equity. Although the level of social endowment insurance implemented in different regions is not the same, its ultimate goal All are to protect the basic life of citizens.

## **2.3 Status of China's social pension insurance system**

China's endowment insurance system was built after the founding of the People's Republic of China in 1949. Due to the influence and effects of various factors, China's pension insurance system has undergone institutional changes in the establishment, reform and reform. During the

establishment of the system, several social insurance laws promulgated by the government established the endowment insurance system for enterprises, institutions, institutions and rural areas in China during this period [7]. In 1951, the Administrative Council promulgated the "Labor Insurance Regulations of the People's Republic of China", marking the establishment of China's enterprise pension insurance system. In 1995, the State promulgated the "Interim Measures for the Retirement of Staff of State Organs and Institutions", and established a retirement pension insurance system for government agencies, institutions and party organizations. In the countryside, the 1st National Conference of the First National People's Congress in 1956 adopted the The Model Charter of the Agricultural Cooperatives and the Draft Amendment to the Work Regulations of Rural People's Communes issued by the Central Committee of the Communist Party of China in 1962 provide a principled provision for the social insurance and welfare system in rural areas and establish the "five" undertaken by the collective economy [8]. The policy of "guarantee households" is provided, but the old-age insurance model in rural areas is mainly family pension. During the Cultural Revolution, the pension insurance system was fundamentally denied and criticized. The social pension insurance system was basically paralyzed. The management payment function of the pension insurance system was given to the enterprise. The social endowment insurance system of the enterprise employees became the unit pension insurance system. The enterprise bears the endowment insurance expenses of the retired employees of the enterprise. After the reform and opening up, since the original pension insurance system did not adapt to the new situation of the planned economy transition to the market economy and affected the reform of state-owned enterprises, the reform of the pension insurance system was put on the agenda and developed into the current urban enterprise employee pension insurance.

Table 1 Analysis of the current status of the social pension insurance system

	Rural basic old-age insurance system	Urban basic old-age insurance system
Basic guiding ideology	Efficiency first, fairness	Efficiency and fairness
Financing model	Fully accumulative	Pay-as-you-go and fully accumulating hybrid
Responsibility sharing	Individual and collective sharing, mainly for individuals	Government, employer and individual
Coverage	Non-urban population rural population	Various types of enterprise employees, individual industrial and commercial households,
Payment level	Personal account pension	Basic pension + personal account pension
Payment method	Fixed contribution	Ratio payment, of which 20% of enterprises, 8% of individuals
Receiving age	Both men and women are 60 years old	Male 60 years old, female 50 (55) years old
Fund management	County Agricultural Insurance Agency County-level Coordination	Social insurance agency

### 3. Analysis of the Status Quo and Dilemma of China's Social Pension Insurance System

#### 3.1 The current situation of the urban and rural social endowment insurance system in China

China's urban and rural endowment insurance does not start from the same starting line. Due to historical and national conditions, the development of urban pension insurance system is generally faster and better than the rural endowment insurance system, and with the intensification of urban and rural dualization, urban pension Insurance is more perfect than rural areas, and its security is stronger. This has gradually widened the gap between the two. At present, "work insurance" and "urban and

rural security“ are both guarantees for the combination of unified accounts, but it can be seen from Table 2 that the differences between the two are still reflected in many aspects.

Table 2 Comparison of urban and rural social endowment insurance system

Types of	Work insurance	Urban and rural insurance
Way of guarantee	Unified account	Unified account
Security object	All employed workers in the town	Urban non-employed workers and rural residents
Fundraising entity	State, enterprise, and individual share	Individual contributions are supplemented by collective subsidies, and the state supports them.
Coordination scope	Province (city)	City (county)
Nature of protection	Mandatory	Voluntary
Capital operation	Pay-as-you-go system	Full accumulation

### 3.1.1 Fundamental structure of financing

At present, the main body of financing for “work insurance“ in China is the payment entity jointly constructed by the three modules of the state, enterprise and individual. In the aspect of pension operation, it is a combination of social pooling account and individual account, that is, the combination of account and account. The national unified stipulates that 8% of the total wages paid by the laborer personally enters the employee's personal account, and the enterprise pays the fee into the social pooled account according to 20% of the total wages of the laborer. This constitutes the management of pay-as-you-go. When income is less than expenditure, the state uses fiscal funds to supplement pension expenses.

