

# Development and Challenges of China's Overall Planning for Social Pension Insurance

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**Abstract**—Promoting the overall planning of social pension insurance system is an important content of the reform of China's social pension insurance system. According to the development course of China's overall planning for social pension insurance, this paper analyzes the basic model and policy development process of China's overall planning for social pension insurance and further analyzes the interactions and conflicts between different overall planning from the perspective of intergovernmental relations. It is pointed out that the different models emerged in the overall planning process causes the conflict at space level of social citizenship to some extent. Finally, the paper puts forward some suggestions for policy development.

**Keywords:** *pension insurance, overall planning of insurance system, China's social security system, intergovernmental relations*

## I. INTRODUCTION

Social pension insurance (hereinafter referred to as "pension insurance" if not otherwise noted) system is an important part of the social security system of countries around the world. Since the 1990s, China has begun to reform the basic pension insurance for enterprise employees (also known as "urban employee social pension insurance", hereinafter referred to as "basic pension insurance" or "employee's insurance"). Although it has achieved some reform results, it is still facing many difficulties (Yang Bin, 2019; Zhou Aimin, 2019). China's social pension insurance system is highly decentralized, with low levels of overall planning, weak anti-risk capabilities, and the difficulty for farmers to obtain effective social pension insurance support. Those issues need to be improved urgently and require for continuously driving China's social pension insurance planning, expanding the coverage of the insurance and improve the fairness of the insurance.

With the reform of economic system and the development of society, issues in social insurance for migrant workers and landless peasants have become more and more prominent (Han Junqiang et al., 2012). These groups of people cannot be covered by the original social pension insurance system, which poses new challenges to the improvement of the social pension insurance system. With the advocacy of the central policy, the social pension

insurance system for migrant workers and landless farmers is now under flourishing construction. The central policy is also making active research and trials for the establishment of a unified national pension insurance system for migrant workers.

Hence it can be seen that the promotion of social overall planning for social pension insurance is an important part of the current reform of China's social pension insurance system. The overall planning effect is directly related to the social and economic development and the interests of people. It is of great significance to the research of the overall planning of social pension insurance. In view of this, focusing on the process of the China's overall planning for social pension insurance, this paper explores the models of overall planning for social pension insurance, and the interactions and conflicts occurred between different models.

## II. THE MAIN MODELS OF CHINA'S OVERALL PLANNING FOR SOCIAL PENSION INSURANCE

On the one hand, the development of China's social pension insurance appears division of the social insurance system by the boundary of urban and rural areas. On the other hand, diverse policies appear due to regional differences; consequently, the fragmentation of the social insurance system becomes very obvious. In order to solve these problems, make better use of social insurance's ability to adjust, and better promote social equity, China has been continuously promoting overall planning of social pension insurance since the reform of social pension insurance. From the perspective of space, it can be divided into horizontal and vertical overall planning.

### A. Horizontal overall planning: region-oriented urban and rural overall planning

The so-called horizontal overall planning mainly refers to breaking the huge gap between urban and rural social citizenships and promoting the integration of social insurance and the equality of social citizenship within a region. Since most of them are implemented by municipal government in its region, it does not involve higher administrative level, so it is horizontal in space.

Since urban employee pension insurance is early established and relatively complete, the focus of urban and rural overall planning is to establish and improve rural social pension insurance. Although rural social pension insurance encountered many problems at the beginning, in recent years, many regions have actively carried out new rural social pension insurance work, resulting in a variety of different models of new rural social pension insurance, and achieved certain results.

*1) Coverage: farmers and urban residents*

The new rural social pension insurance surely covers the rural registered people in an administrative area, but the new rural social pension insurance in many areas is not just for rural registered people. Either to strengthen the insurance fund's resilience or to expand its coverage, the new rural social pension insurance in many areas also covers a part of the urban registered people namely "urban residents". In the social pension insurance system, "urban residents" usually refers to non-enterprise employees who have urban household registration, namely the group of people who have urban household registration but cannot buy the basic pension insurance for urban enterprise employees. As it covers some urban residents, this system is also called urban and rural residents' social pension insurance, but its main body is still rural social pension insurance.

