



Exploring the Relationship Between China's New Rural Pension Scheme and Rural Development

Haoming Peng^(✉)

School of International Relations and Diplomacy, Beijing Foreign Studies University, Beijing, China

202120116096@bfsu.edu.cn

Abstract. Within the double context of China's new dual-circulation development strategy and the increasing pressure of an aging population, it is vital to stimulate the enormous economic potential inherent in China's huge rural population base and area covered by liberalizing rural areas from aging pressure. Hence, this paper attempts to explore the link between the new rural social endowment insurance and China's rural revitalization, especially focusing on the role of China in promoting the development of rural areas. The study makes a unique contribution to the research on the plausibility of the new rural social endowment insurance as well as its spill-over effects on social economic development through a systematic review of relevant articles based on the PRISMA guidelines and by integrating the discoveries of the literature reviewed in a logical manner. In addition, the study seeks to provide the current policy practices with a novel integrated vision through a more comprehensive overview of the issue. Overall, the study highlights the underlying mechanisms between the new rural social endowment insurance and rural development from the perspectives of stimulating consumption in rural areas, promoting the transformation and upgrading of rural industries, and advancing sustainable development in rural areas.

Keywords: New rural pension insurance · Rural Development

1 Introduction

In 2020, China proposed the goal of building a new development pattern in which the domestic cycle is the mainstay and the domestic and international cycles promote each other, while China's rural population is huge and covers a wide area, thus the development of rural areas has become one of the most crucial driving forces of China's economic development that cannot be ignored [1]. In addition, with the growing trend of aging in China and the weakening of the family's elderly care function, which has led to increased pressure on elderly care in rural areas, the issue of elderly care in rural areas should be given full attention by society [2]. To alleviate the heavy burden of old-age pensions on the development of rural areas, China launched a pilot scheme for a new type of rural social pension insurance in 2009, and by the end of 2012, the new rural insurance

scheme had basically achieved full coverage [3]. Given this, this paper explores in greater depth the link between the implementation of new rural social endowment insurance and the development of rural areas, particularly how the new rural social endowment insurance empowers the development of rural areas, through a systematic review of the previous literature. This study integrates a series of previous studies on the correlations between the new rural social endowment insurance and residential consumption, labor migration, and sustainable development in an attempt to provide a more intuitive and systematic account of the close link between the implementation of the new rural social endowment insurance and rural revitalization. Most of the current mainstream research on the new rural social endowment insurance has focused on the impact of it on rural retirement patterns [4, 5], the specific situation of the implementation of the new rural social endowment insurance [6–8], the influence of the new rural social endowment insurance on the labor supply and consumption patterns of rural residents [9–11], and the willingness and satisfaction of rural residents to participate in the scheme [12–15]. While most of these studies have focused on the “efficiency” of the new rural social endowment insurance implementation, recent related studies have also begun to focus on the “equity” of the scheme [3, 16] and prefer to conduct analysis in terms of “intergenerational impact” [17–19]. However, these studies mostly focus on a single perspective to indicate the connection between the implementation of new rural pension insurance and rural development, and there is a lack of study to comprehensively and conclusively specify those relationships. Therefore, this article aims to offer a more detailed and comprehensive overview of the correlations between the two and to give some constructive suggestions as a reference.

2 Research Method

In order to improve the validity of the literature selected for review in this study, the study followed the PRISMA guidelines [20], collecting articles through the China National Knowledge Infrastructure and Keele Online Library, and then scanning through the title, summary, and full text in sequence to locate the selected articles accurately (see Fig. 1).

