
New Rural Pension System of China: Is it Possible? An Exploratory Study of Feidong County, Anhui Province*

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Abstract:

The implementation of New Rural Pension System (NRPS) is becoming maturer in China, and the research and analysis of the problems exposed in the implementation process of NRPS has practical significance. The purpose of this paper is to analyze the problems of the implementation stage of NRPS in Feidong County and to propose countermeasures and suggestions on the basis of field research of pilot Feidong County, Anhui Province. This paper finds that there are problems such as inefficient publicity, low pensions, and the deformity of linking up policy mechanism, and the defect of fund management system and inconvenience in paying NRPS premium and getting the pension of the farmers in the implementation of NRPS in Feidong County. Therefore, in order to ensure the implementing effects of NRPS, there are several aspects should be improved and adjusted, such as improve the understanding of NRPS, strengthen publicity, and gradually raise the level of pension, perfect the policy linking up mechanism, establish a sound management system of NRPS and increase the policy transparency and so on.

Key Words: New Rural Pension System, Implementation, Policy Recommendations, Feidong County, China

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1 INTRODUCTION

In 2009, the State Council of China released “the State Council Regarding the Development of New Rural Pension Pilot Guidance”(China [2009] No. 32) which is an important countermeasure in the context of aging rural population and a significant means to promote the overall development of urban-rural economy and society¹. Since the implementation of the policy, many scholars have paid lots of attention on it. Su Baozhong (2009) reckons that the general idea of building New Rural Pension System should meet the basic requirement of social justice and promoting urban-rural convergence, the government should play the leading role and emphasize the improvement of the system and regulations of practices, with the prevention of risks and the strengthening of supervision and management as the core, and actively promote the improvement and innovation of rural pension system. Deng Dasong and Xue Huiyuan (2010) think that it is difficult for the local government to raise the capital during the implementation process of NRPS, especially for poverty-stricken counties who have heavy financial burden and can hardly afford the matching funds for financial assistance, so they might misappropriate individual farmers’ account for the current payment of financial subsidies; the research of Xue Huiyuan and Zhang Deming (2010) also point out that it is the most difficult for the financing of local government, especially for the local government of the poor central and western regions; Lin Yi (2009) believes that management performance of NRPS is the key constraints of the operation of the system and it is related to the success of NRPS, while there are still significant deficiencies in the tertiary management framework of NRPS established in the pilot areas: NRPS management service center—township labor and social security—village insurance instructor; Zhang Mengxia and Yangjie (2010) thinks that there is no innovation in the aspects of fund management and operation and risk management and as the NRPS fund does not realize the national plan as a whole, it is difficult to main and increase its value. In addition, Su Donghai and Zhou Qing (2010) find out problems like inefficient publicity and inability of pension relation shiftment and continuation to different locations based on a research of pilot counties of Ningxia province; Liu Xiaomei (2011) points out problems that NRPS can not realize full coverage and low support capacity; Huang Xiumei (2010) points out that NRPS is not attractive enough to farmers and there is no adequate incentive effect and staff in grass roots. It’s not hard to see that many previous studies focus on the overall level of analysis and researches focused on regions and based on field research to conduct analysis is not enough. Since Feidong County, Anhui province was identified as a pilot area of NRPS in 2009, it conducted useful exploration and improvement of the system and so far, it’s been two years after the implementation, this paper attempts to deeply analyze the problems of the implementation stage of NRPS in Feidong County and to propose

¹ The aging line set by the United Nations is that when the population proportion of 60 years and above occupy 10% of the total population, the proportion in China has reached 10.45% in 2000. The 2010 6th national population census show that the proportion of the people whose age is 60 or above are up to 13.26%. At the same time, the rural population aging degree is higher than town, has reached 15.4%.

countermeasures and suggestions on the basis of field research of pilot Feidong County, Anhui Province.