The urban and rural residents' social pension insurance of Jiaying City implemented in 2007 is essentially a new rural social pension insurance established by reforming the "old rural social pension insurance"; but "in order to expand the rural social pension insurance fund 'reservoir'" (Mi Hong, Yang Cuiying, 2008), the system also covers the disadvantaged people urban area who are unable to buy urban employee pension insurance. For another example, the pilot provisions of the Chongqing Urban and Rural Residents' Social Pension Insurance in 2009 (General Office of Chongqing Municipal People's Government, 2009) covers: (1) rural residents aged 16 or over (excluding students); (2) urban flexible employment personnel aged 16 or over (excluding students); (3) urban people who are aged 60 or over and do not enjoy basic pension insurance (retirement) benefits. In Shanghai, Zhejiang and other places, enterprise employees having rural household registration can choose to buy "employee's insurance" or "rural social pension insurance" (Yang Cuiying, 2007: 141).

More and more new rural social pension insurances also cover people having urban household registration in the coverage target, making this social insurance remove the urban and rural household registration restrictions, enhance its functionality, and become a resident social insurance system that effectively supplements the basic pension insurance for enterprise employees. Without changing the employee's insurance system, the new rural social pension insurance has taken the first step to break the urban-rural division of social citizenships by covering urban residents.

*2) Operation model: being self-contained or being incorporated into employee's insurance*

The old social pension insurance is characterized in that it is a self-help system, and adheres to the principle of "payment by individuals, supplemented by collective subsidies, under policy support of the state", while the new social pension insurance in most regions provide financial subsidies, where the government and the collective share the burden of farmers' insurance costs. However, the operation models of new rural social pension insurance in different places are still different and are consistent with the definition of "urban and rural overall planning" in this paper. At present, the local governments have a self-contained simple coverage model in the selection of operation model of rural social pension insurance, and a unified model for docking with employee's insurance system.

*a) Being self-contained*

Enterprise employee's pension insurance follows an overall planning and personal account combined model. Therefore, the personal account-typed rural social pension insurance model becomes the form of insurance different from employee's insurance the most. The rural social pension insurance model based on the full personal account reserve accumulation system basically continues the security model of the old social pension insurance, focuses on individual self-help, and is different from the mutual-aid nature of the basic pension insurance for enterprise employees. For example, the new rural social pension insurance system implemented in Zhaoyuan City of Shandong Province in 2006 adopted reserve accumulation model in the principle of "individual payment, supplemented by collective subsidies, under appropriate subsidies from the finance department". The insurance expense paid by individual and the subsidies from the collective and government are jointly included in personal account.

This model can be described as a kind of "coverage overall planning". The rural citizen's social citizenship is guaranteed by establishing a rural social pension insurance system. It is relatively easy to implement because it has low conditions for establishment and is suitable for rural areas. However, its treatment standard is low, and is far from being comparable to that of employee's insurance. The obvious differences in system also set up obstacles to the unification of social citizenship.

*b) Being incorporated into employee's insurance*

Although the central policy's proposal for the rural social pension insurance model has remained in personal account system for a long time, in practice, many typical regions (such as parts of Jiangsu and Guangdong) implementing new rural social pension insurance have implemented an "overall planning and personal account combined" model. This model pays attention to the urban-rural integration trend of social pension insurance, takes the overall arrangement of the urban-rural social security system as the principle, is consistent with the employee's insurance account model, and provides convenience for future docking. Not only that, some regions (such as Changshu in Jiangsu province and

Dongguan in Guangdong province) have substantially achieved the unification of rural social pension insurance and employee's insurance. The unification is not only reflected in the overall planning and personal account combined" model, but also reflected in contents such as the specific payment base and proportion.

In the "Guiding Opinions on Implementing New Rural Social Pension Insurance Pilot" issued by the State Council in 2009 (GF[2009]No.32), the funding model of "individual payment, supplemented by collective subsidies, under appropriate subsidies from the government" was determined; the pension amount is composed of basic pension fund and personal account pension; the institutional design is very similar to that of urban social pension insurance model, and consideration is being given to formulating measures for future convergence with basic pension insurance for enterprise employees. Hence, it can be seen that the central government has taken a unified pension insurance system as a development goal, and a higher-level development model of "unified overall planning" for rural social pension insurance and employee's insurance has become the development direction of future policy.