3 China's New Rural Pension Scheme Influences the Rural Development

3.1 Stimulating Consumption in Rural Areas

Low levels of consumption will hinder the optimization of the economic structure; hence, promoting rural consumption is an important step in the overall promotion of rural revitalization [21]. As Shen and Mu (2013) point out, the new rural social endowment insurance is of great significance in raising the consumption level of rural residents, thereby expanding domestic demand and boosting rural economic growth [22]. The new rural social endowment insurance mainly releases the consumption potential of rural areas by increasing the disposable income of rural residents, stabilizing their income

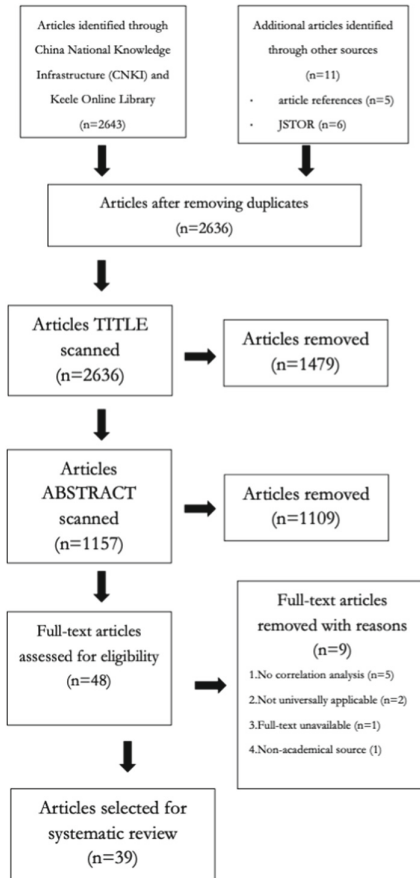


Fig. 1. Flow diagram of the process of research selection. Adapted from PRISMA guideline [20].

expectations, and narrowing the income gap between urban and rural areas, thereby boosting rural economic development.

Increasing the disposable income of rural residents

According to Shen and Mu (2013), the major sources of income for elderly people in rural areas were pensions, agricultural revenue, and child support [22]. Given the rules for receiving pensions under the new rural social endowment insurance, rural inhabitants aged over 60 who are not included in the urban employee's basic pension insurance are qualified to receive pensions monthly [23], which directly increase the income of rural elderly people. Furthermore, under the new rural social endowment insurance, participants receive their pensions from both the social account and individual account, with the individual account being funded by individual contributions, government subsidies, and collective subsidies, and the social account being directly subsidized by public funds [24]. Hence, by paying part of the pension insurance premiums for farmers through public transfers, rural residents' pension expenses can be reduced, which is equivalent to

an increase in their disposable income [1]. In addition, the new rural social endowment insurance has prompted the elderly who are qualified to receive pensions to reduce their agricultural work, thus increasing the viability of intergenerational care in rural families, and their children can thereby devote themselves more to their work to achieve higher economic rewards, in exchange for which they will give the elderly a certain amount of financial return, thus increasing their disposable income, which is approximately 1700 yuan per year across 28 provinces, autonomous regions, and municipalities directly under the Central Government [2].

Stabilizing rural residents' expectations of future income

The squeezing out effect of the new rural social endowment insurance on the precautionary pension savings of rural residents will be more conducive to improving the capital structure of rural areas and promoting higher levels of consumption in rural areas [25]. As a social security instrument, the government underwrites the future retirement of rural residents through fiscal expenditure so that participating farmers do not have to overly accumulate savings to cope with their old age, and therefore the squeezed-out savings are eventually converted into consumption [1]. It is suggested that rural residents tend to deal with the unexpected risks in their retirement lives through precautionary savings; however, the stable expected income provided by the new rural social endowment insurance will increase the resilience of rural households to risk, leading them to reduce precautionary savings and increase consumption expenditure [26, 27]. In other words, the introduction of a new rural social endowment insurance system will help to reduce uncertainty about peasants' old-age security, which in turn will weaken their precautionary savings and thus increase their propensity to consume [22]. Overall, the introduction of the New Farmers' Insurance Scheme in 2009 has greatly enhanced the confidence of rural residents towards their old age, with most of them feeling that they have something to rely on in their old age and that they are more willing to spend money on some of their purchases than before [28].