2 BACKGROUND

Like other rural areas in China, traditional family support of old age was the major old-age endowment pattern of the farmers in Feidong County before the implementation of NRPS. Since the reform and opening-up policy, especially after the 12th century, due to the rapid development of an aging population and the impact of weakening function of family support of old age, the pension problem in Feidong County is getting serious. For this reason, before the national formal policy of pilot NRPS was issued, the government of the county already began the research on the need the system and started the initial pilot in four towns in early 2009. These preparation and research gave it the opportunity to become one of the first counties of NRPS in China and in 2010 it officially launched the pilot. According to provisions of “the Notice of Feidong County about the Implementation Method of New Rural Pension Pilot” (Feidong [2009] No. 61), all the agricultural registered permanent residents with an age above 16 years old (excluding students) and without participating the basic old-age pensions for workers of enterprises in urban areas are entitled voluntarily to participate in NRPS. After the participants register the pension, the County center of NRPS will open personal pension accounts to record basic personal information, payment information, pension payment information, and the amount of the account and so on. The fund of NRPS is mainly constituted of individual contributions, collective subsidy and government subsidy. The standard of individual contributions is temporarily set 10 grades from 100 yuan to 1,000 yuan, and participants can select any grade in one certain year, as there is no collective subsidy now, the government give 30 yuan as subsidy per person per year (20 yuan from provincial government, and 10 yuan from county government), and the subsidy would increase 5 yuan if the chosen standard of the participants increase every grade, but the total additional subsidy would not be more than 20 yuan. There are basic pension and personal account pension. The standard of basic pension is 60 yuan per person per month (including 55 yuan from the central government and 5 yuan from the county government), the ones who pay more than 15 years, they can get an extra 1% of the basic pension if they pay every one more year and the maximum is 10%, the additional part is borne by the county government; the monthly distribution of personal account pension is the accumulated amount divided by 139, issued by the personal account. From the pension conditions, all the rural residents aged more than 60 years can receive the basic pension by month without depositing, but their children who meet the conditions to participate in the system have to pay the enrollment fee; and the rural residents whose age is less than 15 years to reach 60 should deposit annually, deferred payment is allowed except when the deferrd time is more than 15 years; the rural residents whose age is more than 15 years to reach 60 should deposit annually no less than 15 years.

3 RESEARCH DESIGN AND SAMPLE DESCRIPTION

The respondents of the research are 192 farmers of Feidong County and the research method is stratified cluster random sampling. First, Liangyuan town with an average economic condition and Cuozen town with an advanced economic condition were selected between 18 towns in Feidong County according to their economic conditions; then an incorporated village was selected in each town randomly, and they were Minzhu village in Liangyuan town and Yaogang village in Cuozen town; finally, 9 unincorporated village were selected randomly from Minzhu village (36 unincorporated villages) and 3 unincorporated villages were selected randomly in Yaogang village (16 natural villages) and 16 farmers were selected from each village as respondents and 188 valid questionnaires were finally obtained.

From a gender perspective, male accounts for 45.7% and female accounts for 54.3%, so the proportion of each is almost even; in terms of age, 16 to 45 years old (not including 45 years old) accounts for more than 22.9%, and age 45 to 60 years old (not including 60 years old) accounts for more than 43.1% with an percentage of 34.0% of 60 years and above and the average age is 54 years old, considering that the need of this age group have a greater need of pension, so the age distribution is accord with expectation. By education degree, farmers without any education or a primary school degree accounts for 66%, the ones with a junior high degree accounts for 27.7% and the ones with a high school degree accounts for 6.3%; by occupation, 68.1% of the respondents are pure farmers, 15.4% of them have multiple occupations and 8.0% of them do work for others. By household size, the mode of series is 4, which means that family with four members accounts the largest part, that is 23.9%, followed by family of five accounting for 20.7%, and 18.1% of family of two and 17.6% of family of three, and other sizes accounts for 11.1%; by household economic condition, the largest proportion of the household net income of the respondents is between 2,000 yuan and 20,000 yuan, which is 60.7%, the one that is above 20,000 yuan accounted 29.2%, and the ones with less 2,000 yuan account for 10.1%. Most income of the farmers are really low, it is difficult to meet the pension issue relying solely on household savings.

Table 1 Basic Characteristics of the sample

		Male	Female	
Gender	Number of samples	86	102	
	Percentage	45.7%	54.3%	
		16~45	45~60	60 and above
Age	Number of samples	43	81	64

	Percentage	22.9%	43.1%	34.0%	
Education degree		Primary school or no education	Junior high school	High school and above	
	Number of samples	124	52	12	
	Percentage	66.0%	27.7%	6.3%	
occupation		pure farmers	multiple occupations	do work for others	others
	Number of samples	128	29	15	16
	Percentage	68.1%	15.4%	8.0%	8.5%

4 THE EXISTING PROBLEMS AND ANALYSIS OF REASONS

In general, the pilot implementation of NRPS in Feidong County is carried out steadily according to the plan. At present, the percentage of participating NRPS reaches 96.8%², the farmers' satisfaction degree is as high as 97.9%. However, this research found that there are problems in the implementation of NRPS in the county, and they are as follows:

4.1 Inefficient propaganda

In the initial implementation of NRPS, there were all kinds of policy propaganda in Feidong County, for example, collective meetings, posters and village cadres' visitings, but still the local farmers' cognition of NRPS has serious insufficiency. As Chart 1 shows, there are 50.0% of the farmers does not understand the overall situation of NRPS; 72.8% of the farmers do not know the subsidy policy of the government and collective; and 91.5% of the farmers have no idea of the accounting methods of payment standard for personal accounts. This shows that most of the farmers in Feidong are still not clear of the main content of NRPS, which further reflects that the local publicity is not efficient enough.