*B. Vertical overall planning: group-oriented provincial overall planning and central policy*

Provincial and central social pension insurance policies are also pursuing unity, especially in larger regions. However, unlike municipal government's policy oriented to regional integration, provincial and central policies are often group-oriented.

*1) Provincial overall planning of basic pension insurance for enterprise employees*

Provincial overall planning of basic pension insurance for enterprise employees (hereinafter referred to as "provincial overall planning") is to solve the current problem of low overall planning level and poor adjustment ability, in order to make full use of funds and enhance the risk resistance of pension insurance. At the same time, by breaking the regional barriers at the city and county levels, it is available to promote the formation of a unified and standardized social insurance system and the establishment of labor market.

Since 1991, the State Council has proposed to gradually realize the provincial overall planning for basic pension insurance all over the China. In 1998, the State Council issued the "Notice on Relevant Issues in Implementing Provincial Overall Planning for Enterprise Employees' Basic Pension Insurance and Getting Industrial Overall Planning Transferred to Local Administration" (GF[1998]No.28). This Notice clearly stipulates that the provinces and autonomous regions should gradually implement the provincial overall planning of basic pension insurance, and by 2000, substantially realize the unified payment proportion, management and dispatch of basic pension insurance at the provincial level. After that, the former Ministry of Labor and Social Security and the Ministry of Finance issued the "Notice on Relevant Issues in Promoting the Provincial Overall Planning for Enterprise Employees' Basic Pension Insurance"(LSBF[2007]No.3) which clarifies specific

standards for provincial overall planning and requires local governments to formulate specific work plans to promote the provincial overall planning and ensure realizing provincial overall planning by the end of 2009. It can be seen that provincial overall planning of basic pension insurance has always been the development direction of China's social pension insurance.

However, the realization of provincial overall planning is beset with difficulties. Since 1991 China, has gradually implemented provincial overall planning. However up to 2009, in addition to Beijing, Shanghai, Tianjin, Liaoning, Heilongjiang and other provinces and cities where provincial overall planning had been actually implemented, most provinces remain at the city and county levels of overall planning (Xu Zhipeng, 2009); personal empty accounts were common in social pension insurance of each region (Lin Yuming, 2007); the original relevant system was imperfect so that the realization of provincial overall planning was restricted (Liu Wenjing, 2008; Ge Wei, 2009); the responsibility division of local governments at all levels is unclear and unreasonable (Zhong Shisheng, 2008; Zhu Changwei, 2004); the imbalances in local development and the competition of interests in various regions have also hindered the smooth implementation of provincial overall planning (Zhang Lijun, 2009; Jin Zhengshuai, 2008).

What should be noted is that the "provincial overall planning" that has been implemented for a long time to overcome geographical division does not refer to the social insurance overall planning for all residents in the province, but only refer to the provincial overall planning of basic social pension insurance system for urban enterprise employees. In other words, in the development of social pension insurance, urban enterprise employees are ahead of other groups of people, while for other groups, there is still not a clear specification on basic issues such as system design. So in a short term, it is still hard to transform this group-oriented development path.

*2) Central social insurance policy for protecting vulnerable groups*

Although the central government has always attached importance to the overall planning of social pension insurance, it usually pays more attention to the situation of a specific group, such as farmers, migrant workers, and landless peasants and so on, from the perspective of actual problems and conditions. Those groups not only come from rural areas where social insurance development is relatively backward, but also have large populations and belong to vulnerable groups in the society. Solving the social insurance problems of those groups becomes important and urgent.

In such circumstances, the central government has to adhere to a unified direction and pay attention to solving the problem of the special groups. For example, as mentioned in the "Eleventh Five-Year Plan" for the development of labor and social security undertakings, "it is necessary to focus on driving the social insurance for land-expropriated farmers in a method in line with the characteristics and needs of the specific groups... and take the time to research a social

pension insurance measure for migrant workers linked with the existing pension insurance system, with low expense, wide coverage and transferability". The "Interim Measures for the Transfer and Continuation of the Basic Pension Insurance Relations of Urban Enterprise Employees"(hereinafter referred to as the "Interim Measures") also specifies the social rights of migrant workers by effective institutional provisions. However, the common point of these policies is that they are all group-oriented and cannot overcome the current fragmented state of social citizenship.