Narrowing the income gap between urban and rural areas

The growth of consumer demand is the fundamental engine driving national economic growth, and the urban-rural income gap is the most influential factor affecting the growth of rural residents' consumer demand [29]. It is further argued that the income gap between urban and rural residents in China is negatively correlated with the social consumption rate: the smaller the income gap between urban and rural residents, the higher the level of residents' consumption; when the income gap between urban and rural residents widens, a situation of under-consumption will arise [29]. According to Eggertsson et al. (2019), rising income inequality increases the residents' propensity to save and reduces their propensity to consume [30]. Given that the total amount of national wealth is fixed for a certain period of time, the new rural social pension insurance system not only achieves a partial transfer of wealth from urban to rural residents by way of redistribution but also directly increases the income of rural residents through financial subsidies, all of which are conducive to narrowing the dualistic economic welfare gap between urban and rural areas [31].

3.2 Promoting the Transformation and Upgrading of Rural Industries

Facilitating land transfer

Rural land transfer can not only promote the realization of large-scale and industrialized land cultivation, thus improving the efficiency of land resources and raising farmers' income, but also help improve the rural land environment and ecological environment, facilitating the modernization of agriculture [32]. As Yang and Zhou (2022) point out, land transfer has contributed to intensive farming, which not only helps farmers become more competitive in the agricultural production market by reducing costs but also encourages them to learn professional farming techniques and expand crop yields per unit of farmland, thus increasing the efficiency of agricultural production [33]. However, the rural social endowment insurance has a significant positive effect on the land transfer behavior of older rural families, as it increases the non-farm income of older rural families and changes the income structure of households [34]. Additionally, according to Kaushal (2014), the pension insurance system has a substitution effect on land-based pensions, mainly in the sense that farmers' participation in pension insurance reduces their dependence on land [35]. Moreover, it is suggested that pension insurance promotes the choice of non-farm entrepreneurship by rural families, which in turn has a positive impact on household land transfer behavior [36].

Promoting labor mobility

The transfer of rural laborers has reduced the number of people engaged in agricultural production, prompting a shift from decentralized to large-scale and mechanized agricultural production, which has increased agricultural productivity. In addition, some of the transferred laborers have returned to their hometowns to invest in rural secondary and tertiary industries, taking advantage of the capital, technology, and management experience they have accumulated during their working lives, which has contributed to the restructuring of rural industries [37]. The expectation of caring for elderly parents has somewhat constrained labor migration in rural areas of China, and the new rural social endowment insurance has helped to ease this constraint as pensioners can replace the direct physical care provided by their adult children with purchased services [38]. In addition, for families without elderly people, the implementation of the pension insurance policy has led to the expectation that the young and middle-aged workforce will have a portion of stable income in old age, thus increasing the likelihood of young and middle-aged people going out to work [24]. Overall, in addition to solving farmers' pension worries, the new rural insurance promotes the free movement of labor between urban and rural areas, thus potentially contributing to long-term economic growth [24].

3.3 Advancing Sustainable Development in Rural Areas: Upgrading the Consumption Structures of Rural Residents

The participation of the elderly in the new rural insurance will significantly increase the level of education expenditure of their families by 69.2%, which is conducive to improving the education level of rural families and will help the economic development of rural areas in the long run. This is an important measure to solve the "three rural issues" and

narrow the gap between urban and rural areas [17]. The new rural social endowment insurance is a key driver of rural economic growth and even of the country's high-quality economic development, and by facilitating the transfer of labor, it can lead to an increase in the developmental and enjoyment-oriented consumption expenditure of rural households, thus optimizing the consumption structure of rural families [39]. The new rural social endowment insurance promotes the optimization of the consumption structure of rural residents in two main ways: firstly, by expanding the budgetary constraints of rural residents so that they can spend more of their income on higher-level consumption, and secondly, by increasing rural residents' confidence in their current consumption so that they can spend more income on development and enjoyment consumption [40].