² The data provided by the local government is 74%. About the cause for this difference is partly explained by the local government that some migrant workers and students studying outside of the town have not participated in NRPS.

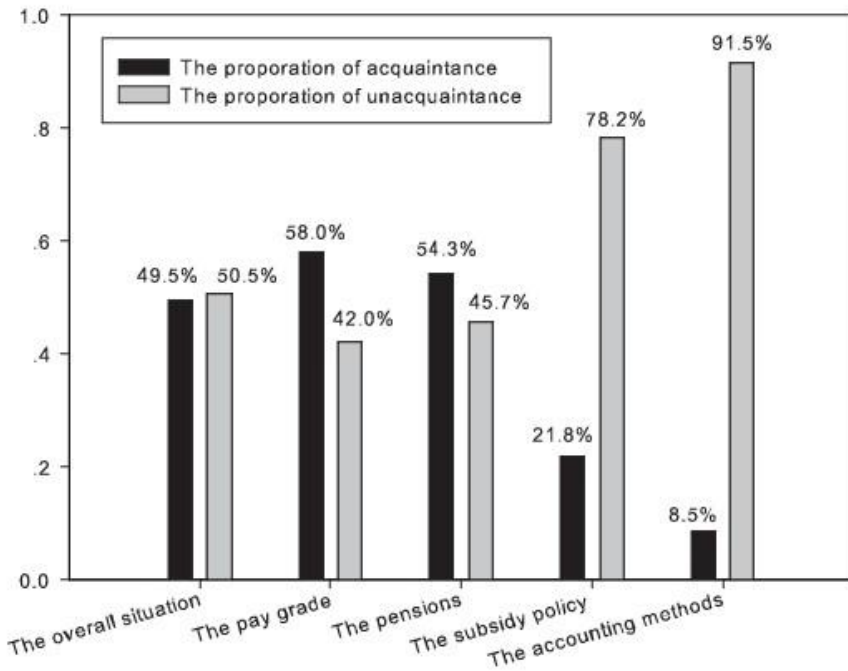


Chart 1 The Recognition Level of NRPS of farmers

The main cause of this problem is that there is no thorough propaganda mechanism and lasting publicity programme. The initial publicity of each village was for the purpose of encourage the farmers to participate in the system and it only worked to pass on the policy and complete the task, there was no detailed introduction of government subsidy and amount of payment; after most of the farmers participated in it, the publicity became even weaker. This temporary publicity would lead to uncomprehensive understanding of the policy and that farmers was lacking of recognition of its content and understanding of its significance, which may further affect their enthusiasm to participate in NRPS and their choice of insured grade.

4.2 Low pensions

The purpose of introducing and promoting of NRPS is to protect the lives of the aged, but during the research, it can be found that, the current pension level is low, far can not guarantee the basic life of the old people. As everyone knows, the higher that the grade that the farmers choose to participate in the programme, the more pensions they can receive when they grow old, but the data shows that 48.5% of the farmers select the grade of 100 yuan, then, according to the implementation process of Feidong NRPS, it can be calculated that, after the farmers pay 100 premium every year for 15 consecutive years, the amount of personal account pension without interest that they can get when they are 60 years old is: $(\text{premium } 100 \text{ yuan/year} * 15 \text{ years} + \text{government subsidy } 30 \text{ yuan/year} * 15 \text{ years}) / 139 = 14 \text{ yuan}$, plus the basic pension of 60 yuan, the monthly pension they can receive is only 74 yuan. On this basis, even taking into

account the value-added fund, pensions the farmers can receive still can not meet their basic monthly expenses³. Part of the reason for the low level of pension payment is that some farmers have financial difficulties and they cannot afford higher premiums, so they they have to choose the lowest grade; but for the most farmers, the reason is that they do not have a fully comprehension of the content and operating mechanism of NRPS, and their trust to the management of the pension fund is not enough.