First, the convergence between social insurance policies for different groups is difficult. For the vulnerable groups not covered by the traditional social insurance system, although "the convergence with existing pension insurance system" is also mentioned when formulating social insurance policies for them, in fact, it is difficult to formulate a measure suitable for different groups and also linked to the existing system within a short term due to the influence of fragmentation of the social insurance system. Therefore, the central government can only focus on solving the social security issues of a certain group, and set aside the issue of policy convergence for future consideration. For example, the measure for convergence between new rural social pension insurance and employee's insurance and other pension insurance systems as mentioned in the Opinion on Implementing New Rural Social Pension Insurance Pilot issued in 2009 will be designed and issued in the future. The "Interim Measures" also states that "the connection policy for migrant workers participating in basic pension insurance for enterprise employees in urban areas or new rural social pension insurance in rural areas should be studied and formulated separately."

In addition, in the context of the implementation of various exploratory policies at local level, central and local policies are likely to be mismatched. The policy orientation of the "local pioneering exploration pilot" leads to the diversification of local policies. Just the current social insurance system for migrant workers can be divided into four categories that are difficult to be integrated (see the previous article: employee's insurance model, rural social pension insurance model, comprehensive insurance model and dual-low insurance model); and due to the current imperfect social pension insurance system, the central government has hardly considered how to realize the transition or link from local policy to the "central standard" and also cannot explain it. In the case that the central policy cannot give a guiding policy instruction, the exploration pilots in various places will still exist for a long time, and more central and local policies will not be matched. For example, since the new rural social pension insurance pilot is still under implementation, it is difficult for the closely related migrant workers' social pension insurance system to make explanation for the policy convergence. And as for the types and categories of insurance that migrant workers' social pension insurance policy should select, the central policy still cannot make explanation.

In short, the central government's policy on social pension insurance has a clear group orientation. These policies for solving the problem of social rights of disadvantaged groups have played a positive role on the one hand, made the social security system for the disadvantaged groups available and ensured the social citizenship of those groups; on the other hand, they have failed to play a role in driving the integration of social insurances. Due to the inadequate design for policy convergence of those systems upon their issuing, those systems become separate social pension insurance systems. This makes it more difficult to unify social citizenship to some extent.

### III. SPACE CONFLICT IN SOCIAL CITIZENSHIP

In the analysis of different policies on the overall planning, the differences in the spatial paths of the municipal and provincial and central governments to promote social insurance development can be clearly observed.

First, municipal governments focus on the integration within their regions. As local government, it surely will first consider the social insurance issues in its region and establish a fairer and more unified social insurance system within the region under its jurisdiction. Therefore, this issue has become the reform goal of many municipal governments. Especially for developed coastal areas, with the acceleration of economic development and urbanization, the barriers between urban and rural areas have weakened significantly, providing a basis for prefectural and municipal governments to break the urban-rural barriers and make overall planning for urban and rural social insurance systems. Local governments are actively trying to make overall planning for urban and rural social insurances and establish an equal social citizenship within the region. First of all, municipal government establishes a new rural social pension insurance system which covers farmers who have been excluded for a long time due to the urban-rural boundary, which provides protection for farmers' social citizenship. At the same time, the new rural social pension insurance also covers the vulnerable urban residents, and gradually crosses the urban-rural boundary of social citizenship in space. Secondly, through the integration of new rural social pension insurance and employee's insurance, the social welfare differences of different groups are merged to make social citizenship in the region more consistent and fair.