4 Discussion

4.1 The Interconnectedness of Different Effect of the New Rural Pension Insurance

There is an intrinsic correlation between the paths of the new rural social endowment insurance for rural development explored above. For those over 60 years of age, the new rural social endowment insurance directly increases their disposable income, thus enabling them to increase their investment in intergenerational care. In addition, the implementation of the new rural social endowment insurance stabilizes the future income expectations of rural residents, giving the able-bodied labor force the confidence to take greater risks and seek better-paid jobs to increase their income, which in turn provides the basis for an upgrade in the consumption structure. In the long run, this will contribute to the sustainable development of the countryside. In turn, the security effect of the new rural social endowment insurance and its effect of promoting the transfer of labor to non-agricultural sectors make rural residents less dependent on land, thus promoting the full transfer of rural land and the leapfrogging of rural industries, which in turn can lead to increased income for rural residents. It can thus be seen that the implementation of the new rural social endowment insurance promotes a multi-pronged and mutually reinforcing approach to rural development.

4.2 Differences that the Positive Effects of the New Rural Insurance Show in Different Dimensions

The impact of the new rural social endowment insurance on the promotion of rural land transfer is differentiated along two dimensions: gender and region. Miao and Liu (2022) show that the effect of old-age insurance on rural women is not significant, and that for households headed by men, old-age insurance has a significant contribution to the land transfer behavior of older farming households [36]; In addition, Miao and Liu (2022) also point out that the positive contribution of the new rural social endowment insurance to land transfer differs significantly between eastern and central and western regions, with the new rural social endowment insurance showing a more significant positive contribution in eastern China due to a higher level of marketisation of land transfer and a better social security system driven by a higher level of overall economic development [36].

4.3 Policy Suggestions for the Relevant Concerns Surrounding the Implementation of New Rural Social Endowment Insurance

In view of the role of the new rural social endowment insurance in promoting the transfer of the agricultural population to the non-agricultural sector, which means the young and middle-aged rural labor choose to leave rural areas for better-paid work opportunities and the inter-generational care of the rural elderly for their grandchildren tends to increase within the context of the new rural pension insurance, thus the problem of “empty nesters” and “left-behind children” in rural areas needs to be fully recognized by the society. Therefore, while focusing on the role of the new rural social endowment insurance in promoting the social and economic development of rural areas, attention should also be paid to strengthening the psychological condition of empty nesters and children left behind in rural areas and promoting the organization of leisure and recreational activities and facilities in rural areas. In addition, given the role of the new rural social endowment insurance in boosting the consumption levels of rural residents, it should also be noted that optimizing the supply side in rural areas is necessary to further stimulate and match the demand potential of the areas covered by the new rural social endowment insurance.

4.4 Limitations

This paper is based on a review, analysis, and summary of previous research on new rural pension insurance and lacks the collection and presentation of real-time data to further explore the subject matter of this paper from a quantitative perspective, and the causal correlations stated in the article cannot be visually validated. However, due to the differentiated implementation status of the new rural pension insurance across different provinces of China, as well as the different regional development levels between them, the relevant research and reports concerning quantitative analysis are using inconsistent variables and approaches. Hence, it is a challenge for the study to exploit current studies to further verify the causal relationships between the implementation of new rural pension insurance and rural revitalization in a quantitative manner.

5 Conclusion

This paper explores the link between the implementation of the new rural insurance and the promotion of rural development through a review of the previous literature. It explains the relationship between the new rural pension insurance and the sustainable development of rural areas by raising the consumption level of rural residents, promoting the transfer of rural labor to non-agricultural sectors, facilitating the transfer of rural land, and promoting the upgrading of the consumption structure of rural residents. In the discussion section, the paper explores the intrinsic correlation between the paths but also examines the regional and gender differences in the positive effects of the new rural social endowment insurance implementation on promoting land transfer and gives some suggestions around the psychological state of the rural population left behind and rural provision. However, further research is needed to verify the relationship between the new rural pension insurance and rural development from a causal perspective by collecting further relevant data and factual evidence.