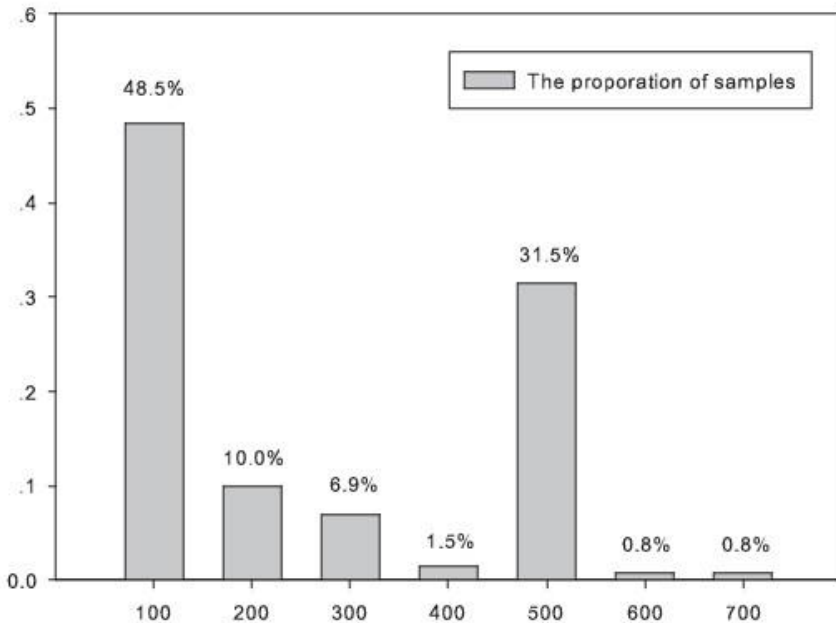


Chart 2 Proportions of Each Grade of NRPS that Farmers Selected

4.3 Deformity of linking up policy mechanism

An efficient mechanism for inter-policies coordination is crucial for the government to build a comprehensive social security system which covers both urban and rural areas. After extensive studies, the author finds that although Feidong County has made policies and regulations to promote links between NRPS and Rural Pension Insurance Pilot Program mes, which were initiated in China since 1991, and the Endowment Insurance for Village Cadres, and Family Planning Law, yet it has never made regulations to connect NRPS with Basic Old-age Insurance System for Employees in Urban Areas, Rural Five Guarantees Subsistence System, and other relevant programs. The blank margin really matters for Feidong County with great labor migration and population mobility. Some cases are listed as follows: some have been covered by basic old-age insurance system for employees in urban areas, but when they go

³ According to investigation, 58% of the local villagers think their monthly expense that can guarantee their basic life will be more than 300 yuan when they are 60 years old.

back to hometown, they don't know how to join NRPS; some have got permanent urban residence certificate, however, for years, they have been living in and working in Feidong. These people are not eligible to be covered by NRPS, however if they go back to the place where their residences are registered, it will be time consuming and money consuming. Facing the dilemma, they usually choose to give up the chance to join NRPS. Besides, a woman's case is worth to be mentioned in particular: she has a city permanent urban residence certificate before she married a man with the rural registered permanent residence living in Feidong, and in this case, she can neither join urban social endowment insurance nor the NRPS, because only rural residents are titled to join the NRPS.

4.4 Inconvenience in paying NRPS premium and getting the pension

In Feidong County, Rural Cooperative Banks are the designated banks for NRPS business; therefore, all the residents had to do the business in Rural Cooperative Banks. However, there are many inconveniences reflected by local residents, especially those elderly people, such as the long distances from their residences to Rural Cooperative Banks, longtime waiting in banks, and bank staff's poor service. After doing the research, the author concludes the following two reasons to explain these inconveniences. Firstly, there is no concerned agency to deal with NRPS business in villages, therefore, Rural Cooperative Banks in Feidong County and sub-branches in towns are the only agencies dealing with NRPS business, including consulting policies of NRPS, depositing money for paying NRPS premium, and withdrawing money for getting the pension, etc. In this case, it is very inconvenient for the elderly people. Secondly, NRPS is still in a trial stage, needing more supporting facilities. In fact, there is only one bank window dealing with NRPS business in every rural cooperative bank, and most rural residents usually do the business at the same time, therefore, the longtime waiting and poor service attitudes in banks are inevitable.

4.5 A lack of transparency for funds management

Funds management transparency is crucial for implementing NRPS and gaining insured residents' trust. However, nowadays, most residents do not know that the money they have paid for the insurance will be paid back, and the funds for NRPS actually come from personal accounts, collective benefits and government subsidies, which mean villages, will provide subsidies for local villagers as pension benefits and multi-level governments will provide subsidies to rural residents. However, rural residents almost know nothing about it. Therefore, in this case, more transparency for funds management needs to be improved.