“Urban and urban insurance“ is aimed at urban non-employed workers and rural residents. Therefore, if no enterprise undertakes part of the pension, it relies on individual payment and supplemented by collective subsidies [9]. The state encourages some collective organizations to undertake part-time pension for individuals. Gold, but in fact there are very few collective organizations to do this, and this part of the amount is small, especially in some economically underdeveloped areas, there are few collective subsidies. The state has not strictly controlled it in terms of laws and regulations. Therefore, this part of the funds is more flexible. There are still some differences in the structure of the main body of financing. The difference in the main body composition determines the source of the pension and the amount of funds. It is not difficult to find the reason why there is a big difference in the pension insurance between urban and rural areas.

### 3.1.2 Urban and rural integration level

As far as the current level of overall planning is concerned, the national pension fund has been integrated in 2015, and 34 provinces and municipalities have established a pension adjustment mechanism. Since “work insurance“ is mainly benefited in urban areas, its overall level has risen to the provincial level, but the “urban and rural security“ coverage involves a large number of rural areas, and its overall level is actually at the county level. China has established a special investment operation agency to deal with pensions. In today's era of network information, the county level lacks modern information and is less exposed to timely old-age information, and the system management method is relatively backward, plus places. The government intervenes in monopoly, and some pensions are privately misappropriated by officials. All kinds of conditions make the rural areas relatively low in terms of overall planning level, and the actual overall planning has not been carried out as planned.

### 3.1.3 Withstand social risks

From 2005 to 2015, the adjustment of pensions for enterprises and enterprises in China averaged

around 10%, and the average pension in 2016 was adjusted to about 6.5%. For citizens who enjoy “work insurance”, the national average pension for enterprises and enterprises It can enjoy 3,000 yuan (lower in the Midwest), and it can basically carry out normal daily expenses and guarantee a certain standard of living. However, for many rural residents, the payment of funds is voluntary, and the payment level is self-selected. There are even many remote areas that still maintain their lives through land or family pensions [10]. For these rural elderly people, there is no concept of pension insurance. Therefore, this system is very low propaganda in some backward areas. In addition, compared with the urban elderly, the living standards and quality of the rural elderly are far less than. When there are other major events such as illness, family changes, etc., their ability to resist risks is very low, and the pension will become extremely passive. Life embarrassment will come as a new problem. At the same time, due to the relatively low level of guarantee payment, the role of social pension insurance in avoiding risks has not been fully utilized, making the actual living conditions of these people not optimistic.

### **3.1.4 Aspects of system coverage**

Compared with rural areas, the time for the introduction of “work insurance” in urban areas is relatively early. Through continuous improvement and implementation, the system is more skilled in the operation process. Therefore, the coverage and height of the pension insurance system are relatively strong. As the system has just started, it will take some time to quickly cover the country. Therefore, there are still many villagers in remote villages who have not paid pension insurance, so they cannot enjoy the protection of old age.

## **3.2 Analysis on the Dilemma of Urban and Rural Social Security System in China**

### **(1) Coordination and development uncoordinated**

The pension insurance system is a major branch of the social security system. Although the unified urban and rural residents' pension insurance system has been implemented, it is still not satisfactory as a whole. First, it is manifested in the system and has long been subject to the urban-rural dual society. Under the system, although the distinction between urban and rural household registration has been removed from identity, it still cannot change the impact of inertia. Many remote areas are still not covered, and there are still great differences between urban and rural areas. Second, in terms of management, many provinces and municipalities have only implemented this policy from a macro perspective. They have not yet fully achieved provincial-level coordination in management. In particular, many rural areas are still only coordinating at the county level, and the system integration is not perfect. Not coordinated.

### **(2) The level of protection level is not uniform**

At present, the old-age security method adopted in China is a combination of unified accounts, that is, the government absorbs and understands the trend of pensions through fiscal funds, and then distributes them to individual accounts that meet the requirements of the system through certain channels. In fact, it is in line with the redistribution standard. However, at present, the income difference between urban and rural residents in China is relatively large, and each province has set up many different payment grades. Most people still choose low-level payment standards, especially in the protection level of rural residents, and they pay more and more. The long-term payment will lead to uneven levels of security, and it will be difficult for funds to flow from people with higher incomes to those with lower incomes. In the process of promoting the urban and rural insurance system in urban and rural areas, China should be more fair and try to reduce or even eliminate unfair guarantees.

### **(3) UnsTable funding sources**

Today, China has paid more and more attention to the endowment security. More middle-aged people have begun to have pension claims. This has greatly increased the pressure on China's financial expenditure on old-age care, and more and more funds. Need to invest in the gap, the current situation of empty accounts, cash flow and other operations has been going on for a long time, the state has also begun to introduce incentives to run pension funds. Due to China's special national conditions and the actual situation of each place, the basic nature of part of the accumulated funds has been formed since the establishment of the endowment insurance system. At present, it is still a

pay-as-you-go system. The source of funds is not sustainable. There will be a break in funds. In the long run, it will impose a huge burden on China's fiscal system, causing a difficult financial crisis, and even become a potential social risk, causing huge contradictions to society. Therefore, only the pension funds have been resolved. UnsTable predicament can be considered from the long-term perspective of urban and rural insurance system.