Second, the provincial and central governments focus on group needs. For provincial and central governments, they are facing a wider area and more complicated realities. In a situation where there is large gap in the level of economic development, urban-rural obstacle remains an insurmountable gap. However, problems such as lack of security and inequity brought by social development need to be solved urgently. Therefore, on the one hand, the provincial and central governments cannot quickly balance the differences in social citizenship between urban and rural areas provided that the traditional social security boundary between urban and rural areas is followed; on the other hand, the central policies respond to differences in social citizenship of diverse groups by solving the social insurance

issue of key groups on the basis of path dependence. Provincial overall planning is an effort made in breaking the regional division within the group of urban enterprise employees in order to improve the overall planning level of basic pension insurance for enterprise employees. The central policy focuses on the formulation of a social insurance system for vulnerable groups. Although it cannot change the grouped separation of social citizenship, it provides security for those groups and shortens the gap between different groups in social citizenship. It can be seen that the provincial and central governments are working hard to break the regional and group divisions. However, these efforts are group-oriented, so that it cannot improve the fragmentation status of social insurance.

Third, regional justice does not fully reflect this problem. Regional justice, as a horizontal fairness, usually refers to fairness in the region of the (welfare) country. It is the policy goal of a state to resolve the differences in benefits provided by different local governments. This concept has become complicated in China's social pension insurance system (Su Zongmin, 2015; Li Qiong et al., 2018). First of all, China's horizontal fairness is mainly implemented by municipal governments (urban-rural overall planning), and the regional boundary is limited to municipal administrative regions. The result of the "welfare area" phenomenon brought about by this level of overall planning is not regional justice, but the widening of welfare differences between regions. Provincial overall planning and central policies contain the connotation of regional justice. Provincial overall planning prevents the social welfare of residents in the province from differing by region, while the central government has formulated insurance system for the group of migrant workers so that the social pension security benefits of this group cannot be reduced by region. However, provincial overall planning and central policies are group-oriented, which contradicts the connotation of regional justice focusing on needs without distinguishing individual identities.

#### IV. SUGGESTIONS FOR DEVELOPMENT OF CHINA'S SOCIAL SECURITY SYSTEM

##### A. *Focusing on the construction of the system framework*

Due to the long-term implementation of "local pioneering pilot" policy in social security by the central government, there are many types of local social security plans all over China; and they are constantly improved and form local benefits and institutional barriers as the time goes. However, the national policy framework has not yet been established. Taking social pension insurance as an example, the central policy currently has had clear regulations on the basic pension insurance plan for urban employees, but still has no clear positioning for other social pension insurance plans such as those for farmers and migrant workers which are still in a state of exploration. The longer this exploration is, the more barriers will need to be broken. When a perfect central policy cannot be issued, the policy development direction and policy planning are also important policy guidelines.

##### B. *Designing an effective docking mechanism and improving the transfer and continuation methods*

Central policies need to establish effective docking mechanisms and improve the transfer and introduction mechanisms between different welfare areas. The docking mechanism is a continuation mechanism for social security rights and interests when citizenship changes. For rural migrant workers, when the current urban-rural integration cannot be achieved nationwide, a good docking mechanism is needed in order to incorporate migrant workers into the urban social insurance system or rural social insurance system. Regarding the cross-regional transfer of social insurance relations, the "Interim Measures" has made major breakthroughs, and stipulates that those who have 10 years of continuous payment records can enjoy local insurance benefits, which also laid the foundation for the introduction mechanism. The next work should be to improve the transfer and introduction mechanism, to promote the orderly flow of labor, so that the labor transfer place and the receive place can share social security responsibilities in a balanced manner.

#### V. CONCLUSION

The fragmentation of the social security system is one of the main obstacles to the development of China's social security system. The long-standing urban-rural division still plays an important role in the field of social welfare, and social development has produced more diverse social groups. The fragmentation of social citizenship in different groups is prominent. Different from literatures that focus on the social insurance coordination of a certain level of government, such as city-rural coordination or provincial-level coordination. The purpose of this article is to describe the interactions and conflicts between different levels of social security policies and the spatial changes in social citizenship under such conflicts. For the development of China's social security system, the gradual formation of welfare areas has caused some problems. Regarding the inconsistencies between different levels of government, this article puts forward suggestions at the institutional level. However, since the focus of this article is not on countermeasures, this proposal is only a preliminary idea. It needs to be demonstrated and improved from more disciplines and perspectives.

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