The reason why rural residents learn quite little concerning NRPS is that most people only have NRPS passbooks, without any accounts in which funds are dynamically calculated, and automatically credited to the accounts while transaction happens. Residents only know the records of their NRPS premiums paid by themselves, and the records tracing transfer of funds from Rural Cooperative Banks to NRPS Management Service Center. However, residents know nothing about governments' subsidies, the accumulated funds in their own accounts, and

appreciation of social security funds. In this case, rural residents feel confused about the NRPS; on the other hand, there is a potential risk for the misappropriation of the funds.

4.6 Existence of Inappropriate binding policies

According to the NRPS policies, all rural residents who are above 16 years old (excluding students) and not covered by the urban employee's basic pension insurance are entitled voluntarily to participate the New Rural Pension System. In addition, rural residents who are above 60 years old and not covered by the urban employee's basic pension insurance are entitled to receive pension benefits monthly, as long as their children are covered by NRPS. In the study, the author finds that there are binding policies during the implementation of NRPS. For instance, there is an old couple who are over 60 years old but they cannot get the basic pension, because their son violates the one-child policy. The local government may believe that the binding policy can be favorable to the sound development of the family planning policy; however, what the local government has done is a violation of Chinese laws and regulations. In fact, the inappropriate binding policies not only harm rural residents' interests, but also have a negative impact on government credibility.

5 SUGGESTIONS ON IMPROVING NRPS POLICIES

5.1 Improving the understanding of NRPS

Improve the understanding of the policy of NRPS is quite important to implement it effectively. As following the abolition of agricultural tax, direct subsidies for agriculture and new rural cooperative medical care, another favorable policy-NRPS is being carried out. NRPS is launched by Central Committee of Communist Party of China (CPC) and the State Council, which aims to better foster a balanced urban-rural development, doing away with urban and rural and binary structure, promoting social justice. Therefore, the government should let the rural resident, particularly those rural cadres and government staff, be conscious about the government's purpose of launching NRPS from the perspective of stimulating domestic demand, improving the social security system, promoting rural economic development and social stability, hence promoting harmonious development of the whole society.

5.2 Strengthening publicity

The government should make full use of the media, such as radio, television, newspapers to gain good publicity for NRPS. Then rural residents can gain a better knowledge of NRPS, including the amount of money people can get at certain ages, the significance of implementation of NRPS, etc. Moreover, the government should calculate precisely concerning the money people should pay, and the number of money that people will get back from the pension insurance, which will greatly contribute to the development of NRPS.

5.3 Raising the level of pension gradually

Nowadays, insured residents can receive a monthly pension of 60 yuan, however, as prices are inflating, the basic pension of 60 yuan cannot guarantee residents' daily expenses. In this case, the government should raise the standard of basic pension according to the pace of economic development. Meanwhile, provincial governments and county governments should rationalize public finance expenditure, appropriately increase the proportion of subsidies based on the pace of economic development and make higher incentives to encourage villagers to select a higher pay grade. Township governments should increase collective benefits to personal accounts based on local economic prosperity, which will contribute to raising the standard of basic pension.

5.4 Perfecting the policy linking up mechanism

Setting up efficient mechanism for linking up policies has dual meanings. First, the government should promote the integration between NRPS and other social security policies. Second, the government should do a good job for the transfer and integration of NRPS in different regions. Facing the dual tasks, the government should integrate different social security policies relations as soon as possible, establishing a comprehensive social security management system, making full use of the public finance expenditure. In addition, the government should launch a national wide regulatory information system, making unified operation procedures, solving the problems of funds transfer, funds settlement, etc.

5.5 Establishing a sound management system of NRPS

Nowadays, village officials play leading roles in publicizing NRPS; however, the village officials are quite busy and had to deal with lots of other stuff, therefore, NRPS can hardly guarantee the accuracy and complicity of its work. To solve this problem, the government should set up a comprehensive system ranging to support the smooth implementation of NRPS. For example, in villages, the government should establish new rural pension management offices; speed up the building of Rural Cooperative Banks, adding more windows dealing with rural pension security, improving bank staff's attitude, so as to let rural residents have a clear picture of the NRPS and provide more convenience for rural residents to handle rural pension security business.

5.6 To guarantee the transparency of the NRPS policy

In order to guarantee the transparency of the NRPS policy, the government should make great effort in policy enactment and policy implementation. On policy enactment, the government should publicly list all the policies, rules and regulations concerning NRPS, and letting residents know that. Besides, updated information for fund pooling and payment should be released periodically. On policy implementation, the officials who are in charge of NRPS business, should strictly carry out policies, rules and regulations, and hence raise the transparency. Besides, the officials should be regularly audited by higher authorities. In this way, China is able to establish an open, transparent, fully audited, and accurately and dynamically managed pension system.

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