References

1. Wang J. et al. (2023). The impact of the New Rural Social Pension Program on the upgrading of rural households' consumption structure: From the perspective of precautionary savings. *Research of Agricultural Modernization*, 44(1), pp.119-129.
2. Yang, R. et al. (2022). New Rural Pension Scheme, Intergenerational Support, and Grandparenting: Evidence Based on the Regression Discontinuity Design. *Population Research*, 46(3), pp. 44-59.
3. Zhang, Y. and Chen, D. (2023). Does New Rural Social Pension Alleviate the Inequality of Opportunity in Health between Urban and Rural Elderly? ——Evidence from the CHARLS Data. *Journal of Agrotechnical Economics*, pp.1225–1242.
4. Zhang, C. and Chen, B. (2014). Can “Public Pension System” Substitutes “Family Mutual Insurance”? *Economic Research Journal*, 49(11), pp. 102-115.
5. Cheng, L. et al. (2013). Does the New Rural Pension Scheme Remold the Eldercare Patterns in Rural China? *Economic Research Journal*, 48(8), pp. 42-54.
6. Zhang, C. et al. (2015). Policy Evaluation of China's New Rural Pension Program: Income, Poverty, Expenditure, Subjective Wellbeing and Labor Supply. *China Economic Quarterly*, 14(1), pp. 203-230.
7. Deng, D. and Xue, H. (2010). Analysis of the difficulties in the implementation of the new rural social pension insurance system: an analysis of the financing capacity of individuals, collectives and the government. *Reform of Economic System*, 2010(1), pp. 86-92.
8. Li, D. (2011). The “New Agricultural Insurance” System: A Review of the Current Situation and Policy Recommendations. *Journal of Nanjing University*, 48(1), pp. 30-39.
9. Ma, G. and Zhou, G. (2014). The Impacts of New Rural Pension Program on Household Saving: Evidence from CFPS. *Economic Research Journal*, 49(11), pp. 116-129.
10. Yue, A. et al. (2013). The impact of the new rural social pension insurance on households Impact of daily cost expenditure*. *Management World*, 2013(8), pp. 101-108.
11. He, L. and Jiang, Z. (2015). The Effect on Consumption Enhancement of the New Rural Social Pension Insurance: Evidence from CHARLS. *Population and Economics*, 2015(1), pp. 116-125.
12. Zhang, C. (2010). Farmers' willingness to join the new agricultural insurance and its influencing factors* --- A survey based on Doumen, Zhuhai and Maoming, Maonan, Guangdong. *Journal of Agrotechnical Economics*, 2010(6), pp. 4-10.
13. Mu, H. and Yan, L. (2012). Factors Affecting Farmers' Participation in the New Rural Pension Insurance. *Population Research*, 36(1), pp. 73-82.
14. Hu, F. et al. (2014). Empirical Research on the Influence Factors of the New Rural Endowment Insurance System Satisfaction Based on the SEM. *Journal of Public Management*, 11(4), pp. 95-104.
15. Xiao, Y. and Liu, P. (2011). Analysis of factors influencing satisfaction with the new rural social pension insurance. *Reform of Economic System*, 2011(5), pp. 66-70.
16. Li, Y. and Cai, L. (2023). Does New Rural Society Endowment Insurance Program Alleviate the Consumption Inequality of Rural Residents? *Consumer Economics*, pp.1–13.
17. Zhang, S. and Li, B. (2022). Whether New Rural Pension Scheme Promotes Family Education Expenditure ——Empirical Evidence from China Family Panel Studies. *Journal of Shanxi University of Finance and Economics*, 44(12), pp. 34-36.
18. Hao, C. et al. (2022). Does the New Rural Pension Program Increase Offspring Labor Supply? An Examination from the Perspective of Family Intergenerational Division. *Studies in Labor Economics*, 10(4), pp. 81-110.
19. He, L. and Li, Y. (2022). The Influence of Children's Status on New Rural Pension Payment Decision. (eds) 2022 China International Conference on Insurance and Risk Management, pp. 383–398.

