



The Improvement Plan of China's Social Endowment Insurance System

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Abstract. Because of the COVID-19, China's social welfare system has been changed over time, and reforms were made for coping with the expansion of the aged population, the shrinkage of the newborn population, and the decrease of deficit in the pension fund as commonly observed throughout the world, and such reforms concentrated particularly on improvement in the endowment insurance system, the core of the social welfare system. The present study purposed to examine the contents of reforms in the China's social endowment insurance system, to evaluate the necessities and results of the reforms, and to suggest solutions for outstanding problems.

Keywords: Improvement Plan · Endowment Insurance System

1 Introduction

In recent years, the reform of China's endowment insurance system can be seen as an inevitable phenomenon of rapid economic development since the reform and opening up. In the case of relatively small economic scale, there may be such a mode of operation, but with the reform and opening up, the economic scale increases, the employer should be able to achieve it in the case that the pension insurance expenses increase geometrically, which brings a huge burden to the national finance, drags the competitiveness of state-owned enterprises, and the system cannot be operated continuously. At the same time, with the reform and opening up, the number of private enterprises excluded from the beneficiaries of pension insurance has increased rapidly. The scale is huge and proportional to the scale, resulting in a large number of workers who cannot benefit from pension insurance. The pension insurance reform in the 1990s focused on solving the expected effects of the pension insurance revenue composition, diversification in appearance, expansion of the pension insurance applicable class, but in essence the inconsistency between the old and new systems and the coexistence of local implementation methods brought about by the operation of the confusion aggravated, the financial integration process heard the voice debt brought about by the overall financial There are many problems, such as the government deficit, the narrow scope of the practical system, and the conflict caused by the economic imbalance between different regions.

This study is the background and process of the recent reform of China's pension insurance system. The research results are evaluated and excerpted, and the improvement plan is proposed for the existing problems of China's pension insurance system.

2 The Problems and Solutions of China's Social Endowment Insurance System

2.1 The Problems of China's Social Endowment Insurance System

For now, endowment insurance system has undergone many improvements, but there are still many problems.

1. Lack of unification of the basic laborer's endowment insurance system, with various implementation methods coexisting.
2. Lack of specialized policy research on social supplementary endowment insurance.
3. Narrow coverage and low participation rate of endowment insurance.
4. Balance of payments imbalance due to the rapid aging of the population problem.
5. Urgent need for SOEs to pay for endowment benefits.
6. Rural endowment insurance problem.
7. Regional imbalances and fragmented provincial integration of endowment insurance system.
8. Contradictions in the stability and efficiency of fund management.
9. Negative debt and the expansion of the size of empty passbooks etc.

In response to these problems, this present study purposed to several proposals for improving China's pension insurance.

2.2 Improve China's Endowment Insurance System's Plan

Increase Endowment Insurance Coverage's Plan

In Europe, basic endowment insurance covers more than 90% of the population. At the beginning of the 21st century, U.S. Social Security, or national basic long-term care insurance, covered 96% of workers in the United States. This solved the problem of survival rights for most of the elderly population in the United States. 60% of the elderly over the age of 65 in the United States get 50% of their income from social insurance.

In recent years, China's basic endowment insurance has already systematically extended its coverage to all types of enterprises and workers in cities, and even to farmers and laborers. However, the coverage rate of basic endowment insurance in China is still very low: a large proportion of the urban population is not covered by basic endowment insurance, and farmers, who make up 60% of China's population, have little access to endowment insurance. There are no institutionalized guarantees for farmers' old age security. However, the State Council has already recognized the importance of endowment insurance for the elderly and has made a policy that the social insurance system will be increasingly urban-oriented, but will also cover rural areas.

The content and reform of the endowment insurance system are mainly based on the policy documents of administrative agencies, so China's endowment insurance system has a weak legal foundation, which leads to weak legal protection and insufficient means of monitoring. In the meantime, if it is compulsory through legislation, there is a growing consensus that it is necessary to work around it and devise preferential policies for non-participants, i.e., to impose restrictions on private enterprises and individual workers who do not participate in endowment insurance in conjunction with relevant sectors such as labor and taxation, and to encourage active participation in endowment insurance through tax benefits and tax reductions for enterprises and workers who do participate in endowment insurance. Such moves are being implemented in various provinces, especially as a measure to strengthen endowment insurance collection.