#### (4) Related legal policies lag

At present, China's pension insurance system is still in the primary stage of urban-rural integration. Many systems will reflect some loopholes after implementation, and the residents' pension problem is an important and unavoidable project for people's livelihood, even though China has promulgated a system of establishing social pension insurance. The basic opinions of urban and rural co-ordination and the convergence of different systems, but from the legal level, there is no corresponding special protection policy, so that problems are easy to occur and easy to produce bad situations in the process of system implementation. At present, China still relies on the basic laws of the Constitution and the Social Insurance Law in terms of the pension insurance system. There is no clear legislation on the aspect of pension insurance. So far, the promulgation of the relevant pension insurance system in China is still through the guidance, methods and decisions. When the provisions are issued, the individual law of the pension insurance system is still blank. Therefore, it is necessary to establish according to other relevant legal systems, so that the implementation of the system is protected in all aspects, and the policies of various provinces and cities can be implemented from various angles to implement the relevant systems.

#### (5) The implementation efficiency is not high

China's social endowment insurance system has covered all residents in terms of policies, but in the actual implementation, it can be found that the number of participants does not correspond to the statistical coverage rate, and the implementation efficiency is low, mainly in two aspects. On the one hand, in the actual operation, the propaganda intensity is insufficient, and the system cannot be covered by the whole people. Many farmers in remote areas, especially some elderly people, do not understand policies and even misunderstand the old-age insurance system. The traditional concept of raising children in rural areas and relying on land for the elderly is difficult to change, which hinders the process of urban and rural social security system. On the other hand, there is no modern use of networked modern results. In the process of endowment insurance to protect the living standards of the elderly, data from many provinces and cities have not been uploaded to the network. The data is not transparent and transparent, and the timeliness is not strong. There are phenomena such as cumbersome operation and time lag. We will earnestly improve the efficiency of the implementation of social pension insurance, so that the urban pension insurance system will be implemented in urban and rural areas.

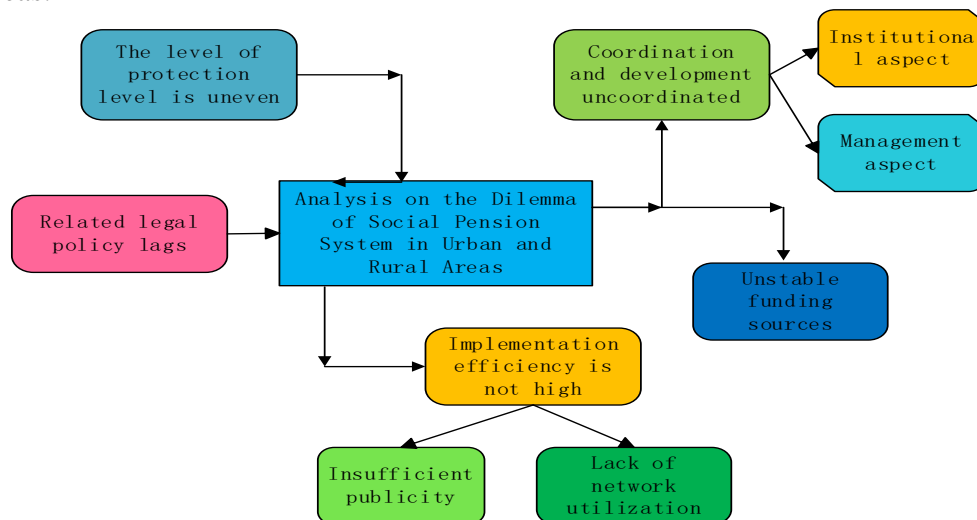


Figure 1 Analysis of the dilemma of urban and rural social security system

#### 4. Conclusion

The system of social pension insurance is a long-term and difficult task. Faced with the current population of aging population in China, along with the sustained development of the national economy and society, the demand for the elderly is getting higher and higher. After taking a big step in the urban-rural integration system of urban pension insurance system, China still has a fragmented institutional status, and the overall level of overall planning is uneven. This paper analyzes and studies the dilemma of social pension insurance system reform. In order to better implement the new social pension insurance system in China and solve the problem of residents' pension difficulties, this paper is based on the actual national conditions and economic development, from the perspective of institutional perfection. At present, the status quo of China's urban and rural endowment insurance system and the actual situation of difficulties, put forward the overall countermeasures for the improvement of urban and rural insurance system in urban and rural areas.

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