20. Liberati, A. et al. (2009). The PRISMA statement for reporting systematic reviews and meta-analyses of studies that evaluate health care interventions: explanation and elaboration. *PLoS medicine*. [Online] 6(7), e1000100–e1000100.
21. Liu, X. (2022). Factor resource allocation, urban-rural income gap and rural consumption. *Journal of Commercial Economics*, 2022(22), pp.61-64.
22. Shen, Y. and Mu, H. (2013). A study on the multiplier effect of new rural social pension insurance on rural residents' consumption. *Economist*, 2013(4), pp. 32-36.
23. Liu, C. L. and Han, Y. (2010). New rural pension insurance system in China. *China journal of social work*. [Online] 3 (1), pp. 83–87.
24. Tan, H. et al. (2016). Impact of New Rural Social Pension Insurance on Rural-Urban Labour Migration: an empirical study based on CFPS*. *Economic Science*, 2016(1), pp. 53-65.
25. Jiao, K. and Jing, Y. (2014). The Analysis of the Saving Crowding-out Effect of New Rural Social Endowment Insurance and Its Influencing Factors: Based on the Extension of The Intergenerational Model for Two Periods. *Northwest Population Journal*, 35(2), pp. 110-114.
26. Wang, J. et al. (2021). The Impact of New Rural Pension Program on Consumption of Poor and Vulnerable Farmers. *Consumer Economics*, 37(3), pp. 57-68.
27. Wang, Z. et al. (2022). Urban-rural Income Gap, Consumption Propensity and Consumption Structure Upgrading. *Statistics and Decision*, 38(15), pp. 51-54.
28. Liu, B. and Qiu, M. (2014). Can the New Rural Endowment Insurance System Improve the Residents' Living Standards? Analysis Based on the ELES Model. *Journal of Xiangtan University*, 38(5), pp. 64-68.
29. Shen, C. and Jin, J. (2013). Effect of China's Urban-Rural Income Gap on Consumption. *Value Engineering*, 32(13), pp. 172-173.
30. Eggertsson, G. B. et al. (2019). A Model of Secular Stagnation: Theory and Quantitative Evaluation. *American economic journal. Macroeconomics*. [Online] 11 (1), pp. 1–48.
31. Shen, Y. (2014). A study on the redistributive effect of new rural social pension insurance on national income. *China Economic & Trade Herald*, 2014(23), pp. 24-27.
32. Dong, L. (2022). The impact of land transfer on rural economic development. *Modern Agriculture*, 2022(20), pp. 80-82.
33. Yang, D. and Zhou, L. (2022). Study on the Impact of Land Transfer on Farmers' Household Income — Analysis based on the perspective of intergenerational differences. *Price: Theory Practice*, 2022(12), pp. 164–168.
34. Guo, Y. et al. (2020). Whether The New Rural Pension Insurance Can Promote the Land Transfer of Part-time Farmers or Not*—By Fuzzy Regression Discontinuity Design. *Chinese Journal of Agricultural Resources and Regional Planning*, 41(6), pp. 186-194.
35. Kaushal, N. (2014). How Public Pension affects Elderly Labor Supply and Well-being: Evidence from India. *World development*. [Online] 56, pp. 214–225.
36. Miao, R. and Liu, X. (2022). Research on the Relationship Between Pension Insurance and Rural Elderly Family Land Circulation Behavior. *Journal of Qingdao University*, 35(3), pp.123-128.
37. Liu, H. et al. (2017). Mechanistic analysis and empirical testing of rural labour migration for poverty reduction. *Rural Economy*, 2017(11), pp. 57-62.
38. Eggleston, K. et al. (2018). The impact of rural pension insurance on labour migration in China. *World Bank Econ Rev*, 32(1), pp. 92-124.
39. Zhu, Y. et al. (2022). The Influence of Rural Labor Mobility on Household Consumption Structure. *Consumer Economics*, 38(3), pp. 52-63.
40. Xue, L. and Li, Y. (2022). Research on the Impact of the Pension Insurance System on the Optimization of the Consumption Structure of Rural Families. *Contemporary Social Science*, 7(4), pp. 1-16.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