Structural Changes in Social Security Spending

Learning from the experience of other countries' endowment insurance systems, China should realize the transformation of public finance to solve the problems of financing the endowment insurance system and implementing the social security system. Under the new public finance system, fiscal expenditure should meet public demand and social security.

Looking at the fiscal expenditure structure of major countries, the proportion of spending on direct economic construction is low. The first two countries are industrialized countries with a high level of market development, so the proportion of economic construction expenditures is very low. The latter three countries are developing countries, with poor market development and large government interference, but the proportion of expenditures on economic construction is still less than 30%.

The social security system in developed countries is relatively complete, with social security and welfare expenditures accounting for 30–50% of fiscal expenditures. Before 1998, China's central fiscal expenditures on social relief and social security were limited to "compassionate care" and social relief expenditures, which is a very small amount. In 2021, China spent 15 billion yuan on social security and welfare, accounting for 2.96% of total fiscal expenditure and 0.2% of gross domestic product. Therefore, China needs to adjust the structure of fiscal expenditures, reduce administrative expenses, and allocate a higher proportion of expenditures to social security.

Eldercare Issues as the Population Ages

China should respond to the aging population by appropriately extending the legal retirement age or increasing the flexibility of the retirement age. At the end of 2021, according to a sample of 1% of the population, the number of elderly people aged 60 and over reached 18.9% of the total population, and the number of people aged 65 and over reached 14.2%. Around 2035, the number of people aged 60 and over is expected to reach 450 million, and the number of people aged 65 and over is expected to reach 3.35 billion, which means that one out of every three Chinese people is an elderly person. As we know, developed countries have already entered an aging society. In response to an aging society, most developed countries have appropriately raised the retirement age. However, while raising the retirement age reduces immediate retirement expenditures, it can also have negative effects on the labor market. First of all, raising the retirement age reduces the number of jobs available for young people, causing unemployment, and in a

society that is increasingly dominated by the knowledge economy, the older workforce reduces the labor productivity rate, which is not as high as required by competition in terms of flexibility. Increasing the retirement age can reduce the competitiveness of the national economy. To combat the negative effects on the labor market, many developed countries have responded flexibly to the issue of raising the retirement age. Workers can choose to take partial retirement after reaching the legal retirement age. China is a country of 1.4 billion people with a serious aging population and a serious employment problem. Like developed countries, China experienced a baby boom in the 50s of the 20th Century.

3 Conclusions

Until now, the core of the social security system has been the guarantee of a minimum economic standard of living from retirement to death, which is the basic purpose of the pension system. It can play a role in income redistribution between low-income and high-income people, become a tool to achieve social and economic justice, and can also be used as a capital mobilization equipment with the power of the huge fiscal provident fund.

In modern times, almost all countries have implemented various forms of endowment insurance system. Although the system guidelines and operating forms are different, the basic purpose of basic living security system should be paid attention to. China's endowment insurance system also added the concept of socialist public welfare on the basis of such a theory. The initial implementation of the system in accordance with the international standards at that time, in a fairly wide range of application quickly. However, due to the arrival of the cultural revolution, which was a dark period of social politics, most of the social systems that had been implemented in modern China, including the endowment insurance system, were destroyed and experienced a period of institutional regression.

Firstly, we will expand the scope of application of the old-age insurance system. In order to fulfill the function of social security and reflect the actual situation of China, the scope of application should be expanded as far as possible and the principle of minimum level of social security should be adhered to. We should speed up the legislation of the endowment insurance system, establish and implement a strong legal system to enforce consistent policies, give tax incentives to the honest guardians of the system, and indirectly increase the participation rate of the system.

Secondly, we will change the expenditure structure of the social security system. China has invested too much directly in economic development, so it invests less in social protection than other countries. In order to effectively operate the social security system, the government should increase the ratio of fiscal expenditure to social security.

Thirdly, we will solve the old-age care problem caused by an aging population. As in other countries, the government should adopt a flexible retirement age. However, due to the nature of China's large population, the extension of the retirement age is directly related to the unemployment of young people. Therefore, the government should adopt a flexible retirement age for talented people.

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